

## Unintended consequences of the Fringe Benefits Tax on regional Australia

### 1. When was the Fringe Benefits Tax introduced in Australia?

- The federal Fringe Benefits Tax (FBT) was introduced on 1 July 1986<sup>1</sup>

### 2. How does the FBT work?

- The tax is levied on most non-cash benefits that an employer provides "in respect of employment." The tax is levied on the employer, not the employee, and will be levied irrespective of whether the benefit is provided directly to the employee or to an associate of the employee.<sup>2</sup>
- FBT Tax Rate Year Ending Mar 2018 = 47%<sup>3</sup>

### 3. How has the FBT lead to increased FIFO work?

- The FBT made it more cost-effective for mining companies to use FIFO workers than residential workforces.

#### **FIFO a brake on Kal's growth (Kalgoorlie Miner, October 2018)<sup>4</sup>**

- There are problems associated with it being more cost-effective for mining companies to use FIFO workers than residential workforces.
- FIFO work has prevented the City of Kalgoorlie-Boulder from being able to grow its population and economy. The city has struggled for decades to grow its population much beyond 30,000 people.
- FIFO is a key issue limiting the expansion of small and medium-sized businesses.
- It was the Federal Government through tax incentives which made FIFO more cost-effective than residential workforces.
- City of Kalgoorlie-Boulder chief executive John Walker said the Federal Government needed to change the Fringe Benefits Tax Assessment Act 1996 to stop incentivising FIFO workforce practices.
  - "Amending the fringe benefits tax on of FIFO arrangements will help regional areas to encourage more employees to work in remote locations and support regional economies to grow even more," he said. "Employees who decide to live in regional areas should receive incentives such as housing and flight allowances as a tax treatment similar to FIFO arrangements."
- City of Kalgoorlie-Boulder Mayor John Bowler said the fringe benefits tax situation was an "unintended consequence" of Federal Government law, acting as a clamp on residential development in regional areas, and the Act should be changed.

<sup>1</sup> Fringe benefits tax (Australia): [https://en.wikipedia.org/wiki/Fringe\\_benefits\\_tax\\_\(Australia\)](https://en.wikipedia.org/wiki/Fringe_benefits_tax_(Australia))

<sup>2</sup> Ibid

<sup>3</sup> Ibid

<sup>4</sup> FIFO a brake on Kal's growth, Kalgoorlie Miner, 11 October 2018: <https://thewest.com.au/news/kalgoorlie-miner/fifo-a-brake-on-kals-growth-ng-b88985880z>

**NT mining towns a fading relic of the past as FIFO becomes only option, economist says (ABC news article, Feb 2017)<sup>5</sup>**

- A trend has swept across Australia and the world, replacing remote tightknit towns of mining families with transient workforces of drive-in or fly-in-fly-out (FIFO) workers.
- Today, Alyangula is one of the Top End's last surviving mining towns, yet 50 years ago building communities around commodities was a global phenomenon.
- "It was about building the mine and the town at the same time," Charles Darwin University economist Rolf Gerritsen explained.
  - "In the old days, flying was very expensive, it wasn't really an option for moving large numbers of people regularly, so the mining companies would locate their workers as close to their work as they could."
- In the Territory, the Professor Gerritsen identified four major mining towns built during this boom era: Nhulunbuy, Jabiru, the Tennant Creek satellite town of Warrego, and Alyangula.
  - Each hinged on a different commodity yet followed a similar blueprint.
  - Most were excised out of remote and sparsely populated traditional lands, leading to royalties for First Nations people, yet the majority hired by the mines were newly arrived non-Indigenous workers.
- Bringing in these hundreds or even thousands of skilled workers and their families meant the creation of parallel streets, neatly spaced homes, health clinics, schools, supermarkets and everything else.
  - "The mining company would have to build swimming pools, tennis courts, squash courts, and it's just very expensive to maintain these facilities," Professor Gerritsen said.
- He argued the pitfalls of maintaining towns, increasingly volatile economic conditions and the growing affordability of long-distance travel made FIFO models increasingly attractive to mining companies.
- In Australia, a swirl of government policies also changed the playing field.
  - The ongoing centralisation of services by state governments has taken doctors through to teachers away from the remote regions, making them less attractive to people who might want to move there for work.
  - Companies have also lost tax exemptions that previously encouraged them to build communities, while the fringe benefits tax (FBT) has led to sizeable incentives for employers with FIFO-style employees.
- Professor Gerritsen said other incentives for FIFO workers included the obvious big bucks salaries and not being tied to a town that could be struck by market volatility, as happened to Nhulunbuy in 2013 when 1,000 jobs were axed by Rio Tinto.

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<sup>5</sup> NT mining towns a fading relic of the past as FIFO becomes only option, economist says (ABC news article, Feb 2017), <https://www.abc.net.au/news/2017-02-17/should-the-top-end-revive-traditional-mining-towns/8209294>

- "You always hear the stories of the failures of FIFO, not the stories of those who've done their four years and paid off their house," he said.
- Yet not everybody agrees with these views.
- A 2013 federal committee report into the impacts of FIFO — Cancer of the bush, or salvation for our cities? — identified many now well-known social issues for FIFO workers putting in long hours, far away from home and loved ones.
- "I would call FIFO a family destroyer," the CFMEU's NT and Queensland secretary Michael Ravbar said.
  - "What I'm seeing in other parts of Australia is the total reverse [to the Northern Territory]. Governments are actually getting involved because they want to keep the jobs in their local communities and support local business.
  - "When workers are allowed the choice, you'd be surprised how many want to live in these communities, contribute, participate.
  - "To me there is no real choice today for workers. It's a sham."
- Just this month research was published that backs up this claim; it found workers were more likely to choose residential contracts over FIFO work in communities with services to support them.
  - Quote from the report: "We would like to stay for another couple of years, but the thing is, in a lot of ways, there's really not a lot left here."
- Professor Gerritsen did agree with the unions on the downsides for regional development.
  - "From the point of mining companies, FIFO is great because it puts all the downside risks onto local communities," he said.
  - "The main beneficiary of large-scale mining is the company tax receipt of the Commonwealth. For local government, it just adds to service demands that are unpredictable and hard to plan.
  - "State government will get some economic activities that will feed development in the short-term.
  - "Take the example of Borroloola. The company plays the good citizen and donates \$20,000 to this Aboriginal group [but] it really has not made much impact [economically].
  - "The retired fishermen who live in King Ash Bay have made a bigger contribution to the local region's economic development than the mining company has."
- In this way, Professor Gerritsen concluded that today's reality "conspires against the north", adding that large-scale mining or infrastructure projects alone would never truly develop the north.
  - "This is not just a problem for mining companies using FIFO, it's also a consideration for the development of large-scale tourism projects," he said.
- Yet when asked if there was a better reality, he replied that he did not see the Territory ever going back to the era of raising mining towns from the dust.
- Even the CFMEU's Mr Ravbar agreed FIFO was probably the only realistic way to develop new infrastructure in undeveloped regions, however he argued

that existing towns like Alyangula still needed support to encourage residential workers.

- The 2013 committee report into FIFO recommended a swathe of changes, such as reforming tax incentives for miners to employ FIFO workers.
- Few recommendations have been implemented at state or federal levels.
- "I think FIFO will be around for quite some time to come," Professor Gerritsen said.

#### 4. What are the health effects of FIFO?

- Mental health has been described by the World Health Organisation (WHO) as “a state of wellbeing in which every individual realises his or her potential, can cope with normal stresses of life, can work productively and fruitfully, and is able to make a contribution to her or his community” (2014)<sup>6</sup>. It is acknowledged that people working in rural and remote mining and resource operations confront psychological and emotional demands that will create unique challenges for both men and women.
- The key mental health issues across the resource mining sector includes feelings such as isolation and loneliness, due to the remoteness of living on-site and from family and friends. Stress, anxiety and depression are major factors which are likely to influence employment performance and antisocial conduct. This is predicted to get worse for some people during the transition period from home to work, and can potentially increase the risk of self-harm and suicide.<sup>7</sup>
- **Types of stress experienced in FIFO workers:**<sup>8</sup>
  - On-site physical exertion and fatigue
  - On-site extreme heat
  - Staying hydrated
  - Adapting to night shifts and between day and night shifts
  - Job insecurity
  - Following on-site safety rules
  - Transitioning back home
  - Maintaining home (i.e. gardens, bills) during work absences
  - Minimal communication and/or internet access on some sites
- **Factors influencing FIFO mental health and suicide**
  - Employment, living and working conditions
  - Physical health, fatigue and sleep problems
  - Family imbalance
  - Substance misuse
  - Financial issues
  - Domestic violence
  - Sexual health issues
  - Male dominance in workplace culture
  - Non effective coping strategies

<sup>6</sup> [https://www.who.int/features/factfiles/mental\\_health/en/](https://www.who.int/features/factfiles/mental_health/en/)

<sup>7</sup> Vojnović, Philippa (2014). *Submission to the Health and Education Standing Committee of the Legislative Assembly Inquiry into mental illness in Fly-In FlyOut workers*. Perth, Australia.: FIFO Australian Community of Excellence. pp. 5–8.

<sup>8</sup> *FIFO/DIDO Mental Health Research Report 2013*(PDF). Western Australia: Lifeline WA. 2013. p. 77.

- There are many anecdotal claims that FIFO has negative impacts on WA mining employees, leading to an elevated risk of high stress levels, depression, binge drinking, recreational drug use and relationship break-ups.

### Australian Government: Australian Institute of Family Studies: Webinar slide<sup>9</sup>

## The effects of fly-in fly-out (FIFO) workforce practices on families in Australia

A limited but growing amount of Australian research into fly-in fly-out (FIFO) work practices tentatively suggests that a FIFO lifestyle can have positive, negative or few effects on children and on family relationships - depending on the circumstances.

### Key messages

 <p><b>FIFO Families</b> Most FIFO families are healthy functioning families when the right conditions are in place, such as a balanced work/family roster</p>	 <p><b>Parenting</b> Parenting can be challenging, especially for partners at home</p>	 <p><b>Potential impacts on children</b> <b>Negative</b> • Negative emotions • Increased behaviour problems • Bullying at school • Pressure to succeed academically <b>Positive</b> • More time with parent when they are home</p>	 <p><b>Communication</b> FIFO families need to be able to communicate: • Regularly • Privately • Effectively • Spontaneously</p>	 <p><b>Further research is needed that is:</b> • Longitudinal • Collects data pre-entry to FIFO • Engages with all types of FIFO workers and their families</p>
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### FIFO lifestyle

	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>✓ High Income</li> <li>✓ Independence</li> <li>✓ Quality, extended time at home</li> <li>✓ Getting things done during leave</li> <li>✓ Meeting new people</li> <li>✓ Travelling to new locations</li> <li>✓ Clear separation between work and personal life</li> <li>✓ Regular exercise on the job</li> <li>✓ Healthy food on site</li> </ul>		<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>✗ Emotional and functional adjustment to leaving and returning cycle</li> <li>✗ Loneliness and isolation</li> <li>✗ Hopelessness</li> <li>✗ On site physical exertion and fatigue</li> <li>✗ Reduced communication</li> <li>✗ Absence at family events</li> <li>✗ Difficult for at-home parent to undertake work or study</li> <li>✗ Reduced social opportunities</li> <li>✗ Restricted opportunity to get home in a family emergency</li> </ul>
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Source: CFCA paper No. 19 Fly-in fly-out workforce practices in Australia: The effects on children and family relationships. <<http://www.aifs.gov.au/cfca/pubs/papers/a146119/index.html>>  
Design: Australian Institute of Family Studies

### 2018 Curtin report<sup>10</sup>:

- “Impact of FIFO work arrangements on the mental health and wellbeing of FIFO workers”. Report produced for the Government of WA Mental Health Commission (September 2018).
- The Government-funded Curtin University report found one-third of fly-in, fly-out (FIFO) resource workers experience high levels of psychological distress compared to half that level for the general population.
- The report made 18 recommendations to help workers already suffering from mental health issues, prevent further harm and promote better wellbeing.
- It suggested shorter work rosters, permanent rooms at accommodation camps, reducing the stigma of mental health, providing support programs, training leaders and providing reliable communications for workers to talk to loved ones back home.

### 2010 UWA study<sup>11</sup>:

<sup>9</sup> <https://aifs.gov.au/cfca/sites/default/files/fifo-slides.pdf>

<sup>10</sup> Impact of FIFO work arrangements on the mental health and wellbeing of FIFO workers. Report produced for the Government of WA Mental Health Commission (September 2018). <https://www.mhc.wa.gov.au/media/2547/impact-of-fifo-work-arrangement-on-the-mental-health-and-wellbeing-of-fifo-workers-full-report.pdf>

<sup>11</sup> The Effects of Fly-in/Fly-out Commute Arrangements and Extended Working Hours on the Stress, Lifestyle, Relationship and Health Characteristics of Western Australian Mining Employees and their Partners, Susan Clifford (B.Sc., Hons), School

- In 2010, Susan Clifford from the School of Anatomy and Human Biology at UWA investigated the long-term (Study One) and short-term (Study Two) impacts of FIFO and extended working hours on a representative sample of WA FIFO mining employees and partners.
- In Study One, a total of 222 FIFO and Daily Commute (DC) mining employees and partners completed an anonymous questionnaire investigating long-term impacts on work satisfaction, lifestyle, relationships and health. A subgroup of 32 Study One FIFO employees and partners also participated in Study Two; a detailed study of the short-term impacts of FIFO and extended working hours and how these impacts fluctuate in intensity during the mining roster. Study Two participants completed a diary and provided saliva samples each day throughout a complete mining roster.
- The main findings of the study were that FIFO and extended working hours had negative impacts on employees' work satisfaction and FIFO was frequently reported to be disruptive to employees' and partners' lifestyle, in the long-term. However, FIFO and extended working hours did not lead to poor quality relationships, high stress levels or poor health, on average in the long-term; there were generally no significant differences in these characteristics between FIFO and DC employees, or between the FIFO sample and the wider community. There were minor differences between FIFO and DC employees in long-term health characteristics, and Study One employees had similar, or in some cases poorer health outcomes than other community samples.
- Both FIFO and extended working hours had weak negative impacts on employees and partners in the short-term. Employees' and partners' physiological stress levels (as measured by waking salivary cortisol concentrations) fluctuated significantly throughout the roster, peaking during the leave-to-work transition period. However, there were no corresponding fluctuations in participants' perceived stress levels during the same period. Fly-in/Fly-out employees and partners used adaptive coping strategies to cope with stress occurring during the transition phases of the roster.
- Although most Study One FIFO employees and partners reported only moderate negative impacts of FIFO and extended working hours, there were small proportions of FIFO employees and partners (3% - 21%) that found FIFO and/or extended working hours particularly stressful. Multiple Regression analyses were used to identify factors predicting who is most likely to find FIFO and/or extended working hours very stressful. Predictive factors of intense FIFO or Roster Dissatisfaction include compressed or long rosters, poor relationship quality, high stress levels and low levels of support.
- In conclusion, the project results largely dispute anecdotal evidence as FIFO employees and partners were generally no more likely to have high stress levels, poor relationship quality or poor health behaviours than DC employees or community samples. There was however a small proportion who found the working arrangements particularly stressful. The project findings can be used to inform current and potential FIFO employees and families about the likely

impacts of FIFO and extended working hours on their lives, assist industry stakeholders to improve FIFO facilities and roster design to minimize negative impacts on their workforce, and provide tailored assistance to those identified as being most vulnerable to finding the lifestyle stressful.

#### **5. What is a residual fringe benefit?**

- The term fringe benefit has a very broad meaning. It includes any right, privilege, service or facility provided in respect of employment.
- Any fringe benefit that is not subject to the rules outlined in one of the preceding chapters of this guide is called a residual fringe benefit. Essentially, these are the fringe benefits that remain, or are left over, because they are not one of the more specific categories of fringe benefit.
- A residual fringe benefit could include you (the employer) providing services such as travel or professional or manual work, or the use of property. It could also include providing insurance cover - for example, health insurance cover you take out for employees under a group policy.
- “Accommodation where employee lives away from home” is an exemption that may apply to residual fringe benefits.<sup>12</sup>

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<sup>12</sup> Fringe benefits tax - a guide for employers; Chapter 18 - Residual fringe benefits:  
<https://www.ato.gov.au/law/view/document?DocID=SAV%2FFBTGEMP%2F00019>