

Contractors in the driving seat as jobs go begging

Skilled personnel are in short supply so can name their price and dictate conditions, reports **Tim Mendham**.

It's a sellers' market at the moment. Employers and placement agencies are finding it hard to find full-time employees for the mining industry, so contractors are having a field day.

The Minerals Council of Australia writes in the *2005 Mineral Industry Survey Report* that 17,857 full-time-equivalent contractors were engaged by respondents in 2004-05.

This represents an increase of 18 per cent on the 15,156 full-time-equivalent contractors engaged by respondents in 2003-04.

And even that number is an underestimate, as the data does not include part-time contractors or employees of contract mining companies (which the MCA admits is a growing area of employment in the minerals industry). Overall, about 26 per cent of full-time employment in 2004-05 was contracted out.

Anecdotal evidence suggests the number of contractors is growing by about 20 per cent a year.

"There's a contractor mentality," says Veronica Phillips, director of Aslan Human Resources, a recruitment firm that specialises in the mining, engineering and construction industries.

Contractors are happy, she says, comparing the situation to IT contractors during the dotcom boom. They are demanding more, and they are getting it, she says.

"Over the last 12 months, rates for contractors have increased 20 to 30 per cent," Phillips says.

Clients prefer to take on permanent employees, "but the reality is they can't", she says.

Aslan is placing 70 per cent contractors to 30 per cent permanent employees in the mining and resources sector – when they can find them.

"Everyone is sourcing overseas, and there's a lot of poaching," Phillips says.

Finding workers is one thing, keeping them is something else. Contractors are becoming extremely choosy – the first two questions they ask prospective clients are what



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is the project and where it is, and only then how much does it pay, because they know they can get what they want.

There's no animosity in this, she says. "It's just typical Aussie bluntness. That's the way it is."

Even when they are on board, clients are finding they have to offer added incentives to keep them.

'Everyone is sourcing overseas, and there's a lot of poaching.'

Phillips cites one West Australian mining firm that offers \$1000 bonuses if people return after their regular rest and recreation spells.

Not that long ago, she says, they were placing more permanent employees than contractors, but a combination of lack of skilled personnel (a problem that dates back 10 years, she says) and the resources boom (projects estimated

to be worth \$22 billion over the next five years) means there are fewer people to choose from. Eighteen months ago, a planning engineer would cost \$80 an hour; now it's more like \$120 to \$140. Professional staff, like contract managers, previously earned \$150,000 a year; now they regularly seek \$220,000.

While there may be no animosity in these changes, it does mean that return on investment figures are blowing out because of the increasing personnel costs.

Consultant Partners in Performance associate principal Rory Deavin says that controlling those burgeoning costs and managing contractors is "not something that companies typically do well".

There are a range of reasons for this, he suggests, including pressure of other work on managers, meaning it's often a temptation just to let in the contractors or allow existing ones to take up increased roles.

"Contractors are often brought in where a company doesn't have a lot of capital or might be setting up in new areas," he says.

"But it's not just the small or new companies. You'll find contractors at established and large operators like BHP and Rio Tinto."

To control contractor costs, the first suggestion may be not to hire them in the first place but, as Phillips points out, in the current climate that's not always feasible.

Partners in Performance, which describes itself as management "resultant" rather than consultants, says there should be greater physical control of contractors' access and departure from sites.

"Don't let them in unless authorised; get them to leave as soon as the authorised work is done."

Authorisation itself should be controlled by lowering the normal authorisation limit for contractor spend, requiring greater justification for contractor recruitment, and instituting better contractor tracking (which is largely done via accounts, "leading to a significant lag between actual use and reporting and review").

These steps are followed by a change of attitude, according to PiP, which it describes as a "spin cycle". That cycle requires a series of repeated steps involving improvements in detailed reporting, communication, reviews, corrective actions and setting agreed targets (which are continually lowered).

"Once behaviours and mind-sets have started to change, and discretionary contractor usage and spend is under control, managers and their teams move on to reviewing the underlying reasons for contractor use, with the intent of systematically removing these," Deavin says.