

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

**INQUIRY INTO TECHNOLOGICAL AND SERVICE INNOVATION
IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 24 FEBRUARY 2016**

SESSION TWO

Members

**Mr I.C. Blayney (Chair)
Mr F.M. Logan (Deputy Chair)
Mr P.C. Tinley
Mr J. Norberger
Mr T.K. Waldron**

Hearing commenced at 10.22 am**Dr TIM DYMOND****Organising and Strategic Research Officer, UnionsWA, examined:****Mr OWEN WHITTLE****Assistant Secretary, UnionsWA, examined:**

The CHAIR: On behalf of the Economics and Industry Standing Committee, I would like to thank you for your appearance before us here today. This hearing has been convened to enable the committee to gather evidence for its inquiry into technological and service innovation in Western Australia. You have been provided with a copy of the committee's terms of reference. At this stage, I would like to introduce myself and other members of the committee present today. I am the chair, Ian Blayney, member for Geraldton. With me is the deputy chair, Hon Fran Logan, member for Cockburn. There is also Hon Terry Waldron, member for Wagin, Mr Peter Tinley, member for Willagee, and Jan Norberger, member for Joondalup. The Economics and Industry Standing Committee is a committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal procedure of the Parliament and therefore commands the same respect given to proceedings in the house itself. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as contempt of Parliament. This is a public hearing and Hansard is making a transcript of the proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you provide the full title for the record.

Before we proceed to the inquiry's specific questions that we have for you today, I need to ask you the following. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIR: Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

The Witnesses: Yes.

The CHAIR: Did you receive and read the information for witnesses briefing sheet provided with the "Details of Witness" form?

The Witnesses: Yes.

The CHAIR: Do you have any questions in relation to being a witness at today's hearing?

The Witnesses: No.

The CHAIR: We have some questions to ask you, but before we get to them, would you like to make an opening statement?

Mr Whittle: I will just start quite briefly. I will not repeat any of the remarks in our submission. I would just like to say that it is quite a broad area of investigation that is undergoing. I appreciate that we might disappear down some rabbit holes of which some might be of interest to the committee and some may not. My apologies if we go off on the wrong track from time to time. Thanks for the opportunity to appear before you. We will present our evidence on behalf of our affiliated unions and their members. We really come from the perspective of those members, many of whom are in industries undergoing significant innovation and quite significant structural change. As we mentioned in the submission, we are big believers of taking the high road to productivity and

innovation, which gains long-term efficiency gains, which are delivered through innovation and skills in a knowledge-based, high wage economy. From the perspective of our members, there is much concern in industries such as manufacturing as to where their future lies, particularly in Western Australia. Many of them are wondering where they fit into a changing economy. In particular, manufacturing in Western Australia has suffered at some time at the hand of a strong Australian dollar and other elements like rising electricity costs and many other things, but as some of those adverse factors I suppose are receding in those industries, they really are ripe for significant innovation, which really could provide many jobs into the future in those industries. We are really keen to ensure that our local manufacturing industry can innovate to ensure it can enter the supply chains of local industries, such as oil and gas, agriculture and mining, but also hopefully into the future break into those global supply chains in those industries. We have always been a big believer in policies such as industry innovation precincts with strong incentives to encourage advanced manufacturing to stay onshore. With significant change entering that industry through things like 3D printing and the development of advanced composite materials, we think there is a lot of opportunity there. In terms of start-ups, we are big believers in the need to foster their growth, but we also need to ensure that innovation does not come at the cost of the social safety net that exists for workers. We need to ensure that the legislative framework is right so that we encourage service innovation, which often changes the nature of employment in those industries, that workers still receive basic workplace rights, such as a safe workplace and workers' compensation. Currently, because of the way that much of the legislation is drafted on a state and federal level you will find that workers are cut out from those rights as innovation occurs and as the employment relationship changes. We are big believers in ensuring that that safety net remains for workers and they are not denied basic workplace rights as innovation occurs.

Mr F.M. LOGAN: Owen, if you look at some of the industries that have been directly affected by innovative change and particularly the application of new technologies, I will give two examples. I refer to the mining industry with robotically-controlled stacker reclaimers, trains and now haul trucks. The other example is the waterfront. For example, in Brisbane there is virtually an automated ship to train, truck intermodal system in place that is fully automated with no operators. In the case of Brisbane, the MUA, surprisingly, has embraced it and said there is not much you can do about it; it is going to come. It has accepted that that is just the way in which technology is going to be applied. In the iron ore industry, because of the worker representative bodies up there being not as strong as maybe the Brisbane waterfront, it has been put in regardless of people's viewpoint. How does UnionsWA encourage its affiliates to deal with those situations where technology is really changing people's patterns of work and displacing workers?

Mr Whittle: You are very right and it can be a tough balancing act from time to time, especially in waterfront and mining where you see innovative change really affect the amount of work that occurs on those sites. There is often quite a reduction in the amount of work. Automated trucks is one example you used and another example I would use is the rock breaking that often occurs where you used to have workers on the machines underground doing that and now that occurs outside, and that is a significant reduction in, I suppose, the labour that occurs because that can pretty much continue continuously because of the improvements that that brings to occupational health and safety with the worker not physically being underground.

Mr F.M. LOGAN: Closer to the face.

Mr Whittle: Yes. The noise and the other issues that occur mean that there are productivity increases and also safety increases for the workers. How we would respond to that in terms of encouraging our affiliates is to really recognise the advantages it brings; it brings advantages in terms of health and safety, as I recognised. It is great for us that less of our members are presenting with industrial deafness and other such injuries, but also really encourage our affiliates to invest in training for those workers to ensure that they transition. We do not want to see our workers fall behind and be left out of those emerging industries, that they need train and be aware of what

occurs in automation so they can become skilled-up and better adapted to deal with it. Tim, did you have much else to add?

[10.30 am]

Dr Dymond: All I would say is that some of the principles by which unions and affiliates approach this is probably similar to how you would approach a lot of industrial relations in the sense that we would emphasise certainly engagement and consultation between the unions and the employers at a very early stage when it comes to an issue of introducing new technology and things like that. I guess the price of innovation is often labour shedding, basically, and that can often have a significant social cost to the taxpayer in terms of picking up employment benefits and all of those sorts of things. So there is a practical value in encouraging at an early stage a consultative and collaborative approach.

Mr J. NORBERGER: I think you just hit a really salient point, and that is we know that quite often lots of innovative outcomes can result in reduced jobs. As a committee we are very cognisant of the fact that we were hoping to come up with some ideas, solutions and recommendations in and around innovation that are job-creating. We have a growing population, nonetheless, and, like you said, we need to find the workers who are displaced through new technology and new work. Do you have any examples, suggestions or pointers that you can give to the committee in relation to either existing innovation that has been job-creating, or where you think the committee ought to be looking and what we should be looking into; what kind of innovation? You mentioned the high road as an example, which I thought was a really good contrast. I would really like to get your view. We know a lot of innovation can displace existing jobs, so what kind of innovation can we look at, focus on, invest in or support as a government that will actually create more jobs?

Mr Whittle: That is a great plan. As this innovation occurs, there are some great opportunities to, I suppose, upskill the local workforce in developing new technologies, especially in advanced manufacturing but also, I suppose, the implementation of that. If we get on the front foot with it, it really opens up opportunities in manufacturing not just to supply local manufacturers but to get involved in the global supply chain. What the committee could look at, I suppose, is innovative ways to support manufacturing investment in the state. As I said before, we have seen a bit of a loss in manufacturing, predominantly due to the high Australian dollar and other issues, but there is a whole range of ways we can encourage local manufacturers to get involved in the supply chains of our local resources and oil and gas and other projects to build the machines that are doing the automation and to be involved in driverless trucks. Rail is another great example; there is a lot of automated rail and a lot of rail investment going on in the north west. I mentioned the innovation precincts: we have some really strong natural advantages in this state to support manufacturing in places like the AMC in Fran's electorate, where there is a good group of businesses that are keen to invest in themselves but maybe from time to time might need some government nudging around where to go and where to invest.

Mr T.K. WALDRON: I want to follow up on that because I have a question about the innovation precincts you just mentioned. I am with you on that; I think they are really important. What do you think government should be doing—any suggestions from you guys—to perhaps assist those precincts or develop more precincts? Is there a way we can make recommendations to try to improve that, because to me it seems a really smart way to go?

Mr Whittle: It does. A lot of federal issues come to mind. I suppose it is a split responsibility between state and federal, and I apologise if I stray into the federal sphere from time to time. To encourage some of these research precincts to get off the ground they really need big anchor tenants. I am not sure whether that is the right term, but there could be a role for the committee and state government to try to encourage some of those anchor tenants to move into some of these precincts. Then from around there you might see significant growth. There have been some examples in South Korea, where they have established quite successful precincts where they have

given incentives to companies such as Samsung and others to move certain kinds of heavy engineering into certain zones. That has been done through certain kinds of tax credits or a depreciation and tax waiving and the like. That has been really successful, and when those large tenants have moved in you have seen, I suppose, an offshoot of a whole bunch of smaller and more medium-sized businesses appear around them that lend them help and assist them in that.

Mr P.C. TINLEY: Has UnionsWA done, or are you aware of, any research that has been done—just sticking with manufacturing for a second—that identifies how many enterprises are engaged in the manufacturing sector?

Mr Whittle: Not to mind.

Mr P.C. TINLEY: Under the guise of “we cannot manage what we have not measured”, we know about some high-profile and smaller ones in my electorate exiting the sector but we really do not have a good handle on the scale of it—the size of it—and the innovation readiness of these enterprises, do we? Do you think it is a role for government to actually undertake that research and identify innovation-ready and capacity-building opportunities?

Mr Whittle: Yes, absolutely. I think it is a bit of a grey area, and during some of the arguments around the Barrow Island project and some of the manufacturing that was being done for that, there was a lot of speculation about what could or could not be done in this state, especially around some of the high-end manufacturing. There was not really any clear evidence around what our capacity was to manufacture much of that. There were a lot of claims from a lot of businesses that they could do some, not all, of it, but it was really a patchwork of evidence that we have seen around what is available.

Mr P.C. TINLEY: Would you like to make comment at all about the capacity of our sector in relation to other sectors, but certainly the manufacturing sector, enterprise by enterprise, to collaborate with each other?

Mr Whittle: Yes, absolutely. Where precincts develop or where there are existing precincts like the AMC, I think there is a lot of goodwill amongst businesses in those areas to band together and bid for work to try to win large-scale work to collaborate to fill the workshops in those areas. But there is a lack of, kind of, global leadership on that, so it might be happening on an ad hoc basis in a few places in the areas from time to time. Certainly there could be an avenue for government to encourage that on a larger scale around the state.

Dr Dymond: I would just add that there is actually quite a bit of study overseas about how industry clusters are formed and how particular governments encourage that. A number of years ago, for example, there was a book that had a faddish cachet called *The Rise of the Creative Class* by Richard Florida. It was criticised as being a bit warm and fuzzy, but I think some of the basic points were about what governments can do to invest in the actual environment. You can build buildings and encourage people to come along and set up an office and things like that, but it is creating an environment in which people are likely to stay and in which people are likely to thrive and actually form those connections. Those sorts of issues are something that certainly the state government could take a serious interest in.

Mr J. NORBERGER: We have spoken about automated dump trucks and trains. Generally when we speak to the industry, they will point out that there has been no net loss in jobs; in other words, you had a physical driver with a dump truck, and now we have someone in a remote control centre. I am curious to know, from your own experience with members, how prevalent is it that the people who were actually physically driving the equipment were then trained up by the organisation and took on the new role, or is it really just that they get displaced but a different type of worker comes in to take that new role? Then the question is what do we do with the people who have been displaced? Are they transitioning; are they being trained up and put into that new role?

[10.40 am]

Mr Whittle: That is a great point. I would say it is a mixture of both. When you have seen some of the major mines in the north west transition from drivers to fully automated you would have seen some transition. Certainly I am aware of members I have worked with in the past who have definitely been displaced or who have been deep believers in the skills they hold and knowing that they do that job well, looking elsewhere to try to find employment. At the time automation was first happening it was quite easy during the boom for those workers to find another job driving a truck elsewhere—somewhere that was not doing automation. But I suppose as jobs are drying up around the whole industry you are probably seeing a lot more displaced workers, as you said. Many of those workers may not be confident in their capacity to transition to certain kinds of work as well. I think Peter mentioned some research around manufacturing, and I suppose we have not seen any research that might go into what happens to those workers. That would be something that on a larger scale we would be keen to investigate as well. It is all anecdotal from us today.

[10.40 am]

Mr T.K. WALDRON: In your submission, Tim, you say that this committee should also remain cognisant of the importance of the innovation and service industries because a strong service industry is a fundamental component of high road productivity you have talked about. Can you just enlarge on that a bit? When you say the committee should remain cognisant, is there something there we should really take note of and what is government's role there?

Dr Dymond: Just setting the scene, we provided you with information that shows where service sector jobs are certainly likely to be growing. They are continuing to be a big proportion of employment. We would see that because of that, government definitely has a role because a lot of service occupations crossover between public and private, basically, so there is a direct role for government in its service delivery. What we have found from, once again, research around the world rather than specifically in Western Australia, is that for service delivery, particularly for service delivery through frontline employees—people at the counter and people over the table—collaboration and support, and a sort of consultative approach has yielded a great deal of benefit. It has yielded innovation in service delivery approaches. It has certainly yielded results in terms of work processes. The important thing to remember about using that collaborative approach through frontline employees is that frontline employees need to be supported, if you like, in their role, through the back end. That means that a lot of the thrust of, for example, when government policy creates a hiring freeze or there is a situation where you are reducing the number of staff and things like that, the justification is often sort of, “Oh yes, but we are not getting rid of frontline staff; we are only getting rid of backroom people” and things like that with the presumption that a lot of the real work is done by the frontline staff. That crucial way in which the back room supports the front room or the frontline et cetera is precisely what allows the people who are directly involved in service delivery to actually feel confident and supported in their roles and consulted to deliver some of those innovations in service delivery, in new and better ways. They are delivering those frontline services. That can happen in the private sector but government, of course, is an important service deliverer and it can certainly take the lead in that.

Mr F.M. LOGAN: I refer to some figures that came out from the chief scientist Peter Klinken who has informed us that if you look at some of the statistics from around the world, there are tables that show that Australian CEOs are last in terms of risk-taking compared to any other CEOs from OECD countries, effectively, in the world. There is an aversion to risk taking and change in business in Australia. The chief scientist has argued that here in Western Australia there has been a lethargy in terms of innovation and change because we have done very well out of a growing economy over the last 20 to 25 years, really. We have not had a significant economic collapse in the last 25 years. As UnionsWA is a key representative body of employees and workers in Western Australia, so is the CCI of employers. If you look at the CCI submissions and its presentations, it is very good on presenting the need for change but I am not too sure whether they are actually fostering a culture across the companies and management for risk-taking, for innovation

and for changing the way they do things. Should UnionsWA play a role in fostering cultural change in terms of risk-taking and innovation? If so, how?

Dr Dymond: In terms of UnionsWA as an institution itself, of course, we are well-placed to issue the high-minded policy initiations—all of that sort of stuff. But ultimately, in terms of businesses and their workers, the crucial end is the workers themselves. Our role in that sense would be to advocate for more collaborative—I keep coming back to that word again; I repeat it a lot—consultative and collective workplace relations frameworks and workplace relations relationships. Really, the source of innovation should not be seen as—I think we say this in our submission—sort of heroic CEOs or heroic entrepreneurs all the time. Certainly, those people do exist from time to time, but really it is the people doing the work who are actually far more likely to be coming up with an idea of how to do it better. Certainly, in our experience, workers and union members—if you ask them—have a lot of ideas about how to do their work better and how things can be run differently. From the point of view of what employers can do, employers can respect the role of the workers' independent representatives through their union. Certainly, they can take a proactive stance of listening to their own workers and asking their workers what they think and coming up with mechanisms by which certain ideas, experiments or innovations—call it what you will—can be translated from the shop floor into particular processes. I outlined previously how you could do that in the service industry, but it applies to virtually any industry. I will also say, in terms of specific industrial relations or workplace relations policies, trying to avoid situations where workers are basically pitted against one another in terms of performance reviews, performance management, individual contracts and all of those sorts of things. It is no surprise that we are not big fans of individual contracts in the union movement. We put it to employers that if they are trying to foster an atmosphere of innovation and ideas where people are prepared to collaborate, talk to one another and take risks et cetera, a more individualised industrial relations framework is really detrimental for that.

Mr F.M. LOGAN: Can I just come back to another point? That is as it is translated onto the shop floor, Tim. Could you answer this—I am not goading you: as I have put it to you about the CCI having difficulty changing the culture of its members, do you think UnionsWA is doing enough, or unions themselves are doing enough, to embrace cultural change when it comes to innovation?

[10.50 am]

Mr Whittle: I would say that—thanks Fran! Certainly we would agree, and a lot of what we see coming out of the governance frameworks of large corporations is very conservative. If you look at a lot of the information that has been previously put out by the Australian Institute of Company Directors, it comes from a very conservative governance approach. You can see that translated into boardrooms across the country. I think it is becoming better as an organisation. It is putting out a lot more literature and training to encourage more critical thought about risk-taking and innovation, but that kind of process will take a while to come through in terms of people sitting around boardroom tables and transitioning into action. In terms of UnionsWA's role, we have always been open to collaboration with companies in terms of risk and the like. We have had a very long track record of actually working collaboratively with employers in the manufacturing sector and others to really have detailed conversations about how the industry is changing and where we are transitioning for workers. In any transition, there is risk. We are seeing that in the cross sectors at the moment. Could we do more? I am sure we could, and we always try harder to keep the dialogue open with employers around what is changing in those industries.

Mr P.C. TINLEY: Just to pick up on that, one of the things that the committee has come to learn is that often innovation is just such a broad descriptor and it applies across so many different ways. It is quite often we have a bias towards inventing something—a widget or a thing—but the reality is there are large gains to be had in innovation with just processes or innovations of organisation. The public service, for example, or the way the government arranges itself to deliver the whole

bunch of things that governments do should be subject to the same sort of innovation thinking. If we expect the private sector to innovate and participate in a globalised economy, then surely we mean the same for the public sector. Following on from Fran's question, what have the industrial leadership and industrial organisations that you represent done internally over time, or what are they intending to do, to innovate in their processes?

Mr Whittle: Innovate internally as trade unions ourselves?

Mr P.C. TINLEY: Yes; structuring or any of those things—management style and approaches to the productivity chain. I would not want to put suggestions to you, but any of those things. If you do not have one, that is fine.

Mr Whittle: No, I would say if you look at the internal processes of trade unions 15 years ago and you looked at us today, I think you would hardly recognise how we are now delivering services to members. Members have a very high expectation of what we deliver to them and we are constantly having to evolve and adapt to make sure that we are delivering a service that attracts members because, ultimately, we are a member-based organisation. If they are not joining and retaining their memberships, we no longer exist. Part of that is that they are in different services, whether it is packaging up insurance or other things delivered on the ground, or background services around —

Mr F.M. LOGAN: And digital.

Mr Whittle: Yes, the digital sphere is a whole—I could do about that for hours. It is a big challenge for everyone at the moment, especially with how fast it is adapting. Internally, in terms of databases and processes eliminating duplication of large membership systems, how do we adapt to work as industries change at a more rapid rate all the time and between a whole range of different industrial organisations, and how do we adapt to someone spending six months in one industry, three months in another, and then another year in another? How do those organisations communicate on the backend to ensure that we retain membership and deliver services to them?

Mr P.C. TINLEY: So in the future, we might see EBAs negotiated over an app, or Airbnb style?

Mr Whittle: I think that might make collaboration with employers hard if it is purely over an app.

Mr P.C. TINLEY: There would be a lot of trolling going on.

Dr Dymond: Perhaps if I could just give the committee an example, I used to work for the Community and Public Sector Union federally—that was basically the public sector union. Over the course from the late 1990s to about the mid-2000s it moved from essentially a structure whereby each individual state office was more or less a state union that was loosely coordinated at the national level, but otherwise had its own financial structures, its own publication structures, its own ways of dealing with organising workers and also providing services and industrial advice and things like that. It has moved on very much, over the course of 10 years, to becoming a fully national union structure. It has set up a members' service centre, for example, as have other unions whereby members with specific industrial issues can contact the union directly. Yes, it is working to a much more efficient kind of backend operation in terms of its administration, finances, collecting membership views and all of those sorts of things to becoming a national body and a much more internally efficient body with much more modern membership systems that could be translated nationwide as opposed to from each individual state and territory.

Mr T.K. WALDRON: Can I just ask a quick question on that? Does that still deliver good services? Sometimes the smaller states can get dropped off a bit when that happens. That is innovation within your movement, but are you confident that it is working?

Mr Whittle: I would say so. In the smaller states, you would see the back-office staff transition to front-office staff and then you are providing more frontline services to members. If you do not need another two accountants in each state, those accountants can then transition to different frontline services. Members definitely get a better deal out of that.

The CHAIR: I would like to thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you very much.

Hearing concluded at 10.57 am
