End of the Mining Boom?
A New World Order

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OVERVIEW

- Views on the current status of the mining boom
- Impacts on employment in Western Australia
- Industrial relations risks and opportunities
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Global legal counsel in 48 fully integrated offices across five continents. Through our worldwide service capabilities, we offer clients broad counsel in seven core practice areas.

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Our CORPORATE AND TRANSACTIONAL practice is one of the most substantial in the profession. Our lawyers in the United States, Europe, Asia, Australia, South America, and the Middle East are highly experienced in cross-border mergers and acquisitions, securities, regulatory, tax, and financing transactions, and recoveries and insolvency disputes. We maintain a balance between corporate and capital-markets clients in virtually every industry segment.

The firm’s LITIGATION AND DISPUTE RESOLUTION practice is at their best when handling complex, multidimensional commercial and regulatory disputes. Our dispute resolution practice includes international arbitrations, civil and criminal trials, deal litigation, domestic and international class actions, appellate work, and finance recovery and litigation. Our e-Discovery Analytics and Technology (e-DAT) group delivers creative, efficient, and cost-effective records management, e-discovery, and litigation readiness solutions.

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Has the Golden Age of Mining Ended?
VIEWS ON THE BOOM

- Both sides of politics have suggested that the mining boom is over

- Former Prime Minister Kevin Rudd in the first leaders debate leading up to the election stated

  “The truth is, with the ending of the decade-long mining boom, we face new economic challenges”
LOCAL OUTLOOK IN WESTERN AUSTRALIA

- On 13 June of this year, Premier Colin Barnett said in an interview quoted in *The Australian*

  *The “golden age” of high iron ore prices and rising investment [is] over as China’s economy begins the long process of rebalancing*
OTHER VIEWS ON THE BOOM

- Members of the Economic Group, in an article for the Reserve Bank of Australia’s publication *Bulletin*, have noted the following
  - High exchange rates have facilitated a labour and capital reallocation
  - This has resulted in a relatively smooth macroeconomic adjustment through the economy
  - However, the boom has resulted in increased domestic costs on the back of a high exchange rate
  - Sectors not exposed to the boom have seen reduced competitiveness
Boom Phases and Trends
CURRENT STAGE OF THE BOOM

- Despite views to the contrary, the boom is not necessarily over
- The current boom can be divided into three phases
  - The price increase phase as exploration and demand for resources began to escalate (2003-2011)
  - The investment phase as capital expenditure and construction projects commenced and were completed (2006-2013)
  - The production and growth output phase which is expected to continue for some years as production and export becomes the main focus (2013-onwards)
WHAT PHASE ARE WE?

- We are currently entering the final phase of the boom (the production and output growth phase)

- Many key construction projects are currently winding down and are shifting focus from construction to production

- This production phase has implications for employment and industrial relations in WA
THIRD PHASE IMPACTS

- Employment in WA will be impacted due to the onset of the production phase

- Project and construction labour will recede and more streamlined workforces will be used to maintain plant and equipment during production

- A key driver will be less investment leading to slow down of sectoral construction
THIRD PHASE IMPACTS

- Production is a less labour intensive exercise for resource companies
- Many projects shifting to production will see terminations of employment increase
- This will see a re-allocation of labour through the economy both nationally and locally
A Run at Employers?
IMPACT OF INVESTMENT REDUCTIONS

- The impact of a wind down of investment in mining states during the Global Financial Crisis (GFC)

Note the marked increase in unemployment from 2007-2010

Source: ABS (2013g), Table 12.
IMPACT OF INVESTMENT REDUCTIONS

- The onset of the GFC saw market confidence decline
- This saw a wind back and slow down of investment as some projects went on hold, were revised or shelved

The net impact on employment – an increase of unemployment in mining and mining related sectors (ie construction, manufacturing and maintenance)
IMPACT ON INDUSTRIAL RELATIONS

- Reflecting on the slowdown during the GFC to develop future trends – AIRC/FWA/FWC termination of employment claims in WA
IMPACT ON INDUSTRIAL RELATIONS

- An investment slowdown in WA resulted in a 44.62% increase in termination of employment claims at the height of the GFC.

Source: ABS (2013g), Table 12
WHAT CAN WE LEARN FROM THE PAST?

- Given the upward trend in termination of employment claims during the GFC we can expect, during the onset of the transitional phase of the boom, an increase of:
  - termination of employment claims in WA
  - general protections disputes
  - adverse action claims
  - denied contractual benefit claims
What is Next for the Golden Goose State?
UNEMPLOYMENT IN WA

- 2013 unemployment figures at a glance
  - Minimum unemployment in 2013: 4.3% – 4.5%
  - Maximum unemployment: 5%
  - Current unemployment: 4.6% (as at October 2013)
WHAT TO EXPECT IN WA

- The decline in unemployment in October 2013 (from 5% to 4.6%) can be attributed to modest job growth and a reduction in the participation rate across the State

- The ABS has noted that WA only produced approximately 400 jobs despite over approximately 1000 people arriving per month
WHAT IS NEXT FOR INDUSTRIAL RELATIONS IN WA?

- An increase of claims from the fall out of investment ‘dry ups’ and boom phase shifts

- Types of expected claims:
  - unfair dismissals
  - general protections / adverse action
  - denied contractual benefits
WHY SO MANY CLAIMS?

- This new trend of claims will be linked to employees seeking ‘transitional amounts’

- A transitional amount is an amount of money to supplement and compliment usual statutory entitlements to cover wage shortfalls while employees search for alternative work
HOWEVER IT IS NOT ALL DOOM AND GLOOM

- Similar mining booms in other OECD countries have seen a scale back of construction labour.
- Despite initial fears of unemployment, the trend in these other countries has seen trade exposed industries shift focus to domestic and other commercial projects.
- The net effect is near to mid term harmonising of unemployment as the economy adjusts to the production phase.
PROJECTED INDUSTRY SHIFTS TO 2017

Projected employment growth by industry – five years to November 2017 (‘000s)

Top 20 industry sectors – ranked by projected growth to November 2017 (‘000s)
OPPORTUNITIES?

- Despite a decline in the resources construction, WA still has growth opportunities.
- The mining services sector will still produce job growth and will continue to support sectors of the labour market.
- New growth industries:
  - health care
  - retail trade
  - construction (domestic and commercial)
  - hospitality
SO WHAT CAN WE EXPECT?

- An increase in termination of employment and other employment related claims in the short term (including transitional amount claims)

- A need for employer’s to face the initial stages of termination claims (ie up to conciliation) within industrial tribunals

- The transition of the workforce from resources construction to other industries