



THE FUTURE OF CONTRACTOR MANAGEMENT IN HIGHLY REGULATED SECTORS

Whitepaper



This whitepaper is for:

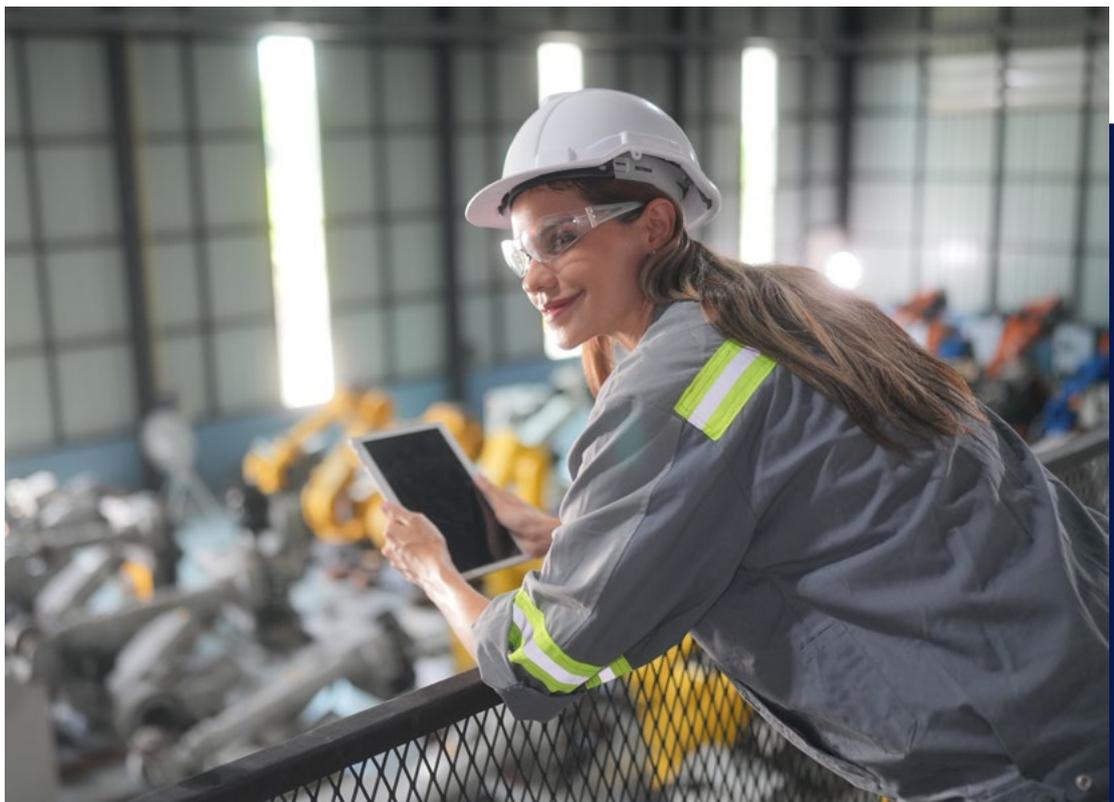
- Health and safety professionals
- Senior operational managers
- Contract and procurement managers

What you'll learn

- 1 The four pillars of achieving cost reduction and delivery assurance
- 2 Trends shaping the future of contractor management
- 3 How your current approach could be costing you money and leaving workers exposed

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01/ The future of contractor management in highly regulated sectors

Organisations in critical industries that involve high-risk work are grappling with supply chain disruptions, inflationary pressures, regulatory changes and workforce shortages.

These industries have been challenged by productivity losses and heightened risks stemming from the use of spreadsheets and fragmented legacy software to manage workforce compliance, particularly that of contingent workers. In fact, Deloitte research shows that 66% of organisations are under-prepared to manage workforce risk, despite the onset of tougher legislation on workplace safety.

Therefore a paradigm shift in contractor management is needed for organisations to survive and thrive - one that not only helps organisations meet their regulatory compliance requirements, but empowers them to simultaneously reduce their risk and cost of operations.

With this new industry collaboration model proven to help organisations achieve a step-change in performance, it is time to ask the question - are you ready to embrace the change?

Different contractor engagement models

Contractor management is the process of sourcing, onboarding and engaging workers on a contract basis to complement an existing workforce to achieve company objectives. It's the function of hiring specialised expertise to supplement company resources during periods of high demand. Another common term for a labour pool hired on an on-demand basis is the 'contingent workforce'.

There are several models that businesses use to engage contractors, including:

- Individuals who are embedded within the team.
- Baseload support is an ongoing engagement to fill a specific need, such as contract maintenance or catering.
- Top-up support for temporary projects, shutdowns or turnarounds.

Contingent workers are here to stay

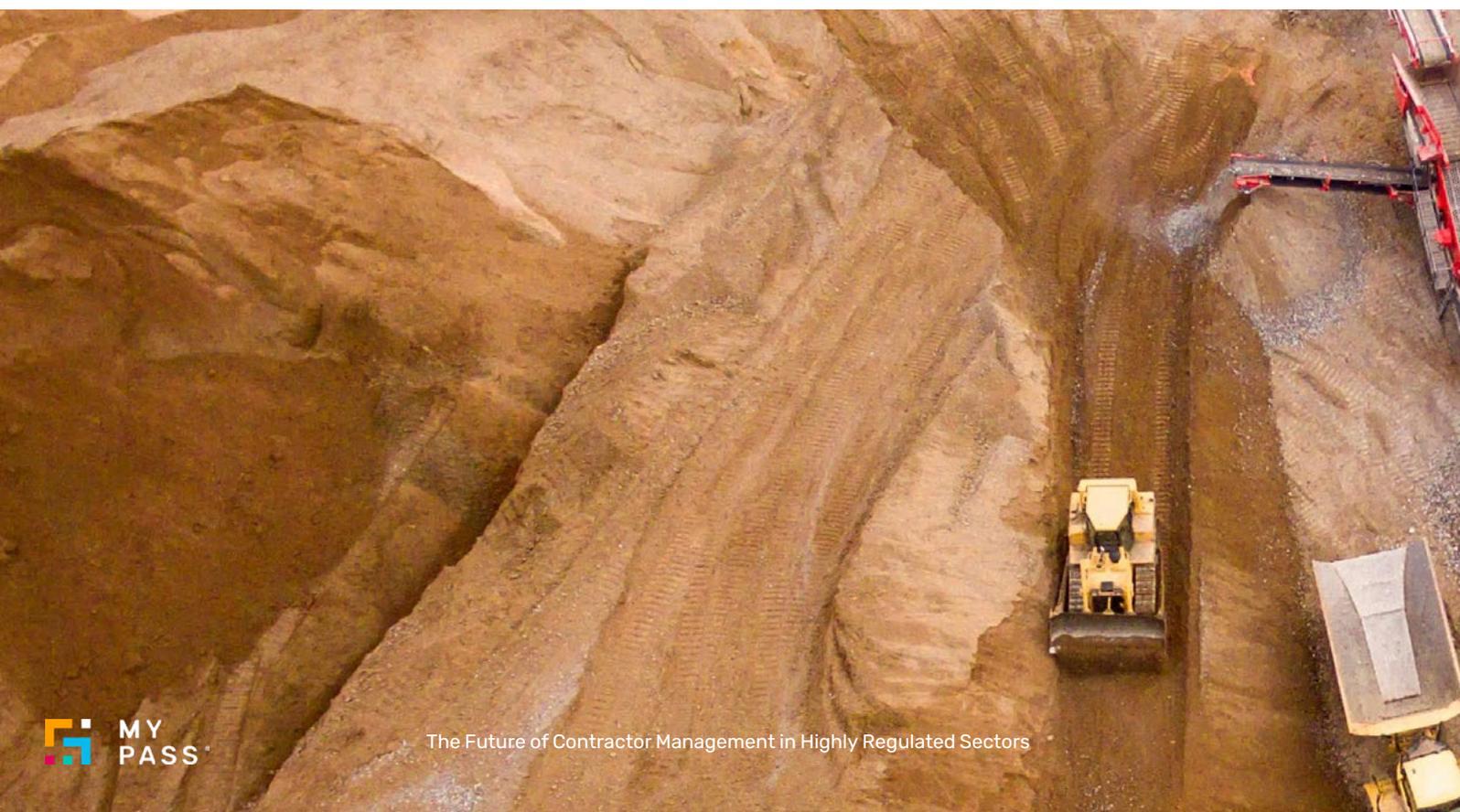
In many sectors, workforce demands continuously fluctuate. In response, businesses must be agile and dynamic to ramp up and down as required. Many organisations structure their workforce by finding the optimal combination of internal resources and contingent labour. Hiring in-house specialist expertise for intermittent projects such as turbine overhauls or industrial cleaning is not always financially viable. In such cases, recruiting contractors is more cost-effective, especially when the organisation is not achieving 100% utilisation with their embedded workers.

The risks of engaging transient workforces

Incidents and injuries

A significant downside of hiring contingent workers is the increased risk of serious safety incidents². The uncomfortable fact that contractors represent the majority of on-site accidents for most companies is a multifaceted issue, not exclusive to:

- Contractors are less familiar with new projects and sites, heightening the risk of injury or accident.
- Not feeling part of the team can cause contractors to feel less confident to speak out about safety concerns or dangers.
- Contractors often receive less training and communications.
- As temporary components of a larger workforce, it can be a challenge to maintain visibility over their skills and competency data.



Financial loss

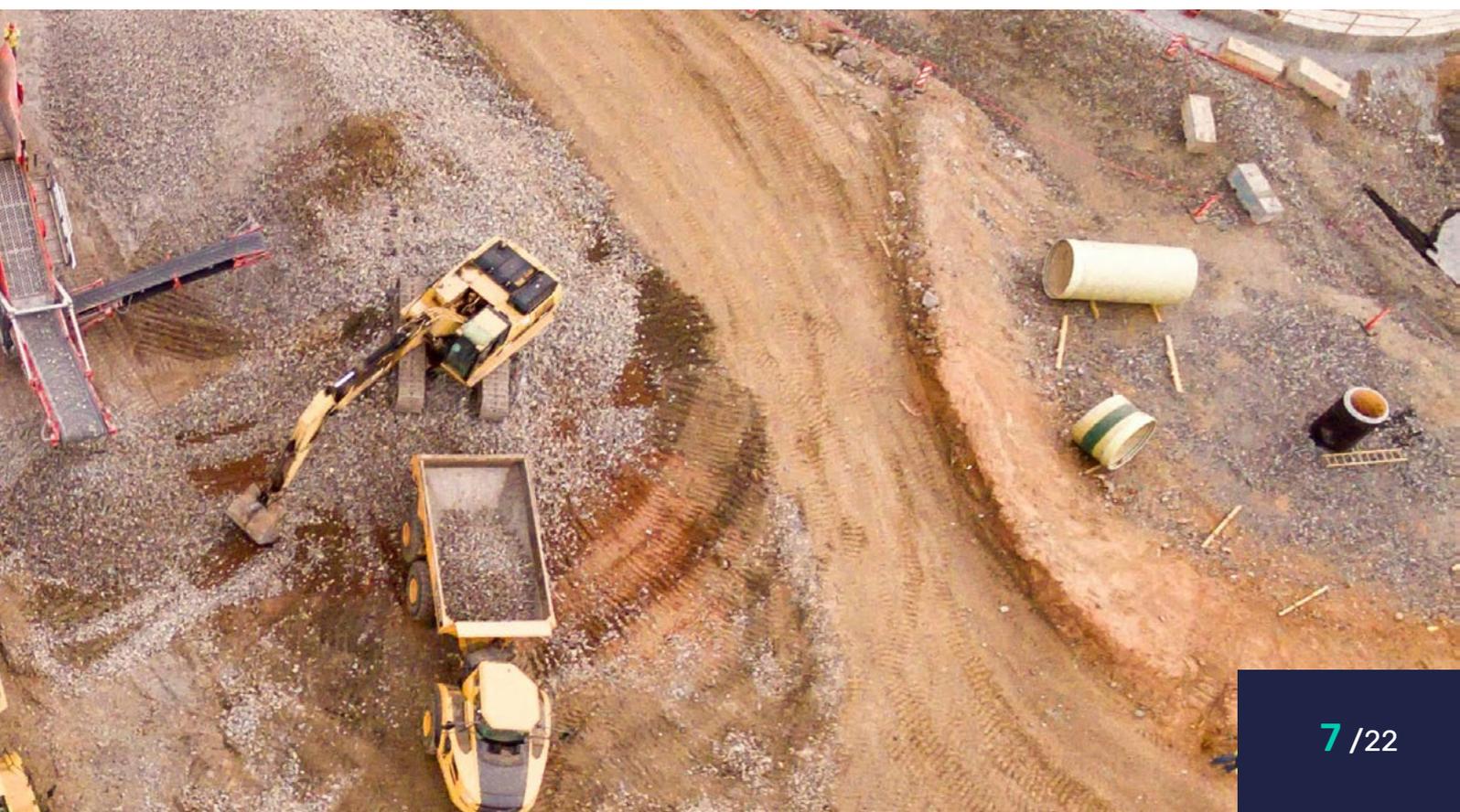
For some high-output facilities, the cost of overruns due to halted production can be more than a million dollars per hour in lost revenue. By this standard, it can be extremely costly if a shutdown or turnaround overruns because it is not finished in time, or requires rework due to poor workmanship.

Another consideration is the increasing fines related to a lack of protection of personally identifiable information (PII). With the recent amendment to the Privacy Penalty bill³, Australia now imposes some of the most severe financial penalties for data privacy violation in the world. Traditional workforce compliance management typically involves sharing PI and PII via email, then storing it in unsecure locations like shared drives, spreadsheets and in data silos. This approach puts organisations at unnecessary risk of serious privacy and data breaches, and associated fines.

Reputational impact

The reputational risk associated with safety incidents or data breaches often far outweighs the financial impact. The new Positive Duty obligations have been implemented to ensure PCBU's protect workers, contractors and volunteers alike. From December 2023, Australian businesses are required to take proactive and meaningful action to prevent unlawful conduct, rather than responding after the fact. The time has already passed to put measures in place to create safe, respectful and inclusive workplaces. But this is not just about compliance, it is about how industry leaders can and should collaborate to better protect those on our worksites from bullying, harassment and discrimination.

The future of contractor management relies on mature digital solutions to solve these modern challenges in a way that empowers entire sectors to simplify, standardise and share data insights.

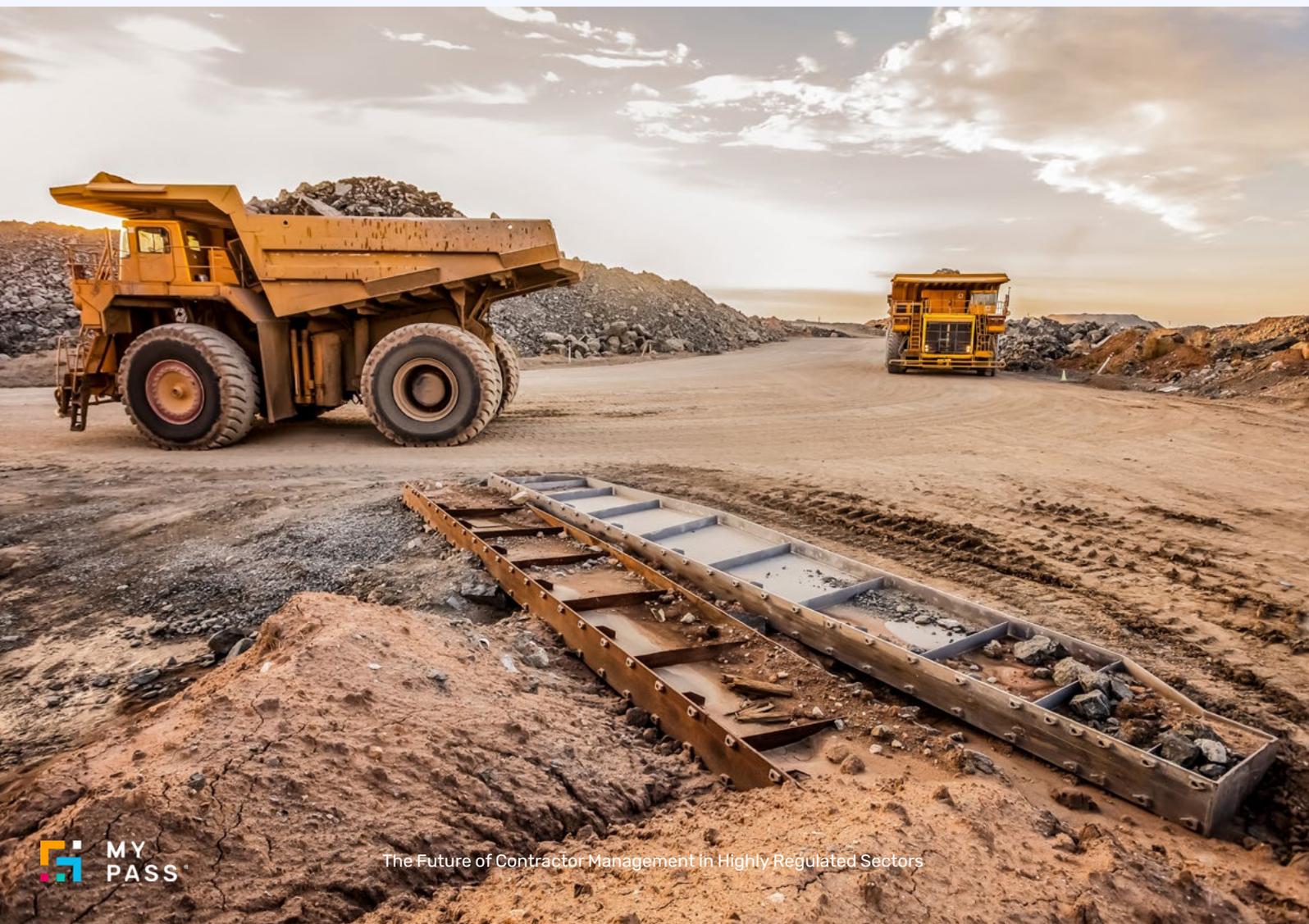


02/ The four pillars of achieving cost reduction and delivery assurance

Establishing the current state

To what extent is it practical to engage contractors for your type of operation or facility? There is no one-size-fits-all model. It depends upon:

- The availability of suitably skilled individuals who can be retained on a full-time basis.
- The geographical location of the available workforce e.g. the regional capability of remote operations vs. metropolitan areas. Additional challenges have been created by national and global shortages of trained and competent workers.
- Whether your work plans are consistent and steady or fluctuate during periods of high demand. Is it possible to achieve high labour utilisation across multiple work fronts, or must you supplement your permanent workforce to satisfy peaks?
- Whether your existing Employment Agreements offer the flexibility required to deliver your company objectives.



Asset management strategy

The asset management strategy is the overall implementation and documentation of asset management plans, processes and procedures. The objectives should align with your worker engagement strategy to consider:

- The desired level of control and ownership over core systems and processes.
- Whether your organisation has highly automated plants and equipment, managed remotely without significant labour dependency.
- Warranty periods on equipment that others need to service.
- The efficiency of keeping IP such as proprietary processes in-house, as opposed to using external IP capability.

Leading organisations prioritise the execution of tailored, evidence-based asset management and engagement strategies to reap long-term cost and value benefits. These should be designed upon an organisational goal of receiving the optimal performance output from every worker, specific to the company's unique characteristics and challenges. It all starts with visionary leadership and a willingness to engage openly and honestly with your contracting partner.

Some examples of the right behaviours and mindsets are shown below:

Your Company

- ✓ Visionary leadership.
- ✓ Willing to consider value not (just) cost.
- ✓ View maintenance as an input to bigger outcomes.
- ✓ Scope of service based on designed outcomes.
- ✓ Willing to share some 'core' functions with contractor Service Provider selection based on desired outcomes.
- ✓ Contractor profit linked to achievement of outcome.

Contracting Partner

- ✓ Reliable in the basics (safety, resourcing, trade skills).
- ✓ Behave in the short-term as if it were the long-term.
- ✓ Encourage client to offer more responsibility.
- ✓ Seek more scope responsibility & deliver.
- ✓ Cultivate positive relationships in shared 'core' functions.
- ✓ Develop real capability in asset management / RCM etc.
- ✓ Willing to open books & link profit to client outcomes.

Risk appetite and contractor selection

In determining what work requirements will be allocated to both workers and contractors, it's critical to take a hands-on approach when selecting individuals with the right skills and competencies. The implications of hiring contractors affirm that maintaining a culture of safety for all staff should be a central focus.

Transparency

With ever-increasing health and safety regulations, companies are moving beyond simply trusting that contractors are trained and competent. Australian PCBU (person conducting a business or undertaking) legislation means that it is no longer an option to operate at arm's length.

The visibility of both internal and external workforce skills and competencies is essential for guaranteeing transparency and accountability.

Inclusive workplace culture

Collaboration, heightened productivity, retention and performance are just a few of the benefits of a positive work environment, so hiring with culture in mind is critical for an efficient and sustainable workforce. Industry has typically tolerated a social hierarchy between embedded workers and contractors, and large organisations often miss a trick in failing to avoid an 'us and them' divide. There are significant benefits that arise from contractors feeling included, connected and engaged on site.

Worker entitlements

It has been known for employers to engage contractors to avoid the expensive overheads associated with permanent staff. To deter this exploitative practice, the new Closing Loopholes Bill⁴ now extends the powers of the Fair Work Commission to set minimum standards for

'employee-like' workers. Companies need to avoid the surprise of paying contractors a casual loading, and still being liable for paying permanent entitlements⁵.

Incentives and remuneration

"Power by the hour" does not incentivise contractors to work at pace to finish the job quicker as this will be reflected in their remuneration. Ensuring goals and incentives are aligned is imperative to share the benefits of improved productivity. This is easier said than done and requires a mature contract partner relationship.

Respect@Work Act

The Positive Duty⁶ and the Anti-Discrimination and Human Rights Legislation Amendment (Respect at Work) Act 2022⁷ came into effect in December 2023. Organisations must ensure that they have done everything possible to protect those on their site or facility from bullying, sexual harassment and discrimination. It's important to get on the front foot with educating your entire workforce, putting adequate processes in place, and utilising systems that can uniquely identify individuals who have been non-compliant. The time has come to lift our collective standards and protect those in our care.

Technology enablers

To support the nuances of contractor management, technology must effectively track, monitor and facilitate engagement with external specialist workers. It can be laborious and challenging to get the full benefit from new software, especially if internal teams are resistant to perceived change.

To maximise processes and communication, we believe in finding the ideal combination of in-house ERP systems, third-party point solutions (like gate access and Health & Safety software) and industry platforms (such as MyPass). Finding the optimum combination will inevitably reduce admin burden, increase transparency and create a seamless engagement experience.

A word of caution - whilst it can be tempting for companies to build technology solutions in house, the upfront cost, ongoing maintenance and overall return on investment is often not fully considered. Most successful technology companies need to amortise their ongoing R&D and servicing costs across hundreds (or thousands) of clients in order to justify the investment. The configuration and integration of external systems to suit your business processes is strongly recommended, however, it is worth having an honest internal discussion on whether investing in the development of new software makes good business sense.



03/ Contractor management trends you should be aware of

Cloud-based is a must

To maintain relevance in today's competitive environment, companies are increasingly inclined to adopt digital, cloud-based technologies that deliver efficiencies and real-time data visibility. Factors to consider:

- Rapid, informed action can support shorter decision and implementation timeframes.
- Change management risks and the need to keep up with the evolution of technology e.g. operating systems and security patches to continuously update.
- Cybersecurity and information security threats are increasingly sophisticated.
- Retro-fitted, clunky ERP or standalone systems are becoming obsolete. Ideally these are replaced, however there may be 'head office' constraints that mean that your ERP system must stay in place.



Risk mitigation

Under the Work Health and Safety Act, risk and accountability are placed with Asset Owners, Operators or PCBU (person conducting a business or undertaking). They are responsible for ensuring every person on-site is safe, trained and competent to perform their tasks and this applies to the permanent workforce and contractors alike.

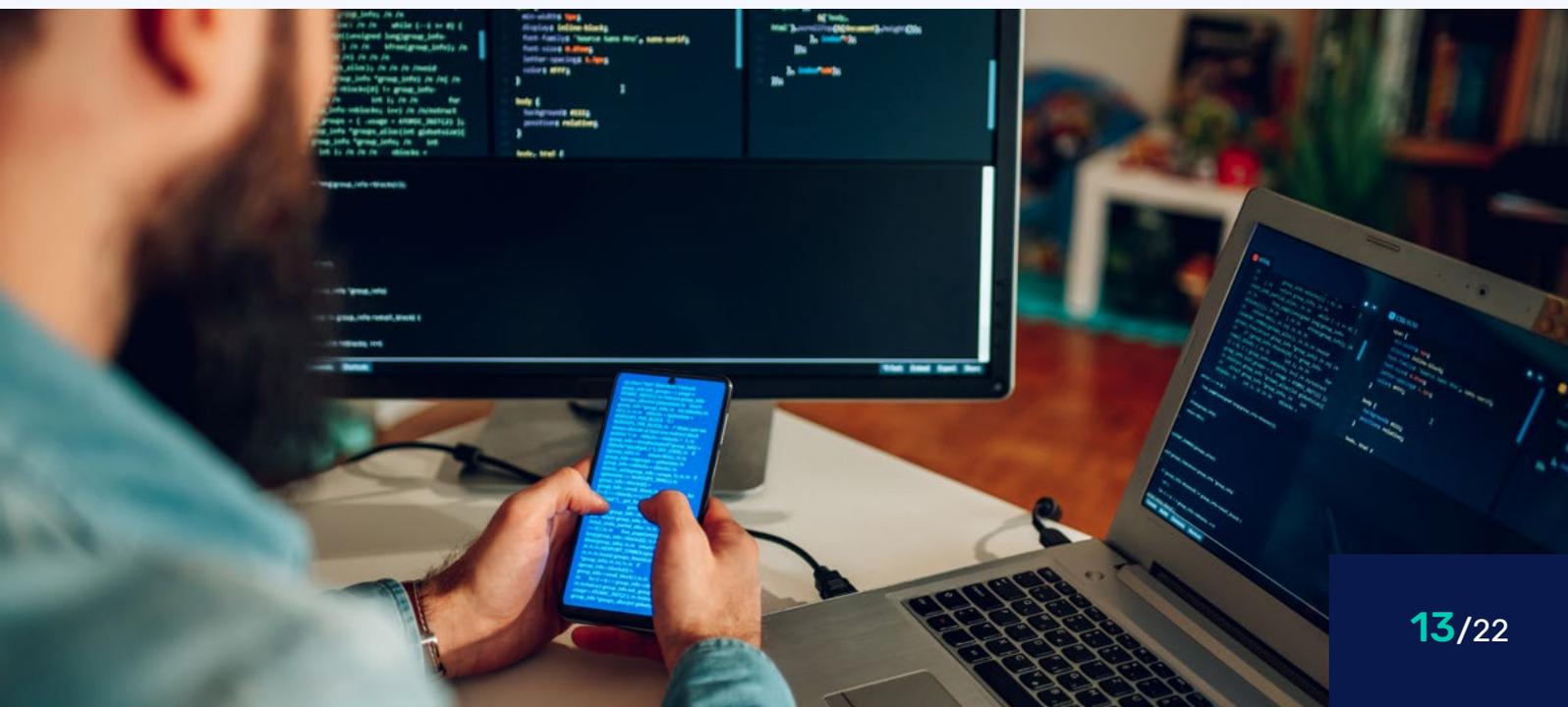
New industrial manslaughter legislation⁸ comes into effect from 1st July 2024, as part of the broader Closing Loopholes Bill. Under this legislation, individuals found guilty face up to 25 years imprisonment, and companies face fines of up to \$18 million. This applies in instances of the 'gross negligence or recklessness' of a duty holder leading to a workplace death.

Data privacy

Following the recent reports of privacy and data breaches across the public and private spheres, people are now more discerning about data ownership and protection. They want to own, manage and control their personal information, and permit access only to those they trust. The digital age has also solidified the expectation for convenience and immediate mobile access.

Australian legislation has introduced severe privacy penalties, with maximum penalties reaching \$50M (AUD), three times the benefit of a contravention, or (where the benefit can't be determined) 30% of domestic turnover. With heavy fines at risk, every organisation should be eliminating spreadsheets that hold personal information, and ceasing the use of software systems that are not ISO27001 certified.

If you're maintaining the personal data of individuals, then expect the administrative load of regular re-permissioning and manual updates to keep this personal data current. Legislation such as GDPR reinforce the standard of 'individually owned and controlled data', and are likely to filter across into all western economies in the near future.



Required workforce skills and competencies are changing

In January 2024, the Australian Government released the National Skills Agreement⁹ to strengthen vocational educational and training sector to address the shortage of skilled workers. The agreement acknowledges the need for an adaptable workforce and is taking proactive measures to re-skill and up-skill workers. In conjunction with increasing health and safety regulations, adhering to competency requirements is imperative in today's workforce.

- Micro-credentialing is an emerging means of certifying the attainment of short, more specific elements of learning.
- Workers are increasingly required to complete additional training in order to perform their primary tasks e.g. Working at Heights, Confined Space Rescue.
- Digital, automation and programming skills are also often required in addition to traditional trade qualifications.
- Task-based assessments and verification of competency tests are now commonplace to determine whether prospective employees are adequately trained.

A small to mid-sized organisation may have 200 workers, each requiring 15 certifications to be compliant and site-ready. The process to routinely check or renew these 3,000 training elements creates a significant burden for their administration teams.

CERTIFICATES			
	CAR (1) Car Driver's Licence (C-Class)		>
	CL-NSW Contractor Licence - NSW		>
	GCC Gyrolok Competency Certificate		>
	HLTAID009 Provide Cardiopulmonary Resuscitation		>
	HRWL-SA High Risk Work Licence - SA (Scaffolding)		>
	HRWL-SB High Risk Work Licence - SB (Scaffolding)		>
	MEM30219 Certificate III in Engineering - Mechanical		>
	MEM30219 Certificate III in Engineering - Fabrication		>
	PI Photo Identification		>
	RIIWH5202E Enter and Work in Confined Spaces		>
	UETDRRF004 Perform rescue from a live LV p...		>

Gig economy

In the resources sector, the gig economy¹⁰ has been a long established part of the employment mix with companies regularly seeking short-term contractors for projects, shutdowns or turnarounds. As the global workforce shifts towards a more flexible structure, we have more independent contractors seeking to choose when

and on what terms they engage with companies. The result of this is a more transient, yet highly skilled workforce which raises the challenge of tracking and proactively engaging with individuals, particularly with border restrictions and a lack of access to international experts.

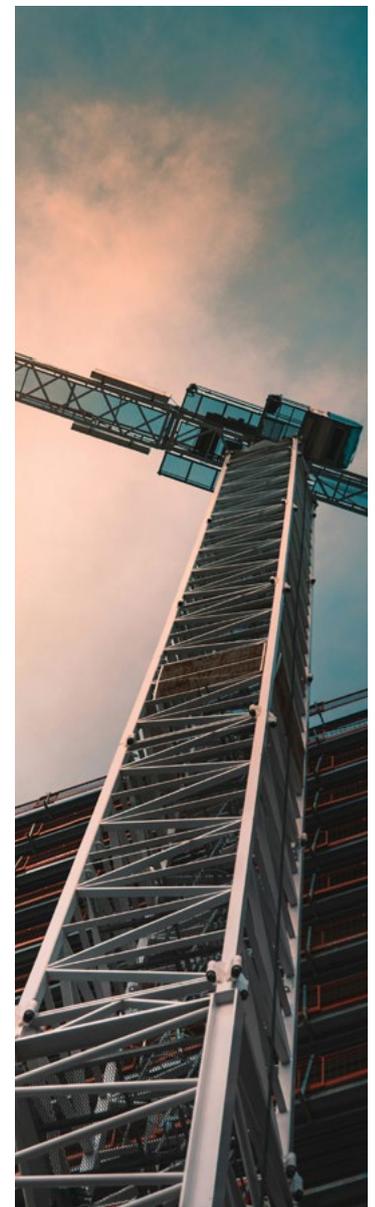
The supply of skilled labour doesn't meet the demand

A resilient economy relies on a skilled workforce to drive productivity and maintain competitiveness. With the commencement of the National Skills Agreement in January 2024, the Australian Government is committed to addressing a pressing skills shortage that is affecting 36% of assessed occupations¹¹.

As numerous sectors brace for substantial growth in the coming years, organisations must proactively prepare for the challenges posed by the shortage of skilled labour. By implementing targeted solutions to manage their workforce effectively, businesses can navigate the complexities of the current labour market landscape and position themselves for sustainable success.

The role of the employer in maintaining a high level of engagement with all workers

Adopting collaborative work practices and an industry standard can greatly enhance the experience and safety of all staff. In this competitive job market, it's vital to ensure that worker schedules are properly communicated, and mobilisation 'tasks to be done' are clear. Areas of friction for workers like the completion of repetitive inductions using clunky interfaces can be replaced with simplified and standardised induction content.



Questions you should be asking yourself

- Are your key business systems hosted in the cloud?
- Are worker and contractor qualifications, licenses and training courses easily accessible?
- Does your company treat personally identifiable information (PII) in accordance with changing privacy legislation?
- Are you compliant with the Respect at Work Act 2022 to protect those in your care?
- Can your company handle multiple online and offline skills, accreditations, and inductions within a single profile?
- Can contractors easily engage with your company through an integrated communications platform?

04/ Your current approach could be costing money and leaving you and your organisation exposed

Spreadsheets and manual processing are not effective for managing safety-critical data.

Today, many organisations still suffer compliance gaps caused by managing safety-critical worker data in standalone software platforms that are stitched together with spreadsheets. A MyPass study found that the current process for sourcing and mobilising a new worker to site consisted of 117 steps, versus what was thought to be 30 steps. Like the recent PwC findings¹, our research revealed

that 40% of these process steps involved manually updating spreadsheets. This issue can (and should) be eliminated with an interconnected contractor management platform that all key stakeholders can access.

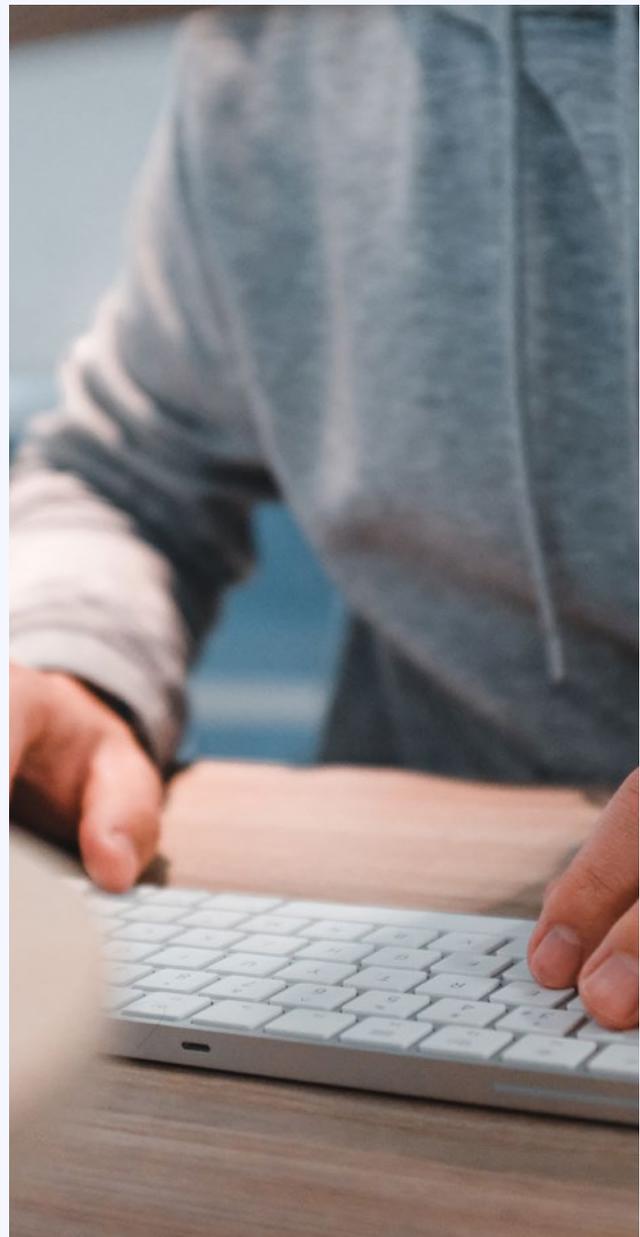
Technology won't fix your broken processes

Technology should be an enabler of an already optimised process.

Mapping your existing processes to uncover all non-value-adding steps is vital to understanding your current state.

We recommend you don't forgo the information flow-mapping stage ahead of integrating new technologies. Without full visibility of your processes, you cannot uncover unnecessary or hidden steps, or start an informed journey towards eliminating or fixing them. Only once you fully understand the current process and you're ready to streamline, can you look for a technology solution (or solutions) to meet your requirements.

Using a holistic approach to identify organisational processes will assist with activity-based costing, and provide a more accurate view of where the non-value-adding steps take place.



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The first rule of technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency.

— Bill Gates

05/ Self Assessment

Contractor management is changing. Are you looking beyond traditional approaches?

Engaged and aligned contractors can make a huge difference to your on-site safety performance, productivity, production output and overall cost reduction objectives. But are you looking beyond a traditional approach?

Checklist

If you answer 'no' to any of these questions, we suggest adopting a contractor management solution that elevates the performance of your workforce

	Yes	No
<ul style="list-style-type: none">All workers (direct staff, contractors, temporary staff) have access to their digital profile, training and credentials and can self-manage their data?	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">You can easily communicate with all workers on site, offer access to company support programs, and obtain real-time feedback through pulse surveys?	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">A contractor's journey of being onboarded and mobilised is a seamless and positive experience?	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">Your expectations of what "100% compliant" means for the roles you request is clear and transparent to your contracting partners?	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">You are taking reasonable and meaningful action to protect workers from sex-based discrimination and have effective processes and reporting tools in place?	<input type="checkbox"/>	<input type="checkbox"/>

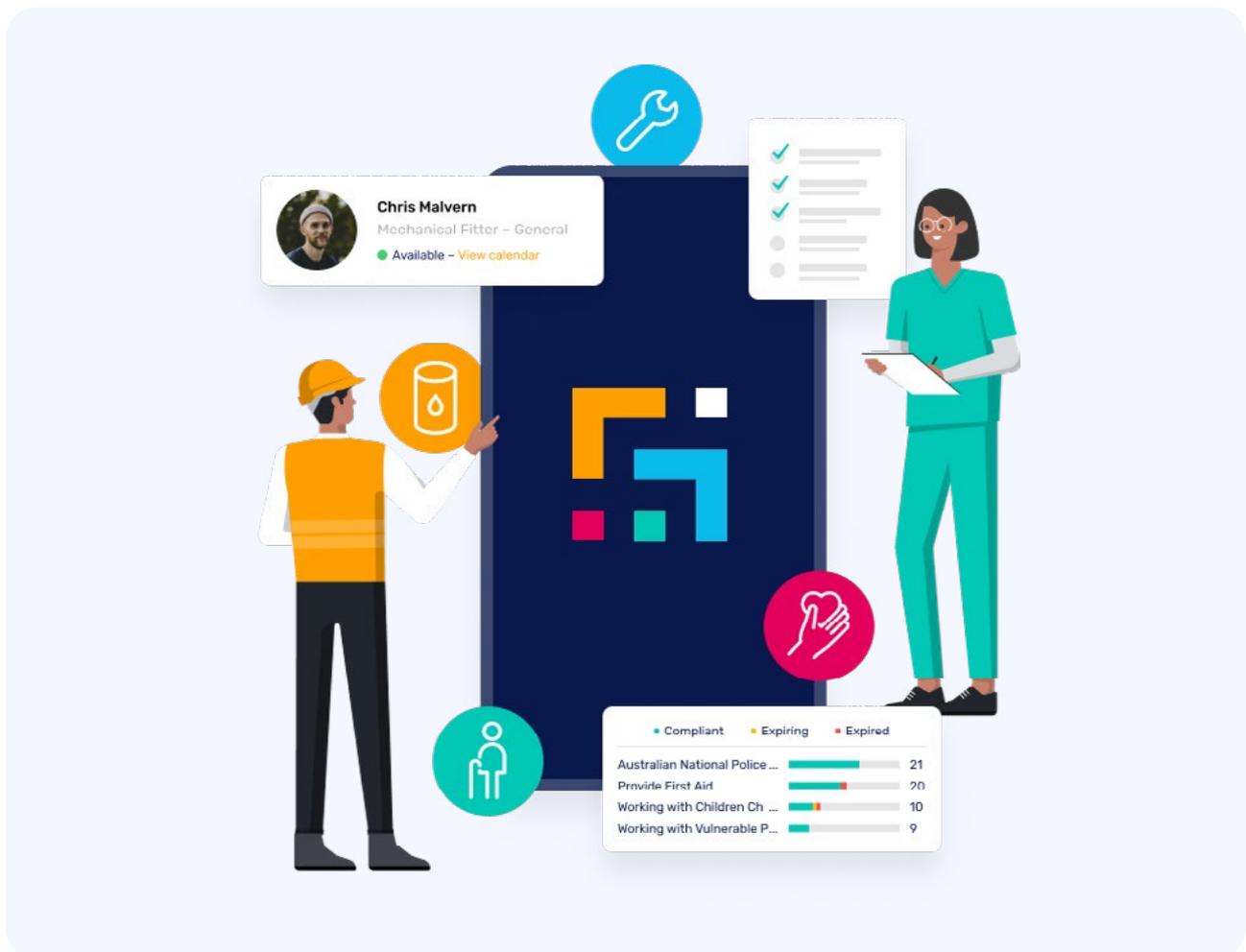
Process streamlining, industry standardisation and collaboration

Contractor management solutions like MyPass are playing a key role in supporting industry best practices.

MyPass has one mission: to empower safe, agile and connected communities. With that in mind, MyPass was built to streamline workforce and compliance management by connecting workers, employers, sites and training providers in one place. Workers maintain their personal data, work history, training and qualifications in their digital Skills Passport. MyPass independently verifies this documentation to reduce the risk for our customers. MyPass also creates a significant cost reduction from the removal of manual data entry into spreadsheets and legacy systems.

The right contractor management solution is quick to deploy, can integrate with other systems, and facilitates business growth. The outputs are reduced risk and cost associated with managing site-based workers and the provision of clear, real-time data insights.

By embracing industry standardisation, you can take advantage of the movement towards collaboration and data sharing between a much broader ecosystem. This way, your organisation can be both operationally competitive, and internationally competitive.



06/ References

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About MyPass Global

MyPass® empowers safe, agile and connected communities. Our workforce competency assurance platform provides a single source of truth to help companies in high-risk industries reduce their risk and cost of managing contingent workforces. MyPass® simplifies workforce compliance and competency management by empowering workers to take ownership of their training and credentials using a portable, digital Skills Passport, without compromising data privacy and security. We have been helping companies such as BHP, Woodside and Shell streamline contractor management, lowering operating costs by up to 70% and reducing non-compliant worker access by 27%.

Let's Talk

To discuss how we can help address your contractor management needs, get in touch with the MyPass team.

mypassglobal.com/en/talktous



mypassglobal.com