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"kän-v&r-'sA-sh&n - noun oral exchange of sentiments, observations, opinions, or ideas

Background articles on matters facing IEU members in the lead up to the 2007 Federal election

Are AWAs Essential to the Mining Industry?

It's no surprise that the mining industry wants to keep AWAs, as the AMMA (Australian Mines and Metals Association – the national employer association dealing with IR matters) writes in its briefing material for member companies: "WorkChoices and its impact on unions in your workplace.....WorkChoices allows employers to limit and regulate third party interference in the workplace"

But there is no evidence that the Howard Government's IR agenda, especially AWAs delivers for either workers or the employer.

What most people know is that the mining boom, especially in Western Australia is providing record profits and an alleged need for 'greater flexibility' by workers and therefore AWAs.

As reported in the press:

- The Australian mining industry recently reported a 24.1% profit for 2005-06. Over the last 10 years it has averaged 9.4% per year.⁶
- The industry is dominated by large multi-national companies, most of which are foreign-owned and/or foreign-based: BHP Billiton, Rio Tinto, Anglo American, Xstrata, Newmont.
- BHP Billiton made \$10.45 billion in net profit last year and this year could earn \$13.2 billion, according to ABN AMRO.
- Rio Tinto showed a 2006 profit of \$7.8 billion. Macquarie Bank sees 2007 profits around \$7.4 billion.

- SYDNEY, May 9 (Reuters) - Shares in miner Rio Tinto jumped as much as 11 percent on talk of a \$100 billion-plus takeover bid by larger rival BHP Billiton

Still, the mining industry has mounted a case for "special treatment" from a future ALP Government in respect of IR laws.

The metal ore mining industry in Western Australia in particular is a heavy user of AWAs but there are large parts of the mining industry that are *not* heavy users of AWAs so any argument that mining *per se* needs AWAs is spurious.

ABS published data on wages in the mining sector shows only 16.2% of mineworkers are covered by AWAs. Even in metal ore mining where AWAs are allegedly preferred, just 31% of workers are covered by AWAs. A majority (55%) are covered by common law contracts that are supplementary to existing Awards and collective agreements.

In coal mining, the largest single commodity sector of the mining industry and the nation's biggest export earner, the majority of workers are unionised and work under collective agreements.

The fundamental difference between the coal mining and the metals mining industry with respect to the nature of IR agreements is the level of unionization. In coal mining the CFMEU has successfully defended collective bargaining, while much of metal mining is non-union. The mining companies make good profits under either set of arrangements.

The workers under AWAs however do not fare as well. By comparison Coal miners on collective agreements receive far better pay than non-

union metal ore miners - \$46.70 per hour versus \$35.10. They also work better hours – an average of 43.8 in coal vs 46.2 in metal ore mining.

Further, Australia's major mining companies are mostly global in their operations, and usually foreign-owned. They operate profitably elsewhere in the world without AWAs.

The AMMA repeatedly asserts that AWAs suit both employers and employees. (eg *Employee Engagement and Workplace Flexibility*, 2006).

However, immediately before BHP Iron Ore shifted the majority of its workforce to individual contracts in 1999 the company had refused to collectively bargain for more than a year, and told workers they would never get a pay rise except via an individual contract. Take it or leave it!

All new employees at AWA sites in mining are required to sign an AWA as a condition of employment. Jobs are not offered on any other basis.

The AMMA has claimed that the loss of AWAs will cost the mining industry \$6.6 billion in lost exports per year (Steve Knott, Chief Executive AMMA, in *The Australian Financial Review*, 31 July 2006).

However productivity growth figures in the AWA-influenced iron ore and gold mines of Western Australia compared with the unionised coal mining industry seem to paint a different likely outcome. Figures showing the change in physical output per person employed, per year reveal that over the 10 years to June 2006 (covering the period since AWAs were introduced in 1996 by the Howard government) for the mining sectors were:

WA iron ore: 0.33% per year

WA gold: -1.26% per year (a decline!)

Australian coal: 2.87% per year

In other words, unionized, collective bargaining based coal mining has improved its productivity at 9 times the rate of AWA-dominated iron ore mining over the decade.

Put simply, coal mining dominated by collective agreements has achieved productivity growth substantially exceeding that of AWA-influenced iron ore and gold mining over a 10 year period.

Mining internationally has been characterised by significant productivity growth. But AWAs exist nowhere else in the world. What drives productivity growth is technological change, capital intensity, skills development and innovation.

Despite the high profits, the industry has trouble attracting and workers. It's not a skills shortage –it's a people shortage.

A long period of anti-union behaviour and downsizing in the 1990s (facilitated by mandatory AWAs and associated laws) saw many people leave the industry, and the working hours of those that entered were ramped up. Many mineworkers now work 14 days of 12 hour shifts without a rest day, and there are horrific examples of contractors working four or more weeks of continuous 12 hour shifts. It is little wonder that labour turnover in mining is the highest of any industry in Australia, and at some sites hits 50% per year.⁹

It's an industry characterised by super-profits alongside extreme working hours and high labour turnover.

The mining industry *is* a special case. It is a special case of why workers need their right to organise and bargain collectively protected by law. It is not a special case for the maintenance of AWAs!

Many young people work in the mining industry, in tough and often dangerous conditions. They deserve fair and safe workplaces and not the exploitation that AWAs often bring.

Authorised by Lynne Rolley, Federal Secretary
Independent Education Union, 120 Clarendon St, Southbank Victoria

As IEU members have committed that they would not be the first generation to hand on a lesser set of rights and employment opportunities to our children than those fought for by our parents and grandparents. Parents and grandparents have a major stake in this.

Put yourself in your children's shoes

