



## Table of Contents

### Executive Summary and Recommendations

1. Outlook
2. Prevention is better than cure
3. Impact
4. Employer payouts to redundant workers
5. The public safety net
6. Likelihood of getting a job without assistance
7. Help to get another job
8. Gaps in knowledge
9. Interviews
10. Endnotes

## Executive Summary and Recommendations

As a nation Australia needs to do three things to cope with the worsening economic climate: look to alternatives to firing and invest in skills; repair the safety net to avoid poverty and dislocation; and ensure retrenched workers get the most effective assistance to get back to work quickly. Measures to increase access to redundancy entitlements, early intervention and case management should be more widely available, rather than based on a lottery approach dependent on whether a person works in a specific industry subject to special government supports, the number of employees at the firm, or whether the employment is casual or permanent.

### 1. Outlook

The Government is grappling with the effects of the global financial crisis and the predicted downturn and associated increase in unemployment. While Australia is set to avoid a technical recession, approximately 200,000 Australians are likely to lose their jobs in the next two years, according to the OECD report released in late November.

The risk is that these people will lose contact with the labour market, leaving Australia with worse skill shortages than it has today and leaving business unable to take advantage of the recovery.

### 2. Prevention is better than cure

Unemployment goes up much more quickly than it comes down in part because of the negative impact that retrenchment has on individual workers' employability. At a firm level, employers will take longer to rehire than shed. For an individual, retrenchment can mean a slide into poverty, homelessness, family breakdown and ill health.

Australian firms should be careful not to throw away their recent investments in workers. They will need a skilled workforce to remain strong and productive, both to sustain themselves over the downturn and take advantage of growth and new opportunities. This means Government and industry exploring alternatives to layoffs.

When employers face labour shortages they often struggle to release existing workers to upskill for the future needs of their business, in the current environment, downtime can be used for training. This could be partly funded by Government through a Skills Development Fund, which would allow employers to keep their employees while they release them for training. Some of this can be earmarked to re-skill for the new green collar jobs Australia will need as it transforms to a smart, low carbon economy.

### 3. Impact

What is the impact for people who do lose their jobs? Between one half and two thirds of people made redundant are likely to return to work relatively quickly, based on analysis of surveys of retrenched workers. The remaining half to a third will either stay unemployed for a significant duration or leave the workforce altogether. Support for these workers is uneven and fragmented, both in terms of early intervention and

case management to quickly find a new job and financial support for the time they are out of work.

#### 4. Employer payouts to redundant workers

Despite the Government moving to introduce a National Employment Standard offering a minimum protection for all workers, up to one third of Australians employed in the private sector - between 1.5 and 2 million workers - are without employer-provided redundancy entitlements. These are mainly workers in firms employing less than 15 people and casual workers.

The Government provides a safety net for employees in firms who become insolvent and cannot pay their redundancy entitlements. This only applies if a company becomes insolvent but even then, only for employees who had an entitlement to redundancy – again casual workers and many in small businesses are not protected. Schemes to increase provision of redundancy payments to all workers should be investigated, including extending pay-as-you-go redundancy trust funds along the lines of the Swedish Job Security Councils and within the building and construction sector in Australia or the employer-Government safety net in Ireland.

#### 5. The public safety net

The Government urgently needs to review the income support system for workers who lose their jobs. It is threadbare and inadequate. The pension has been accepted by many, including Government Ministers, as being “*not enough to live on*,” yet single base Newstart payments at \$225 are \$56 a week below that of the pension, and couples receive \$64 less. While pensioners will receive a \$1,400 bonus payment from early December, only Newstart recipients with children will receive any relief.

A liquid assets test waiting period was introduced in 1991 to increase the time newly unemployed people were expected to live off their own funds before they could claim benefits. In 1997 the threshold was halved, so that now, a single person with as little as \$9,000 must wait three months before receiving Newstart. The current \$2,500 liquid assets test threshold would need to be increased to approximately \$7,500 to restore it to the \$5,000 level in 1991 and to take account of cost of living increases since that time.

Since 2006, redundancy payments (including Government payments when the firm becomes insolvent) directly substitute for income support and are not limited to 13 weeks. The funds that a retrenched worker could have once used to adjust to their new circumstances (for example by paying down debt or for large expenses) must now be used to cover essential living costs while they wait for income support.

#### 6. Likelihood of getting another job

Productivity Commission analysis of data from supplementary questions to the 1997 ABS retrenchment survey found that “*retrenched people were more likely to find re-employment if they were aged less than 50 years; had been retrenched from a high skill occupation, a part-time job, a job with high tenure, or as a permanent employee; or had been born in an English speaking country*”.

People who have been employed as casuals but who may have worked for the same employer on a full-time basis over many years, also have a greater likelihood of remaining unemployed.

## 7. Help to get another job

The privatised employment and training system (the Job Network) has operated during strong employment growth and has not been tested in an economic downturn. Its greatest criticism has been that it does not adequately assist very disadvantaged clients. By March 2008, 29% of the Job Network caseload had been receiving benefits for five years or more. A substantial redesign was done prior to the global financial crisis and will not take effect until July 2009, when unemployment will be increasing. In some ways, the new system will be better equipped to deal with a downturn in job growth as it will be more responsive to individual needs and offers more skills training. It is aimed at giving greater resources to those who are highly disadvantaged and long term unemployed which remains crucial to addressing Australia's long-term employment and skills goals.

**However most of those recently retrenched will have to wait for individual assistance under these services – leaving them vulnerable to loss of skills and connection with the job market.**

Even under the new Employment Services model, most people will have to wait 12 months for assistance. Evidence from overseas and Australian structural adjustment schemes in industries undergoing large scale redundancies, found early intervention, intensive case management and training connected with real work has proved to be more effective in preventing long term unemployment. Employers continue to report that the Job Network is not responsive to their needs. There are pockets of demand-led approaches but overall the system is supply-driven with little connection to employer needs and the chance to get on-the-job training.

## 8. Gaps in Knowledge

The long period of economic growth and lower unemployment means little attention has been paid to effective strategies for reducing the impact of unemployment – either from overseas or within Australia.

## Recommendations

### Prevention

I. The Australian Government should explore setting up a new Skills Development Fund that would allow employers to keep their employees while they release them for training. A portion should be earmarked to re-skill for the new green collar jobs Australia needs to transform to a smart, low carbon economy. Employers could contribute on a sliding scale, with the amounts increasing as growth picks up. Small businesses could contribute a smaller proportion to the Skills Development Fund and receive greater support.

II. The Skills Development Fund could also collate and draw from good practice conducted in overseas such as Swedish firms working with Job Security Councils around competence shift and other strategies to increase the productivity of workers.

III. Moves to break down barriers between unions and employers should be encouraged, welcome signs include the meeting of industry and unions over the Vocational Education and Training system convened by the ACTU President in July 2008 and work undertaken by industry, unions and non profit groups to produce *“Facing up to Australia’s skills challenge: industry sets key priorities to address the skills crisis”*.

IV. Government and industry should promote and “talk up” alternatives to firing. The recent increased focus on skills should not be lost: Australian firms will need skilled workforces to remain strong and productive both to sustain themselves over the downturn and take advantage of growth when it flows through.

V. The Federal Government should establish a centralised resource (e.g. a DEEWR managed website) for information about green skills, green training, green courses and green jobs. This would service demand from educators, employers, students, careers advisors, prospective students and job agencies, as well as provide an audit of activities towards growing Australia’s green skills base nationally.

### Protection

VI. Schemes to increase redundancy provision to all workers should be investigated including extending redundancy trust funds along the lines of the Swedish Job Security Councils and within the building and construction sector in Australia as well as employer-government shared funds such as in Ireland.

VII. The GEERs scheme needs to be reviewed particularly to ensure it does not provide a perverse incentive for companies under administration to become insolvent.

VIII. Some immediate relief should be granted to Newstart recipients, especially those in the private rental market. Measures to bring Newstart payments in line with pension levels should be included in the forthcoming Government Pension and Tax reviews.

IX. Liquid assets tests waiting periods should be abolished or at least restored to 1991 levels (in 2008 dollars) to ensure unemployed people retain some savings and buffers to poverty.

X. Newly retrenched workers who are at risk of long-term unemployment or leaving the labour force should have immediate access to case management and skills support. Increased resources required for newly unemployed people should not be at the expense of the intensive resources required to assist the disadvantaged and very long-term unemployed.

XI. A demand-led approach to employment and training should take centre stage rather than remain at the edges. This approach should be extended across the entire training system and artificial distinctions between welfare-to-work and in-work training should be avoided.

### Further research

XII. Government should ask the Productivity Commission to undertake an extensive inquiry into the adequacy and coverage of Australia's redundancy arrangements, along the lines of the recent public inquiry conducted in New Zealand.

XIII. Best practice from previous industry Structural Adjustment Packages – what works; the impact of early intervention; and individualised support – should be collated and made available to industry, unions, government and Job Network agencies.

XIV. The Australian Bureau of Statistics should regularly survey redundancy and retrenched workers as per the catalogue 6266.0, which is currently irregularly and infrequently conducted.

XV. The Federal Department of Employment Education and Workplace Relations (DEEWR) should set up an Office of Labour Market Adjustment or similar resource. It should work co-operatively with the Department of Industry, Innovation, Science and Technology and other relevant departments and State Government entities to pool knowledge and best practice.



## Keeping Skills During Hard Times: The Full Report

### 1. Outlook

The last decade has seen the strongest and most sustained period of employment and economic growth in Australia's history. However all the recent signs are that unemployment will rise in the short and medium term. The Australian Treasurer released the Mid-Year Economic and Fiscal Outlook on 5 November that showed real GDP growth has been revised down to two per cent while unemployment is forecast to rise to 5 per cent by the June quarter 2009 and to 5.75 per cent in June 2010.

More recently, the OECD has predicted that unemployment in Australia will rise from 4.3% to 5.3% by the end of 2009 and to 6% in 2010. This would mean approximately 200,000 Australians are set to lose their jobs in the next two years. (674,000 Australians without work, from about 488,000 now, if the workforce remained the same size). This analysis is based on the Australian economy growing at a rate of 1.7 per cent, while the US, UK and European economies will contract.<sup>2</sup>

The most recent Australian downturns were in 1996 when unemployment rose from 7.9% in December 1995 to 8.5% in February 1997 and in 2001, when unemployment rose from 6 to 7.2% between October 2000 and 2001. The most recent recession was between 1989 and late 1992. Unemployment rose from 5.6% in December 1989 to a peak of 10.9% three years later. 340,000 people lost their jobs between July 1990 and June 1991 when the economy contracted by 1.6%.<sup>3</sup>

However the 2008 downturn is coming off the back of a strong economy. Unemployment at 4.3%, a much lower base than previous downturns or recessions and the labour force participation rate is at its highest level ever experienced in Australia – 65.5% in April 2008, dipping slight to 65.1% in September. Economists believe that employment hasn't been growing at an unsustainable rate, prompting the need for a correction. Earlier this year business identified availability of skilled employees as the number one constraint on growth.<sup>4</sup> Australia's underlying skills shortages and ageing population are long-term problems and will not be affected by economic slowdowns in the US and Europe.

Other factors that influence the future outlook include:

- Outworking of an economy dependent on high levels of household and private sector debt
- Significant structural adjustment in the Australian economy due to factors like climate change and the impact on the Murray-Darling regional economies; changing consumer patterns and cost structures in the Australian automotive industry; the shakeout in the financial sector and consolidation of banks and other institutions
- Wide regional variations in Australia's employment markets, with states like NSW, SA and Victoria more vulnerable than WA and Queensland.

The Sensis Business Index found that 40% of businesses have cut their workforce since May 2008. While the Hudson survey of 7,200 employers from 19 core industry groups between October and December 2008 found national employer sentiment has



slowed for the third consecutive quarter, but that nearly 60% intended to hold their current staff levels steady, some 33% intended to increase their permanent levels and only 7.7% intended to decrease.<sup>5</sup>

## 2. Prevention is better than cure

The Prime Minister recently quoted a famous economic saying – *unemployment goes up like an elevator and comes down like an escalator*. This is in part because of the negative impact that retrenchment has on an individual workers' employability. At a macro level, Government spending will increase even after the economy picks up. At a firm level, employers will take longer to rehire than shed. For an individual, keeping their job means retaining income and in the longer term, reducing the chances of poverty, family breakdown and health problems.

Chapman and Kapuscinski summarise these arguments as: *"There are two reasons for governments to be concerned about long-term unemployment. It is well documented that members of the group are some of the least advantaged in the labour market, they are disproportionately made up of those with low formal skills and education. Moreover, those with high unemployment duration are by definition not accumulating labour market experience, one of the most important determinants of wage income. Long-term unemployment is also fundamental to policy due to its impact on macroeconomic efficiency. A labour supply pool with a large proportion of long-term unemployed will be characterised by structural mismatch... which decreases the potential for an economy to recover quickly from recession. As employers will be bargaining over a smaller pool of 'relevant' labour, wage inflation is more likely, even when unemployment is relatively high."*<sup>6</sup>

Australia's human capital accounts for more than 75 per cent of the economic wealth of our nation and labour and skill shortages are long-term trends, which will remain as the population ages.

Australia has recently woken up to the need to increase the focus on skills to increase productivity. Government, business and unions have started working together more cooperatively on this agenda, as evidenced by the establishment of Skills Australia and union, business and non-profit groups coming together to quantify the skills needed. That group found that *"Australia faces a significant shortfall in the supply of workers with the required vocational qualification. Currently 87% of available jobs require post-school qualifications, but 50% of the workforce lacks these qualifications...if the supply of people with VET qualifications remains at the same levels as in 2005, a shortfall of 240,000 can be expected over the 10 years to 2016"*.<sup>7</sup> In July 2008, the ACTU president brought together leaders from industry to discuss the vocational education and training system, a welcome sign of employers and organised labour working together.

Australian firms should be careful not to throw away their recent investments in workers. They will need a skilled workforce to remain strong and productive, both to sustain themselves over the downturn and take advantage of growth and new opportunities. This means Government and industry exploring alternatives to layoffs and keeping the focus on skill building. There is some evidence that this is occurring. HR Magazine interviewed a number of HR professionals for an article published on November 11 which found that many organisations are taking a *"wait and see"* approach. Some companies are seeking to reduce costs across the board and looking at staff layoffs to remain viable, while others recognise that *"staffing shortages will remain beyond the slowing of the economy, and are at first exploring alternatives to forced redundancy."* *"Options like re-training, career planning and*

*redeployment help an organisation to reduce its labour costs, while not eroding the goodwill they have worked so hard ... to attract and retrain good people.*" This sentiment was reflected in an interview with the Business Council of Australia Deputy CEO for this paper.<sup>8</sup>

The UK is urging this approach. Business and trade unions leaders came together in late October to warn businesses not to slash training in a bid to cut costs as the economic downturn bites. They urged employers *"to sustain or even increase their investment in training... investing now in building new skills will put us in the strongest position as the economy recovers."* The coalition of business and union leaders quoted research conducted between 1998 and 2004 that found businesses that don't invest in talent are two and a half times more likely to fail, whereas those that carry on training will recover more quickly. The UK Government strongly endorsed this approach and backed it up with £350 million of government funds to help small business get through the tougher economic climate by building the skills and expertise of their workers.<sup>9</sup>

The following are examples of possible alternatives to redundancy that should be considered:

- Performance management - redundancy should not be used as an alternative to addressing performance issues
- Restructuring positions and/or retraining for other available positions
- Reducing overtime
- Shorter working hours/part-time work (by agreement)
- Transfer to another job elsewhere in the employer's business
- Job sharing
- Reducing reliance upon casuals or other supplementary labour
- Requiring employees to take outstanding annual leave or long service leave entitlements (with appropriate notice)
- Taking unpaid leave (by agreement).

(Source: Australian Industry Group, *Redundancy Management*, June 2006.)

### Swedish examples

Two interesting overseas examples of alternatives to traditional retrenchments are the "competence shift" practiced by Ericsson and the Futurum Program adopted by the Swedish Postal Service.

Competence shift addresses the need to reduce labour as well as improve productivity within the firm. Ericsson Microwave systems were able to shed 25% of their workforce between 2003-2004 without undertaking any lay-offs. HR managers within Ericsson were trained to coach employees to help them make decisions about their professional development. Approximately 8% chose early retirement and a further 8% chose new jobs within the Ericsson Group, while the majority chose to move to a new career or training phase, including:

- A new job in a new company; (based on own initiative of employee, no special incentives from management, manager reference available);

- Career change: 12 months' salary plus a one year coaching programme carried out by one of the three providers organised by Ericsson Microwave Systems;
- A new training period, such as a university course with six to 12 months' salary.
- Coaching until the person finds a new job.

Overall it was estimated it cost 20% less than traditional restructuring. Employees were able to decide their future, with the help of support and coaching from their manager, rather than having it imposed on them. Ericsson also hired 100 new people to fill the competency gaps they identified through the process. An atmosphere of trust was maintained throughout the process, without a loss of productivity. These practices are also undertaken by the Job Security Councils in other firms throughout Sweden, in particular by the white-collar Trygghetsradet (TRR) also known as the Swedish Council of Redundancy Support (CRS).

### **Case Study: Futurum Program at Posten, the Swedish Postal Service**

As part of its need to significantly cut the number of workers, Posten set up a separate organisation called Futurum, to where workers could volunteer to immediately transfer. The program built on similar programs at Telia, Vattenfall and Volvo. Futurum offered substantial coaching and other supports as well as full pay for 18 months, more generous than the 12 month redundancy period available to employees with more than four years employment at Posten. It was based on a voluntary deal with employees requiring active engagement and setting out tailor-made plans for each individual supported by personal coaches. By 2006, 3,300 employees had participated, 85% of whom found employment, on average, by the 10<sup>th</sup> month. Independent research found that it was between 80 and 100% cheaper than traditional restructuring programs in Sweden.

(Source: EMCC Case Studies "*Managing large-scale restructuring: Swedish Postal Services*" European Foundation for the Improvement of Living and Working Conditions, 2006 and: EMCC Case Studies *Innovative restructuring: "Ericsson Microwave Systems"*, Veronique Bardelmann, Bernard Brunhes Consultants, Paris for European Foundation for the Improvement of Living and Working Conditions, 2005.)

### **Create a new dedicated Skills Development Fund**

A new Skills Development Fund could be established by the Federal Government to help employers provide training and skill development to increase workers productivity. This would allow employers to keep their employees on the books during the downturn while they are released for training – either on the job, or in specialist training establishments.

The Fund could include contributions for Federal and State Governments as well as business and would be a dedicated additional resource to ramp up the work already underway with Industry Skills Councils. This includes the recent announcement of a pilot National Enterprise Productivity Places Program to provide training for 1,250

workers in large national firms to increase their productivity and keep them in work. The Australian Government is funding around \$3 million or up to 50 per cent of the cost, with the participating businesses providing the remaining.<sup>10</sup> Skills Australia with representatives from business, unions and other skill experts could oversee the work of the Skills Development Fund. Employers could contribute on a sliding scale, with the amounts increasing as growth picks up. Small businesses could contribute a smaller proportion to the Skills Development Fund and receive greater support.

The Skills Development Fund could also collate and draw from good practice conducted in overseas such as Swedish firms working with Job Security Councils around competence shift and other strategies to increase the productivity of workers.

By providing support to employers to retain and upskill workers, the Government can ensure that workers' skills remain relevant to employers' needs and are not lost altogether.

### Re-skill for a low carbon economy

Part of the Skills Development Fund should be earmarked to re-skill for the new green collar jobs Australia will need as it transforms to a smart, low carbon economy. The Dusseldorp Skills Forum and the Australian Conservation Foundation recently commissioned the CSIRO to conduct modelling on the skills and labour challenges required for a green collar economy. The study concluded that job growth would continue, even in sectors with a relatively heavy impact on resources – but that these industries would need to re-skill workers in cleaner technologies. It recommended a number of steps to achieve this, including for Skills Australia to lead a program to identify and stimulate green skills, knowledge and work needed for a low carbon economy, with special emphasis on building and construction, transport, agriculture and food, energy and manufacturing sectors. It also called for a proportion of the Productivity Places program to be earmarked for the development of green skills in priority areas.<sup>11</sup>

This mirrors work in the US by the Blue Green Alliance, a partnership between the Sierra Club and United Steelworkers that works to develop green jobs. The group points to a University of Massachusetts report earlier in 2008 that said a \$100 billion investment in clean technology could create two million new jobs in the next two years. They have also called on President-elect Obama to initiate a “*Green New Deal*” as part of his response to the recession and rising unemployment in the US.<sup>12</sup>

## Recommendations

I. The Australian Government should explore setting up a new Skills Development Fund that would allow employers to keep their employees while they release them for training. A portion should be earmarked to re-skill for the new green collar jobs we will need as Australia transforms to a smart, low carbon economy. Employers could contribute on a sliding scale, with the amounts increasing as growth picks up. Small businesses could contribute a smaller proportion to the Skills Development Fund and receive greater support.

II. The Skills Development Fund could also collate and draw from good practice conducted in overseas such as Swedish firms working with Job Security Councils around competence shift and other strategies to increase the productivity of workers.

III. Moves to break down barriers between unions and employers should be encouraged, welcome signs include the meeting of industry and unions over the Vocational Education and Training system convened by the ACTU President in July 2008 and work undertaken by industry, unions and non profit groups to produce *"Facing up to Australia's skills challenge: industry sets key priorities to address the skills crisis"*.

IV. Government and industry should promote and "talk up" alternatives to firing. The recent increased focus on skills should not be lost: Australian firms will need skilled workforces to remain strong and productive both to sustain themselves over the downturn and take advantage of growth when it flows through.

V. The Federal Government should establish a centralised resource (e.g. a DEEWR managed website) for information about green skills, green training, green courses and green jobs. This would service demand from educators, employers, students,

## 3. Impact

The ABS has undertaken two surveys of retrenchment and redundancy, one in the three years prior to July 1997 and the most recent, in the three years prior to July 2001.<sup>13</sup> In July 2001, just fewer than 10 million people aged 18-64 years had held a job in the previous three years. Of these, just fewer than 600,000 or 6% had been retrenched in the three years prior. This compares with 7% in the previous survey, which covered the three years prior to July 1997.

Nearly 90% of employees made redundant in the three years prior to 2001 were working in the private sector. Over half (52%) were aged between 25-44 years, with 16% aged between 18-24 years, and 10% aged between 55-64 years. Some 81% were full-time workers, with the remaining 19% part-time. The 1997 survey found that 71% were permanent and 29% were casual. In the 2001 survey, 80% were family members as opposed to single people without dependents.

Respected researcher Peter Saunders states there is evidence that employment-scarring occurs for those in long term unemployment: *“The longer they are unemployed, the lower their chances of being viewed as employable by potential employers, and so they remain unemployed even longer.”*<sup>14</sup>

### By industry:

The retail and property and business firms within the service sector are two of the largest employers in Australia. Retail employed nearly 1.5 million workers in June 2007, and property and business services employed 1.25 million workers. Three-quarters of net new businesses in 2006-07 were in the property and business services, construction and finance and insurance industries. The combination of the global financial crisis and an overall slowing in consumer spending means these sectors and new businesses are at risk of losing workers<sup>15</sup>.

At July 2001, the industries, which incurred the highest number of employees retrenched from jobs in the previous three years, were:

- Manufacturing - 122,100 (20% of all retrenched employees);
- Property and business services - 70,400 (12%); and
- Construction - 68,500 (11%).

The largest number of employees was retrenched from jobs in the following occupations:

- Tradespersons and related workers - 106,900 (18% of all retrenched employees);
- Intermediate clerical, sales and service workers - 98,700 (17%); and
- Labourers and related workers - 80,800 (14%).<sup>16</sup>

### By gender:

In 2001, there was a relatively high male share (65%) of all retrenchments, which was partly due to the large numbers of retrenchments in traditionally male-oriented industries such as Manufacturing and Construction. A similar trend was also identified in the previous survey where the male share was 68%.

For males, the most common occupations affected were tradespersons and related workers (26% of all retrenched males) and intermediate production and transport workers (15%). In contrast, for females, the most commonly affected occupations were intermediate clerical, sales and service workers (31% of all retrenched females) and professionals (14%).<sup>17</sup>

### Duration of job:

Data included in the recently tabled *Fair Work Australia Bill* showed that of all employees who ceased a job involuntarily at February 2008, 44% had been at their last job for less than 12 months and 10% for 10 years or more.<sup>18</sup> In the three years prior to 2001, 30% had been employed for 12 months or less and 22% for 10 years or greater. In 1997 this was higher with 38% of all redundant workers having been employed for a year or less and 18% employed for 10 years or more.<sup>19</sup>



**By tenure:**

In 2006 some 37% of casual workers were employed full-time. Peetz has argued that a recent phenomenon has been the emergence of long-term casual employment. He cites Murtough and Waite 2000 research that perhaps over half are not genuine casuals, in the sense that they are only engaged irregularly and for intermittent, short periods. Rather many are merely employees with regular work but insecurity of tenure and with no redundancy pay or rights to annual or sick leave. Peetz found that some 42% of retrenched casuals had been employed for more than two years.<sup>20</sup>

**Notice:**

Over three-quarters (77%) of those retrenched in the three years prior to July 2001 were given prior notice of less than five weeks, with 149,500 (25%) given prior notice of less than one day. In both the 2001 and 1997 surveys, nearly 40% (39% and 38% respectively) had less than one weeks' prior notice.<sup>21</sup>

**4. Employer payouts to redundant workers**

Despite the Government moving to introduce a National Employment Standard (NES)<sup>22</sup> offering a minimum protection for all workers, this paper estimates that up to one third of Australians employed in the private sector (between 1.5 and 2 million Australians) are without employer-provided redundancy entitlements and will remain so after 2010.

This estimate is derived from:

- The fact that small business are exempt from the NES (unless they have an award or collective agreement) - at the time of the 2004 AIRC Redundancy test case ruling, the Ai Group argued that removing the exemption from small businesses would impact on up to **three million employees** of the approximately one million businesses in Australia with less than 15 employees or 40 per cent of the private sector; however a more accurate measure is probably **1.7 million** employees of small business at the end of June 2006;<sup>23</sup>
- Data from ABS 6266.0 2001 survey found 25% of all those made redundant, but 28% of private sector workers, did not receive redundancy payments;
- The majority of casual employees are not entitled to redundancy payments (even those who have been unemployed full-time and for more than 12 months are not protected by NES).

The Government's Fair Work legislation states that it does not have any reliable data on the number of award-free employees nor their redundancy experience and is unable to assess the impact of the National Employment Standards.<sup>24</sup>

In the 2004 Redundancy Test Case, the Commission's reasoning to overturn the small business exemption was that *"losses suffered by small business employees upon being made redundant are broadly the same as those employed by medium and larger businesses and that in the period 1997-98, the most recent period for which data is available, some 70% of small businesses which reduced the number of persons they employed made a profit."*



Associate Professor Anthony Forsyth from Monash University and other legal academics argued in their submissions to the NES Exposure Draft that the limited or 'patchwork' coverage of rights to severance pay in Australia is a significant problem.<sup>25</sup>

In Australia, a number of industry redundancy funds operate in the building and construction sectors. These are funds which collect and manage employer contributions (weekly or monthly) on behalf of employees each week they are on-site to provide a safety net for the employees should they become unemployed. In March 2008, the Australian Construction Industry Redundancy Trust (ACIRT) estimated the combined assets under management for all funds in the building and construction industry across Australia exceeded \$1 billion dollars at 30 June 2007. All of these were supported by the major Employer Associations and Building Unions. ACIRT estimated there were over 12,000 active participating employers and 200,000 members (employees) in the group.<sup>26</sup>

ACIRT summarises the benefits as a "win-win for

- Members - who can receive their accumulated payments within three days of termination
- Employers - because they have the ability to pay redundancy entitlements each month rather than an ever increasing liability. ACIRT contributions are also tax deductible and are exempt fringe benefits and therefore not included in Pay-Roll tax calculations.
- The Australian Tax Office (ATO) - because it receives additional tax revenue from the tax paid by members (estimated at nearly \$14m in 2007).
- GEERs – because the more funds ACIRT and other funds hold on behalf of their member's will reduce the amount required to bail out insolvent companies redundancy liabilities.
- Centrelink – redundancy benefits are counted as income and increase wait time for Newstart and other income support benefits.<sup>27</sup>

Incolink is the Victorian industry scheme covering building construction and metal construction established in 1989. At March 2008, the two Incolink funds were worth approximately \$525 million in combined value. Over \$66 million was paid to members (employees) in the year to end of March 2008. Employers contribute around \$60 per week per employee to the Victorian scheme. Similar schemes operating in WA and SA contribute smaller amounts – approximately \$40 per week, although these may vary according to awards in place. The South Australian scheme (Builder Worker Entitlements – BIRST) is broader than Incolink and is available to employee if they resign; hence it is not treated as redundancy by the ATO. Incolink funds are not subject to either Payroll Tax or the WorkCare Levy. The fund created by these contributions provides redundancy payments and a range of other benefits and services to building industry workers and the broader industry. Incolink offers employment and training; careers and promotions; counselling and health and wellbeing services to its members, and as such, operates more along the lines of the Swedish Job Councils described below.

Since 2001, the Australian Manufacturers Workers Union (AMWU) and a number of other unions have led a campaign to establish a similar scheme for manufacturing workers. Industry associations, especially the Ai Group, have significantly resisted this. The scheme was originally called Manusafe but was established as the National Entitlement Security Trust (NEST) in 2002. It is broader than the building industry trust funds, which only cover redundancy in that any type of non-superannuation entitlement covered by an employment agreement, or award can be paid into NEST. The most common of which are annual leave, long service leave, sick leave,

severance, and redundancy and productivity payments. At November 2008, there were some \$10 million in funds under management, with “hundreds of employers and thousands of employees” participating. Unlike the building industry schemes, while the NEST board has provision for an equal number of union and employer representatives as well as an independent chair, to date no employer representatives have joined the board and this position has been kept vacant since its inception.<sup>28</sup>

The development of similar funds have been vigorously opposed by the Australian Industry Group: “*levies on business and/or legislative support for union trust funds such as the manufacturing unions' Manusafe / NEST scheme are costly and unnecessary impediments upon industry and employment*”.<sup>29</sup>

### **Case study: Swedish Job Security Councils**

In Sweden, employers contribute 0.3% of payroll to industry and union co-managed Job Security Councils, the first of which was established in 1974. The councils now cover all sectors of industry, with workers receiving individualised assistance and substantial support to maintain their skills or retrain for other jobs in demand for up to two years as well as 70% of their pay for a year and 50% for a further six months (depending on length of service and age). The most established Council covers more than 700,000 white collar workers and is the Trygghetsradet (known as TRR but also CRS in some English reports). While the councils provide significant support to dismissed workers, they also contribute to the smoother facilitation of structural change and improve the functioning of the labour market through individual matching and upgrading of competencies. This is probably best symbolised by one of the slogans used by TRR: translated as “*Helping the market on its feet*”.

(Source: Institute for Management of Innovation & Technology, *The Job Security Councils in Sweden*, 5/10/06 & interviews with TRR officials for this paper.)

A recent major inquiry into redundancy and retrenchment in New Zealand with the support of employers and trade unions examined options for a universal compensatory fund. The options included self-insurance; compulsory compensation insurance taken out by employers; a levy on employers; employer and employee contributions or general taxation. The Inquiry was unable to reach a conclusion on the most appropriate. Overall it recommended establishing a Redundancy Support Scheme, which would exist alongside a statutory formula, which would channel support to workers and employers in the form of active labour market assistance. However, it would also provide a rebate on the cost of redundancy compensation for employers that registered with the scheme and who employ fewer than 20 workers.<sup>30</sup>

In Ireland, employers are entitled to a 60% rebate from the Social Insurance Fund when they comply with all redundancy requirements. Employers make regular payments to this fund through pay related social insurance contributions. Where an employer is unable to pay an employee their entitlement, the full amount is paid from the fund. This system guarantees payment to employees and provides an incentive for employers to comply with redundancy requirements.<sup>31</sup>

The AMWU has recently called for a discussion around a national insurance scheme, a pay-as-you-go contribution and legislation that places employee entitlements above secured creditors.<sup>32</sup>

## Recommendation

VI. Schemes to increase redundancy provision to all workers should be investigated including extending redundancy trust funds along the lines of the Swedish Job Security Councils and within the building and construction sector in Australia as well as employer-government shared funds such as in Ireland.

## 5. The public safety net

### General Employee Entitlements and Redundancy Scheme

The Federal Government provides a safety net for employees in firms that become insolvent and cannot pay their redundancy entitlements. This is called General Employee Entitlements and Redundancy Scheme (GEERS) and was introduced by the previous Government in 2001. Payments made under GEERS are subject to an annually indexed income cap, which was \$101 300 for 2007–08. At the end of June 2008, GEERS has paid out some \$830 million to 75,000 employees since its introduction in 2001. Individual amounts are not published but on average, this would amount to just over \$11,000 per employee. In 2007-08 it paid \$60.8 million to 7,800 claimants (an average of \$7,795) who were employed by 972 insolvent businesses.<sup>33</sup>

Eligible entitlements under GEERS consist of

- Up to three months unpaid or underpaid wages for the period prior to the appointment of the insolvency practitioner (including amounts deducted from wages, such as for superannuation, but not passed on to the superannuation fund),
- All unpaid annual leave,
- All unpaid long service leave,
- All unpaid payment in lieu of notice and up to a maximum of 16 weeks unpaid
- Redundancy entitlement (this was increased from 8 weeks in August 2006).

However GEERS only applies if a company becomes insolvent but even then, only provides coverage to employees who had an entitlement to redundancy pay in their industrial instrument (i.e. not the majority of employees in firms of less than 15 employees, long term casual employees etc). While the previous Government increased the maximum amount to 16 weeks it tightened the criteria to insolvency rather than administration. Only 18% of people who were made redundant in the three years prior to the 2001 ABS survey found redundancy was due to business closure.

Unions in Australia have opposed the existence of the GEERS scheme and have called for it to be abolished and replaced by an employer fund<sup>34</sup>. In an interview conducted for this paper, Dave Oliver from the AMWU criticized GEERS for potentially providing a perverse incentive for a company under administration to go into liquidation rather than continue trading, as their employee entitlement liabilities would be immediately covered by the Government scheme. Other criticisms of GEERS is that it does not pay the employees' full entitlement as the redundancy amount is capped at 16 weeks and there may be up to a four month delay in employees receiving the payments<sup>35</sup>. Many awards offer greater than 16 weeks redundancy, depending on length of service. The AMWU has estimated that 1.6

million workers are owed more than 16 weeks in redundancy pay.<sup>36</sup> In its response to the ALP industrial relations policy in June 2007, the Australian Industry Group was strongly of the view that GEERS was working effectively and must be retained.<sup>37</sup>

## Recommendation

VII. The GEERs scheme needs to be reviewed, particularly to ensure it does not provide a perverse incentive for companies under administration to become insolvent.

## Income support

Many, including Government Ministers, have accepted that the pension is “*not enough to live on*,” yet single base Newstart payments are \$56 a week below that of the pension and couples receive \$64 less. ACOSS cites analysis by FAHCSIA that over the last decade, the gap between pension and allowance payments has widened as pensions, but not allowance payments, were increased. The average annual increase in allowance payments was 0.1% in real terms (compensation for the introduction of the GST in 2000) while the average real annual increase in pension rates was 2.1% for singles and 2.2% for couples.<sup>38</sup> While pensioners will receive a \$1,400 bonus payment, only Newstart recipients with children, derive any benefit from the more than \$8 billion stimulus package delivered in early December 2008.

Some 60% of single Newstart recipients and 44% of couples are renting privately, compared with 18% of Age Pensioner singles and 8% of couples.<sup>39</sup> Very few unemployed people have access to public housing and even fewer own their own homes outright. Across Australia housing affordability is recognised as a critical social issue. In 2008, some 1.1 million Australian households were experiencing household stress. For these households, retrenchment can be catastrophic.

There is limited government support for mortgage relief, dependent on the State a person lives in, the value of the home and the amount of outstanding mortgage. For example, in NSW, people who have lost their job and are unable to make mortgage payments may be eligible for a loan of up to \$20,000 if their house is worth less than \$500,000 and the amount owed on the mortgage is less than \$350,000. In 2005-06 a total of 299 people across Australia received mortgage relief valued at some \$2.6 million.<sup>40</sup>

In the past, workers with retrenchment payments could have used them to pay down mortgages or cover rent payments while using income support for other essential living costs. Recent changes to waiting periods and treatment of redundancy payments have increased the risk that unemployed people will lose their homes.

Most other countries have a social insurance scheme and pay a much higher proportion of the minimum wage as income support after job loss. An ACOSS information sheet published in 2005 found that an unemployed single adult with no children received just 46% of the income of an equivalent low paid full-time wage earner (after tax). Of the 21 countries surveyed by the OECD, Australian income support payments were the seventh lowest in comparison with wages paid to production workers.<sup>41</sup>

Peter Saunders from the UNSW Social Policy Research Centre stated in his 2002 book that “*lack of employment remains the single most important determinant of poverty*” and a welfare “*system that may provide an adequate safety net for a period of weeks or even months is not able to fund the purchases of new furniture, clothes and other items that inevitably arise if joblessness is long-term.*” This means that long-term unemployed people are likely to be stuck in a poverty trap.<sup>42</sup> At October 2008, there were 431,000 Newstart recipients, 58% of whom had received payments for more than 12 months.<sup>43</sup>

A liquid assets test waiting period was introduced in 1991 to increase the time newly unemployed people were expected to live off funds they could access within 28 days, before receiving income support. The original test forced claimants to wait up to 13 weeks, determined by a formula which included a threshold at \$5,000 for a single person and \$10,000 for a couple or a single person with a child. In 1991, this meant a single person with \$9,000 would wait 8 weeks to receive payments. This threshold has never been indexed to account for inflation and in fact was halved by the previous Government in 1997. In 2008, a single person with as little as \$9,000 must now wait 13 weeks for any payments, in addition to the normal one week wait from the date of their claim. A couple with as little as \$18,000 must wait 13 weeks<sup>44</sup>. In 2003-04 nearly 40,000 Newstart Allowance recipients had to wait an average of eight weeks for payments due to the liquid assets test waiting period.<sup>45</sup> The \$2,500 threshold would need to be increased to approximately \$7,500 to restore it to the \$5,000 level in 1991 and to take account of cost of living increases since that time<sup>46</sup>.

Redundancy payments (including GEERs payments) now directly substitute for income support – an unemployed person receiving eight weeks redundancy pay can not use this as a buffer to pay towards a mortgage or save for other large expenses but must live on it while they wait eight weeks for income support. This was introduced in 2006.

## Recommendations

VIII. Some immediate relief should be granted to Newstart recipients, especially those in the private rental market. Measures to bring Newstart payments in line with pension levels should be included in the forthcoming Government Pension and Tax reviews.

IX. Liquid assets tests waiting periods should be abolished or at least restored to 1991 levels (in 2008 dollars) to ensure unemployed people retain some savings and buffers to poverty.

## 6. Likelihood of getting another job without assistance

The Productivity Commission analysis of data from supplementary questions to the 1997 ABS redundancy and retrenchment survey found that “*retrenched people were more likely to find re-employment if they were aged less than 50 years; had been retrenched from a high skill occupation, a part-time job, a job with high tenure, or as a permanent employee; or had been born in an English speaking country.*”<sup>47</sup>



Formerly long-term casuals have a greater likelihood of remaining unemployed - David Peetz's analysis of the 2001 ABS survey found that about 41% of unemployed, formerly long term casual employees were unemployed for at least six months, compared with 26% of unemployed, previously permanent employees.<sup>48</sup>

Between one half and two thirds of people made redundant are likely to return to work relatively quickly, based on analysis of surveys of retrenched workers in the three years prior to 1997 and 2001. The remaining half to a third will either stay unemployed for a significant duration or leave the labour force altogether. The rate of re-employment in 2001 was 67% compared with 55% in 1997, reflecting the higher unemployment rate at the time of the 1997 survey (around 8.5% compared with 7.2%).<sup>49</sup>

## 7. Help to get another job

In 2008, most unemployed people in Australia will turn to the privatised employment and training system (the Job Network), which has yet to be tested in an economic downturn. In 2006, the then Department of Employment and Workplace Relations claimed strong off-benefit net impacts for most groups of job seeker, with an earlier report by the Productivity Commission indicated that it was likely that Job Network programs had only a very modest net impact on aggregate employment and that this was consistent with those for previous Australian and overseas programs.<sup>50</sup> Most recently the greatest criticism of the Australian system was that it was not adequately assisting very disadvantaged clients and by March 2008, 29% of job seekers on the Job Network caseload had been receiving benefits for five years or more.<sup>51</sup>

A recent Danish study of privatised employment and training services in Australia, The Netherlands and Denmark concluded that there were four disappointments – there is little innovation with contractors reluctant to take risks; work-first dominates at the expense of long term investment in clients; they are accompanied by a strong supply-side orientation and *“contrary to what might have been expected, involvement of employers and business networks among service providers remains weak”*. All three privatised arrangements have been subject to the criticism of not doing enough to support the most disadvantaged. *“Creaming and parking of jobseekers is almost unavoidable within a framework of market-economic logic, as outcomes of activities are uncertain and these jobseekers have a host of complex problems requiring long-term and cost-heavy initiatives”*.<sup>52</sup>

One of the disadvantages of a privatised employment and training sector is the length of time required to change direction due to the need to tender and award new contracts. A substantial review and redesign was undertaken by the Australian Government in mid 2008 prior to the global financial crisis and will not take affect until July 2009, when unemployment will be increasing.

In some ways, the new system which commences in July 2009, should be better equipped to deal with a downturn in job growth:

- It will be more responsive to individual needs, and reflect the need for skills training rather than short-term work first. In particular the Productivity Places Program, which aims to address industry skill shortages by offering job seekers training in qualifications in a number of sectors, is welcome.
- It will provide more resources to those who are highly disadvantaged and long-term unemployed. These people will require this assistance, as their chances of employment will reduce as they compete with more employable, recently displaced workers, for a smaller pool of vacancies.

Some of the remaining concerns, which will continue to impact on its ability to help return workers to employment, are that:

**1. There is not enough focus on building employability rather than simply job matching** and little if any incentive to continue skill building to ensure productivity and retention, once the client is employed. Per Capita have argued that government should provide a smaller up front payment followed by a trailing commission for up to three years ongoing employment with continuing training and support services. This would ensure the development of human capital.<sup>53</sup> Both the existing Job Network program and 2009 Employment Services have been designed for a buoyant labour market. The emphasis is on rapid placement into work.

**2. Employers continue to report the Job Network is not responsive to their needs.** There are pockets of demand-led approaches but overall the employment and training system is supply-driven with little connection to employer needs.<sup>54</sup> The recent review of the Textile, Footwear and Clothing Industry recommended *“there should be a greater role for industry stakeholders in facilitating access by workers to employment and training services”*.<sup>55</sup> The Government has made a considerable new investment in training places in areas of skills shortage but these will only generate jobs if they are directly linked with employer needs.

Many labour market programs in the US and UK have adopted a demand-led approach which closely involve employers in the design and delivery of employment and training programs. The US Government introduced the Workforce Investment Act in 1998 and one of the tenets was to bring together at a local level, employers, labour organisations, education and training providers, and community groups. The UK Government introduced Employer Coalitions in 10 major centres across the UK as recommended by the National Employment Panel in the early 2000's. There has been a strong emphasis in the UK on a demand-led approach to delivering its skills agenda, both for employees in work and out of work job seekers. Some of the elements of a demand-led system, which would more effectively meet employer needs and increase the matching of job seekers into sustainable jobs include:

- Employer involvement in the design of training programs;
- On the job employer-provided work experience integrated into training programs;
- Job Network providers including local employers on their Boards or advisory committees;
- Job Network staff working closely with local employers understanding their business, vacancies and competencies required; and
- Local employers adjusting hiring practices to reduce discrimination and barriers to employment.<sup>56</sup>

**3. Training is not enough.** Many of the most vulnerable to long-term unemployment are vulnerable because they have not benefited from training in the past. Many are early school leavers, many have poor basic literacy and numeracy skills and some have learning difficulties. Availability of training places will not be enough to ensure these people gain the skills they need to re-engage with work.

A former senior Government adviser has concluded that participation in a labour market program markedly increases the rate at which unemployed people obtain work, although their effectiveness is dependent on the type of program and the personal characteristics of the job seeker. She has argued that it is important to recognise their limitations. *“Labour market programs should play a small, albeit significant, role in a broader education and training system which invests heavily in*



*young people, from very young ages. Education and training policies that seek to remedy deficits incurred in early years are much more costly than early investments wisely made, and furthermore are relatively ineffective at restoring lost capacities even when large costs are incurred. In other words, labour market programs are carrying too much burden”.*<sup>57</sup>

**4. Most people will still have to wait 12 months for assistance and intensive help.** Assistance for jobseekers in the new Employment Services model is rationed through an assessment administered by Centrelink which is designed to target resources for those most likely to become long-term unemployed. The Government estimates that over 50% of jobseekers will be considered “work ready” and enter Stream 1. Stream 1 jobseekers get help with a resume and job search tips but receive no intensive support or case management assistance. Recent employment experience is one of the primary factors for determining access to higher level assistance. Therefore most recently retrenched people are likely to enter Stream 1 and wait at least 12 months before they are eligible for case management support.

Australian structural adjustment schemes have placed value in providing early intervention to labour market programs. Early access to enhanced Job Network services has been made available to textile, clothing and footwear workers and redundant workers from manufacturing plant closures or large-scale redundancies.<sup>58</sup> More recently the Federal Government allocated 10,000 Certificate Level III of its Productivity Places Program to workers affected by structural adjustment in automotive and manufacturing sectors.<sup>59</sup>

#### **Case study: Closure of Mitsubishi at Tonsley Park in South Australia**

The closure in March 2008 affected 1,200 workers (at Mitsubishi and associated contractors). There was a swift and co-ordinated response involving all stakeholders: the employer, State and Federal government, and the relevant trade union.

Early action included an Employer Expo held at Mitsubishi, which brought together the redundant employees and 75 employers with more than 625 vacancies. Redundant employees also received early access to Job Network services and a customised Labour Adjustment Package worker. This role includes acting as a central source for information on training, self-employment, wage subsidies, clothing and equipment grants. According to the Minister for Employment Participation, within six months, some 66% of the 665 Mitsubishi workers and contractors which had registered with a employment provider member, had already been placed in work or full time education and training, compared with only 44% similarly placed within six months of the 2006 closure.

(Source: speech by The Hon Brendan O'Connor MP, 6/11/08)

There is evidence from overseas such as the Swedish Job Security Councils that early intervention and intensive case management have proved to be more effective in preventing long term unemployment. For example the TRR claims that its outplacement services ensure reduced duration of unemployment for clients; placement into more sustainable jobs, not just any job; and high levels of placement, with 80 percent of clients being placed within seven months.<sup>60</sup> A study of case management across 11 countries conducted by the International Social Security Association (ISSA) in 2006 and 2007 concluded that “*case management is a very*

*effective way of drawing people back into the labour market and can be a win-win for all: the client wins because he is (re) integrated into the labour market...the employer wins because he has been able to fill a post".<sup>61</sup>*

Job Futures recognises the dilemma faced by Government in getting the balance right between over-investing in those who will not need help and those who do. However it believes that a new approach is required to ensure that those facing retrenchment today do not become the next generation of long-term unemployed. It identifies mature workers, those with poor foundation skills and those without recent qualifications as particularly vulnerable. Programs like Skilling Queenslanders for Work, which offer paid work experience alongside training and case management are good models for ensuring that these workers retain their attachment to the labour market.<sup>62</sup>

Jobs Australia has called for a shift from an outcome payments system, under which job agencies were paid well for getting long-term unemployed into jobs, to service fees because there was more work to do for less results and NESA has asked for Job Network providers to be consulted in changes needed to take account of changed economic circumstances.<sup>63</sup>

The capacity of existing labour market programs to address the needs of those most likely to leave the workforce or to become long-term unemployed needs to be urgently addressed. At the same time, Government should not lose sight of the needs of those already locked out of employment.

## Recommendations

X. Newly retrenched workers who are at risk of long-term unemployment or leaving the labour force should have immediate access to case management and skills support. Increased resources required for newly unemployed people should not be at the expense of the intensive resources required to assist the disadvantaged and very long-term unemployed.

XI. A demand-led approach to employment and training should take centre stage rather than remain at the edges. This approach should be extended across the entire training system and artificial distinctions between welfare-to-work and in-work training should be avoided.

## 8. Gaps in Knowledge

In Australia, there has been little comprehensive research on redundancy practice overseas since the early 1990's when the former Department of Employment and Education's Office of Labour Market Adjustment commissioned a major study.

New Zealand recently undertook a comprehensive inquiry with representatives of industry, and trade unions, the results of which were published in June 2008. To date it has not been acted upon and there was recently a change of government so its status is unclear at the time of writing. However there is very valuable canvassing of issues and approaches, much of which would be relevant to Australia.<sup>64</sup>

Further work should be undertaken on the gaps in access to redundancy payments and solutions to address them.

The ABS should more regularly conduct its infrequent and irregular retrenchment and redundancy survey and to consistently survey the same questions.

The learning from recent Structural Adjustment Schemes has not been collated and is held by a number of Federal Departments and independent researchers.<sup>65</sup>

## Recommendations

XII. Government should ask the Productivity Commission to undertake an extensive inquiry into the adequacy and coverage of Australia's redundancy arrangements, along the lines of the recent public inquiry conducted in New Zealand.

XIII. Best practice from previous industry Structural Adjustment Packages - what works; the impact of early intervention; and individualised support - should be collated and made available to industry, unions, government and Job Network agencies.

XIV. The Australian Bureau of Statistics should regularly survey redundancy and retrenched workers as per the catalogue 6266.0, which is currently irregularly and infrequently conducted.

XV. The Federal Department of Employment Education and Workplace Relations (DEEWR) should set up an Office of Labour Market Adjustment or similar resource. It should work co-operatively with the Department of Innovation, Industry, Science and Technology and other relevant departments and State Government entities to pool knowledge and best practice.

## 9. Interviews

Short interviews with the following experts were conducted during October and November 2008:

Nixon Apple, AMWU  
 Michelle Bissett, ACTU  
 Melinda Cilento, Business Council of Australia  
 Stefan Eklund & Carl-Magnus Ponten, TRR Swedish Job Security Council  
 Lisa Fowkes, Job Futures  
 Anthony Forsyth, Monash University  
 David Hetherington, Per Capita  
 Lauren Hoiles, Incolink  
 Dave Oliver, AMWU  
 Dennis Mathews, ACIRT  
 Gerard Thomas, NSW Welfare Rights Centre  
 David Thompson, Jobs Australia

## 10. Endnotes

- <sup>1</sup> Toni Wren is a Sydney-based Employment and Social Policy Consultant who has advised government, employers and non profit organisations in Australia, UK, the US and Japan.
- <sup>2</sup> OECD *Economic Outlook Report 2008*, 25/11/08
- <sup>3</sup> Craig James, Chief Equities Economist, CommSec, *Economic Insights*, 21/10/08
- <sup>4</sup> ACCI survey of Investor Confidence, January 2008.
- <sup>5</sup> *The Hudson Report*, Australia, October-December 2008.
- <sup>6</sup> Bruce Chapman and Cezary Kapuscinski, *Avoiding Recessions and Australian Long-Term Unemployment*, Australia Institute, June 2000.
- <sup>6</sup> *Facing up to Australia's skills challenge: industry sets key priorities to address the skills crisis*, ACTU, AIG, GTA, AEU, Dusseldorp Skills Forum, 16/4/08.
- <sup>8</sup> Interview with Melinda Cilento, Deputy CEO, BCA, 18/11/08.
- <sup>9</sup> 'Slash training at your peril warn business bosses', UK Commission for Employment and Skills, 23/10/08 and speech by UK Secretary of State for Innovation, Universities and Skills to the Confederation of British Industry, 24/10/08.
- <sup>10</sup> Minister Gillard announcement, 15/11/08.
- <sup>11</sup> Dusseldorp Skills Forum & Australian Conservation Foundation, "Growing the Green Collar Economy, Skills and Labour Challenges in Reducing our Greenhouse Emissions and National Environmental Footprint," 26/6/2008.
- <sup>12</sup> Beth Daley, *Obama urged to create 'Green New Deal'*, The Boston Globe, 24/10/08.
- <sup>13</sup> ABS 6266.0 published 2002 and 1998.
- <sup>14</sup> Academy of Social Sciences in Australia review of Peter Saunders, *The Ends and Means of Welfare: Coping with Economic and Social Change in Australia* Cambridge University Press, 2002
- <sup>15</sup> *Services Sector Fact Sheet*, Department of Innovation, Industry, Science & Research, 11/08/08.
- <sup>16</sup> ABS 6266.0 published 2002 and 1998.
- <sup>17</sup> ABS *ibid*.
- <sup>18</sup> *Fair Work Bill 2008* Explanatory Memorandum, tabled in the House of Representatives, 25/11/08, page xxiv.
- <sup>19</sup> ABS *ibid*.
- <sup>20</sup> Professor David Peetz, Professor of Employment Relations, Griffith University, *Submission to National Employment Standards Exposure Draft*, 2008.
- <sup>21</sup> ABS *ibid*.
- <sup>22</sup> The National Employment Standards guarantee up to 16 weeks pay (based on a sliding scale dependent on duration of employment) but there are a number of exemptions.
- <sup>23</sup> In 2004 the Parliamentary Library Bills Digest estimated restoring the small business exemption would affect more than one million small business employees, on the assumption that the Commission's redundancy decisions potentially broadened access to the entitlement and that about 770 000 employees of incorporated small businesses already fell under the scope of the federal jurisdiction. This was based on 2001 ABS survey 8155.0 showing that small businesses (less than 20 employees) employed 2.26 million employees (apart from the owner/s). At June 2006, small businesses (less than 20 employees) employed 3.8 million employees (apart from the owner/s), so the small business exemptions is estimated by this paper to be 1.7 million employees, at the end of June 2006.
- <sup>24</sup> *Fair Work Bill 2008* Explanatory Memorandum, tabled in the House of Representatives, 25/11/08, page xxiv.
- <sup>25</sup> See Workplace & Corporate Law Research Group, Monash University and RMIT Submissions to *National Employment Standards Exposure Draft*, 2008.
- <sup>26</sup> ACIRT Submission to *National Employment Standards Exposure Draft*, 31/3/08.
- <sup>27</sup> ACIRT Submission to *National Employment Standards Exposure Draft*, 31/3/08.
- <sup>28</sup> Interview with Dave Oliver, AMWU, 21/11/08, who was unable to provide more precise numbers.
- <sup>29</sup> Australian Industry Group Media Statement, June 2007.
- <sup>30</sup> *Report of the Public Advisory Group on Restructuring and Redundancy*, New Zealand Department of Labour, June 2008.
- <sup>31</sup> Cited in *Report of the Public Advisory Group on Restructuring and Redundancy*, New Zealand Department of Labour, June 2008.
- <sup>32</sup> AMWU, *Protect our Future*, 3/12/08.
- <sup>33</sup> Data to 30 June 2008, published in DEEWR Annual Report 2007-08.
- <sup>34</sup> ACTU Policy 2006.
- <sup>35</sup> ACIRT submission to *National Employment Standards Exposure Draft*, March 2008 and interview with Dennis Mathews, National Co-ordinator, ACIRT, 20/11/08.

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- <sup>36</sup> AMWU, *Protect our Future*, 3/12/08.
- <sup>37</sup> Australian Industry Group Media Statement, June 2007.
- <sup>38</sup> ACOSS submission to FAHCSIA Pension Review, September 2008.
- <sup>39</sup> ACOSS submission to FAHCSIA Pension Review, September 2008.
- <sup>40</sup> According to Australian Institute of Health and Welfare, *Australia's Welfare 2007* different schemes operate in NSW, Victoria, Queensland, Western Australia and ACT. It is unclear if they operate in other states and territories.
- <sup>41</sup> ACOSS Info 381, October 2005 using 2004 OECD Benefits and Wages report.
- <sup>42</sup> Academy of Social Sciences in Australia review of Peter Saunders, *The Ends and Means of Welfare: Coping with Economic and Social Change in Australia* Cambridge University Press, 2002.
- <sup>43</sup> *Labour Market & Related Payments*, October 2008, DEEWR, 19/11/08 [www.workplace.gov.au/lmrp](http://www.workplace.gov.au/lmrp)
- <sup>44</sup> Liquid Assets Test were introduced in 1991 at \$500 for singles and \$10,000 for couples. They were halved to \$2,500 for singles and \$5000 for couples in 1997.
- <sup>45</sup> Data from Senate Estimates hearings and cited in National Welfare Rights Network, *Newstart Allowance Waiting Periods Background Paper*, September 2005.
- <sup>46</sup> Based on RBA CPI calculator which only goes to 2007 & states \$5000 in 1991 is worth \$7415.60 in 2007, the author has rounded to \$7500 to take account of further CPI increases to date.
- <sup>47</sup> Greg Murtough & Matthew Waite, [Unemployment and Re-employment of Displaced Workers](#), Productivity Commission, 19/10/00.
- <sup>48</sup> 2005 Peetz paper cited in David Peetz submission to *National Employment Standards Exposure Draft*, 2008.
- <sup>49</sup> ABS 6266.0 published 2002 and 1998.
- <sup>50</sup> See the Parliamentary Library paper "*A review of developments in the Job Network*", December 2007 for a fuller discussion on the performance of the Job Network.
- <sup>51</sup> *Review of Employment Services Discussion Paper*, Australian Government, May 2008.
- <sup>52</sup> Thomas Bredgaard & Flemming Larsen, "*Quasi-markets in employment policy in Australia, the Netherlands and Denmark*," Centre for Labour Market Research at Aalborg University (CARMA) Denmark, 2006.
- <sup>53</sup> David Hetherington, *Unlocking the Value of a Job*, Per Capita, May 2008.
- <sup>54</sup> Confirmed in interview with Deputy CEO of Business Council of Australia, November 2008; see also ACCI submission to the *Review of Employment Services* and *Report of the Review of Employment Services*, May and August 2008.
- <sup>55</sup> Professor Roy Green, *Building Innovation Capacity Review of the Australian Textile, Clothing and Footwear (TCF) Industries*, 19/9/08.
- <sup>56</sup> See UK Commission for Employment and Skills [www.ukces.org.uk](http://www.ukces.org.uk) and Toni Wren, *How to turn the jobs pact into reality*, Australian Financial Review 4/11/08 & Elizabeth Wynhausen, *This Woman can cut our dole queues*, The Australian, 13/08/04.
- <sup>57</sup> Maryanne O'Loughlin, "*The Role and Effectiveness of Labour Market Programs*", ACOSS/CEDA Seminar, 14/5/01.
- <sup>58</sup> See DEWR Federal Budget 2007-08 and 2003 Textile, Clothing and Footwear Structural Adjustment Program.
- <sup>59</sup> Minister Gillard announcement, 14/10/08.
- <sup>60</sup> TRR website and interviews with TRR officials for this paper.
- <sup>61</sup> Johanna Poetzsch, "*Case Management- The magic bullet for labour integration? An international comparative study*" examined case management in Sweden, Germany, Ireland, Netherlands, Spain, France, Belgium, UK, Denmark, New Zealand and Australia between mid 2006 and early 2007.
- <sup>62</sup> Interview with Lisa Fowkes, Jobs Futures CEO, 27/11/08.
- <sup>63</sup> The Australian 31/10/08 plus interview with David Thompson, CEO, Jobs Australia, 12/11/08.
- <sup>64</sup> *Report of the Public Advisory Group on Restructuring and Redundancy*, New Zealand, June 2008
- <sup>65</sup> See for example report by Professor Roy Green, *Building Innovation Capacity Review of the Australian Textile, Clothing and Footwear (TCF) Industries*, 19/9/08.