



Back to Work

AUSTRALIA

IMPROVING THE RE-EMPLOYMENT
PROSPECTS OF DISPLACED WORKERS



Back to Work: Australia

IMPROVING THE RE-EMPLOYMENT PROSPECTS
OF DISPLACED WORKERS

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Foreword

OECD labour markets are characterised by their dynamism. Each year, more than 20% of jobs, on average, are created and/or destroyed, and around one-third of all workers are hired and/or separated from their employer. These large job and worker flows are driven by a continuous process of labour reallocation, both across industries and between declining and growing firms within the same industry. This reallocation is an important source of productivity gains, since more productive firms expand at the expense of less productive firms and earnings rise on average for workers changing jobs, particularly workers who voluntarily quit one job in order to move to another. However, high job turnover is also a source of insecurity for workers, especially those who are displaced from their jobs because their employer downsizes its workforce or goes out of business altogether. A common challenge facing OECD governments is thus to nurture labour market dynamism while keeping the adjustment costs that are borne by displaced workers as low as possible.

To address this issue the OECD Employment, Labour and Social Affairs Committee is carrying out a thematic review of policies to help workers who lose their jobs for economic reasons or as a result of structural change to move back into work. Nine countries participate in this review: Australia, Canada, Denmark, Finland, Japan, Korea, New Zealand, Sweden and the United States.

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Table of contents

Acronyms and abbreviations	9
Executive summary	11
Assessment and recommendations	13
Chapter 1. Job displacement in Australia and its consequences	23
The Australian labour market context	24
Displaced workers: Incidence and characteristics	30
Labour market outcomes following displacement	35
Wages and job characteristics following displacement	39
Skill use of displaced workers	43
Conclusion	47
Notes	48
References	51
<i>Annex 1.A1. Supplementary table</i>	53
Chapter 2. Mainstream income support and re-employment services for Australian displaced workers	55
Income support available to displaced workers	56
General re-employment services available to displaced workers	67
Counter-cyclical policies for displaced workers: The Jobs and Training Compact	85
Conclusion	90
Notes	94
References	97
Chapter 3. Labour adjustment programmes for displaced workers in Australia	101
Prevention of dismissals	102
Support to displaced workers that is provided through structural adjustment programmes	109
Conclusion	126
Notes	131
References	134

Boxes

Key policy recommendations.....	22
Box 2.1. The evolvement of the Job Network.....	72
Box 2.2. The Job Seeker Classification Instrument: A profiling tool to determine jobseekers' access to Employment Services.....	75
Box 2.3. The Productivity Place Programme.....	82
Box 2.4. Some international evidence on the effectiveness of training programmes.....	84
Box 2.5. Public training programmes for the unemployed in Japan.....	85
Box 2.6. Specific programmes for older workers: Examples from Canada and Switzerland.....	93
Box 3.1. Targeted support schemes for displaced workers in Canada: The examples of Ontario and Québec.....	112
Box 3.2. Support schemes benefiting workers displaced individually or in small firms: The examples of France, Sweden and Québec-Canada.....	113
Box 3.3. Supporting workers retrenched by paper mills and other forestry industry businesses in Tasmania: The Forestworks Workers' Assistance Project.....	118
Box 3.4. Bridgestone closure: Early intervention with co-ordination problems.....	120
Box 3.5. The <i>Retrenchment to Re-employment Response</i> approach to collective dismissals.....	129

Figures

Figure 1.1. The labour market in Australia has been strong since 2000, but somewhat less so since 2011.....	25
Figure 1.2. Service sector employment has been growing fastest, but growth in the mining sector was also substantial.....	27
Figure 1.3. The good labour market performance translated into continuous wage increases, except in 2009.....	28
Figure 1.4. Part-time employment and casual employment are important and strongly overlapping in Australia.....	29
Figure 1.5. Nearly one in five Australians separate from their job every year.....	31
Figure 1.6. Most workers separating from their jobs would not be considered displaced workers.....	32
Figure 1.7. The Australian displacement rate is high in international comparison.....	33
Figure 1.8. The displacement risk is relatively high for men, less educated and low-tenured workers, and those employed in manufacturing or casual employment.....	34
Figure 1.9. Compared with unemployed people, displaced workers are typically older men with tertiary education and long tenure.....	35

Figure 1.10.	Re-employment rates are relatively high in Australia, but fell considerable during the global financial crisis.....	37
Figure 1.11.	Older, part-time and casual displaced workers struggle most in finding a new job	38
Figure 1.12.	Job displacement has a significant impact on the income from work	39
Figure 1.13.	Wages in the new job are often higher than in the job before displacement	41
Figure 1.14.	For those who face hourly wage losses, the size of the loss is quite substantial.....	42
Figure 1.15.	In their new job, many displaced workers are under casual employment contracts	43
Figure 1.16.	Between one-fifth and one-third of displaced workers face skills switches.....	44
Figure 1.17.	For displaced workers, skills downgrading is more frequent than skills upgrading.....	45
Figure 1.18.	Human capital loss concerns especially mathematical, verbal and cognitive skills.....	47
Figure 2.1.	The coverage rate of unemployed displaced workers by unemployment assistance is low	61
Figure 2.2.	A non-negligible share of displaced workers is neither in employment, nor retired, nor in full-time education, nor receiving income support.....	62
Figure 2.3.	Net replacement rate of unemployment benefits is relatively low in Australia, although not among the lowest.....	64
Figure 2.4.	Net replacement rates are particularly low for singles	65
Figure 2.5.	Unemployment assistance reduces the income volatility of displaced workers who receive it.....	66
Figure 2.6.	Being displaced increases the probability of experiencing poverty.....	67
Figure 2.7.	Active labour market spending is low considering the level of unemployment	68
Figure 2.8.	Very little is spent on labour market programmes, especially training.....	70
Figure 2.9.	Both the global financial crisis and the recent slowdown in labour demand resulted in a strong increase in the number of registered <i>job-ready</i> jobseekers	76
Figure 2.10.	Participation and spending in training for the unemployed is low.....	80
Figure 3.1.	The protection of permanent workers against individual dismissal in Australia is lower than the OECD average	104
Figure 3.2.	The length of the notice period in case of individual dismissal in Australia is among the shortest in the OECD	104
Figure 3.3.	Relatively high flows <i>in</i> and <i>out</i> of unemployment result in low long-term unemployment incidence in Australia	107

Tables

Table 1.A1.1.	Probability of being displaced and probability of being re-employed if displaced	53
Table 2.1.	Severance pay schemes interact with unemployment benefits in some OECD countries.....	59
Table 2.2.	Incentives to place Stream 1 jobseekers under the Job Services Australia (JSA) were limited in the first year	78
Table 2.3.	The amount available in the Employment Fund for <i>job-ready</i> jobseekers is somewhat increased under jobactive	79
Table 2.4.	Main initiatives for retrenched workers in the Jobs and Training Compact.....	86

Acronyms and abbreviations

ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Service
AISAP	Automotive Industry Structural Adjustment Programme
ALMP	Active labour market programme
AUD	Australian dollars
DEEWR	Department of Education, Employment and Workplace Relations
DFEEST	Department of Further Education, Employment, Science and Technology
EPF	Employment Pathway Fund
EPL	Employment protection legislation
GDP	Gross domestic product
GFC	Global financial crisis
HILDA	Household, Income and Labour Dynamics in Australia Survey
JN	Job Network
JSA	Job Services Australia
JSCI	Job Seeker Classification Instrument
JTC	Jobs and Training Compact
LAP	Labour adjustment programme
LEC	Local Employment Coordinator
LMS	Labour Mobility Survey
NSA	New Start Allowance
PP	Parenting Payment
PPP	Productivity Place Program
RPL	Recognition of Prior Learning
RRT	Rapid Response Team
RRTS	Rapid Re-employment and Training Service
RTO	Registered Training Organisation
STW	Short-Time Work
TAFE	Technical and Further Education
VET	Vocational education and training
YA	Youth Allowance

Executive summary

Workers who involuntarily lose their jobs can face substantial economic and non-economic costs. On average, each year around 2.3% of Australian workers with at least one year of tenure experience job loss due to economic reasons such as corporate downsizing or firm closure. In an international comparison, Australia has been rather successful at providing new jobs relatively quickly to these workers, as 70% become re-employed within one year and almost 80% within two years, even if new jobs are sometimes of poorer quality.

This success is partly explained by Australia's flexible labour market where employers can easily hire and fire workers, which underpins a high level of economic dynamism but also makes it possible for most Australian workers who are dismissed due to changing economic conditions to find a new job quickly. Consistent with this approach, Australia does not have specific policies in place such as short-time working schemes to prevent layoffs due to cyclical downturns and, in the first instance, relatively little income and re-employment support is provided to most displaced workers through its general labour market programmes and social safety net. While some displaced workers are able to receive immediate access to higher levels of re-employment support through structural adjustment programmes or if disadvantaged because of their location or lack of literacy and numerical skills, this share is modest. This approach appears to have worked relatively well over the past decade, but it may become less successful in the future if the labour market is less buoyant, as now appears likely. It may also prevent some displaced workers from finding sustainable jobs of a certain quality. It is thus timely to consider introducing additional measures to prevent excessive layoffs or expand and improve the re-employment support available to workers affected by redundancies.

The OECD recommends that policy makers in Australia:

- Move away from the current sectoral approach to special assistance programmes for workers collectively dismissed, towards an approach covering all sectors of the economy, with the intensity of intervention tailored to the circumstances and needs of the displaced workers.

- Introduce pilot schemes in a few areas to test the provision by jobactive providers of intensive and appropriate employment services to displaced workers at risk of facing adjustment difficulties, with a view to generalise the service when jobactive contracts will be renewed.
- Expand the training component in programmes for displaced workers, making use of skills assessment and training counselling to better target the training and enhance its effectiveness.
- Strengthen employers' responsibilities for workers they dismiss, notably by instituting and enforcing a longer notice period for collective dismissals, and ensuring that mandatory notification of mass dismissals to Centrelink is enforced, so as to allow the authorities to react earlier.

Assessment and recommendations

Job displacement as a consequence of economic restructuring is common in the Australian labour market. Each year, on average during 2002-13, 2.3% of employees with at least one year of tenure lost their job for economic reasons such as corporate downsizing or plant closure. This is a high share relative to other OECD countries with comparable data. The displacement rate surged in 2009 with the global financial crisis (GFC), but fell back to its previous level very quickly. However, with the marked softening of labour market conditions since 2012, the displacement rate increased strongly again in 2013. Some workers are particularly vulnerable to displacement, notably older workers, workers with a low education level and casual workers, as well as workers with short tenure and those employed in small firms.

The good news is that many displaced workers in Australia quickly find a new job. On average over the period 2002-13, almost 70% were re-employed within one year after displacement and just below 80% within two years. This is partly explained by the higher education level and the longer work experience of the typical displaced worker, compared with other unemployed people. Re-employment rates are higher in Australia than in most other OECD countries for which comparable data is available. Finding a new job after displacement is more difficult for some categories of workers, however, with older, casual and part-time workers struggling most.

Even though a large majority of displaced Australian workers manage to find a job quickly, a significant minority loses out in terms of job quality. In particular, in line with structural changes in the Australian labour market, many experience a switch from a permanent to a casual contract (at least temporarily), while some have to accept a part-time job instead of a full-time one. Displaced workers can also incur significant reductions in their income from work, mostly due to the period of joblessness following displacement. Wage performance for those who have found a new job is mixed. About four out of ten displaced workers who find a new job experience positive wage changes, partly reflecting the increase in casual work which attracts a wage bonus (the so-called casual loading) to compensate for lower job protection and the absence of paid holiday and sick leave. But about one out of three displaced workers incur wage losses in their new jobs, which also appear to be persistent.

Wage losses after displacement can be related to the loss of job-specific skills. About one in eight displaced workers who find a new job experience skills downgrading (i.e. the new job has lower skill requirements than the former job), implying sizeable human capital losses. While many displaced workers are adequately equipped in terms of skills to match up well with currently available vacancies, over the longer term, the shift from manufacturing to service jobs will require a different skills set that many displaced workers lack.

These findings suggest that the overall flexibility and good performance of the Australian labour market should not be allowed to obscure the fact that it is quite difficult for some groups of workers to bounce back after displacement. Policies should seek to identify better these workers and help them in finding a suitably matched job as quickly as possible.

Labour market institutions do not prevent layoffs in Australia

Unlike many other OECD countries, Australia does not have policies in place to limit the number of dismissals for economic reasons. The legislation governing hiring and firing is not particularly strict such that Australian employers face relatively few restrictions on layoffs, although there is protection against unfair dismissals. This approach makes Australian workers potentially more vulnerable to job loss, but at the same time promotes higher labour mobility and results in most unemployed workers finding their way back to employment relatively quickly.

More generally, employers in Australia have only limited obligations towards workers they dismiss for economic reasons. Notice periods for dismissals affecting 15 or more employees are short by international standards and in most cases the public authorities are notified after retrenchments have already occurred. Smaller companies with less than 15 employees have almost no obligations and even for larger companies, apart from any agreed conditions concerning dismissals, the obligations they face – such as the mandatory consultation with unions and workers’ representatives – are modest and poorly enforced, with no sanctions in case of non-compliance. There is room for Australia to strengthen employer responsibilities towards workers they displace, including by introducing an obligation to keep good training records to facilitate the recognition of skills obtained on the job.

The combination of a flexible labour market and a significant and well-timed fiscal stimulus proved rather effective in Australia at minimising the negative impact of the GFC on employment. While there was an upsurge in displacements, few of these workers fell into long-term unemployment or withdrew from the labour force – contrary to many other OECD countries.

However, the costs associated with displacement may become significantly higher in the future. With a much less buoyant labour market and a no longer booming mining sector, the absence of a short-time work scheme may represent a missed opportunity to discourage excessive layoffs in response to demand shocks that are understood to be (almost certainly) temporary. Many OECD countries have short-time work schemes in place to avoid unnecessary layoffs during business downturns. While a fully-fledged scheme linked to unemployment insurance – the typical situation in other OECD countries – is not necessarily appropriate in Australia, the authorities could consider introducing a mechanism to provide support to firms that put workers on short hours, rather than laying them off, when demand is temporarily low. For example, this support could take the form of publically-subsidised training places for workers placed on a reduced work schedule or subsidies/low-interest credit to the employer, so as to share the costs of holding the firm’s workforce together between government, employer and employees.

Displaced workers receive limited public income support

There is no unemployment insurance scheme in Australia but instead only flat-rate unemployment benefits that are means tested. As a result, many displaced workers cannot access benefits for a considerable period following their redundancy. Although direct evidence on the income support received by displaced workers is not available, indirect evidence suggests that the tight access rules imply that between 30% and 55% of the unemployed workers are ineligible for income assistance when they are displaced. *First*, severance pay entitlements delay income support eligibility for up to 13 weeks. *Second*, a tight income test means that a large share of displaced unemployed workers will not qualify for unemployment benefit, for example when they have a working spouse. Two years after displacement, one in ten displaced workers are not receiving income support despite being neither employed nor retired nor in full-time education. Such a situation may imply rather high economic vulnerability for some in this group. It also means that they are not receiving the assistance or encouragement to find a job that is generally offered to the unemployed who are receiving income benefits (as discussed below). Consistent with the Australian *workfare* approach, displaced workers who have successfully applied for income support receive relatively low payments, just like all other income assistance recipients. However, the lack of relevant data prevents reaching conclusions about benefit adequacy.

Re-employment assistance after layoff is also limited

Australia is rather unique in the OECD in having special assistance for displaced workers provided exclusively through narrowly-targeted structural adjustment programmes. These programmes have traditionally been used to cushion the adverse impacts of policy changes, most prominently trade liberalisation, in designated sectors and regions. Structural adjustment programmes of a smaller size have been created for specific firms in a particular location, generally locations with a weak labour market. Structural adjustment programmes may include two components: an investment fund to support the firm or industry, or to diversify the local economy, and a labour adjustment programme (LAP) to assist displaced workers in transitioning to new jobs. The latter provides workers experiencing economic layoffs in the designated sector and/or region with automatic access to intensive support from employment service providers. There are currently seven designated sectors or firms, which together employ less than 1% of all employees, in which workers are automatically covered by LAPs when laid-off. This approach leaves most displaced workers in Australia without immediate access to additional employment assistance to transition to a new job. In many cases, these intensive re-employment services are also not available to workers employed in small companies with fewer than 15 workers, as well as most casual workers (one-fifth of the Australian workforce), even if they are employed in a sector (or region) covered by a structural adjustment programme.

Moreover, until June 2015, a substantial share of displaced workers did not have access to standard employment services even after they had been made redundant. Only workers who were entitled to income support could enrol with an employment service provider in Australia. Other jobseekers could only access a small set of services, such as vacancy listings, on a voluntary basis. This set-up de facto excluded between one-third and one-half of all displaced unemployed workers from employment services. The situation is slightly improved since July 2015, as under jobactive (the new Australian Government's employment service), after three months of unemployment displaced workers not entitled to income support can voluntarily access the standard support available for *job-ready* jobseekers, though for a limited period of three months.

Re-employment services for displaced workers who are eligible for income support also appear limited in most cases. While the employment service pathway of displaced workers cannot be identified using the data available, the nature of the factors considered by the profiling tool used to assign jobseekers to the various streams of employment services implies that previously stable displaced workers are very likely to receive only

the lowest level of service. In most cases, these workers would have to endure 12 months of unemployment before being provided with more substantial re-employment support.

Hence, unless displaced workers are covered by a labour adjustment programme, the delay until they qualify for income support and thus employment assistance, combined with this additional year during which they receive only basic employment services, implies that they may have to wait a considerable amount of time before accessing more intensive re-employment support if unable to find a job. In this case, a number of them may have become demotivated, exited the labour force or experienced a cycle of unstable jobs and repeated spells of unemployment. For these workers, a return to stable employment will have become more difficult than it needed to be.

Early access to re-employment services under the Jobs and Training Compact met a certain success

Precisely in recognition that early action is important, the *Jobs and Training Compact* (JTC) was introduced by the Commonwealth Government at the beginning of the GFC, to alleviate the labour market impact of the crisis. Participation turned out to be lower than expected and the budget was significantly under-spent, especially for training measures. Nevertheless, the early access to intermediate level employment services that the JTC offered to all displaced workers met with a certain success, as between one-fifth and one-fourth of the workers displaced during that period benefited from it, regardless of their access to income support. This signals a significant latent demand from displaced workers for prompt access to re-employment services, but also suggests that only the minority of displaced workers who anticipate particular adjustment difficulties will self-select into this sort of measure possibly limiting the deadweight costs.

More anticipation would increase the benefits of structural adjustment programmes for displaced workers

The large majority of the funds allocated to structural adjustment programmes have historically been spent on investment measures, aiming at supporting and diversifying the local/regional economy, with the ultimate objective to create employment. However, these demand-side measures are often introduced at the same time as the layoffs are announced. Given the time needed for the investment to bear fruit, this prevents the workers who have already been laid-off from benefiting. To improve the effectiveness of this type of support, further efforts should be devoted to better anticipating future structural change by developing economic forecasting and risk

analysis at the regional/local level, as done for example in the United Kingdom. This may help to identify at an earlier stage where more intensive assistance is required for workers at risk of being laid-off.

A more tailored, early and co-ordinated response to all mass layoffs could address equity and efficiency concerns with current policies

The very different levels of assistance provided to displaced workers in Australia raises both equity and efficiency concerns. The small minority of workers covered by structural adjustment programmes can immediately access intensive services, without any consideration of their work-readiness. This implies that employment service providers sometimes receive payments for placing relatively skilled workers who do not need their assistance. At the same time, displaced workers not covered by a structural adjustment programme – i.e. the large majority of displaced workers – receive little service even when they might strongly benefit from greater or timelier assistance. This is likely to be especially problematic for older workers as well as casual workers, who have more difficulties getting back into employment. The system could be significantly improved by moving towards a more encompassing approach to mass layoffs which covers all sectors of the economy, as in most other OECD countries. For equity and efficiency reasons again, it would be important to cover not only permanent workers, but also casual workers. The cost of this approach could be limited by tailoring the intensity of the public response to the needs of the workers involved, as is the case for the small number of structural adjustment programmes currently in place. These needs would depend on the severity of the layoff, local labour market and economic conditions, and local institutional capacity, as well as the workers' capacities. The anticipation tools recommended above could also be used to assess these needs.

Intervening early is probably the most (cost-) effective way to provide support to displaced workers. One obstacle to early intervention in Australia is that firms face no additional notification period in case of collective dismissal, while the length of the notice period for individual dismissal is already among the shortest in the OECD. This implies that early intervention is only possible when employers voluntarily notify the public authorities well in advance. Introducing and enforcing a somewhat longer notice period in case of collective dismissal, even if still short by OECD standards, would make it easier for public authorities to provide information to workers about the services they can access before they are laid off. Early intervention may be particularly effective in Australia, where employment services suffer from the strong stigma of dealing with highly disadvantaged groups only, which makes many displaced workers reluctant to contact them. Peer counselling during the notice period can be effective in overcoming

this reluctance. Trying to reach displaced workers after they have been displaced is a much more costly and less effective option.

The quality of re-employment services provided to displaced workers could be enhanced further by improving the co-ordination between stakeholders. In particular, poor co-ordination between the federal and state governments, both ex-ante and during the assistance process, sometimes makes it difficult for the workers to navigate the services that are offered. The previous involvement of Local Employment Coordinators was found by most stakeholders to improve co-ordination thanks to their action-oriented approach and ability to overcome bureaucratic inertia, but they have been phased out. Employment facilitator positions with similar duties have been created by the current government, but only in three regions. Similarly, the Rapid Response Teams set-up by the federal and state governments had been found to improve co-ordination. Permanent co-ordination structures similar to those will be needed if the more ad hoc approach currently being used proves to be inadequate. Better co-ordinated action with the employer would also be necessary to avoid public spending from governments for services that employers would be willing to provide.

The approach taken under the *Ford Transition Programme* or the *Growth Fund* recently set up in view of the closure of the car manufacturing industry appears to address some of these concerns, notably by organising early intervention and co-ordinating stakeholders. However, it remains limited to this specific sector.

Better employment support is needed for displaced workers with greater barriers to find a job

Apart from the equity concerns already mentioned above, there are three main reasons for expanding access to employment services for displaced workers with the greatest needs for help in finding a new job:

- There is a concern that the assistance offered by employment service providers is not well adapted to the needs of displaced workers. Employment services in Australia predominantly serve disadvantaged persons, often the long-term unemployed, rather than workers who had stable employment histories prior to being displaced by economic factors unrelated to the personal capacities, but who may nonetheless require re-employment help because they have not searched for a job in a long time or their documented skills do not match well with existing job vacancies. Providers are usually not well equipped to deliver the type of case management that these displaced workers require.

- There is a good case for investing more at an earlier stage to reduce costs later on. Early re-employment support targeted to workers who were made redundant recently and are still close to the labour market will reduce significantly the longer-run costs for the public purse in form of both benefit payments and re-employment support. This may occur through existing structural adjustment programmes but only affecting a small number of displaced workers.
- Providing minimal services to the majority of displaced workers may become increasingly problematic in the context of less buoyant labour market conditions. Australian labour market policies operate a welfare-to-work system, whereby people on income assistance are given strong incentives to work, rather than an employment service that can be accessed by all unemployed workers. This approach minimises the deadweight costs associated with helping displaced workers who do not need support. It also proved rather effective in times of a buoyant labour market. This may no longer be the case, however, when labour market conditions soften, as appears to be the case since 2011.

To meet these concerns, the Australian authorities should consider expanding employment services to provide support and case management to displaced workers most in need. Access to services would be determined by assessing the risk for displaced workers of not successfully transitioning into a new job. Those at greater risk would receive intensive Stream B support provided by case managers specialised in dealing with the needs of displaced workers, to ensure that they do not fall into long-term unemployment or a cycle of repeated unemployment. Such an approach would have the great advantage of also covering workers dismissed individually or in small and medium-sized enterprises, and would probably remove the stigma currently attached to employment services. The expanded services could be tested and adjusted through pilot schemes in the four-year period until the renewal of the current *jobactive* contract, before being generalised to the whole country at that time.

To provide incentives to employment service providers to place displaced workers in sustainable career jobs, outcome payments for these providers should have a longer-term focus, longer than is currently the case. Information available on employment outcomes of displaced workers covered by LAPs suggests that job insecurity, intermittent unemployment and earning losses are frequent. While this partly reflects the structural evolution of the Australian labour market, the remuneration structure for employment service providers is also likely to be responsible to some degree.

More investment in training is needed for displaced workers to find sustainable jobs

Even when taking into account possible underestimation, public spending in Australia on training for unemployed people appears to be low, compared with most OECD countries, due to a low number of unemployed participating in training programmes and the low amount spent in those programmes per participant. This is especially the case for jobseekers entitled to the lowest level of employment service, the group to which most displaced workers belong. Under-provision of training and a bias towards short-term training is also common in LAPs, although not in the recent automotive sector programmes. While many displaced workers leave a medium-skill/medium-wage job, current labour shortages are more to be found in the low-skill/low-wage segment or in more qualified type of jobs, such as trade type of work. Most displaced workers are not qualified for the latter type of job, but would view working in the former as downward mobility. To help displaced workers transition to sustainable jobs of a certain quality, more – albeit, carefully targeted – investment in training is needed.

Australia is quite advanced in the use of *Recognition of Prior Learning* (RPL), which has been increasingly included in LAPs. RPL is of high value to displaced workers who have no or few formal qualifications but have acquired considerable skills on the job. For workers who have little chance to find a suitable job easily, it is important to combine RPL with individual training counselling and case management, in order to design an effective training plan that fills any gaps in their skills set that prevents them from qualifying for a suitable occupation. For poorly educated displaced workers, who are often reluctant to undertake training, there is a need to raise awareness of the need for and gains from training and to structure the training such that they can perform well. For those aiming to change occupation, combining training with work experience would enhance their chances to find a suitable job.

Tracking displaced workers would be essential to improve policies

The lack of data which identify displaced workers and track their labour market outcomes over time makes the analysis and evaluation of policies difficult. Tracking displaced workers and systematically monitoring and reporting the services they receive, as well as their employment outcomes should be a priority. Such data is essential to improving the cost-effectiveness of existing programmes and can also help to identify gaps in support that need to be addressed.

Key policy recommendations

Preventing job losses and intervening early

- Develop anticipation tools at the regional level (economic forecasting and risk analysis) which could help to ensure a more effective use of investment measures to support the local economy in advance of firm downsizing or closure. This could help prevent layoffs or ensure more early intervention in the form of re-employment support to displaced workers.
- Consider introducing a mechanism to encourage and publicly support firms putting workers on short hours due to temporary low demand, for instance in the form of publicly-funded training places or temporary subsidies/low-interest credits to share the costs between government, employer and employees. This could help prevent excessive dismissals during temporary downturns.
- Strengthen employers' responsibilities for workers they dismiss, including by:
 - Instituting and enforcing a longer notice period for collective dismissals, with mandatory notification of dismissal to Centrelink, so as to allow the authorities to react earlier;
 - Strengthening enforcement of the (mandatory) consultations of the employer with trade unions or worker representatives, with sanctions for non-compliance;
 - Introducing a new obligation for employers to keep training records that allow a better recognition of prior (on-the-job) learning in case of a dismissal.

Strengthening the re-employment services for displaced workers

- Further move away from the narrow sectoral approach to special assistance programmes for displaced workers, towards an approach to mass layoffs that covers all sectors of the economy, with the intensity of intervention tailored to the circumstances and needs of the displaced workers.
- Improve co-ordination between federal and state government interventions and with employers.
- Expand the training component in programmes for displaced workers, making use of skills assessment and training counselling to better target the training and enhance its effectiveness.
- Introduce pilot schemes in a few areas to test the provision by jobactive providers of intensive and appropriate employment services to displaced workers at risk of facing adjustment difficulties, with a view to generalise the service when jobactive contracts will be renewed.

Chapter 1

Job displacement in Australia and its consequences

This chapter examines the prevalence and consequences of job displacement in Australia. Australia's flexible labour market shows up in a somewhat higher risk of job loss due to redundancy than in a number of other OECD countries for which comparable data is available. But it also shows up in a more rapid rate of re-employment. However, some groups of workers are more vulnerable to displacement, notably men, low-educated workers and short-tenure workers in small and medium-sized enterprises. Moreover, older workers, women and workers previously employed in casual jobs face greater difficulties finding a new job than other displaced workers. In addition, for a sizeable minority, the new jobs that displaced workers find are of poorer quality than the jobs they lost. Many displaced workers are not well equipped in terms of skills to switch to sustainable quality jobs in the service sector.

This chapter analyses the incidence and consequences of job displacement in Australia. Recent cyclical and structural developments in the Australian labour market are first summarised, in order to provide some context for understanding why workers are displaced and how they fare. The chapter then documents the number of stable workers who have been displaced due to economic reasons each year since 2000 and describes the characteristics these workers and their employers. Post-displacement consequences are then analysed, including the re-employment prospects of displaced workers and their wages and other job quality aspects in their new jobs. The chapter concludes with a discussion of how well displaced workers' skills match the requirements of the new jobs that they are able to find.

The Australian labour market context

The labour market has performed well since 2000 compared with most OECD countries, but less so the past several years

Compared with most other OECD countries, the Australian labour market has performed very well since 2000. The 3.5% annual GDP growth during the pre-crisis period (2000-08), was fuelled by rising exports to rapidly growing Asian economies and it translated into a continuous reduction in unemployment, from 6.8% in 2001 to 4.2% in 2008. At the same time, the employment rate increased continuously, reaching 73% in 2008, 7 percentage points above the OECD average (Figure 1.1). Labour market conditions were generally improving throughout the OECD area during this period, but not so markedly as in Australia.

The Australian economy also weathered the global financial crisis (GFC) better than most OECD countries. Labour market conditions deteriorated at the onset of the global downturn with unemployment peaking at almost 6% in mid-2009 and the employment rate dipping to 71.7% in the third quarter of that year. Nonetheless, the Australian economy and labour market displayed remarkable resilience. GDP growth was 1.5% at its lowest point in 2009 and progressively regained pace through 2012, while labour market conditions began to strengthen again in 2010 with the unemployment rate falling back to close to 5% by early 2011. Despite the rapid overall recovery of the labour market, there was a modest build-up in long-term unemployment with the share of unemployed who had been out of work a year or longer rising from 15.1% at the end of 2007 to a little above 19% in 2011.

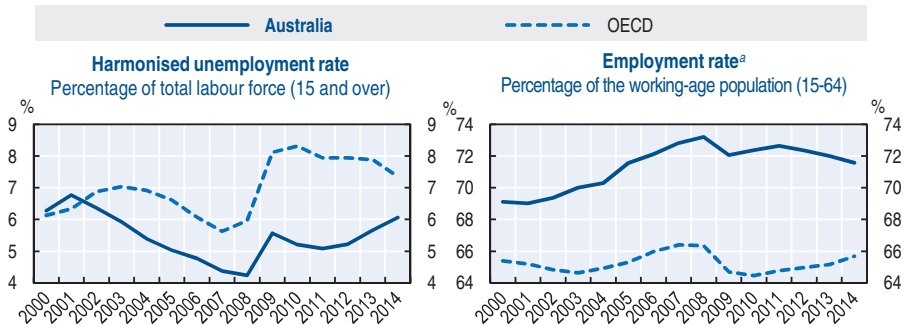
A number of factors explain the resilience of the Australian economy and labour market in the wake of the GFC. First, the financial sector was not exposed to toxic securities and was subject to extensive regulation. Second, despite a sizeable fall in the terms of trade, the strength of China's economic

growth fuelled continued demand for Australian commodities. Finally, an expansive macroeconomic policy answer successfully mitigated the demand shock. Monetary policy was quickly and significantly loosened when the crisis struck. On the fiscal side, several very sizeable stimulus packages were introduced over the 2009-11 period, including transfers to households and public investments in housing, education and infrastructure, amounting in cumulative terms to about 7% of GDP.

Some of the drivers of strong growth have waned since 2011, causing labour market conditions to deteriorate, although they remain better than in most OECD countries. Employment growth slowed from about 2% in 2010 to about 1% in 2013 causing the unemployment rate to begin rising again, reaching 6.2% in the last quarter of 2014. Labour force participation fell in 2013 and 2014, partly due to weaker employment prospects discouraging people to look for work or enter the labour market. A number of mass layoffs were announced, notably with the planned closing of the last automotive plants and more recently layoffs in the mining sector. The recent softening of the labour market has also been associated with a further rise in long-term unemployment, especially in 2014, and in December of that year 23% of the unemployed had been out of work for more than 12 months.

Figure 1.1. **The labour market in Australia has been strong since 2000, but somewhat less so since 2011**

Employment and unemployment rates, Australia and OECD, 2000-14, percentages



- a) OECD estimates for employment rate are based on series from the *OECD Employment Database*, www.oecd.org/employment/database for the years 2000 to 2004.

Source: OECD (2014), “Harmonised unemployment rates (HUR)” (indicator), <http://dx.doi.org/10.1787/52570002-en> for harmonised unemployment rates; and *OECD Employment Database*, www.oecd.org/employment/database for employment rates.

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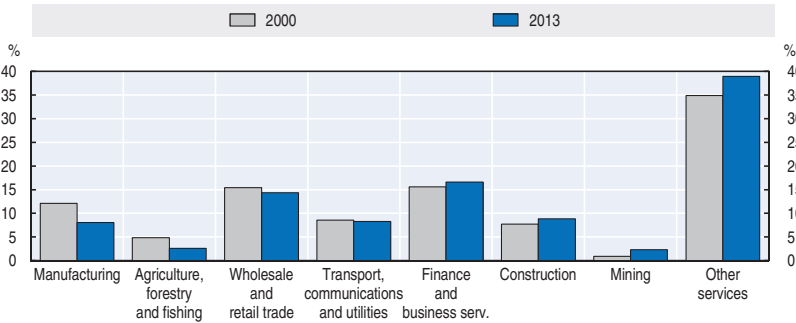
Mining and services have been the most important sources of employment growth

Other structural economic trends in Australia, which often started long before 2000, are also of importance for understanding the experience of displaced workers because they influence who is displaced and which types of jobs they are best able to find after displacement. In particular and as in most other OECD countries, the sectoral composition of employment in Australia has continued to evolve with the service sector being the main source of net employment growth and manufacturing the biggest (net) shedder of workers (Figure 1.2). Three service sectors – professional, scientific and technical services, health care and social assistance, and education and training (all included in “other services” in this figure) – have accounted for 40% of total employment growth over the 2000s (Borland, 2011). The large employment decline in the Australian manufacturing sector is similar to the pattern observed in many OECD countries, but Australia is unusual in that the mining sector was an important source of net employment growth between 2004 and 2011. Construction added job up until 2008, but has been less dynamic since the GFC. Reductions in trade and industry protections and greater competition have been driving these structural changes, as well as industrialisation and rapid growth in Asia, which have resulted in high prices for Australia’s commodities and food exports, and a high Australian exchange rate.

The occupational composition of employment has also evolved significantly since 2000, with job growth favouring skilled workers. The share of managers, professionals, community and personal service workers has been growing, while a decreasing share of the labour force are employed as clerical and administrative workers, or as labourers. Changes in employment by industry appear to explain a large fraction of the occupational changes (Borland, 2011).

Figure 1.2. **Service sector employment has been growing fastest, but growth in the mining sector was also substantial**

Employment by economic activities as a percentage of total employment,^a 2000 and 2013



a) Sectors are ranked in ascending order by employment change over the period 2000-13.

Source: Australian Bureau of Statistics (2015), “Labour force, Australia, detailed, quarterly”, Table 04. Employed persons by industry – Trend, seasonally adjusted, original, Cat. No. 6291.0.55.003, <http://www.abs.gov.au/ausstats/abs@archive.nsf/log?openagent&6291004.xls&6291.0.55.003&Time%20Series%20Spreadsheet&132FC37B0475920ACA257E0C000F1AC0&0&Feb%202015&19.03.2015&Latest>.

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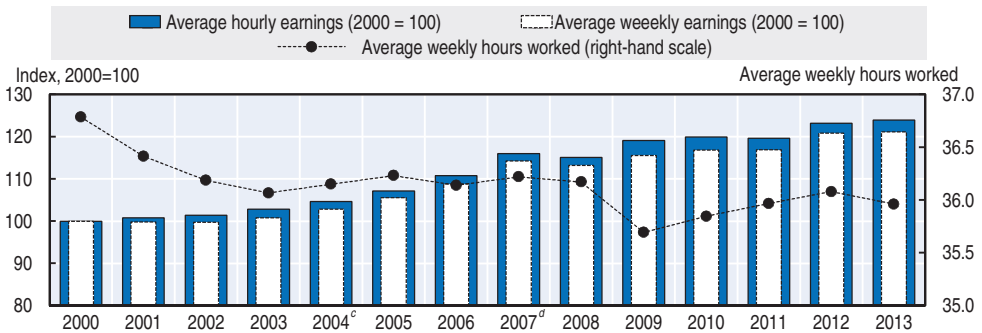
Real wages have increased, but so did labour income inequality

The strong labour market performance has also been reflected in an almost continuous increase in average weekly and hourly wages since 2000, except for a small reduction in 2008, as well as in 2013 (Figure 1.3). Real wages have risen throughout the wage distribution, but higher income groups have experienced above-average earnings growth so that earnings inequality has further widened (Borland, 2011; and Greenville et al., 2013).

Another driver of recent trends in wages has been significant reforms in the industrial relation system over the past two decades. Despite a partial course reversal with the introduction of *Fair Work* in 2009, the deregulation of collective labour relations has affected wage setting in two main ways. First, the number of employees whose pay is set by collective agreements or awards fell from 72% in 2002 to 60% in May 2014.¹ Second, while sectoral and regional awards used to play a major role in wage setting, firm-level agreements, now play the dominant role and only one of five employees had their pay fixed by an award in May 2014, while the rest was covered by a firm-level agreement. This combination of reduced bargaining coverage and bargaining decentralisation is very likely to have made wages more responsive to firm-level conditions, but may also to have increased wage dispersion (OECD, 2012).

Figure 1.3. **The good labour market performance translated into continuous wage increases, except in 2009**

Change in real earnings^a and hours worked,^b 2000-13



- The average hourly earnings is the ratio of the average weekly earnings in all jobs of employees (deflated using the CPI) to the average actual hours worked (see note b).
- The average hours worked refers to the average actual hours worked in all jobs per week by the employees currently working during the reference week.
- There is a break in the weekly earning series in 2004. For more details see paragraph 28 of the Explanatory notes in ABS, “Employee earnings, benefits and trade union membership, Australia”, Cat. No. 6310.0, August 2004.
- There is a break in the weekly earning series in 2007 due to a change in the treatment of salary sacrifice.

Source: OECD estimates based on various issues of ABS, “Employee earnings, benefits and trade union membership, Australia”, Cat. No. 6310.0, and ABS, “Labour force, Australia, detailed, quarterly”, Cat. No. 6291.0.55.003.

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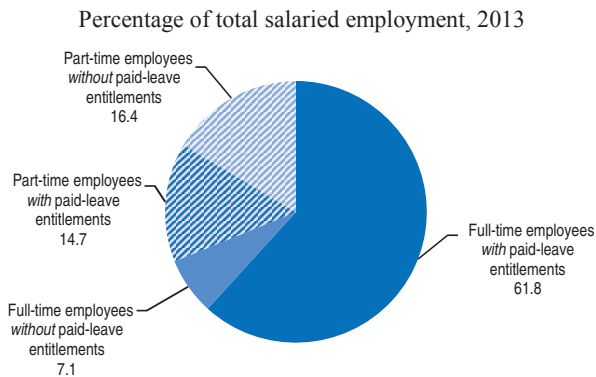
More and more part-time work and a high share of non-regular contracts

Average working hours have followed a declining trend since 2000, with a particularly sharp drop in 2009 from which there had been only a partial recovery by 2012 (Figure 1.3). The substantial cumulative reduction in weekly working hours since 2000 reflects in considerable part the ongoing increase in the participation of women in the labour market, often on a part-time basis. The strong decrease in working hours in 2009 has sometimes been interpreted as a sign that employers were retaining valued employees by transforming full-time jobs into part-time jobs. While this seems to have played some role, the reduction in the number of workers, moving from part-time to full-time jobs and the increasing number of new entrants taking part-time jobs also contributed, as well as some temporary reductions by leave-taking (van Wanrooy et al., 2009).

Continued growth in part-time work accounts for all of the recent increase in the employment rate (Borland, 2011). According to ABS, which defines part-time as working less than 35 hours, about 30% of the employees were working part-time in Australia in 2012, as against 27% in 2000.² Australia belongs to the group of OECD countries with the highest share of part-time employment. While much part-time employment is a voluntary choice on the part of the worker, the share of involuntary part-time work has risen since the outset of the GFC.³

Another very common form of non-standard employment in Australia is *casual employment*. Casual employment is an employment classification under Australian workplace law whereby an employee is paid at a higher hourly rate (at least a 20% wage premium) in lieu of having a guaranteed amount of working hours, and lacking other usual employment conditions such as paid sick leave. It is characterised by employment by the hour and no ongoing association with the employer: working time can vary on short notice and the contract can be terminated without notice. The share of casual jobs, if measured as the share of workers without paid leave entitlements, grew rapidly in the 1980s and 1990s but has been decreasing slightly over the past decade. Similarly, the share of workers paid from a labour hire firm and independent contractors expanded during the 1990s but stabilised in the past decade (Shomos et al., 2013). However, the prevalence of these forms of jobs remains high, with almost 20% of Australians employed under casual contracts in 2013, 9% as independent contractors and more than 1% through labour hire agencies.⁴ In practice, casual and part-time employment frequently coincide, with more than half of part-time jobs being without paid leave entitlements (Figure 1.4).

Figure 1.4. **Part-time employment and casual employment are important and strongly overlapping in Australia**



Source: ABS (2014), “Forms of employment, Australia”, Cat. No. 6359.0, November 2013.

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Whether casual jobs are lower quality jobs than standard jobs (permanent or fixed-term) has been the subject of long-standing debate. While they probably satisfy some flexibility needs for certain groups such as students, a number of studies concentrating on precise job characteristics such as wages, limited control and discretion over working hours, training access, workers' representation and occupational health and safety conclude that they appear to be of inferior quality (van Wanrooy et al., 2009). They could represent a useful stepping stone to standard jobs. Estimating transition probabilities, Buddelmeyer and Wooden (2011) find that this is the case for men, while women had better chances to find a permanent job if unemployed rather than in casual jobs. Watson (2013), taking into account not only the individual characteristics of the worker but also local labour market conditions, concludes that workers on casual contracts have less chance to become permanent than those on fixed-term contracts and that the persistence of casual jobs is higher in disadvantaged localities and in industries with high shares of casual employment.⁵

Displaced workers: Incidence and characteristics

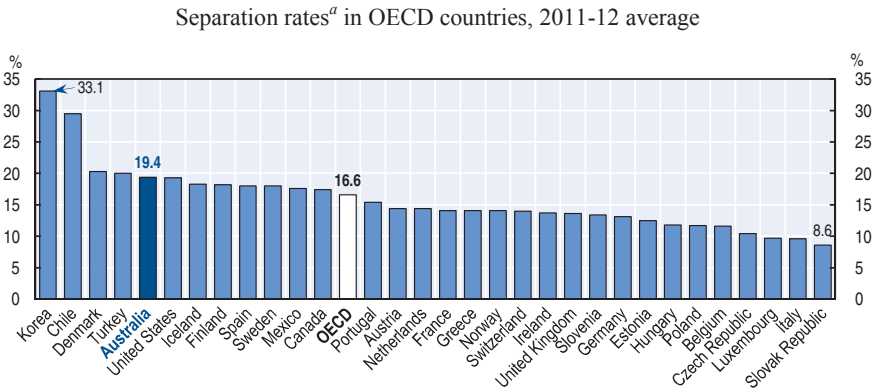
The incidence of displacement

Job displacement is best understood in the context of overall job turnover, which is quite high in Australia compared with most other OECD countries. OECD job tenure data for the period 2011-12 provides an average separation rate of 19.4% (Figure 1.5). The high rate of turnover, with modest aggregate employment growth, is consistent with many new jobs on the labour market, and an accordingly high job vacancy rate.

According to the Household, Income and Labour Dynamics in Australia (HILDA) Survey and the Labour Mobility Survey (ABS-LMS) data, about one-fifth of all employees leave their job every year, voluntarily or not.⁶ According to HILDA data, only a minority (one fifth) of workers who separated from their jobs during 2002-13 were dismissed by their employers for economic reason or for cause (in other words “retrenched”, which is the term used in Australia for displaced workers) (Figure 1.6). This share increased to almost 35% in 2009 in the midst of the GFC, due to both an increase in retrenchments and a reduction in other job separations (Figure 1.6, Panel A). After having returned to 20% in 2011, it was back to 28% in 2013 due to the surge in retrenchments. On average, 17.3% of the employees aged 20-64 years separated from their employers each year, whereas just 3.7% of employees were dismissed due to economic reasons or cause, with a minimum of 2.9% in the years preceding the GFC and a maximum of 6% in 2009. Slightly more than a third of this group had less than one year of job

tenure. In these cases, job separation happened soon after hiring and may have been the result of the firm and employee deciding that they were not well-matched, rather than displacement for economic reasons related to deteriorating business conditions or the adopting of new production technology.

Figure 1.5. **Nearly one in five Australians separate from their job every year**



a) Data refer to the difference between the hiring rate and the net employment change.

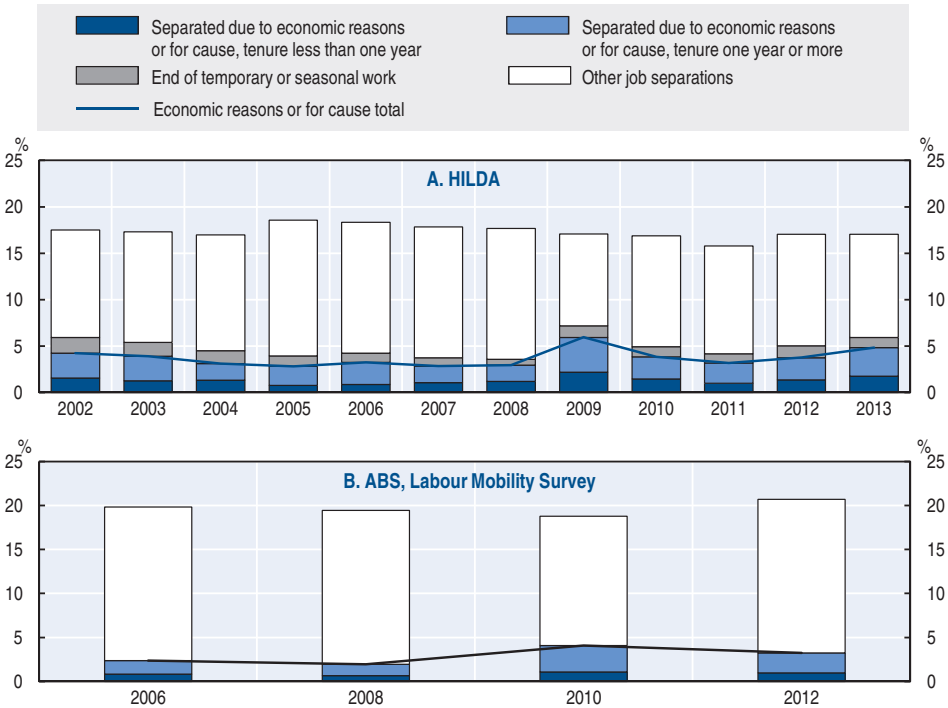
Source: *OECD Job Tenure Dataset*, a subset of the *OECD Employment Database*, www.oecd.org/employment/database.

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Along the lines set in OECD (2013a), to avoid unduly including this last type of separations, the displacement rate in this review is defined as the share of employees with tenure of at least one year who were dismissed for economic reasons or for cause.⁷ Thus, over the period 2002-13, 2.3% of employees with tenure of at least one year were displaced each year on average, with a minimum of 1.7% in 2008 and a maximum of 3.7% in 2009. The impact of the GFC was important, but did not last long, as the displacement rate was back to 2.2% in 2011. In 2013, however, the displacement rate increased strongly again, to 3.1%. ABS-LMS data over the period 2006-12 provide relatively comparable displacement rates, with a minimum of 1.9% in 2008 and a maximum of 4.1% in 2010 of workers who were retrenched and whose duration of the last job was over one year (Figure 1.6, Panel B).

Figure 1.6. **Most workers separating from their jobs would not be considered displaced workers**

Job separation rates by reason and tenure, 2002-13



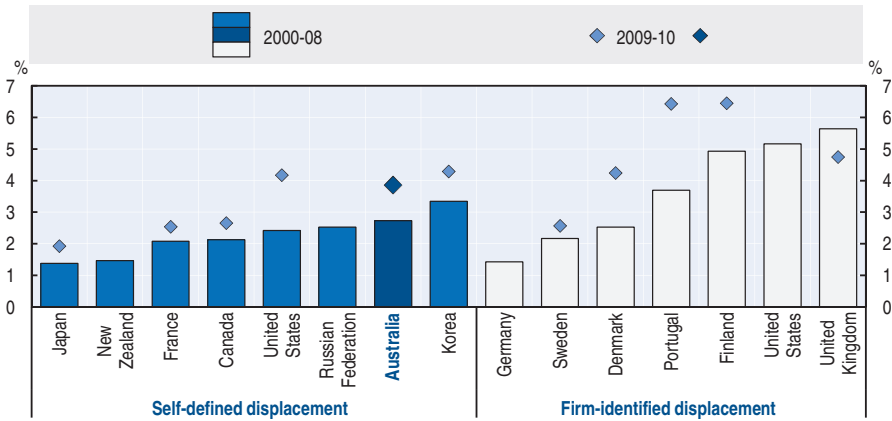
Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey for Panel A, and from the Labour Mobility Survey (ABS-LMS) data for Panel B.

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Compared with other OECD countries where displacement is defined and measured in the same way, i.e. self-defined based on household panel data (Figure 1.7), displacement rates are relatively high in Australia. Although it is difficult to establish a clear causal relationship, this is likely to reflect the relatively low level of employment protection (see Chapter 3).

Figure 1.7. **The Australian displacement rate is high in international comparison**

Percentage of employees aged 20-64 with at least one year of tenure who are displaced from one year to the next, averages; Australia and selected OECD countries, 2000-10^a



- a) Data refer to 2002-13 for Australia. Unlike for the other countries, multiple job holders are included in Australia's sample throughout this chapter; it does not significantly affect the results as it consistently reduces displacement rates by 0.1 percentage point.

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey, and OECD (2013), "Back to work: Re-employment, earnings and skill use after job displacement", Final Report, Directorate for Employment Labour and Social Affairs, OECD Publishing, Paris, October, <http://www.oecd.org/els/emp/Backtowork-report.pdf>.

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Characteristics of displaced workers

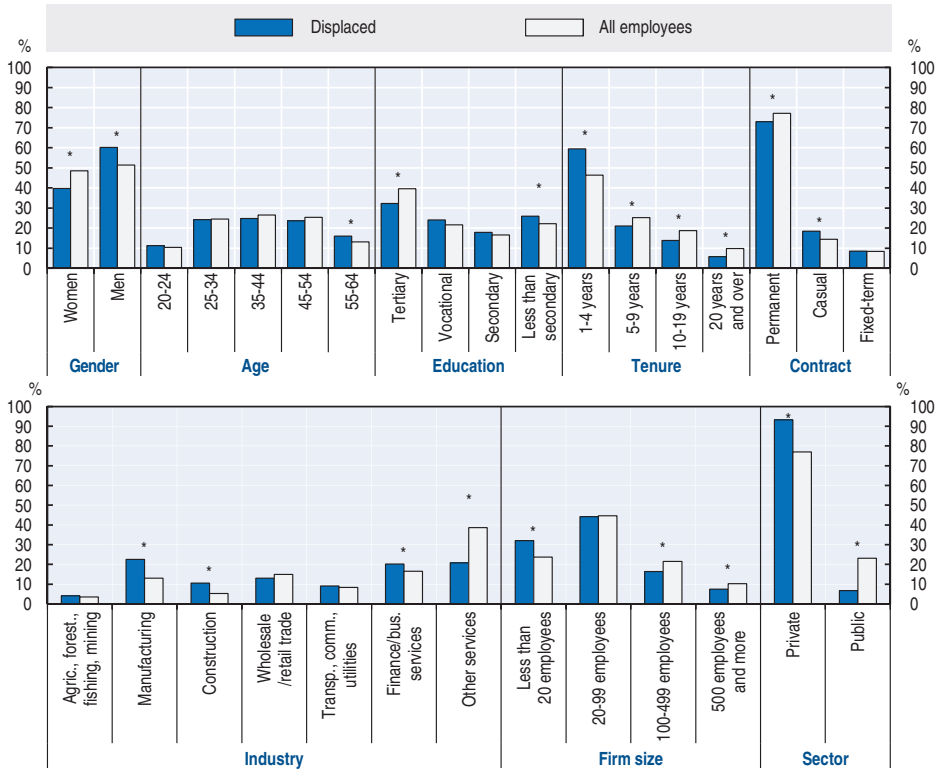
As in most OECD countries, men are more often affected by displacement than women (see Figure 1.8 where the displacement share of men exceeds their share of all employees). As regard age and education, workers aged 55 to 64 years at a greater risk of displacement than younger age groups; and workers without a tertiary education more at risk than the better educated (Table 1.A1.1 in Annex 1A.1 presents a multivariate analysis of displacement risk based on a probit regression, the results of which are very similar to the bivariate results shown in Figure 1.8.) Casual workers are a minority in the displaced workers population but their displacement risk is much higher than for other workers. The displacement risk falls with job tenure, so that a large majority of displaced workers have relatively short tenure (1-4 years).

According to HILDA data, manufacturing workers are over-represented among displaced workers, their probability of being displaced being twice as high as for workers in the category *other services* (Table 1.A1.1). This is also the case for construction workers. In terms of occupations, managers, professionals, trade

workers and plant/machinery operators have above-average displacement rates (data not shown). As in many countries, public sector workers face much lower displacement rates than workers in the private sector.

Figure 1.8. The displacement risk is relatively high for men, less educated and low-tenured workers, and those employed in manufacturing or casual employment

Selected characteristics of displaced workers compared with all employees, with at least one year of job tenure, 2002-13, percentages



Note: * Indicates the characteristics of workers/jobs and firms for which the distribution of displaced workers differs from that of all employees at the 5% level of significance.

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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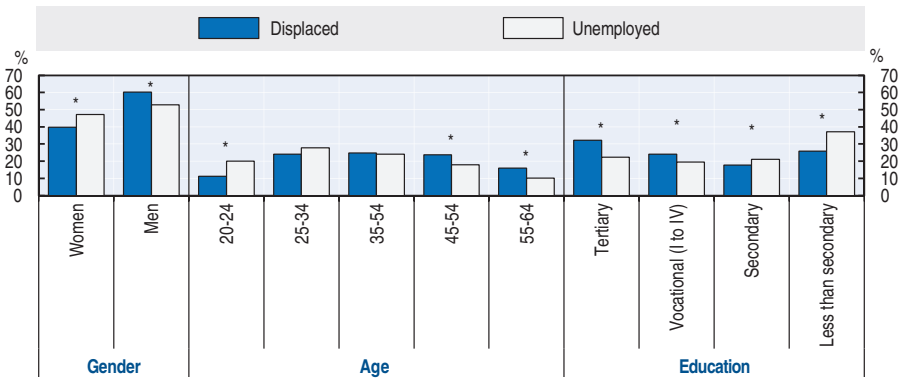
Displaced workers and the unemployed

While some displaced workers find a job quickly following displacement, many are out of work for a significant period of time, mainly

due to being unemployed. According to HILDA data, displaced workers represented on average 18% of all unemployed workers over the period 2005-13, with a peak of 28% in 2009⁸ when the GFC hit hardest. Compared with all unemployed persons, displaced workers tend more often to be men and to be older and better educated (Figure 1.9). Displaced workers have thus higher levels of education and more work experience, which suggests that they may have less difficulty finding another job than the average unemployed person.

Figure 1.9. **Compared with unemployed people, displaced workers are typically older men with tertiary education and long tenure**

Characteristics of displaced workers compared with unemployed,^a 2002-13, percentages



Note: * Indicates the characteristics of workers/jobs and firms for which the distribution of displaced workers significantly differs (i.e. at the 5% level) from that of all employees.

a) Data refer to people aged 20-64 years. Displaced workers have at least one year of job tenure. Sample excludes public administration.

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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Labour market outcomes following displacement

Getting back into work

In Australia, a large share of displaced workers rapidly finds another job following displacement: almost 70% are re-employed within one year, and almost 80% within two years (Figure 1.10, Panel A). Re-employment rates continue to increase in the third year, albeit slightly, but fall in the fourth year. They are lower for displaced workers than for workers experiencing other types of job separation.

Not surprisingly, re-employment rates fell significantly during the GFC. For example, the share of displaced workers re-employed within one year declined from 76% in 2008 to 57% in 2010 (Figure 1.10, Panel B). With the rapid rebound in labour market conditions, first-year re-employment rates were already back to 67% in 2011.

The OECD Back-to-Work project has assembled re-employment rates for displaced workers for a number of OECD countries using comparable time periods, samples of workers and definitions of displacement.⁹ By comparison with other OECD countries for which data are available, re-employment rates are relatively high in Australia, both in the first and the second year after displacement (Figure 1.10, Panel C). This reflects the relatively good labour market situation described above and probably also the relatively flexible nature of the Australian labour market.

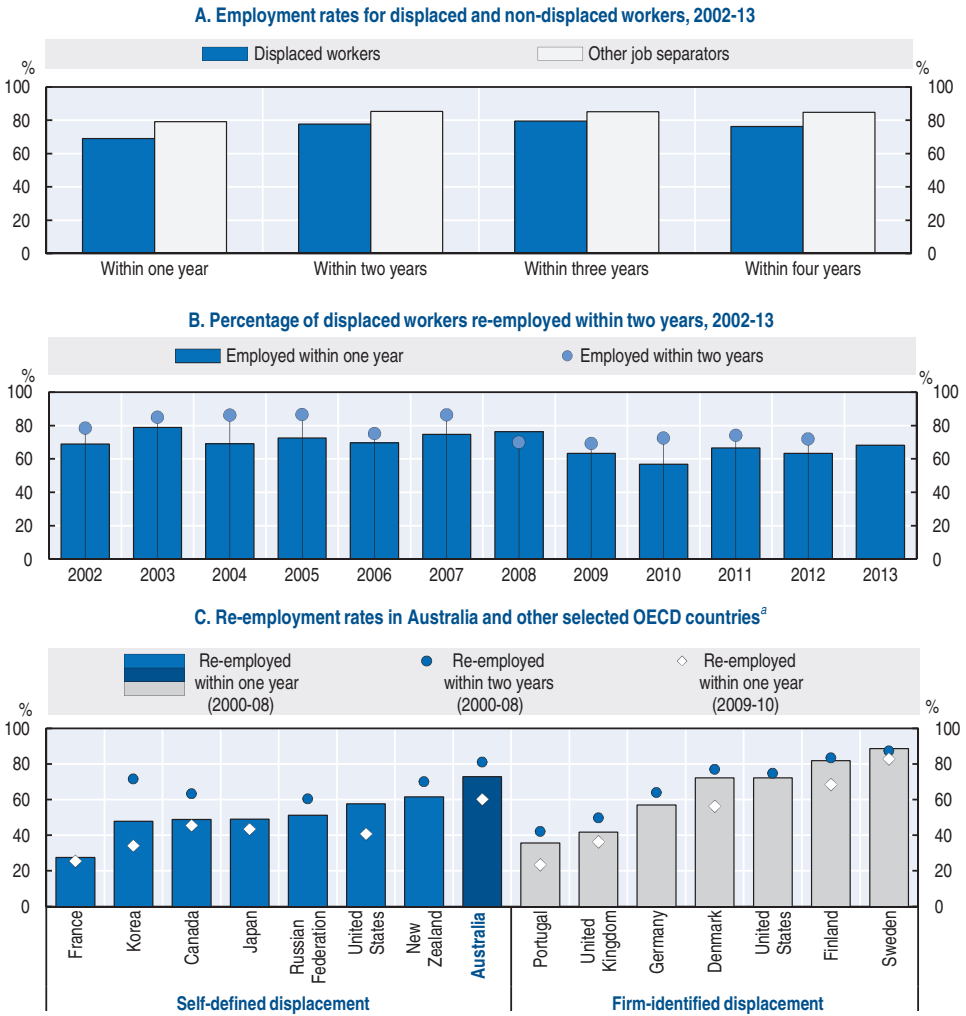
Which displaced workers find work most rapidly?

The probability and speed of re-employment after displacement varies considerably across groups of workers. Older workers, besides facing a higher risk of displacement than other age groups, also have poorer chances of finding a new job. Once other characteristics are controlled for, workers aged 55-64 have a probability of re-employment 23 percentage points lower than people aged 35-44 (Figure 1.11). In fact, re-employment rates within one year consistently decrease with age. Controlling for other characteristics, displaced workers with an intermediate level of tenure on the lost job (5-19 years) have a higher probability of re-employment than either shorter tenure displaced workers (1-4 years) or those with the longest tenure (20 years and more). Similarly, re-employment rates are higher for displaced workers with intermediate levels of education (e.g. a secondary or vocational degree) than those with lower and higher levels of education.¹⁰

The type of employment contract and employer also affect re-employment outcomes. For example, the re-employment rate for workers displaced from jobs where they had casual contracts are 21 percentage points lower than those for workers displaced from jobs where they had permanent contracts. Similarly, part-time workers have a probability of re-employment 15 percentage points lower than those working full time, once other characteristics are controlled for. Despite having a much lower probability of being displaced in the first place, public sector workers have below-average re-employment rates once they are displaced (Figure 1.11).¹¹

Some displaced workers do not return to employment: 16% of them are unemployed at the time of the survey, whereas 15% have left the labour force. While only 7% remain unemployed one year after, the share of those out of the labour force increases very slightly. Women and older workers more commonly leave the labour force following displacement.

Figure 1.10. **Re-employment rates are relatively high in Australia, but fell considerable during the global financial crisis**

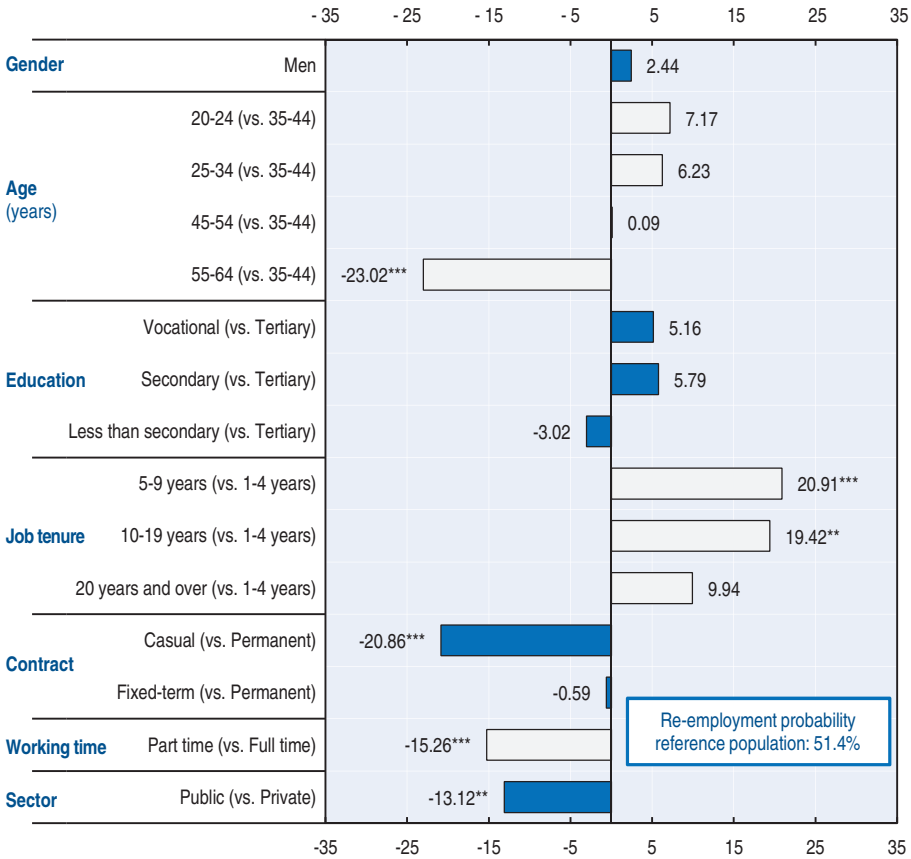


a) Data for Germany refer to 2004 and for Canada to an average over 2000-07. For the definition of displacement in each country and full details on data sources and methodology, see OECD (2013), *OECD Employment Outlook 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2013-en.

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey for Panels A and B; and data compiled by the OECD using data sources described in Annex 4.A1, OECD (2013), *OECD Employment Outlook 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2013-en for Panel C.

Figure 1.11. **Older, part-time and casual displaced workers struggle most in finding a new job**

Marginal impact of selected characteristics on the likelihood of being re-employed within one year of displacement, 2002-13, percentage points



Note: For each characteristic, the figure shows the difference in the probability for those displaced between year *t-1* and year *t* to be re-employed at year *t* between each category and the reference category (shown in parenthesis), estimated from a probit model. The model also includes controls for industry, and occupation. ***, ** and * indicate that the marginal effects are statistically significant at the 99%, 95% and 90% level, respectively.

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

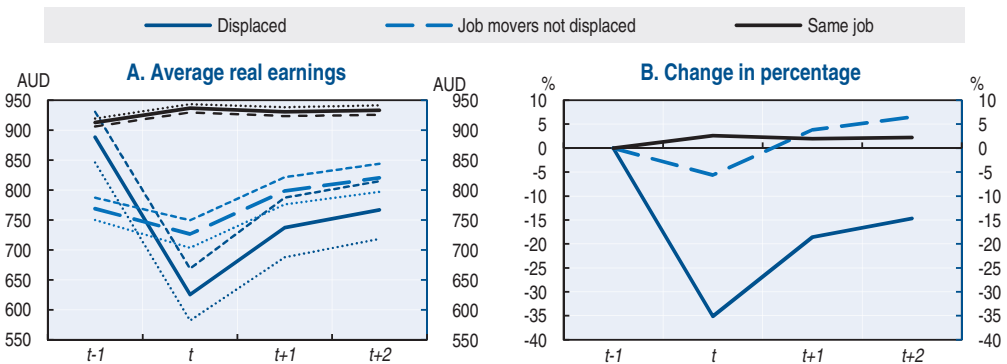
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Wages and job characteristics following displacement

Displacement implies durable losses in wage income

The weekly income of displaced workers can fall significantly following displacement, in both absolute terms and relative to the earnings of workers who were not displaced (Figure 1.12). According to HILDA data, the average weekly income falls by 30% in real terms in the first year. It recovers gradually afterwards, but remains 14% below its level before displacement even three years later. In large part, this decrease in weekly income stems from the fact that some displaced workers – 31% in the year following displacement and 21% three years after – are not working. A smaller part of the decrease in average income comes from lower earnings levels for those who are in employment, be it due to shorter hours of work or to lower hourly pay rates.¹²

Figure 1.12. **Job displacement has a significant impact on the income from work**
Average weekly income after displacement, 2002-13, Australian dollars (AUD) and percentages



Note: The dotted and hyphenated lines on Panel A correspond to the 95% confidence interval; the sample includes all employees between 2002 and 2008; the displaced workers group includes employees who were displaced between year $t-1$ and year t .

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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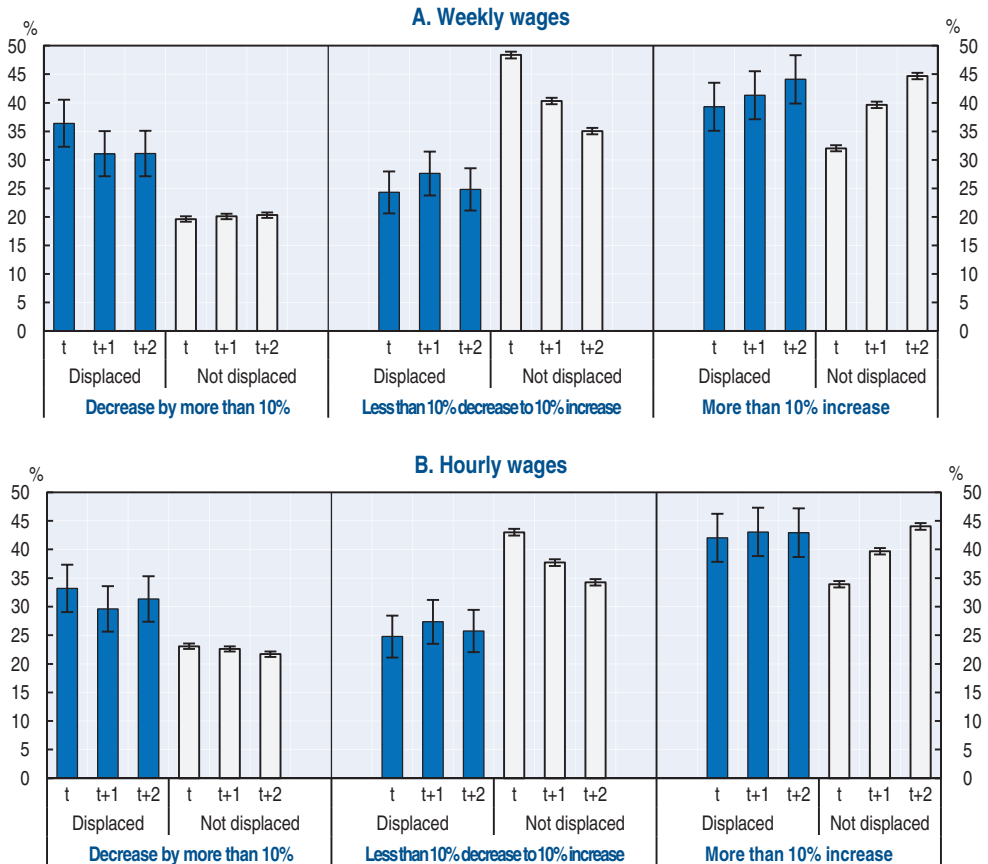
Re-employed displaced workers may experience significant changes in wages

Many displaced workers find a job in the year following displacement. But the new jobs often imply significant changes in wages. A detailed analysis of wage changes for displaced workers is not possible due to the small size of the HILDA sample. However, it is possible to calculate the shares of re-employed displaced workers whose earnings on the new job are: i) significantly below those on the lost job; ii) close to those on the lost job; or iii) significantly higher than on the lost job (Figure 1.13, Panel A). Overall, wage increases are slightly more frequent than wage losses: 44% of those in employment in the three-year period following displacement earn weekly wages more than 10% superior to their wage before displacement, while 36% have weekly wages more than 10% lower than their pre-displacement wages in the first year, and 31% two years after. While many displaced workers experience no enduring loss of earnings once re-employed, the share experiencing a significant loss is much higher than the corresponding share for workers who were not displaced, and this difference is persistent over time. By and large, evolutions of weekly wages reflect changes in hourly wage rates (Figure 1.13, Panel B).

The group of most interest for policy makers is the displaced workers who incur large wage losses. Not only is the share of displaced workers losing more than 10% in hourly wage higher than for workers who are not displaced, but displaced workers also incur significantly larger average and median hourly wage losses, of 33% and 28%, respectively, in the first year compared with 25% and 21% for non-displaced job losers (Figure 1.14). Their wage losses are also more persistent over time. This is to be contrasted with job movers who are not displaced: those who incur a wage loss greater than 10% experience a smaller but significant average cut in their wage in the first year and they recuperate substantially in the two following years.

Figure 1.13. **Wages in the new job are often higher than in the job before displacement**

Share of employees according to the change in wages compared with the pre-displacement year, 2002-13



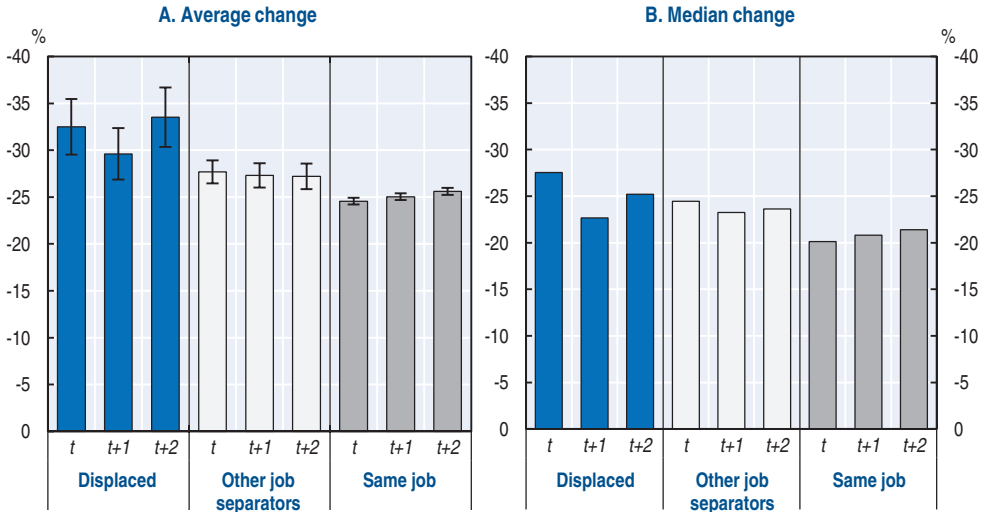
Note: The whisker on the figure represents the 95% confidence interval.

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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Figure 1.14. **For those who face hourly wage losses, the size of the loss is quite substantial**

Change in hourly wage compared with pre-displacement year for those incurring losses greater than 10%, 2002-13, percentages



Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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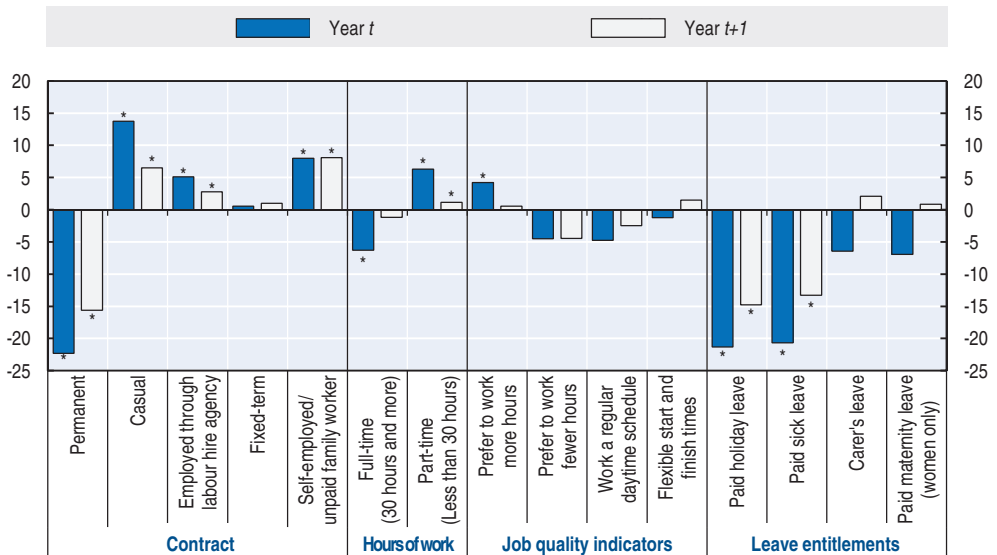
Other job quality aspects

Wages are a major aspect of job quality, but other job characteristics also matter for workers' well-being. Figure 1.15 shows that displaced workers also tend to lose in terms of non-wage job quality, although the difference with their pre-displacement job tends to recede in the second year following displacement. The most striking change relates to the type of employment contract: while almost four in five displaced workers were on permanent contract before displacement, only 55% of those who are employed in the two years following displacement get such a contract in the first year and 62% in the second year. Many displaced workers switch from permanent to casual contracts or work for a labour hire agency which tends to imply the same kind of entitlements as casual work.¹³ This explains sharp decreases in workers benefiting from paid holiday leave and paid sick leave, but may also explain part of the increases in the hourly wage mentioned above, as casual workers benefit from a wage premium to compensate them for not receiving other entitlements of permanent employees.¹⁴ The share of displaced workers re-employed in casual jobs or via a labour hire agency

declines quite strongly in the second year after displacement, suggesting that a multi-year period may be required to find new jobs that match well workers preferences. There is also a significant and mostly temporary increase in part-time employment: 6% of the displaced workers who are employed in the two years following displacement switch from full-time to part-time in the first year, but the share drops to 1% in the second year following displacement.

Figure 1.15. **In their new job, many displaced workers are under casual employment contracts**

Change in the distribution of workers between post- and pre-displacement jobs according to selected job characteristics, 2002-13, percentage points



Note: * Indicates the characteristics of jobs for which the distribution of post- and pre-displacement jobs significantly differs (i.e. at the 5% level).

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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Skill use of displaced workers

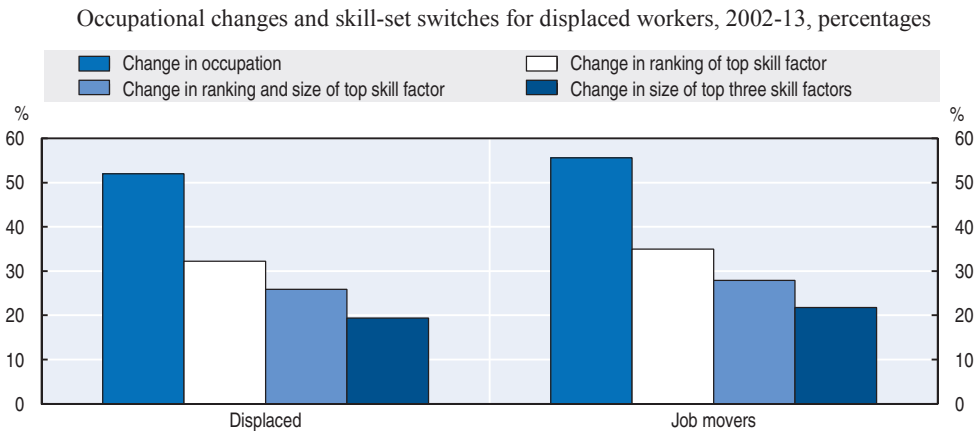
One possible explanation for wage losses following displacement is that skills used and developed in the old job may be lost. This loss may be due to skills depreciation during periods of unemployment or inactivity following displacement. Another possibility is that job and sector specific skills are not

valued by prospective new employers (i.e. a loss of industry-specific or occupation-specific human capital due to mismatch). Post-displacement shifts in industry and occupation can provide a rough proxy for skills depreciation. However, data on skills used at work in the pre- and post-displacement job give a better picture of the actual human capital loss following displacement, and allow this loss to be decomposed into more informative components. This is done below, building on the methodology used in OECD (2013a).

Occupational changes and changes in skill requirements

Among displaced workers in Australia who find work within one year, around half change occupation following displacement. Not all workers changing occupations move to new jobs with significantly different skills requirements than their old jobs. Figure 1.16 shows three alternative measures of skills switches that are derived from occupation-specific skill requirements (OECD, 2013a). All three skills-related measures – based on changes in the ranking of key skills used at work, as well as the intensity with which these skills are used – show significantly fewer switches than occupational changes. Between 19% and 32% of displaced workers switch skill-sets. These figures are comparable with those found in other OECD countries such as France, Korea and the United States, and differences in this regard between displaced workers and non-displaced job movers are small.

Figure 1.16. **Between one-fifth and one-third of displaced workers face skills switches**



Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

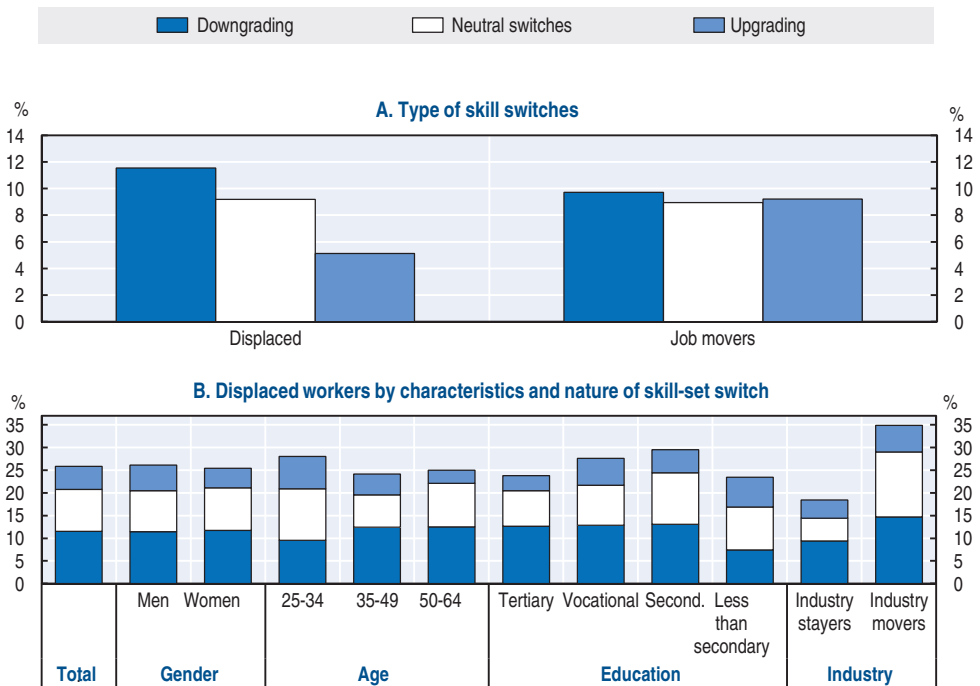
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Professional downgrading and skill loss following displacement

Not all skill switches lead to professional downgrading. Some displaced workers who are re-employed in occupations with different skill requirements may be moving to jobs with higher skill requirements than those from which they were displaced. One way to qualify skill switches as downgrades or upgrades is to use the change in the years of education required at work following displacement, under the assumption that a positive change is a signal that the person has moved up the career ladder while a negative change points to a move to a lower-level job. Figure 1.17 shows the share of displaced workers who experience a skill switch by socio-demographic characteristics and nature of the switch.

Figure 1.17. **For displaced workers, skills downgrading is more frequent than skills upgrading**

Workers experiencing skill-set switches, 2002-13, percentage of each group



Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

StatLink  <http://dx.doi.org/10.1787/888933340160>

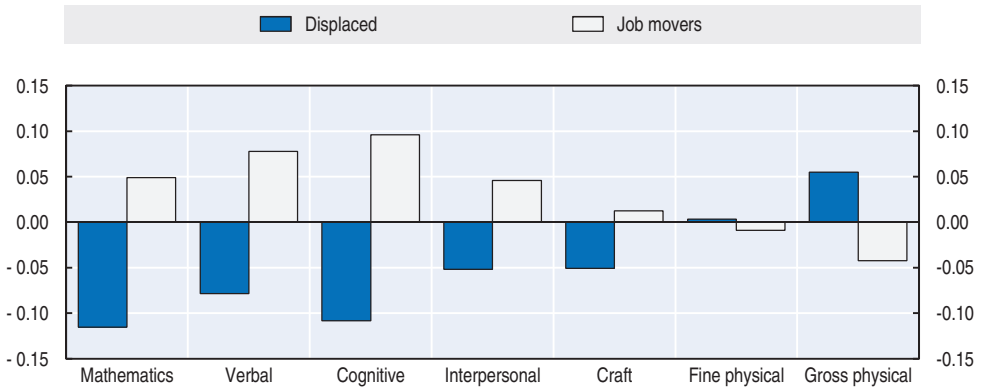
Switches in skill requirements accompanied by a fall (rise) in required years of education of at least one year are defined as downgrades (upgrades). In Australia, approximately 12% of displaced workers experience a change in skill set accompanied by professional downgrading at re-employment. There is little variation in this share across displaced workers. Once re-employed, youth and workers with less than secondary skills are slightly less likely to experience downgrading, but this is likely to reflect their lower starting position. The share of displaced workers experiencing downgrading is also just slightly higher than for non-displaced job movers. Skills upgrading, on the other hand, is twice as likely for other job movers as for displaced workers (10% versus 5%). Skills upgrading is more frequent for youth, workers with a vocational education, and those who change industries.

In terms of the skills used in their new jobs, displaced workers tend to experience some human capital loss. They tend to experience a decline in the use of cognitive, mathematical, verbal and interpersonal skills, which are particularly important in the most qualified service sector jobs and occupations (Figure 1.18). By contrast, there is an increase in the use of gross physical skills that are needed in a number of low-skilled jobs. Non-displaced job movers fare significantly better on this account, experiencing pretty much the opposite changes. Whereas displaced workers tend to move toward less skilled jobs, especially as regards, cognitive, social and craft skills, toward the least skilled manual jobs, other job movers tend to flow toward more skilled service sector jobs.

The lower level of mathematical, verbal and cognitive skills used by displaced workers in their new jobs suggests they may be poorly placed to take up expanding and relatively qualified job opportunities in the service sector – the sector in which employment growth was projected to be fastest in the coming years according to Department of Education, Employment and Workplace Relations (DEEWR) job occupation projection 2012-17. This pattern suggests possible role for public policy to assist displaced workers with skill deficits to connect with training programmes that would allow them greater opportunities to access higher quality jobs, especially in the service sector.

Figure 1.18. **Human capital loss concerns especially mathematical, verbal and cognitive skills**

Year-to-year change in skill use for re-employed workers (units of a standard deviation)



Note: Skill requirements are measured by indices with mean zero and unit standard deviation (see Box 4.3 in OECD, 2013a).

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey; and OECD (2013), “Back to work: Re-employment, earnings and skill use after job displacement”, Final Report, Directorate for Employment Labour and Social Affairs, OECD Publishing, Paris, October, <http://www.oecd.org/els/emp/Backtowork-report.pdf>.

StatLink  <http://dx.doi.org/10.1787/888933340178>

Conclusion

Compared with other OECD countries, the Australian labour market is quite dynamic, with high flows in and out of employment, including displacement flows. After a strong increase during the GFC, the displacement rate quickly returned to much lower levels after the crisis. However, the recent softening of labour market conditions prompted a new rise in displacement that is likely to prove more persistent. Displaced workers in Australia are heterogeneous and not so dissimilar from the overall workforce, but are disproportionately male, young, less educated and working in small and medium-sized firms in the private sector, particularly in manufacturing, construction and finance/business services where they have relatively short job tenure.

Consistent with the dynamism of the Australian labour market, a high share of displaced workers gets back into employment rather quickly. Compared with the overall pool of unemployed, displaced workers have higher education levels and more work experience, which probably makes it easier for them to find a job. However, some groups of displaced workers find it more difficult

than others to find a new job. This is most notably the case for older workers and women, both groups with above-average propensities to withdraw from the labour force after displacement. Workers formerly employed under casual contracts also have lower re-employment rates after displacement.

Displacement can involve significant losses in income for the workers. These losses are mostly attributable to the period of joblessness that often follows displacement, but also reflect reductions in earnings between the lost job and the post-displacement job. However, the situation in terms of the income of re-employed displaced workers is highly variable. Some displaced workers incur wage increases, reflecting the premium associated with changing the job. Paradoxically, these wage increases may also partly reflect the lower quality of the jobs found after displacement: a very large share of permanent employees are only able to find casual or labour hire jobs after displacement. While less protected in many ways, workers under these forms of non-standard contract receive higher wages in compensation. Other displaced workers get lower wages in their new jobs, a loss which tends to persist over time and is significant in size.

One in two displaced workers change occupation in their new job, most often moving from a production occupation in manufacturing to a relatively low-skilled occupation in the service sector. Compared with the average Australian employee, displaced workers tend to be more endowed with craft and both fine and gross physical skills, but less strong in mathematics, verbal, cognitive and interpersonal skills, as reflected in the job skill requirements of their pre-displacement jobs. These differences tend to be reinforced in their post-displacement jobs, which make even less use of cognitive, social and craft skills, but greater use of gross physical skills. While not all displaced workers suffer human capital losses, the losses can be sizeable for a significant minority: about one in eight displaced workers experience a skill-downgrading as reflected by the educational requirements of their old and new jobs. Changes in the skills used on the job also point to some downgrading. These patterns suggest that many displaced workers are not well positioned to benefit from the career opportunities being created by the shift from a manufacturing to services-based economy.

Notes

1. Share of employees which pay was set by collective agreements and by awards only. *Source*: ABS, “Employee earnings and hours, Australia”, Cat. No. 6306.0, May 2002 published in March 2003, and May 2014 published in January 2015.
2. ABS (2014), “Forms of employment, Australia”, Cat. No. 6359.0, November 2013.

3. According to the *OECD Employment Database*, www.oecd.org/employment/database, the share of involuntary part-timers went from about 27% of all part-timers to more than 34% in 2014. Unlike in Australian data, part time is defined as working less than 30 hours.
4. ABS (2014), “Forms of employment, Australia”, Cat. No. 6359.0, November 2013.
5. Casual employment is very high in accommodation and food services, retail trade, and health care and social assistance (above 45% of employment) and high in education and training (36%). *Source*: ABS (2013), “Forms of employment, Australia”, Cat. No. 6359.0, November 2012.
6. There are two sources to study labour turnover, including displacement, in Australia. The Labour Mobility Survey (ABS-LMS), a module of the Labour Force Survey, provides some information on a large representative sample of workers who change jobs and occupations. As it is not a panel dataset, workers cannot be followed over time. Moreover, it does not include information on earnings and only limited information on personal, job and firm characteristics. The Household, Income and Labour Dynamics in Australia (HILDA) Survey is a panel dataset which follows workers over time. Its main limitation is a small sample size and the resulting lower accuracy. This study relies primarily on the HILDA since it provides a fuller picture of displaced workers and how they fare than does the ABS-LMS, but the latter is used to verify certain findings based on the HILDA.
7. Ideally, job displacement should be defined as having left a job since the previous year for economic reasons. In practice, however, HILDA and ABS-LMS do not distinguish between economic reasons and dismissal for cause; hence, the latter group is also included in the analysis. Termination of a temporary or seasonal contract is another possible reason for having left a job, but it is not possible to distinguish workers who left a temporary contract voluntarily from those who do not have their contract renewed for temporary reasons. Workers who left their job after termination of their contract are not considered as displaced.
8. However, the small sample size implies a confidence interval of 21-33%.
9. OECD (2013a) describes the methods and data used in more detail.
10. These findings are relatively at odds with the research literature; in North America for example, it tends to find that re-employment rates fall continuously with tenure and rise continuously with educational level (see e.g. OECD, 2015a). For Japan, OECD (2015b) also finds that the re-employment probability rises monotonically with educational level. The education pattern in Australia might reflect the mining boom and its resulting strong demand for medium-skilled workers. However, Canada also had a mining boom without generating the same hump-shaped relationship between education and re-employment.

11. Industry, occupation and firm size of the initial job do not come out significantly in the probit model.
12. These estimates exclude labour earnings of displaced workers who became self-employed, since the HILDA Survey does not provide data on their earning. Approximately 6% of the displaced workers move into self-employment on average over the period 2002-13.
13. In fact, most workers employed through a labour hire agency are also under casual contracts.
14. This is confirmed by HILDA data which show that displaced workers were under permanent contract but found a casual job experience increases in their wage of more than 10% more often than other displaced workers.

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Annex 1.A1

Supplementary table

Table 1.A1.1. Probability of being displaced and probability of being re-employed if displaced

Employees aged 20-64, job tenure one year or more, multiple jobs allowed,
excluding public sector and personal services

		Probability of displacement	Probability of being re-employed if displaced
Gender	Men vs. Women	0.201	2.437
Age	20-24 vs. 35-44	-0.231	7.173
	25-34 vs. 35-44	-0.086	6.234
	45-54 vs. 35-44	0.202	0.092
	55-64 vs. 35-44	0.860 ***	-23.024 ***
Education	Vocational vs. Tertiary	-0.086	5.155
	Secondary vs. Tertiary	0.060	5.786
	Less than secondary vs. Tertiary	-0.037	-3.024
Industry	Agriculture, forestry, fishing, mining vs. Other services	1.031 **	8.320
	Manufacturing vs. Other services	2.172 ***	-1.380
	Construction vs. Other services	2.011 ***	4.187
	Wholesale/retail trade vs. Other services	0.038	-7.415
	Transport, storage and communication, electricity, gas and water supply vs. Other services	1.016 ***	2.077
	Finance and business services vs. Other services	1.004 ***	3.001
Occupation	Legislators and managers vs. Professionals	0.786 ***	-0.279
	Technicians and assoc. professionals vs Professionals	0.031	7.521
	Clerks vs. Professionals	0.360	-0.790
	Service and sales workers vs. Professionals	0.078	8.861
	Skilled agricultural workers vs. Professionals	-0.401	
	Tradespersons vs. Professionals	0.533	2.564
	Plant/machinery operators vs. Professionals	0.243	-2.117
	Elementary occupations vs. Professionals	0.103	1.047

Table 1.A1.1. **Probability of being displaced and probability of being re-employed if displaced** (*cont.*)

Employees aged 20-64, job tenure one year or more, multiple jobs allowed, excluding public sector and personal services

		Probability of displacement	Probability of being re-employed if displaced
Firm size	Less than 20 employees vs. 20-99 employees	0.347 **	1.269
	100-499 employees vs. 20-99 employees	-0.306 **	-2.748
	More than 500 employees vs. 20-99 employees	-0.320	1.964
Tenure	5-9 years vs. 1-4 years	1.473 ***	20.907 ***
	10-19 years vs. 1-4 years	0.353	19.422 **
	20 years and over vs. 1-4 years	0.284	9.940
Contract type	Casual vs. permanent	0.569 **	-20.861 ***
	Fixed-term vs. Permanent	0.391	-0.593
Working time	Part time vs. Full time	0.020	-15.255 ***
Sector	Public vs Private	-0.912 ***	-13.122 **
Region	Victoria vs. New South Wales	-0.122	-0.955
	Queensland vs. New South Wales	-0.189	2.745
	South Australia vs. New South Wales	-0.364 **	3.455 **
	Western Australia vs. New South Wales	-0.618 ***	7.656
	Tasmania vs. New South Wales	-0.527 *	29.163 ***
	Northern Territory vs. New South Wales	-0.137	28.261 *
	Australian Capital Territory vs. New South Wales	-0.262	-3.812

Source: Results from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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Chapter 2

Mainstream income support and re-employment services for Australian displaced workers

Many displaced workers in Australia who do not quickly find jobs are likely to be ineligible for income assistance for an extended period of time following their redundancy. This is consistent with the Australian social assistance approach which restricts income support to persons most in need. Since access to more intensive re-employment services is conditional on the receipt of income support, this also implies that a majority of displaced workers do not qualify for these services. Even those who qualify mostly receive only basic support during the first year of unemployment. By this time, a number of displaced workers who did not find a new job may have become demotivated or even have exited the labour force, making a return to work more difficult. This approach minimises the inefficient use of resources on displaced workers who do not need help, but can be problematic for those who face more difficulties in finding a new job, notably older displaced workers. Moreover, the incentive structure for employment service providers is tilted more to getting the unemployed quickly back into work than investing in training, which may further reduce the likelihood of low-qualified or long-tenured displaced workers switching to new jobs in sectors and occupations in demand.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Most displaced workers spend some time out of work after displacement, losing income as a result. Reducing the adverse impact that displacement-related unemployment has on family income is thus an important goal for policy, but needs to be considered along with other policy goals, including to minimise the time spent out of work and improving the quality of the new jobs that displaced workers move into, while avoiding excessive public spending. In some cases, these goals are mutually re-enforcing or support other goals. In particular, effective re-employment support reduces the cost of providing income support – in part, by limiting the labour supply disincentives otherwise associated with unemployment benefits – while also reducing the overall costs of structural economic change – both those borne by displaced workers and those borne by the rest of society.

This chapter discusses both the income and the re-employment support that Australian displaced workers receive from the public programmes generally available to unemployed workers, referred to here as *core* programmes. Aside from the special sectoral programmes discussed in Chapter 3 – which concern a small and shrinking share of the displaced workers, the income safety net and system of active labour market programmes (ALMPs) in Australia do not include measures specifically targeted at displaced workers. Nonetheless, these programmes are the main sources of public assistance available to displaced workers. Accordingly, this chapter analyses the suitability of the support that these measures provide to displaced workers. Most of the analysis relates to programme rules prior to the changes in employment services that were introduced in July 2015, when jobactive replaced Job Services Australia. However, the likely implications of those changes for displaced workers are also assessed to the limited extent currently possible. Finally, the chapter discusses the supplementary income and re-employment support measures that were temporarily introduced under the Jobs and Training Compact in 2008 to minimise the labour market impact of the global financial crisis (GFC), since this experience provides insights into the potential benefits and costs of expanding the assistance currently provided to displaced workers.

Income support available to displaced workers

Only displaced workers in households meeting social assistance criteria get income support

Unlike most other OECD countries, Australia has no unemployment insurance scheme. There are two *unemployment assistance* benefit programmes: the *New Start Allowance* (NSA) for unemployed people aged 21 and over and the *Youth Allowance* (YA) for those aged 16 to 20. Both NSA and YA benefits are intended to meet minimum income

requirements and thus do not reflect prior work or earnings history. These benefits are also subject to personal and partner income and assets testing. As in many other OECD countries, unemployed persons receiving public income support are subject to a strict *activity test*. NSA and YA recipients must be actively seeking suitable work or undertaking activity to improve their employment prospects. They also must be available for and willing to accept suitable work, including part-time and casual employment, attend all interviews with Centrelink and their Job service provider, as well as all job interviews. Until June 2015, benefit recipients had to agree to attend approved training courses and not leave a job or a training course without a valid reason, and could be instructed to enter an Employment Pathway Plan (see below). Under the new employment services system initiated in July 2015, most unemployed persons are required to participate in a public work programme after six months of benefit reciprocity. However, lone parents with children below the age of eight are treated somewhat differently, as they can apply for the *Parenting Payment (PP)*.¹

There are four main means tests that must be satisfied in order to access NSA benefits: the income test, the asset test, the liquid asset test and the income maintenance period. The criteria associated with each of these will now be briefly described and the likely implication of each for limiting the access of displaced workers to income support assessed.

An *income test* determines whether access is possible or not and at the full or reduced rate. The *personal income test* allows unemployment benefit recipients to earn some additional income while looking for full-time work. In 2013, the income disregards corresponded to 2% of the average wage.² After that first income threshold, the NSA benefit amount is reduced at a rate of 50% per dollar of income. After a second income threshold located at about 8% of the average wage, the benefit is clawed-back at a 60% rate per dollar of income. This implies that the NSA benefit reaches zero when a recipient's income reaches 28% of the average wage for partnered recipients, 31% of the average wage for single recipients without children and 33% for single recipients with children or recipients of age 60 and over.³ There is also a *partner income test*, the benefit amount being clawed back at a 60% rate for every dollar of the partners' income above a threshold equivalent to 28% of the average wage.

The value of the assets owned by the household is also taken into account when determining eligibility to NSA or PP through the *asset test*, which sets different asset value limits for singles and partners as well as for homeowners or non-homeowners. Lower limits apply to homeowners, reflecting the fact that the value of the principal home is exempt from the asset test. Calculations based on data from the ABS, 2011-12 Survey of Income and Housing (SIH) suggest that these thresholds are unlikely to be

binding for almost all household categories within the first three quintiles of the net wealth distribution. The one exception is single non-homeowners in the third quintile of the wealth distribution.

In addition, a potential beneficiary may have to wait for a period up to 13 weeks before being able to receive NSA benefits, depending on the amount of liquid assets (cash and savings easily cashable) available to them. In 2013, the threshold for the *liquid assets test* was AUD 5 500 (i.e. about 85% of the monthly average wage) for single persons without dependents and AUD 11 000 (i.e. 1.7 times the monthly average wage) for partnered persons or singles with dependents.

Finally, the *income maintenance period* is a period of time where benefits are not paid because the leave and redundancy/severance payments that the displaced worker or his/her partner have received are treated as income. For example, a redundancy payment corresponding to ten weeks of salary would result in a ten-week income maintenance period from the date it was received, delaying reception of the NSA benefit by the same amount of time. Part of the benefit may still be received if severance pay is below a certain amount due to very low earnings on the lost job. This type of interaction between the severance payments and access to unemployment compensation scheme is in place in only a few OECD countries, and only Canada implements almost exactly in the rules (Table 2.1). In practice, it means that displaced workers with long tenure, especially those working in firms covered by collective agreements including specific provisions on severance pay, are unlikely to access unemployment income support for a rather long period of time. In Australia this also means that access to more intensive employment services, which is conditional on being on income support, is delayed with access to a limited range of services available on only a voluntary basis (see below).

Overall, the means testing rules in place are relatively strict and are likely to significantly limit the access of displaced workers to unemployment income support: while the asset test is unlikely to be binding for displaced workers belonging to the middle class, the income test is much more likely to bind, especially for workers with an employed partner. The liquid asset test and the income maintenance period are also quite likely to delay access to NSA for many displaced worker.

Available evidence from the Household, Income and Labour Dynamics in Australia (HILDA) Survey suggests that coverage of unemployment assistance is relatively limited among displaced workers. On average over the period 2002-13, about 30% of the workers who were displaced in the previous year and still unemployed at the time of the survey received NSA or PP (Figure 2.1). This coverage does not differ from that for workers who

also lost their job in the same period but not due to displacement. By contrast, at 46%, the coverage rate for all unemployed people is substantially higher, because the overall pool of unemployed workers includes more disadvantaged persons than the subset of unemployed persons with recent employment.

Table 2.1. **Severance pay schemes interact with unemployment benefits in some OECD countries**

	Legal base and eligibility conditions for severance pay	Amount of severance pay set by statutory law or collective bargaining	Collective bargaining coverage rate ^a	Interaction with UB entitlement
Australia	Federal statutory law and provisions in collective agreements	Min: tenure ≥ 1 year and < 2 year = 4 weeks Max: tenure ≥ 9 years and < 10 years = 16 weeks Tenure ≥ 10 years = 12 weeks	45% (2007)	Waiting period for UB is increased by the number of (wage) weeks received in severance pay
Canada	Federal statutory law and provisions in collective agreements	Min: tenure < 1 year = 0, tenure ≥ 1 year and < 3 years = 5 days after which tenure ≥ 3 years = 2 days for each year of tenure	29% (2012)	Waiting period for UB is increased by the number of (wage) days received in severance pay
Denmark^b	Statutory requirement for white-collar workers and collective agreements only for blue-collar workers	White collars: Min: 1 month > 12-year tenure; 2 month > 15-year tenure; 3 months > 18-year tenure Blue collars: Min: 1 month > 3 years of service; 2 months > 6 years of service; 3 months > 8 years of service	85% for all workers (2007)	For blue-collar workers, the amount of severance pay is reduced by the amount of unemployment benefit.
France	Statutory law and provisions in collective agreements	Min: tenure ≥ 1 year: 2 months Max: tenure ≥ 20 years: 5.3 months	90% (2008)	Waiting period for UB is increased if severance pay exceeds legal minima, by a duration in days corresponding to the extra-amount in severance pay divided by previous daily wage (total waiting period capped at 75 days).

Table 2.1. **Severance pay schemes interact with unemployment benefits in some OECD countries** (*cont.*)

	Legal base and eligibility conditions for severance pay	Amount of severance pay set by statutory law or collective bargaining	Collective bargaining coverage rate^a	Interaction with UB entitlement
Sweden	No legal requirement. General provisions established in collective agreements respectively for white collars aged over 40 and for blue collars aged over 40 and with 50 months of employment over the last 5 years	White collars: complements UI at a max of 70% of previous wage for a period of 6-18 months depending on age. Blue collars are entitled to a lump sum increasing with age	91% (2011)	Amount depends on UI for white collars
United States	No legal requirement. Provisions in collective agreements		13% (2011)	Waiting period for UB or reduction in the amount depending on the state

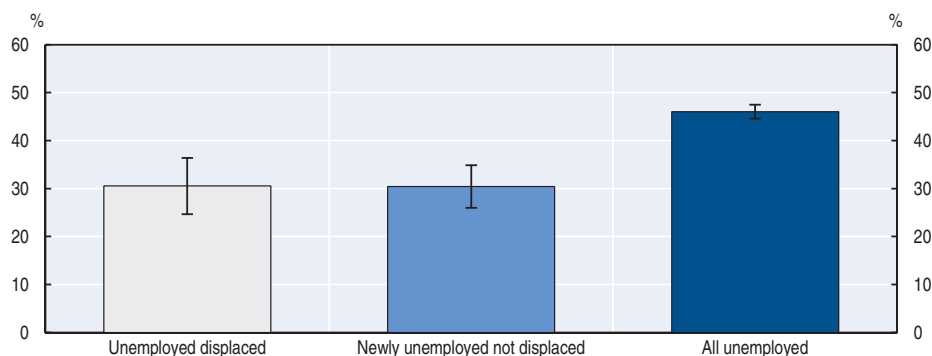
Note: UB: Unemployment benefit; UI: Unemployment insurance.

- a) The collective bargaining coverage rate provides an indication of the proportion of the workforce potentially covered under these agreements and therefore likely to receive higher severance packages than the legislated ones.
- b) *Denmark:* Conditions are regulated by collective agreements per sector for blue collared workers and by regulation for white collared workers.
- c) *New Zealand:* In case of restructuring, defined as outsourcing, the employee has the right to ask for transfer to the contractor. If refused, the worker can negotiate redundancy arrangements.

Source: OECD Employment Protection Database, 2013 update; ILO Employment Protection Legislation Database, http://www.ilo.org/dyn/eplex/termdisplay.severancePay?p_lang=en; ICTWSS Database for adjusted bargaining coverage rates; and Lindquist, G.S. and E. Wadensjö (2007), “Social and occupational security and labour market flexibility in Sweden: The case of unemployment compensation”, *IZA Discussion Papers*, No. 2943, Institute for the Study of Labor, July, Bonn, <http://ftp.iza.org/dp2943.pdf> for Sweden.

Figure 2.1. **The coverage rate of unemployed displaced workers by unemployment assistance is low**

Share of unemployed workers receiving New Start Allowance or Parenting Payment, 2002-13 average



Note: The whisker on the figure represents the 95% confidence interval.

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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Household surveys tend to underestimate benefit-recipient rates due to under-reporting. The coverage rate of the unemployed (i.e. the share of NSA recipients among all unemployed) is found to be much higher in administrative data⁴ (61% against 36% in HILDA over the period 2002-13).⁵ The underestimation of NSA coverage among unemployed of 25 percentage points is probably an upper bound when it comes to unemployed displaced workers, given that the latter are less disadvantaged than the average unemployed. But even taking such a downward bias into account, the coverage rate would remain relatively low (at a maximum of 55%), reflecting in part the strict access rules. However, stigma effects may also discourage some displaced workers from applying for income support, as the NSA benefit is viewed by many as a welfare benefit for disadvantaged persons.

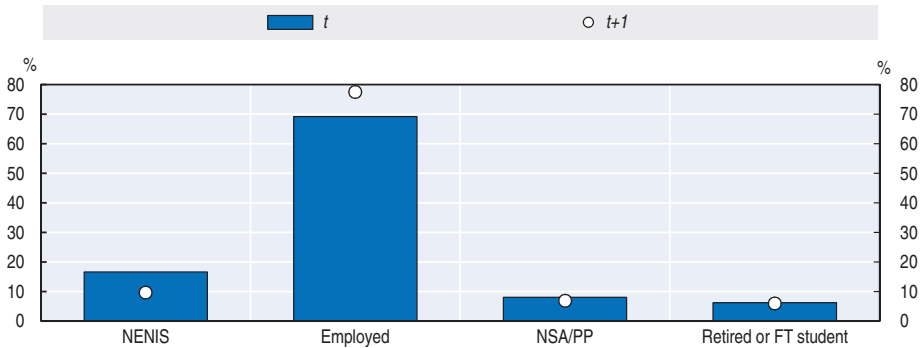
The unemployment benefits systems in other OECD countries tend to offer income support to a far higher share of displaced workers. For example, the overall coverage rate in Canada during 2000-10 was 61% (OECD, 2015c) while the coverage rates in Japan in 2012 was 74% for workers displaced during mass layoffs and 62% for other displaced workers (OECD, 2015b). In part, these higher coverage rates result from the adoption of a social insurance model that is explicitly intended to reduce income volatility due to job loss, even when family incomes do not fall below a general minimum needs criteria. However, it also reflects some tendency to

single out displaced workers as a group particularly deserving of income support since the programme eligibility rules result in higher coverage rates for displaced workers than other job separators (e.g. 61% versus 38% in Canada). Japan also provides more generous unemployment benefits to displaced workers than to persons becoming unemployed for other reasons, since this group is considered to face particularly high adjustment costs.

Another way to assess how effectively the safety net protects displaced workers is to look at the share of displaced workers who appear to be in need of assistance but are not receiving any. Figure 2.2 shows the share of displaced workers who are neither in employment nor retired nor in full-time education nor receiving income support (NSA, PP or Disability Support Pension). At 17%, this estimate is relatively high in the year of displacement, but lower in the following year mostly due to displaced workers having found new jobs. Almost 10% of these workers nevertheless remain in that situation which may imply considerable hardship.

Figure 2.2. **A non-negligible share of displaced workers is neither in employment, nor retired, nor in full-time education, nor receiving income support**

Displaced workers according to employment and income support status, 2002-13, percentages



Note: FT: Full-time; NENIS: Neither in employment, nor retired, nor in full-time education, nor receiving income support [NSA (New Start Allowance), PP (Parenting Payment) or Disability Support Pension Payment].

Source: OECD calculations based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

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The level of income support is also low

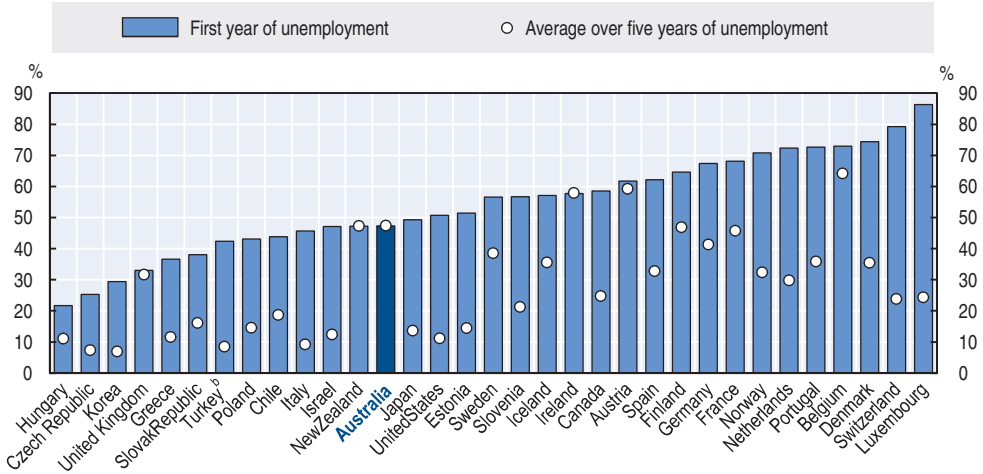
Figure 2.3 provides an international comparison of the average net replacement rate provided by unemployment benefits to job losers.

The generosity measure shown is an average for workers with two levels of earnings on the lost job (67% and 100% of the average full-time wage) and four stylised family types (single and two-earner couples, with and without children). For Australia, the income support considered includes NSA and PP, but also the Family Tax Benefit.⁶ At 47% in 2013, the overall replacement rate is relatively low in Australia compared with majority of OECD countries, although not among the lowest. Since benefit levels are indexed to prices instead of wages, the net replacement rate has fallen by several percentage points over the 2000s (OECD, 2012). As in a few other OECD countries which also have unemployment assistance systems in place, such as Ireland, New Zealand and the United Kingdom, the income support level as measured by the replacement rate is constant over time, i.e. identical in the first year of unemployment and on average over five years of unemployment. However, it should be kept in mind that activation is important in these countries, which makes it difficult for people to remain unemployed and on benefits for such a long time.

Replacement rates can vary significantly among family types and those shown in Figure 2.3 are only illustrative in nature and are apt to considerably overstate the level of income support available to many displaced workers, even if they are eligible for NSA benefits, while understating replacement rates in other cases. The level of the full NSA/PP itself is rather low, providing a replacement rate varying from a minimum of 22% for a single person at the average wage to a maximum of 33% for a one-earner couple with two children. The higher replacement rate in Figure 2.4 obtained for the one-earner couple with children results from the assumed age of the children (4 and 6), which in Australia makes the second adult in the family eligible for the Parenting Payment. If the family had children older than 6, a couple with one active member who gets displaced and meets the income and asset test requirements could either receive twice the NSA amount if both partners meet the activity requirements⁷ or receive only one NSA amount if only the displaced person meets the activity requirements; in the latter case, the replacement rate associated with NSA or PP would be roughly divided by two compared with what is shown on Figure 2.4. Households with children also benefit from additional support, mainly through the family tax benefit. Overall, the total replacement rate is particularly low for singles that earned the average wage and slightly better for singles at low wage levels – 50% of average worker (AW). Families are always better off than singles, the maximum total replacement rate reaching about 74% for a one earner couple at 50% of the average wage (Figure 2.4).

Figure 2.3. **Net replacement rate of unemployment benefits is relatively low in Australia, although not among the lowest**

Net replacement rates of unemployment benefits, 2013,^a percentages



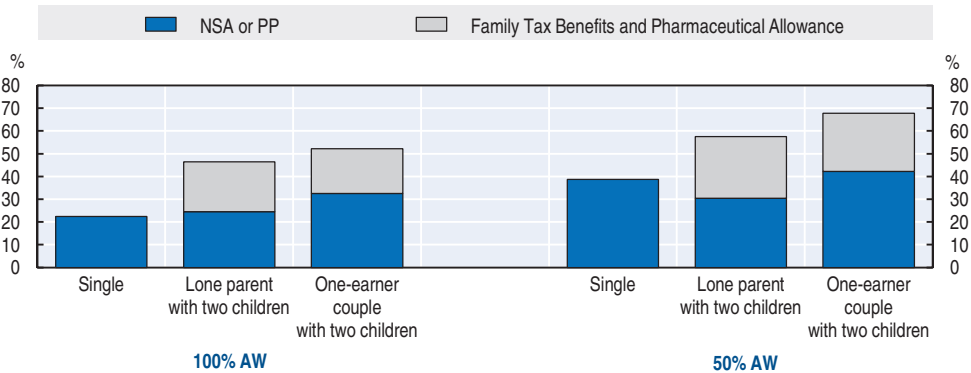
- a) Net replacement rate is the ratio of net income while out of work to net income while in work. Calculations consider cash incomes (excluding, for instance, employer contributions to health or pension insurance for workers and in-kind transfers for the unemployed) as well as income taxes and mandatory social security contributions paid by employees. To focus on the role of unemployment benefits, they assume that no social assistance or housing-related benefits are available as income top-ups for low-income families. Family benefits are included in the calculation. Any entitlement to severance payments is also not accounted for. Net replacement rates are calculated for a prime-age worker (aged 40) with a “long” and uninterrupted employment record. They are averages over 12 months, four different stylised family types (single- and two-earner couples, with and without children) and two earnings levels on the lost job (67% and 100% of average full-time wages). Due to benefit ceilings, net replacement rates are lower for individuals with above-average earnings.
- b) Average worker (AW) value is not available. Calculations are based on average production worker (APW).

Source: *OECD Tax-Benefit Models*, www.oecd.org/els/social/workincentives.

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Figure 2.4. **Net replacement rates are particularly low for singles**

Unemployment income support as a percentage of net in-work income, 2013



Note: AW: Average worker; NSA: New Start Allowance; PP: Parenting Payment.

Children are assumed to be 4- and 6-year-old; the spouse in the one-earner couple is assumed to fulfill the activity requirements (i.e. working 15 hours a week or actively looking for work) and thus receives the Parenting Payment.

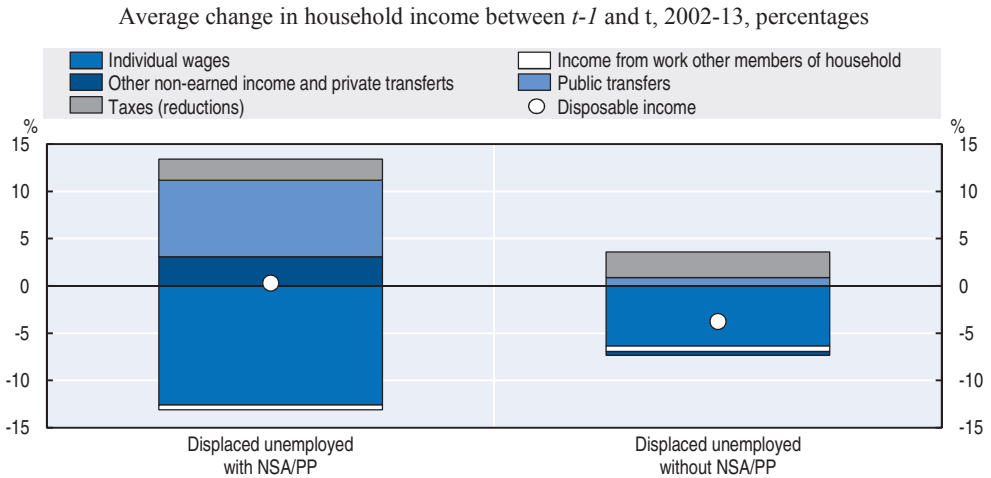
Source: OECD Tax-Benefit Models, www.oecd.org/els/social/workincentives.

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Benefits reduce income volatility and poverty for those entitled

A main objective of the unemployment assistance is to cushion the shock on income associated with the loss of employment and avoid that households fall into poverty. Figure 2.5 suggests that for those unemployed workers who are eligible for NSA or PP, these benefits help alleviate the negative shock to disposable income that results from displacement: the change in the disposable income of recipients is close to zero, while unemployed displaced workers not receiving income support experience a fall of almost 4%. While the average reduction in income in the year following displacement is small, whether or not NSA benefits are received, income losses are much higher for a significant minority of displaced workers.

Figure 2.5. **Unemployment assistance reduces the income volatility of displaced workers who receive it**

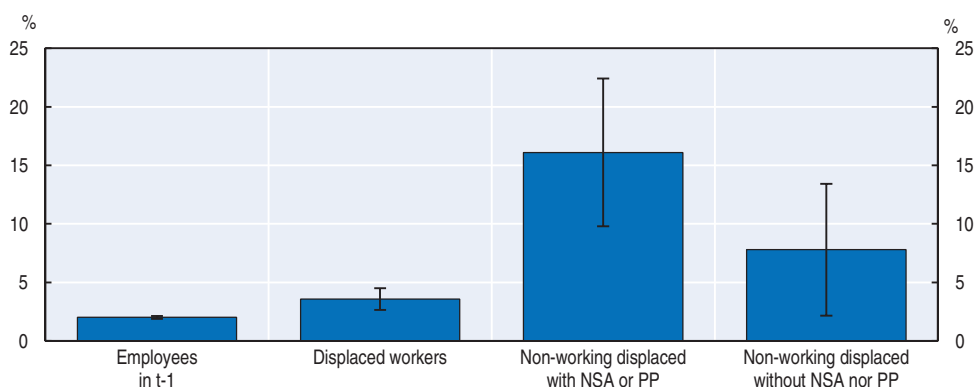


Note: NSA: New Start Allowance; PP: Parenting Payment.

Source: OECD estimates based on microdata from the Household, Income and Labour Dynamics in Australia (HILDA) Survey, waves 2002-2013.

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Displaced workers who receive NSA income benefits may nonetheless fall below the relative poverty line, although this is probably not common in the period immediately following displacement. The definition of displaced workers used in this study means that they have a recent history of relatively stable employment and in-work poverty levels are quite low in Australia. According to HILDA data for the period 2002-13, only about 2% of the persons employed in a given year belonged to a poor household in the following year (Figure 2.6). Having been displaced increases the incidence of relative poverty in the following year to 3.5%. The “immediate” poverty incidence among the displaced is substantially higher among displaced workers who had not found a job by the time of the survey, especially those who receive NSA (16%), reflecting both a selection bias (only those who belong to relatively poor households meet the NSA income/asset tests) and the relatively low level of the benefit.⁸ The very small size of the sample makes these differences statistically insignificant, however, and precludes any analysis of the characteristics of households where displacement resulted in poverty. It is also likely that poverty levels among displaced workers who stay unemployed over several years would be even higher, but this cannot be verified with HILDA data again due to the small sample size.

Figure 2.6. **Being displaced increases the probability of experiencing poverty**Share of employees in $t-1$ living in poor households in t , 2002-13 average, percentages

Note: The whisker on the figure represents the 95% confidence interval.

NSA: New Start Allowance; PP: Parenting Payment.

Poor households are defined as households with disposable income less than half the median.

Source: OECD estimates based on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

StatLink  <http://dx.doi.org/10.1787/888933340245>

General re-employment services available to displaced workers

Assuring that displaced workers move quickly into suitable new jobs is a policy priority and the re-employment and training measures offered by active labour market programmes can help to shorten the time out of work. Aside from the special sectoral programmes discussed in Chapter 3, there are no labour market programmes specifically targeted at displaced workers in Australia, whereas other OECD countries make greater use of targeted measures for displaced workers within the range of services offered by the public employment service (OECD, 2015b; 2015c; and 2016, forthcoming). The public re-employment services potentially available to most displaced workers in Australia are thus the more general employment services provided until July 2015 by Job Services Australia (JSA) and since by jobactive.

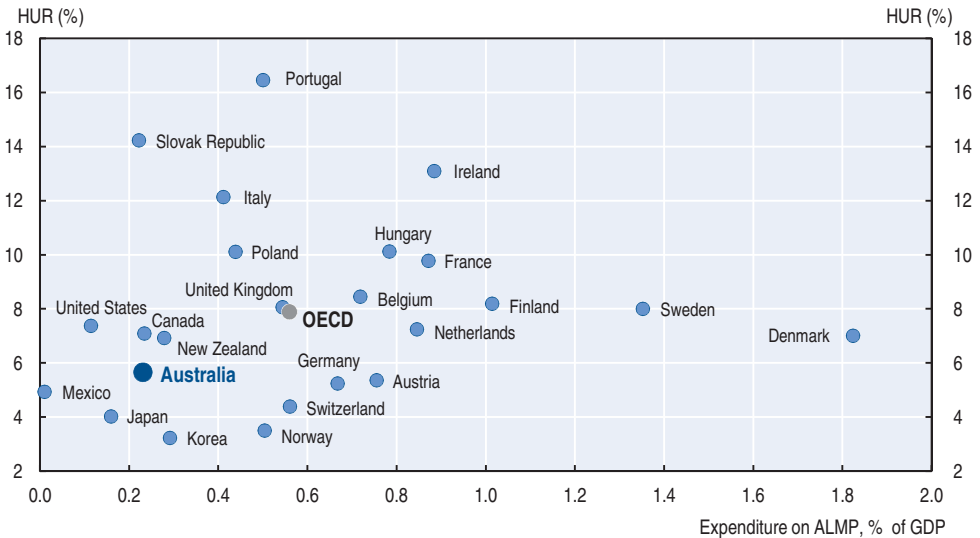
Spending on active labour market programmes is low and primarily targeted on activation

The Commonwealth Government has primary responsibility for the design and implementation of labour market policies in Australia.

However, state governments have generally supplemented these policies with additional programmes, in particular in the area of vocational education and training (VET) for the administration and funding of which they are primarily responsible. According to the internationally harmonised data collected by the OECD, Australia ranks among the lower third of OECD countries in terms of total labour market programme expenditure, and active labour market spending is especially low (Figure 2.7). In 2013, unemployment was relatively low in Australia, comparable with that in Austria and Germany, but expenditure on active labour market policies as a percentage of GDP was only about one-third as high (0.2% in Australia as compared with around 0.7% in Austria and Germany).

Figure 2.7. **Active labour market spending is low considering the level of unemployment**

Incidence of unemployment and expenditure on active labour market programmes, Australia and selected OECD countries, 2013,^a percentages



Note: ALMP: Active labour market programme; GDP: Gross domestic product; HUR: Harmonised unemployment rate. Data refer to fiscal years (FY) for Australia, Canada, Japan, New Zealand, the United Kingdom and the United States.

a) Data refer to FY 2011/12 for the United Kingdom, FY 2012/13 for New Zealand, FY 2013/14 for Australia, Canada, Japan and the United States; and to 2012 for France, Korea, Poland and Spain.

Source: OECD (2014), “Harmonised Unemployment Rates (HUR)” (indicator), <http://dx.doi.org/10.1787/52570002-en> for harmonised unemployment rates; and *OECD/Eurostat Labour Market Programme Database*, <http://dx.doi.org/10.1787/data-00312-en> for expenditure on ALMPs.

StatLink  <http://dx.doi.org/10.1787/888933340250>

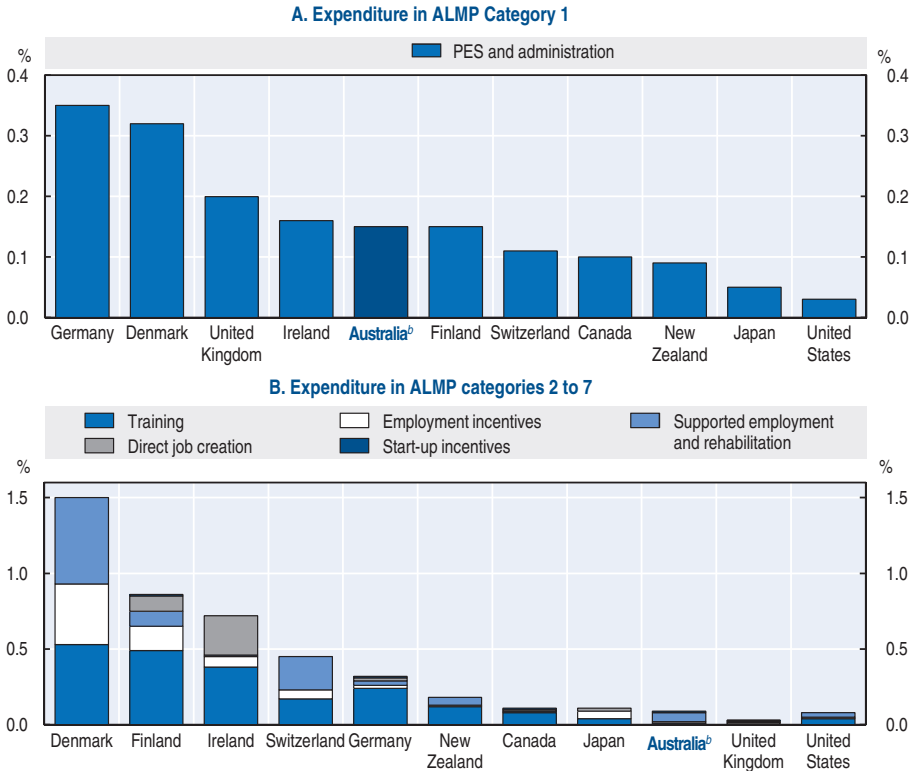
A relatively high share of total active labour market expenditure in Australia goes to public employment service administration, whereas spending shares on more intensive measures such as training and supported work are low (Figure 2.8, Panels A and B).

The reported expenditure on training for unemployed people is particularly low in Australia, even compared with the United Kingdom, the United States and Japan (OECD, 2012). However, expenditure on training is arguably underreported in Australia for two reasons. *First*, some Commonwealth training expenditure is either not reported or reported in a different programme category. For example, income support to training participants may be reported as expenditure on unemployment benefits; including such income support under the relevant heading would probably double total reported expenditures for the programmes concerned. Expenditure from the *Employment Pathway Fund* under the JSA (now the *Employment Fund* under jobactive), which finances training incentives and work experience activities – see below – are included under public employment services administration. *Second*, some state-run expenditure is not reported. Evidence from Queensland, however, suggests that state funding for employment and training programmes for the unemployed is rather low (Cook, 2008), implying a relatively limited downward bias on this count. It is not possible to have an overall estimate of under-reporting of training expenditure for the country as a whole, but even doubling the reported expenditure would leave Australia quite far from most other OECD countries.

Australia is the only OECD country to provide fully privatised employment services. The process started in 1994, with the privatisation of employment counselling for the long-term unemployed. In 1998, Australia fully privatised its employment services, while at the same time cutting the budget allocation for employment services roughly in half (Davidson and Whiteford, 2012). Since then, employment services have been provided exclusively by a mix of for-profit and not-for-profit private providers contracted by the Commonwealth Government over successive three-year periods until June 2015 and a five-year period since July 2015.⁹ Providers are chosen through a competitive tendering process and evaluated through the Star rating system, which ranks providers according to their performance in terms of the employment and educational outcomes of jobseekers. Providers are remunerated through various fees which are outcome-related.¹⁰

Figure 2.8. **Very little is spent on labour market programmes, especially training**

Expenditure on active labour market programmes by main category, Australia and selected OECD countries, 2013,^a percentage of GDP



Note: ALMP: Active labour market programme; FY: Fiscal year; GDP: Gross Domestic Product; PES: Public Employment Service. Countries are ranked in decreasing order of expenditure on PES and administration (in Panel A), and in decreasing order of expenditure on active measures calculated as the sum of Categories 2 to 7 in the *OECD/Eurostat Labour Market Programme Database* (in Panel B).

- a) Data refer to FY 2011/12 for the United Kingdom, FY 2012/13 for New Zealand, and FY 2013/14 for Australia, Canada, Japan and the United States.
- b) State/territory expenditure which represents around 3% of total active expenditure in FY 2013/14 is not included. In Panel A, data include OECD estimates for FY 2013/14 departmental expenses on unemployment benefit administration and employment services including disability employment services, indigenous employment and remote jobs.

Source: *OECD/Eurostat Labour Market Programme Database*, <http://dx.doi.org/10.1787/data-00312-en>.

StatLink  <http://dx.doi.org/10.1787/888933340260>

Initially called the *Job Network* (JN), the system has evolved over time, largely in three phases. After the initial phase, the Active Participation Model of the JN was introduced in 2004 (Box 2.1), and in 2009 the JN was replaced by *Jobs Services Australia* (JSA). A third phase is now starting with the delivery of employment services under jobactive since July 2015. Two important policy goals have motivated much of this evolution: i) to make the system more activating (i.e. increased pressure was applied on jobseekers to find employment and leave the income support rolls, even as additional job-search assistance was provided); and ii) to minimise the deadweight cost associated with paying fees to employment service providers for workers who would have found employment without their help.¹¹

Activation started to be introduced in Australia in the mid-1990s. Beginning in 2003, jobseekers were required to attend interviews with JN providers at regular intervals and to participate in a set of programmes (see Box 2.1). In 2006, with the introduction of the “Welfare to Work” policy by the Conservative Government, activity requirements were extended to principal carers of school age children (aged 6 years and over) and people with disabilities who were assessed as having a *partial work capacity*, who were previously exempted (Davidson and Whiteford, 2012). At the same time, activity requirements were also tightened for mature-age workers (aged over 50). Some easing in activity requirements for principal carers and mature age workers took place after 2008 under the new Labour Government, but new measures were introduced in 2010 to improve enforcement. The penalty system, which plays an important part in the activation process, has been constantly reformed and refined.¹²

Under jobactive, activation measures have been further strengthened. Employment providers are now responsible for monitoring the job search of jobseekers. Most jobseekers also will be required to spend six months per year in Work for the Dole or, in some cases, in other approved activity and sanctions in case of non-compliance have been toughened.

The structure of fees paid to providers was also significantly reformed. Under the JSA, the focus was placed on increasing the incentives for employment providers to place more disadvantaged workers into jobs as soon as they enrol. Resources were thus shifted from *curing* long-term unemployment towards *preventing* it (Davidson, 2014). Under jobactive, the fee structure underwent a complete overhaul, increasing the importance of outcomes fees in total payments to providers¹³ and making them dependent on the duration of (previous) unemployment, thus increasing incentives to place long-term unemployed people.

Box 2.1. The evolution of the Job Network

1998-2003: The initial Job Network

In the first phase of the *Job Network*, three types of services were provided to jobseekers receiving income support, 1) basic job-placement services called *Job Matching*, 2) job-search training for 3 weeks, and 3) an assessment tool for long-term unemployed (i.e. more than 12 months of unemployment) that was managed by Centrelink and called the *Job Seeker Classification Instrument (JSCI)* and which determined whether they were eligible to receive intensive assistance, based on a set of personal characteristics associated with a high risk of prolonged unemployment. Most of the programme funding was devoted to Intensive Assistance. These three services were provided by different providers, who were allocated business shares after the tendering process. Places for intensive assistance in particular were capped; as a consequence significant waiting lists emerged, particularly in some locations, resulting in some highly disadvantaged jobseekers waiting extended periods to access such assistance.

A number of evaluations concluded that the fixed business shares implied limited competition between job services providers and little choice for jobseekers and that the latter faced a rather fragmented course. The effectiveness of intensive assistance was also questioned. Concerns were also raised that flexibility for providers and activation had been over-emphasised at the expense of service provision to jobseekers.

2004-09: The Active Participation Model

In order to address these concerns, major adjustments were introduced in the third tender round which established the *Active Participation Model*. A first change was the move to a demand-driven model, whereby all eligible jobseekers were guaranteed a service. A second change was that jobseekers could henceforth be served by the same provider all along the way. A third change was that the JSCI was used to assess whether new beneficiaries would go through the Job Support phase or move directly to the highest level of assistance (*Customised Assistance*), while those unemployed for more than 12 months were automatically eligible to that level service, regardless of their JSCI scores. A fourth change was that job services providers were required to schedule regular interviews with each jobseeker and to report to the Employment Department on their contact with jobseekers and the assistance provided, thus increasing at the same time jobseekers' activation and providers' accountability. Finally, a fifth change was that a Job Seeker Account was introduced to assist jobseekers with their individual needs through funding for training, work equipment/tools, wage subsidies, etc.

If not referred directly to intensive assistance, jobseekers would have little contact with job services providers in the first 3 months of unemployment, after which they would enter the intensive support phase, which would start with 3 weeks of job-search training organised by the provider and then the development of a job search plan. If still not employed after 5 months, the jobseeker would enter a Mutual Obligation phase for 6 months, in which he/she would have to undertake an activity (e.g. part-time or community work) and persons unable to find such a position would be referred to a programme called *Work for the Dole* where they were required to engage in 6 months of unpaid part-time work for not-for-profit organisations. If still unemployed after 12 months, the jobseeker would enter the Customised Assistance phase, in general for 6 months, in which he/she would be intensively *activated* by the provider. At 24 months of unemployment, a second phase of intensive assistance would be initiated, but with reduced funding.

In 2008, the newly elected Labour Government announced a major review of employment services and identified the following main problems: i) the support provided to the most disadvantaged jobseekers – who formed a growing proportion of the unemployment register as the combination of a rather buoyant labour market and the reinforced activation strategy brought the easiest to place back to work – was inadequate, in particular employment services and training for low skilled workers; ii) employment services were too fragmented so that jobseekers could lose contact with job providers at some points; and iii) administrative costs for providers were too high.

Source: Draws mainly on Davidson, P. and P. Whiteford (2012), “An overview of Australia’s system of income and employment assistance for the unemployed”, *OECD Social, Employment and Migration Working Papers*, No. 129, November, <http://dx.doi.org/10.1787/5k8zk8q40lbw-en>.

Re-employment support to displaced workers is limited in the first year of unemployment

Displaced workers who are ineligible for income support have access to only very limited re-employment services

As seen in the section above, the share of unemployed displaced workers receiving NSA/PP is estimated to lie between 30% and 55% over the period 2002-13. Under the JSA system, displaced workers who do not qualify for income support had access to Stream 1 limited service. JSA providers were paid a fixed fee of AUD 63 for these participants. In return, they offered workers who applied for this service three months of assistance during which they provided limited help in preparing a resume, advice about the local labour market, instructions in use of self-help job-search facilities and some information about available training programmes.

This low level of assistance is unlikely to have provided significant help in finding a new job for most displaced workers, particularly for the most disadvantaged among them and for workers looking for a qualified job. JSA providers pointed out that they had no incentive to offer further service or achieve placement for Stream 1 limited clients after registration, and they argued that more resources should be provided to this group because they would often become eligible for more extensive job services only after they had been unemployed for an extended period of time during which their circumstances and outlook would likely have deteriorated (OECD, 2012). Jobseekers in that case may have become discouraged and ceased looking for work, especially older workers with poor of re-employment chances (see Chapter 1). The low perceived value of the Stream 1 limited service is reflected in the small number of jobseekers who applied for it – 13 000 in September 2013, that is, just 1.7% of the total number of jobseekers on the roster of JSA providers.¹⁴

Under jobactive, displaced workers aged more than 25 who do not qualify for income support can register for employment services for a period of six months. During the first three months they are entitled to receive the same kind of limited service as before, but they become eligible for more intensive re-employment assistance in the following three months when employment providers have access to the same funding to purchase services to increase their employability and will receive the same outcome fees in case of placement as for the most *job-ready* jobseekers receiving income support (i.e. Stream A, see below). Their incentives to find jobs for this group are thus increased compared with the JSA contracts, but only during a limited period of three months.

Displaced workers who are eligible for income support receive more re-employment support, but how much depends on the service stream which they are assigned to

Displaced workers and other jobseekers who are eligible for income support are also eligible for re-employment services with the intensity of the support offered to them under the JSA system – and still now under jobactive – being governed by their score on the *Job Seeker Classification Instrument (JSCI)*.¹⁵ The JSCI is a regression-based profiling instrument that Centrelink administers to new income support beneficiaries, prior to referring them to a JSA provider. It rates jobseekers according to 18 criteria intended to predict the risk that they will become long-term unemployed in the administrative sense of becoming long-term recipients of income support (see Box 2.2 for a more detailed description of the JSCI). Under the JSA system, according to their JSCI score, new NSA beneficiaries were assigned to receive Stream 1, 2 or 3 services, where higher stream levels reflected greater predicted barriers to employment and were associated with significantly higher fees, including performance awards, for the JSA providers who assisted them. There was also a JSA Stream 4 for jobseekers with complex non-vocational barriers, such as homelessness or drug addiction or to *Disability Employment Services*. Persons thought to potentially fall in this category were administered a separate Employment Service Assessment which was likely to involve health and other professionals. Under jobactive, jobseekers are now allocated to three streams only, ranging from Stream A for recipients that are most job-ready to Stream C for those with most serious barriers to employment. The JSCI is used to allocate jobseekers to Stream A and B, and identifies those who have complex or multiple barriers and require a more comprehensive *Employment Services Assessment*, which will determine whether they should be referred to Stream C or to a Disability Employment Services provider.

Figure 2.9 shows how total registration for JSA services evolved between July 2009 and December 2014, as well as the distribution of jobseekers across the four streams of service intensity. As would be expected, the deterioration of labour market in the wake of the GFC – including the upsurge in displacements documented in Chapter 1 – was associated with a sharp increase in the number of jobseekers registered with the JSA between July 2009 and January 2010 close to 90%, before reversing course in the economic recovery that followed. It is notable, however, that the JSA caseload raised much more rapidly when economic conditions worsened than it descended when the economy strengthened again. This persistence effect is may be due to time out of work tending to erode the job readiness of JSA clients or employers being cautious about hiring persons who have received public income support or who have been out of work for an extended

period of time. Interestingly, JSA registrations began to rise again in the second quarter of 2011 and this increase persisted through at least the end of 2014. The ending of the mining boom and general softening of labour market conditions probably account for a considerable part of this gentler, but also longer-lasting, increase in the caseload.

Box 2.2. The Job Seeker Classification Instrument: A profiling tool to determine jobseekers' access to Employment Services

The Job Seeker Classification Instrument (JSCI) is a point-based system that is used to assess jobseeker disadvantage based on 18 factors characterising the individual. It is used when jobseekers first register for employment assistance or when they experience a significant change in their circumstances. The intent is to adapt the level of the re-employment services that JSA providers and now jobactive providers offer to each recipient to a careful assessment of their likely difficulties to find suitable employment. The JSCI is implemented through a questionnaire that Centrelink administers to the jobseeker. Points are allocated on the basis of answers to the questionnaire questions in combination with administrative information. For a non-indigenous jobseeker, the factors with the greatest weight are in a decreasing order:

- Recency of work experience and income support history, with persons unemployed and on income support for at least 24 months getting a high score.
- Age and gender, with women and persons over the age of 60 getting the highest scores.
- Psychological/behavioural/personal circumstances, with homeless persons and lone parents getting high scores.
- State of the local economy.
- Educational attainment, English proficiency, access to transport and phone contactability.

In addition, for indigenous jobseekers, indigenous status and location add a considerable amount of points.

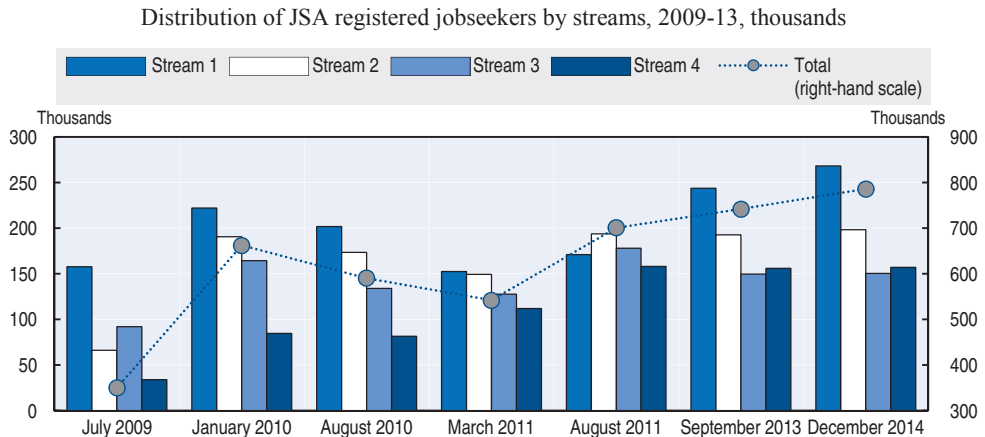
The dependent variable used in the econometric analysis that is used to determine the weights of each factor is the probability of remaining on income support for the following 12 months.

Source: Information from OECD (2012), *Activating Jobseekers: How Australia Does It*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264185920-en>.

The distribution of jobseekers across the four streams of service intensity has also changed markedly during 2009-14 (Figure 2.9). The strong increase in the share of Stream 2 jobseekers between July 2009 and January 2010 is due to the changes introduced under the Jobs and Training Compact during the GFC, which provided automatic access to this stream to

displaced workers (see below). The share of disadvantaged workers (i.e. jobseekers assigned to Streams 3 and 4) tended to rise between July 2009 and August 2011. This is probably the result, at least in part, the greater effectiveness of the activation strategy for more job-ready clients. However, the data for 2013 and 2014 show a clear reversal of this trend, in particular a strong increase in the number of Stream 1 jobseekers. This reversal may reflect the recent significant slowdown in labour demand growth (see Chapter 1). According to the new rules for allocating jobseekers under jobactive, the number of jobseekers appraised as being job-ready is going to increase further, from 34% of the registered jobseekers in Stream 1 in December 2014 (Figure 2.9) to about 55% in Stream A in the second half of 2015 (Department of Employment, 2014).

Figure 2.9. **Both the global financial crisis and the recent slowdown in labour demand resulted in a strong increase in the number of registered *job-ready* jobseekers**



Note: JSA: Job Services Australia. The exact coverage of *suspended* jobseekers (i.e. jobseekers exempted from job-search requirements and thus not attached to a JSA provider) is not always stated in the “Questions on Notice” from which these data come, and may thus differ from one date to the other.

Source: OECD (2012), *Activating Jobseekers: How Australia Does It*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264185920-en>; and Senate Standing Committee on Education, Employment and Workplace Relations – SSCEEWR (2014), “Questions on Notice EM0091_14; Jobs Service Australia data”, and Department of Employment.

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Displaced workers who are eligible for income support are likely to be assigned to the job-ready stream and thus to receive very limited re-employment support in the first year of unemployment

Centrelink does not trace displaced workers. Hence, it is not possible to identify the employment service pathways offered to displaced workers.¹⁶ However, the nature of the 18 factors considered in the JSCI suggests that previously stable workers who are displaced were very likely to be assigned to Stream 1 under JSA, which was confirmed by most operators,¹⁷ and are now likely to be assigned to Stream A under jobactive.

The service available for Stream 1 jobseekers was very limited in the first year of unemployment. In their first three months of unemployment, most of their contacts were with Centrelink - and not a JSA provider - including the negotiation of their *Employment Pathway Plan* containing their activity requirements.¹⁸ After three months, Stream 1 jobseekers were to engage in 60 hours of “intensive activity” during a fortnight. These activities could include skills training, work experience or language, literacy or numeracy programmes. However, the incentive for JSA providers to invest in Stream 1 jobseekers’ placement was limited in the first year. First, there was no outcome fee for Stream 1 clients in the first 12 months of unemployment and a placement fee only after three months of unemployment, which was 20% below the fee provided for Streams 2 to 4 jobseekers (Table 2.2). Second, Stream 1 performance had a zero weight in the Star Ratings system in the first year. Finally, the amount available in the *Employment Pathway Fund* (EPF) to purchase services that help to tackle jobseekers’ barriers was very low.¹⁹ The financial incentive to assist Stream 1 jobseekers in their first year of unemployment was thus very low.

After 12 months of unemployment, the employment services provided to Stream 1 jobseekers could become more substantial. At this stage, Stream 1 jobseekers, along with most other jobseekers, were expected to enter the *Work Experience* phase which included a number of mutual obligation activities such as *Work for the Dole* (a programme providing part-time unpaid work experience most often in not for profit organisations), part-time employment or study and voluntary work. These activities were to be undertaken for 26 weeks every 12 months. In addition, jobseekers were interviewed by JSA providers every two months. The EPF endowment that JSA providers could use if they choose to try to reduce jobseekers barriers towards employment also became much more substantial in the second year of unemployment (Table 2.2). An outcome payment for Stream 1 clients was also introduced at that stage, which nevertheless remained lower than for other streams, and Stream 1 performance for jobseekers unemployed for more than a year had a higher but still low weight of 10% in a provider’s Star Rating.

Table 2.2. **Incentives to place Stream 1 jobseekers under the Job Services Australia (JSA) were limited in the first year**

Employment Pathway Fund endowment and fees paid to providers by jobseekers' stream under the JSA, Australian dollars (AUD)

	Work ready	Disadvantaged jobseekers		
	Stream 1	Stream 2	Stream 3	Stream 4
<i>Initial phase</i>				
Employment Pathway Fund	11 in Q2	550	1 100	1 100
Service fees	63 in Q1	885	1 120	1 919
	528 in Q2			
	94 in Q3			
	96 in Q4			
	Yearly total 781			
Placement fees ^a	None in Q1, 440 afterwards	550	550	550
Outcome fees ^b	None	1 016	2 500	2 500
<i>Work experience phase</i>				
Employment Pathway Fund	550 at the beginning, 1 000 in the second year			
Service fee	722 in first year, 398 thereafter			
Placement fee	550			
Outcome fees ^c	1 708	2 800	6 600	

- a) A standard placement fee is paid when a jobseeker completes a minimum of 50 hours of paid work within 10 consecutive days (i.e. 2 weeks in a job with fairly near to full-time hours); a lower placement fee is paid if hours are less.
- b) A full outcome fee is paid when the jobseeker has spent 13 weeks in employment, an apprenticeship or a traineeship that generate sufficient payment to reduce the payment of NSA to zero; a second full outcome fee can be claimed after 26 weeks in employment. The figure shown in the table corresponds to the sum of both and thus represents an upper limit.
- c) The figures shown represent a combination of the 13- and 26-week full outcome payments for jobseekers unemployed for 5 years or more. Fees for jobseekers unemployed between 1 and 5 years were lower.

Source: OECD (2012), *Activating Jobseekers: How Australia Does It*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264185920-en>.

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Overall, the new jobactive system should reinforce activation measures for displaced workers belonging to Stream A, even though the re-employment services available to them will remain quite limited. The waiting period for those under the age of 30 to receive income support, increased sanctions in case of non-compliance with job search requirements and mandatory participation in Work for the Dole after six months of unemployment are all intended to encourage rapid re-employment. However, jobactive appears to provide similar types of re-employment services as did JSA, but may provide somewhat more of them due to the modest increase in the amount provided

through the Employment Fund (replacing the Employment Pathway Fund), as documented in Table 2.3. Nonetheless, Stream A jobseekers will continue to have to rely mostly on self-help services.

Table 2.3. The amount available in the Employment Fund for job-ready jobseekers is somewhat increased under jobactive

Employment Fund endowment and fees paid to providers by jobseekers' stream under jobactive, Australian dollars (AUD)

	Work ready			Disadvantaged jobseekers					
	Stream A			Stream B			Stream C		
Employment Fund	300 from Q2			850			1 200		
Work for the Dole fee									
Individual	1 000			1 000			1 000		
Group	3 500			3 500			3 500		
Administration fee									
Under 30 jobseekers	300			300					
Other	250			250			250		
<i>With regional loading^a</i>	+25%			+25%			+25%		
Outcome fees for full-time placement of jobseekers by length of unemployment	<24 months ^b	24-59 months	>60 months	<24 months	24-59 months	>60 months	<24 months	24-59 months	>60 months
At 4 weeks	400	500	600	700	1 000	1 250	1 000	1 500	2 000
At 12 weeks	500	1 000	1 250	1 500	2 000	2 500	2 000	3 000	4 000
At 26 weeks	650	1 250	1 550	1 900	2 500	3 150	2 500	3 750	5 000
<i>With regional loading^a</i>	+25%			+25%			+25%		

- a) A 25% premium on administration and outcome fees applies to a number of regions where labour market conditions are less favourable.
- b) Employment providers can receive fees for the placement of Stream A jobseekers only when the latter have spent three months on their rolls.

Source: Department of Employment (2014), "Request for Tender – For Employment Services 2015-2020", Australian Government, http://docs.employment.gov.au/system/files/doc/other/request_for_tender_for_employment_services_2015-2020.pdf.

StatLink  <http://dx.doi.org/10.1787/888933340303>

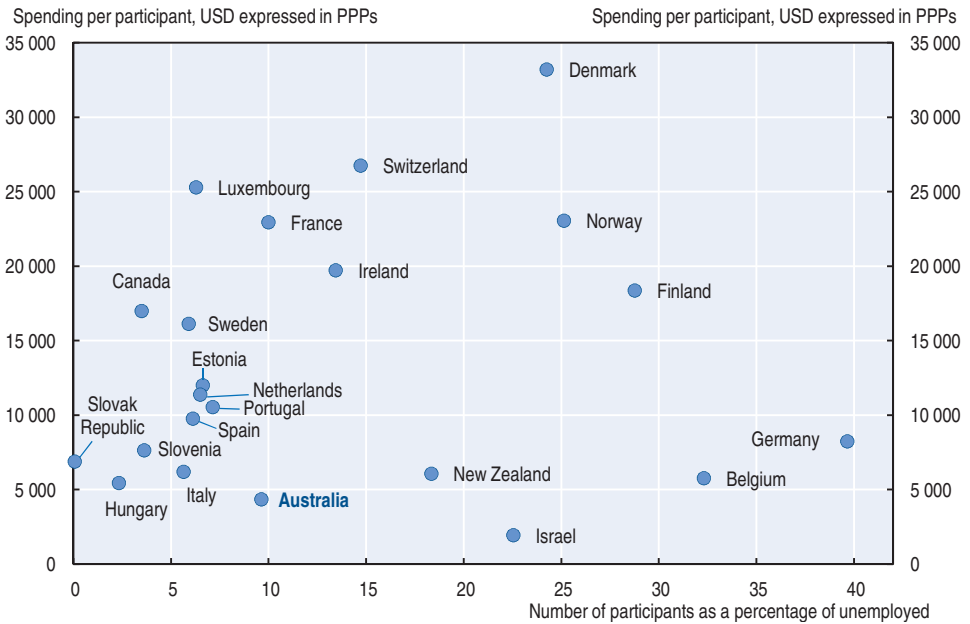
Displaced workers form a heterogeneous group (see Chapter 1). A small number of those who have access to income support might thus have been directly classified by the JSCI as Stream 2 and now Stream B jobseekers and others might eventually be reclassified to these streams over time. In that case, under the JSA, they would have been in contact with their employment service provider at least monthly and their Employment Pathway Plan would have also included job-search activities. Under jobactive, Stream B jobseekers will be case-managed and provided access to activities addressing the issues preventing them from getting a job.

Jobseekers receive little training

As seen in Figure 2.8 above, spending on training for the unemployed is quite low in Australia compared with most other OECD countries, even if some allowance is made for possible underreporting of spending in Australia. The low spending is due to both a low share of unemployed persons participating in training programmes and a small amount spent on each participant – among the lowest in the OECD (Figure 2.10). Vocational training is mainly a State and Territory responsibility; this combined with the fact that Commonwealth sponsored training programmes, as all other employment programmes, do not generally allow displaced workers to be *tracked*, makes it difficult, if not impossible, to evaluate the efficiency of training policies available to this group of unemployed people.

Figure 2.10. **Participation and spending in training for the unemployed is low**

Participation and spending in training programmes for the unemployed, 2012 or latest year available



Note: Number of unemployed according to the ILO definition.

Source: OECD/Eurostat Labour Market Programme Database, <http://dx.doi.org/10.1787/data-00312-en>.

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Overall, Commonwealth training budgets have been significantly cut since the introduction of the JN. In the 1990s, the Australian Government invested substantially in short vocational training courses (typically 3-6 months' duration) for jobseekers, provided by state government run *Technical and Further Education* (TAFE) colleges as well as not-for-profit providers. With the introduction of JN in 1998, these programmes were abolished and training was in theory to be funded by JN providers (Davidson and Whiteford, 2012). In practice, investment in training declined substantially as providers focused on less costly forms of job-search assistance to boost short-term employment outcomes due to the strong focus on activation that was encouraged by the fee structure. In addition, the benefit rules limited full-time participation to training courses lasting more than one year, since recipients were expected to transfer from unemployment to education payments beyond that date, the latter being significantly lower than the NSA. At the end of the 2000s, with the introduction of the JSA, the incentives for employment service providers to refer jobseekers to approved vocational training were somewhat raised. A 20% bonus was introduced on their employment outcome payments where there was a direct connection between the training and a subsequent job, in order to encourage training that improves employment prospects.²⁰

A sizeable training programme, the *Productivity Place Programme* (PPP), was launched in 2008 by the Commonwealth Government to provide vocational education and training courses for employees, jobseekers and also displaced workers (Box 2.3). Although it is very difficult to evaluate the programme, completion rates appear to have been low and only one out of five persons who completed a PPP-supported course found a job in their area of skills training. The PPP was closed in 2012 (funding to the States and Territories ceased) and partly replaced by the *National Workforce Development Fund* (NWDF). The NWDF offered training support to people in employment, but no longer to jobseekers. It aimed to assist businesses to increase workforce capacity in areas of need through formal training, in some cases in sectors undergoing structural adjustment. The NWDF was in turn closed in 2014. Since 2015, the *Industry Skills Fund* aims to assist industry to invest in training and support services and to develop innovative training solutions in sectors experiencing growth.

It is quite difficult to evaluate training and other re-employment assistance provided to jobseekers in Australia, due to the general absence of a control group. Some net impact evaluations are available, in particular for the Active Participation Model over 2003-06 published in 2009, and one dealing with various programmes in 2008 published in 2010 (Davidson and Whiteford, 2012). It is difficult to draw strong conclusions from existing studies due to differences in methods, target groups and programme content.

Box 2.3. The Productivity Place Programme

The initial *Productivity Place Programme* (PPP) was announced in 2007 just before the global financial crisis (GFC) erupted and was initially designed for people in employment – with a co-financing from the employer. However, when economic conditions deteriorated, a *structural adjustment* element was added to the programme to support training for displaced or stood-down workers. The target was about 710 000 training places, out of which about 320 000 were notionally allocated to jobseekers and displaced or stood-down workers. AUD 2.5 billion public money was made available – 2 billion financed from the Commonwealth and 0.5 billion from the State and Territories. The PPP was designed to provide training for various occupations in accordance with industry demand, as assessed by national Industry Skills Councils. Two thirds of the places were intended to be allocated to certificate 3 courses (trade assistant) and above. Jobseekers were referred to training places via their JSA providers although they could also self-refer. Courses were provided by *Technical and Further Education* (TAFE) colleges and private providers. The programme was initially administered by DEEWR, but from July 2009, the administration was largely transferred to state governments in accordance with an inter-governmental agreement – *National Partnership* (NP)-PPP. DEEWR kept responsibility for those workers covered by the structural adjustment element and jobseekers starting up a new business.

As outlined in the 2010 mid-term review of the NP-PPP, it is difficult to evaluate the programme, because no effective measure was put in place in the agreement to track completion rates or outcomes. What is known for the whole period is that the initial target was exceeded with an actual participation figure of 840 000. A NCVER evaluation for the year 2008 shows that about 47% of jobseekers who completed training under the PPP obtained employment with only about 20% of completers obtaining employment in their area of skills training; 13% of completers nevertheless stated that training undertaken was relevant in their new job. According to Wren (2013), about 10% of participants who started the programme in 2008 obtained work in their area of skills training and about 25% obtained employment at all in that same period. For the period 2009-12, the funding formula provided by the federal government to the states assumed a 65% attrition rate for PPP programme participants (i.e. only 35% would complete). The four main categories of courses completed were in decreasing order of importance: community services; transport and logistics; property services; and retail services.

Source: Wren, T. (2013), “Submission to the review of Employment Services – (Job Services Australia) from 1 July 2015”, Queensland Council of Social Service (QCROSS), 22 March; and The Allen Consulting Group (2010), “Mid-term review of the National Partnership Agreement for the Productivity Places Program”, November, <http://vital.new.voced.edu.au/vital/access/services/Download/ngv:58015/SOURCE201?view=true>.

However, a few points emerge. In particular, vocational training programmes and other work experience programmes have the lowest ranking in terms of short-term employment outcomes, whereas wage subsidies and job search assistance perform better (Davidson, 2010). To some extent, however, this might be due to the nature of the training

provided. Davidson (2014) shows that participation levels in vocational training rose substantially following the introduction of the JSA, but that most of the training was either in very short courses or was funded from sources outside the JSA programme, as reflected in the low amount spent per participant (Figure 2.10). Little is known about the nature of these courses, the qualifications obtained and the employment outcomes, but as Borland (2014) suggests, it is unlikely that minimal interventions bring about substantial improvements in outcomes.

The Request for Tender for the new Employment Services stated that training will be tightly targeted, tailored to the needs of employers, and jobseekers should not undertake training for the sake of training. Given the relatively low effectiveness of the training programmes mentioned above, as well as some issues related to conflict of interest as employment service providers were often found to contract training programmes from training institutions to which they were financially linked, this move can be seen as increasing the efficiency of public spending for jobseekers. However, while a reform of the programmes and the way they were attributed was probably necessary, spending levels appear to fall short of actual training needs.

It is clear both from Australian data and data from other OECD countries that the more educated people are, the higher their employment rate and the lower their unemployment rates.²¹ This suggests that training programmes which would improve the skills of jobseekers with lower educational attainment may be particularly likely to improve their labour market outcomes. Such programmes may be especially useful in the case of displaced workers with long tenure and skills that have become obsolete. International evidence tends to show that in-depth occupational training programmes, while they may have some short-term lock-in effect, have more sustained positive impacts on employment outcomes of participants than short-term training (Box 2.4). The Japanese system of public training for the unemployed while limited in scale provides an example successfully linking training programmes to local employers' needs (Box 2.5). In the case of the least educated workers, apart from occupational and vocational training, more general educational programmes are also likely to pay off, but in the longer run. However, the incentive structure for employment providers embedded in the JSA and now jobactive – in particular outcome fees at a maximum of 26 weeks of placement – is not favourable to such medium or long-term investments.

Box 2.4. Some international evidence on the effectiveness of training programmes

Overall, the literature tends to show that employment-focused programmes combining job-search assistance and training generally have greater impact than pure training programmes (OECD, 2015a). However, reviewing the international evidence on training effectiveness, Meager (2008) finds that small-scale measures targeted on particular groups (such as older workers) or on particular skills and occupations may deliver positive results, especially where such measures are delivered alongside *real* work experience in a market-oriented context.

Anderson et al. (2004) evaluating *Work-Based Learning for Adults* (WBLA) - a voluntary training programme for jobseekers in the United Kingdom - find that short-term training (up to six weeks) accelerates entry into employment, but the effect is short-lived and no impact is evident after ten months compared with the control group, except for older workers. By contrast, longer-term occupational training programmes addressing more fundamental needs of jobseekers increased the probability of working full-time and the effect was sustained over time (at least after one year).

Card et al. (2010) in their meta-evaluation of training programmes show that while there often are lock-in effects in the short run, the impact of training is often estimated to be quite strongly positive in the medium term beyond two years after entry into the programme. They find good results for some short-term job-search oriented programmes, but also for vocational training targeted on sectors in demand, longer vocational training and training in workplaces. At the same time, significant investment in general and classroom training pays off further into the long run.

Source: Anderson, T. et al. (2004), “Work-based learning for adults: An evaluation of labour market effects”, commissioned by the Department for Work and Pension, National Centre for Social Research, Policy Studies Institute; Card, D., J. Kluve and A. Weber (2010), “Active labour market policy evaluations: A meta-analysis”, *Economic Journal*, Vol. 120, pp. F452-F477, November; Meager, N. (2008), “The role of Training and Skills Development in active labour market policies”, *IES Working Paper*, No. WP15, April; OECD (2015), “Activation policies for more inclusive labour markets”, in OECD, *OECD Employment Outlook 2015*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2015-en.

Box 2.5. Public training programmes for the unemployed in Japan

In Japan, the national government provides training for the unemployed via an independent administrative agency, the *Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers* (JEED) while the Prefectures also implement vocational training. The JEED training consists mainly of six months courses with a practical orientation vocational or pre-vocational according to the initial skilling of participants. JEED also assists private educational training institutions to draw up training plans for jobseekers not receiving unemployment benefits.

JEED and the Prefectures work very closely with local businesses, especially SMEs, and training curricula are shaped according to companies' needs. This requires a long-term investment in developing links with local employers. The public vocational system for unemployed workers achieves impressively high employment rates after the completion of courses (85% for JEED and 72% for the Prefectures' programmes in 2012), suggesting that training institutions generally do an excellent job in developing courses to meet local employers' job requirements. It should be noted, however, that the low enrolment levels relative to the total number of unemployed may play a role in allowing such high placement rates to be achieved.

Source: OECD (2015), *Back to Work: Japan – Improving the Re-employment Prospects of Displaced Workers*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264227200-en>.

Counter-cyclical policies for displaced workers: The Jobs and Training Compact²²

From mid-2008, the GFC resulted in deteriorating economic and labour market conditions in Australia. To reduce the risk of significant job losses and the associated social costs, the government announced a package of labour market and training initiatives in the first half of 2009. The total budget announced for this initiative, AUD 1.42 billion over two years, amounted yearly to about 5% of the 2009 and 2010 ALMP expenditure.

Labour market and training initiatives were introduced to mitigate the global financial crisis impact

The *Jobs and Training Compact* (JTC) was announced progressively over the period April to May 2009. Its key objectives were to alleviate the labour market effects of the GFC by: i) reducing the unemployment duration of retrenched workers; ii) assisting job retention among disadvantaged groups; iii) expanding the national skills and capacity base; and iv) supporting individuals and regions that were expected to be particularly vulnerable during the economic downturn. The three main target groups were retrenched workers, young people and depressed regions.

The JTC was not a single new activity, but rather an expansion of several existing labour market programmes. The initiatives taken for displaced/retrrenched workers are described in Table 2.4.

Table 2.4. **Main initiatives for retrrenched workers in the Jobs and Training Compact**

	Duration	Budget allocated (AUD millions)	Estimated expenditure (AUD millions)	Planned participation	Number of beneficiaries
Employment and income support					
Early access to Employment Services	February 2009 to December 2010	298.5	211	..	150 000
Changes to the liquid asset waiting period	April 2009 to March 2011	25.6	36 000
Training					
Structural Adjustment Places	July 2009 to June 2010	77.2	More than 29.3 ^a	15 000	7 300 ^b
Building the Basics	July 2009 to June 2011	28.2	..	5 700	..
Pathway to skills	July 2009 to June 2010	1 850	..
Training supplement	July 2009 to June 2011	83.1	15.3	50 000	36 225

Note: ..: Data not available; JTC: Jobs and Training Compact; SAP: Structural Adjustment Places.

- a) AUD 29.3 million is the expenditure for the total SAP programme, not for the JTC part only.
- b) Corresponds to the number of commencements in the overall SAP programme, which had a planned participation of 25 000 (15 000 planned beneficiaries in the JTC part *plus* 10 000 additional planned places).

Source: Department of Employment (2013), “Jobs and Training Compact evaluation report”, Australian Government, June, http://docs.employment.gov.au/system/files/doc/other/jobs_and_training_compact_evaluation_report_-_final.pdf.

StatLink  <http://dx.doi.org/10.1787/888933340313>

These measures can be grouped under five main categories:

- *Early Access to Employment Services*: Regardless of their eligibility for income support, retrrenched workers were provided access to employment services, including skills assessment, career advice and referral to education and training. Under the Job Network, the three-month waiting period was waived, and under the JSA framework, starting in July 2009, they were made eligible immediately to Stream 2 employment services.

- Early access to income support through *changes to the liquid assets waiting period*: The liquid asset threshold was doubled to AUD 5 000 for singles without dependents or AUD 10 000 for others to allow for more rapid access to NSA.
- Additional places in training programmes:
 - The number of *Structural Adjustment Places* (SAP) in the Productivity Place Programme (PPP), which provided training at Certificate III level or above, was increased by 15 000;
 - Under *Building the Basics*, the government created 5 700 additional places for retrenched workers or workers vulnerable to retrenchment in already existing programmes aimed at improving basic skills such as language, literacy and numeracy proficiency;
 - Under *Pathway to Skills*, 1 850 additional places were created in the *Australian Apprenticeship Access Program* for pre-vocational training for retrenched workers aged 25 and above who experience barriers to skilled employment.
- An increase in income support to low-skilled jobseekers starting full-time training or study: The *Training Supplement* provided AUD 41.60 per fortnight, representing for example an increase of income support of about 8% for a single person without children receiving NSA.
- Creation of *Keep Australia Working Advisory Services*: A one-stop shop web and telephone service was set up to provide information and advisory support to Australians whose employment has been affected by the GFC.

The available evaluation evidence points to relatively limited impact of the Jobs and Training Compact

The evaluation report of the JTC published by the government (Department of Employment, 2013) is not very conclusive on the effectiveness of the various measures. This is largely due to the difficulty it encountered to isolate the effects of the JTC measures from the effect of the regular programmes they were frequently combined with or from other measures under the JTC, as well as to the absence of properly defined control groups. The report nevertheless provides some elements for assessment. In general, the awareness of the various programmes among jobseekers or businesses – in particular among the smaller and medium-sized enterprises – was rather low. All in all, this resulted in underspending, particularly for training programmes, and lower participation than expected (Table 2.4).

The *Early Access to Employment Services* was by far the most important measure in budget terms as well as in the number of persons potentially concerned (Table 2.4). Lower than expected participation reflected limited awareness among potential participants but probably also the low assessment many jobseekers may have had of the value of the service provided by JSA to helping them get back into employment. In total, about 150 000 retrenched workers received Early Access to Employment Services. The participants were typically male, aged 25-44 years, with below secondary education levels, retrenched from a full-time job and in receipt of NSA. Compared with the total retrenchment flows estimates by the Department of Employment for the period, this participation figure implies a coverage rate between 20% and 24%.²³ While this may seem relatively low, it nevertheless signals that a non-negligible share of the retrenched jobseekers was interested in receiving re-employment services.

In terms of services provided, most of the assistance reported by the participants surveyed consisted in the provision of general advice and information relevant for job search, while more substantial types of assistance, such as preparation for interviews, counselling and personal support, were less often reported. Participants were not more likely than other jobseekers registered with the JSA to participate in activities - training, Work Experience places, services to address non vocational barriers, etc. - any earlier in their spell of unemployment. However, when they participated in training, they were more likely to undertake Certificate III and IV levels than other Stream 2 participants and those in Stream 1.

Exit rates suggest that participation in early-access initiative may have increased the time spent receiving re-employment assistance, compared with Stream 1 or other Stream 2 jobseekers, perhaps in part reflecting a greater likelihood of undertaking training or education (or of enrolling in longer courses) or the fact that they were more selective in their job search. However, exit rates after two years were similar across these groups. One encouraging outcome is that Early Access participants who exited assistance were more likely to secure employment than Stream 1 or other Stream 2 participants and less likely to leave the labour force. As to the quality of the employment outcomes of the participants, very little information is available.

The *changes in the liquid assets waiting period* are estimated to have benefited about 36 000 jobseekers over the 2009-11 period. The measure appears to have particularly benefited older jobseekers and retrenched workers, who tend to have greater holding of liquid assets than the average income support claimant and are thus more likely to be subjected to the waiting period. Hence, fewer displaced workers had to rely on their own assets before being entitled to income support.

Under the *Structural Adjustment Places* initiative, only 7 300 workers or jobseekers undertook training, instead of the 25 000 places planned.²⁴ Most places in this demand-driven programme were taken up by workers in the automotive industry – who were generally stood down rather than retrenched – to undertake Certificate III level courses in the manufacturing branch. Take-up was very concentrated as 70% of the training places were allocated to five large companies. A large number of small companies in the insulation sector also applied, as part of the insulation workers adjustment package, but these applications resulted in only a very limited number of retrenched workers undertaking Certificate II level courses. In the end, only 29% of the planned total number of places was effectively created under the whole SAP programme. Completion rates were relatively high, but, due to the lack of information on the initial qualifications of participants, it is not really possible to assess whether training has successfully improved their qualification and their ability to find and retain employment. However, the fact that most participants undertook training in manufacturing suggests that workers typically did not enter courses geared towards a change in industry. Hence, SAP probably did not foster structural adjustment towards areas of skill shortages (such as for example aged care).

In part, limited participation under the *Building the Basics* initiative can be attributed to the reluctance of jobseekers to disclose their need to improve their language, numeracy and literacy skills. This is notably the case for the largest of the two programmes included in the initiative, the *Language, Literacy and Numeracy* (LLN) programme, which provided training to jobseekers suffering from deficiencies in these fields.²⁵ Employment services providers, who together with Centrelink were in charge of referring jobseekers to that programme, reported that both migrant and non-migrant workers at all ages commonly struggled with basic skills deficiencies, but that they would not disclose them. The programme turned out to be scarcely used by retrenched workers, who represented a little less than 4% of those who started courses. In the main other programme – the *Workplace English Language and Literacy* (WELL) programme which provided financial support to employers to assist their employees improving their literacy skills²⁶ –, take up among those employers who were aware was relatively high, at 50%, and even higher among companies more negatively impacted by the GFC. This could be seen as providing some evidence that employers and workers considered these types of programmes as useful.

The evidence available to evaluate the *Pathway to Skills* initiative is very scarce. The programme concerned both youth and retrenched workers but it is not possible to distinguish between them in the programme data. Participation in the regular programme was lower than expected but not as much as in the two other JTC training programmes (SAP and *Building the*

Basics). A large portion of those who completed the programme did not achieve a sustainable employment outcome, but this outcome may not be as bad as it sounds because some were still studying. Overall, it is believed to have improved the skills base of participants and assisted a majority to move into employment (although not often permanent and full time).

Finally, the *Training Supplement* initiative is found to have had little impact on the decision of jobseekers to undertake training. In fact, according to the evaluation report, two-thirds of the recipients were not aware that they were getting the training supplement and very few reported that it played a major role in their decision. The number of participants was lower than expected, but most of all, the expenditure was much lower, reflecting a shorter duration of training than anticipated. The supplement probably helped those who got it by increasing their income. However, it is difficult to assess that effect because these recipients often participated in other training initiatives, some of which provided greater funding.

Conclusion

It is very challenging to analyse the impact of the core income and re-employment services on displaced workers in Australia because these workers are not tracked in any of the policy programmes. This is problematic for example in the evaluation of the Jobs and Training Compact because a comparison group cannot be constructed. As a result, it is difficult to formulate evidence-based conclusions and recommendations concerning which measures are working well and which should be improved. The Employment Department should consider implementing measures to track displaced workers and their employment outcomes, in order to be able to properly evaluate the policies in place.

Despite the scarcity of rigorous impact analysis, the available information allows some general conclusions to be drawn. The current income and employment policy set-up is such that a considerable share of displaced workers, 50% or more, appears to be ineligible for income assistance, at least for an extended period of time following their redundancy. This is consistent with the Australian social norm that income support should be restricted to persons in economic need, i.e. a social assistance rather than a social insurance philosophy of income replacement benefits. While the social and economic consequences of this approach could be debated, it is difficult to argue that displaced workers should benefit from a special treatment on this count, as compared with other jobseekers. However, given that access to re-employment services were conditional on the receipt of income support, limited access to income support also implied that a majority of displaced workers did not qualify for

most services delivered by employment service providers. A new provision under jobactive now allows jobseekers over 25 years of age not eligible for income support to not only access a very limited set of services in the first three months (as was already the case under the JSA) but also employment services for job-ready jobseekers (Stream A) in the following three months. It remains to be seen how jobseekers, and displaced workers in particular, will make use of this option.

It also appears that most displaced workers who successfully apply for income support are offered only a modest amount of job search assistance during the first year. The JSA provided only minimal services to Stream 1 jobseekers – the group to which most displaced workers would have belonged – in their first 12 months on the rolls of an employment service provider. The new jobactive scheme is unlikely to improve the situation in this respect, since an even larger share of displaced workers is likely to be classified as *job ready* and will have to rely largely on self-help services during the first 12 months.

Unless they are covered by a special programme (see Chapter 3), the delay many displaced workers face until they qualify for income support and thus re-employment assistance combined with the additional year during which they receive only minimal re-employment services means that many displaced workers probably have to wait a considerable amount of time before being provided substantial employment services. By this time, a number of them may have become demotivated or even have exited the labour force and for most return to work will have become more difficult.

In recognition of the fact that early action is important, the Jobs and Training Compact was introduced at the beginning of the GFC to alleviate its detrimental labour market effects. Despite lower participation than expected and sizeable underspending of the JTC budget, especially for training measures, the early access component providing Stream 2 level employment services to displaced workers achieved a certain success, as between one-fifth and one-fourth of the retrenched workers benefited from it regardless of their access to income support. This signals a significant latent demand from retrenched workers who do not benefit from income support for re-employment services. It also suggests that actively promoting access to Stream A employment services for displaced workers regardless of their eligibility for income support – could be done at a relatively low cost.

Broadly speaking, the incentive structure embedded in the various job service systems has led employment service providers to give priority to activation and job-search assistance over the enhancement of human capital through training programmes or the stimulation of employment demand through wage subsidies. In fact, Australian labour market policies function

more like a welfare-to-work system, ensuring that people on income assistance are incentivised and assisted to find jobs as quickly as possible, rather than a re-employment service system for more mainstream workers for whom the quality of the job is a key consideration. While this approach certainly minimises the deadweight costs associated with helping displaced workers who do not need assistance, it can be problematic in two respects. First, the support provided might be insufficient for the subset of displaced workers who face the greatest adjustment difficulties. This is a particular risk for older workers who are more likely to be displaced than other employees and face more difficulties to go back into employment (Chapter 1). This would plead for the introduction of programmes specifically targeted at the most disadvantaged older workers from which displaced older workers could benefit. Such programmes have been successfully introduced in other OECD countries such as Canada and Switzerland (Box 2.6). Second, while the current approach might be effective in times of a buoyant labour market, it may become more problematic when the labour market becomes more subdued, as appears to be the case since 2012, as it could leave many displaced workers out of work and unattended.

A final conclusion is that the current incentives structure for employment service providers is too much tilted against training. While the recent move under jobactive to prevent the use of training for the sake of training is appropriate, the pay-offs to appropriate training can be large. Notably, long-tenured displaced workers previously working in declining sectors or occupations could benefit from training programmes allowing them to switch towards sectors or occupations that are more in demand. Such programmes should be associated with wage subsidies and connected to local employment opportunities. For jobseekers with educational barriers, longer-term basic education may also be quite effective. This would require allocating more funding to employment service providers to support training, as well as reforming the incentives structure to align them with the time span necessary for the educational benefits to materialise (i.e. set outcomes of much longer term than the current six months).

Box 2.6. Specific programmes for older workers: Examples from Canada and Switzerland

Targeted Initiative for Older Workers in Canada

The *Targeted Initiative for Older Workers* (TIOW) is a federal/provincial/territorial cost-shared initiative designed to support unemployed older workers, typically aged 55-64, with their reintegration into employment (OECD, 2015c). The programme is targeted on older workers living in small and vulnerable communities of 250 000 or fewer inhabitants which have been affected by high unemployment, significant firm downsizing/closures, unfulfilled employer demand and/or skills mismatches. First initiated in Quebec and Ontario, most Canadian provinces now operate a TIOW programme. Since 2007, TIOW has provided re-employment support to over 35 000 unemployed older workers for an average cost per programme participant of about CAD 7 000. Under TIOW agreements, the Government of Canada contributes up to 70% of programme costs and each province and/or territory contributes a minimum of 30% of programme costs. The majority of TIOW projects are delivered by third-party community-based organisations.

TIOW participants are offered 25 hours of training per week, employment assistance services (such as job-search activities, job-search techniques, résumé writing, interview technique and counselling), and at least two employability improvement activities (such as improving basic skills, vocational skill training, work-experience, direct marketing to employers and preparation for self-employment). They also benefit from group-based activities and income support in the form of allowances. Two evaluation studies, one conducted in Quebec and the other in all provinces, indicate that satisfaction among participants was very high regarding the job-search assistance provided and that the programme increased the employment rate of participants compared with non-participants. OECD (2015c) concludes that TIOW can be considered as a good practice that could be shared with countries facing similar job displacement issues.

Avoid Long-Term Unemployment in Switzerland

Avoid Long-Term Unemployment is a pilot project in the eastern part of the Aargau canton in Switzerland targeted at unemployed workers over 45 years of age with average or low employability (OECD, 2014). It provides: i) intensified counselling every two weeks in the first four months; and ii) a 20-day coaching/training seminar to small groups of 10 to 15 participants.

The experimental evaluation conducted by Arni (2012) indicates that overall, the programme has positive impacts on participants aged 45-54, but not on those above 55 years of age. Stepped-up coaching and counselling are found to enhance the effectiveness of job search, and make jobseekers more realistic about their chances of returning to work as well as their wage expectations. The lock-in effect is low as there is no significant effect on unemployment duration. Occupational stability rises in the 18 months following the exit from unemployment, thus avoiding on average 20 days of future unemployment. Indeed, the resulting savings to the unemployment insurance system are used to fund programme costs.

Source: OECD (2014), *Vieillesse et politiques de l'emploi : Suisse 2014 – Mieux travailler avec l'âge*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264222823-fr>; OECD (2015), *Back to Work: Canada – Improving the Re-employment Prospects of Displaced Workers*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264233454-en>; and Arni, P.P. (2012), “Conseil et coaching intensifs pour demandeurs d'emploi âgés : Une voie pour améliorer leurs chances sur le marché du travail ?”, Systematic evaluation of results, Final report for the Economy and Employment Office of the Canton of Aargau, University of Lausanne.

Notes

1. Those with children below the age of six are not subject to the activity test. Couples with children under the age of six can also request the PP, but since 2006 the conditions are exactly the same as for the NSA, in terms of both access and benefit level.
2. The description of the NSA and PP provided in this chapter is based on OECD Benefit and Wages indicators, <http://www.oecd.org/els/soc/benefits-and-wages-country-specific-information.htm>.
3. Or respectively 68%, 74% and 80% of the minimum wage. *Source:* OECD estimates.
4. *Source:* “Income support customers: A statistical overview”, various editions, Department of Families, Housing, Community Services and Indigenous Affairs.
5. The coverage rates for administration data is calculated as the share of unemployed receiving NSA divided by the number of unemployed according to LFS. On average over the period 2002-11, 39% of the NSA recipients were unemployed in the HILDA Survey, against 54% in the administrative data.
6. The Family Tax Benefit is not conditional on unemployment and in fact has a much wider coverage than NSA and PP among families. However, its amount is likely to change when a person becomes unemployed. The replacement rate also includes the Pharmacy Allowance, which is of very small size.
7. However, activity requirements for the principal carers of children older than 6 are less strict than for others.
8. There has been considerable debate in Australia about whether the level of the NSA benefit should be increased, as current benefit levels could leave many people below the relative poverty line unless they have other sources of income (see for example ACOSS – Australian Council of Social Service – a peak body for community welfare services in Australia – 2012). In 2012, the NSA benefit for a single adult without child was AUD 249 per week, which was almost 40 percentage points below the 50% median income poverty line (estimated to be AUD 400 for a single individual (http://www.acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf). In 2010, about 52% of the households where the reference person received the NSA were below the 50% relative poverty line (ACOSS, 2012). For single unemployed persons for example, the NSA benefit represented about 41% of the minimum wage in 2013, and even taking account of income tax, they would double their disposable income if they got a full-time job at the minimum wage, thus leaving considerable scope to increase the benefit amount without eroding the incentives to work.

9. The switch to a five-year contracting period was made in response to repeated complaints by providers that three-year contracts were disruptively short.
10. The Star Rating assesses the contribution made by providers to the short-term employment and educational outcomes of jobseekers. Regression techniques are used to estimate the differences between actual employment outcomes and the outcomes that would be predicted based on jobseekers' characteristics. See OECD (2012) for more details on the Star rating system, as well as on the fee structure under the JSA.
11. Other important policy goals in the evolution of employment services include: providing greater support to the most disadvantaged jobseekers, structuring fees to provide greater incentives to secure sustainable employment outcomes for disadvantaged jobseekers; and strengthening demand-side support through requirements to engage better with employers.
12. The biggest sanction in case of non-attendance to interviews or non-participation to programmes is a eight-week period of non-payment of the income allowance, NSA or PP.
13. According to Jobs Australia (2014), the current payment model shifts the balance between upfront and outcome payments from 75% to 25% under the JSA to 45% to 55% now.
14. This discussion is based on information in *Senate Standing Committee on Education and Employment, Questions on Notice, Supplementary Budget Estimates 2013-14*, http://www.aph.gov.au/~media/Estimates/Live/eet_ctte/estimates/supp_1314/answers/EM0091_14.ashx.
15. During the second phase of the Job Network, unemployment duration was the main factor determining the intensity of the services available to a jobseeker. While more factors are now taken into account, the duration of unemployment continues to play an important role in the current JSCI.
16. The HILDA Survey contains no information on this either.
17. See for example, Jobs Australia's submission to the Productivity Commission Review of Australia's Automotive Manufacturing Industry, <http://www.pc.gov.au/inquiries/completed/automotive/submissions/positi-on-paper-submissions/submission-counter/subpp243-automotive.pdf>.
18. The *Employment Pathway Plan* (EPP) was an individually tailored plan that identifies the jobseeker's vocational goals, and records the activities the jobseeker will undertake to reach these goals. If a jobseeker had an employment services provider the plan was also listing specific ways the provider will support a jobseeker to improve their employment prospects. It could be updated along the way to reflect changes in the individual

circumstances. It was a legal requirement under the social security law. The types of activities included in an EPP were: a specified number of job searches, job-search training, vocational training, paid or unpaid work experience, participation to specific programmes.

19. Allocations to the EPF were made for each individual jobseeker in a given stream, but they are not attached to a given jobseeker and can be spent by the JSA on any of the jobseeker of that stream according to provider's judgment on where the money is most usefully spent to enhance employability. It is also the case for the new *Employment Fund* under jobactive.
20. Activity requirements for sole parents were also adjusted so that they could combine training and employment in a more flexible way.
21. In 2013, the employment rate of working age Australians with tertiary, upper secondary and below secondary education were respectively 83%, 78% and 60%. Unemployment rates of the same groups were 2.9%, 4.6% and 7.1%.
22. This sections draws heavily on the *Jobs Training and Compact Evaluation Report* (Department of Employment, 2013).
23. The Department of Employment estimates quarterly retrenchments based on the ABS Labour Mobility Survey (ABS-LMS). Over the Q1 2009-Q4 2010 period, 759 000 persons were retrenched and 613 000 between Q2 2009 and Q4 2010.
24. Ten thousand (10 000) announced in October 2008 before the JTC, and 15 000 under the JTC.
25. The LLN programme for jobseekers is now available through the *Skills for Education and Employment* (SEE) programme.
26. This programme is now closed.

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Chapter 3

Labour adjustment programmes for displaced workers in Australia

Australia relies on a flexible labour market to promote worker transitions from declining firms and sector to expanding ones, and, consequently, government actions to prevent dismissals are relatively limited. There are few legislative restrictions on employers wishing to retrench employees, except with respect to unfair dismissals, and there is no short-time work scheme to prevent layoffs due to cyclical downturns. When workers are displaced, targeted assistance is restricted to sectors covered by structural adjustment programmes, thus reaching a small minority of displaced workers. This may be particularly damaging for the re-employment chances of older and less-educated displaced workers not covered by these programmes. Early intervention by the public authorities to provide assistance to workers at risk of being retrenched requires early notification of redundancies. However, in Australia, the statutory notification period is low relative to most other OECD countries for individual dismissals and there is no legislated additional notification period in case of mass layoffs. There is also scope to improve the co-ordination of assistance measures provided by the employer, the federal and state governments. Australia is quite advanced in providing recognition of prior learning to displaced workers covered by structural adjustment programmes, but there is room to increase investment in effective training for displaced workers. More generally, the coverage of displaced workers benefiting from these programmes remains limited. A more systematic approach should be taken to providing specialised intensive employment services based on an assessment of the risk of displaced workers not successfully transitioning into a sustainable new job.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

This chapter describes and assesses labour market programmes in Australia that are explicitly targeted either on preventing displacements, when that is a viable option, or on assisting workers who are displaced by employers, in certain economic sectors and regions that have been designated as being particularly vulnerable to import competition and thus eligible for special structural adjustment programmes. As is the case in Australia, most OECD countries rely upon a combination of general and targeted measures to reduce the adjustment costs associated with job displacement. Chapter 2 showed that the assistance available to displaced workers from general labour market programmes is relatively limited. This chapter assesses the extent to which targeted measures fill the resulting gap in the assistance available to displaced workers, so as to speed their return to appropriate jobs. First though, the chapter assesses whether more should be done to avoid excessive redundancies or to foster early adjustment to unavoidable displacements.

Prevention of dismissals

Employers' labour requirements vary continually as sales fluctuate and production technologies evolve. Many of these changes can be accommodated through internal adjustments, without having to hire and fire workers. For example, employees may be retained during a business downturn by temporarily reducing their hours of work or assigning them to non-production activities (e.g. training or maintenance work). Even when a firm's labour requirements have permanently declined for a certain type of worker, it may be possible to retrain those workers and transfer them to other parts of the firm. When such transfers are not feasible or if there is a need to reduce the overall size of the workforce, employers may provide workers they are displacing with outplacement services. All these types of preventative and outplacement measures can reduce the incidence of displacement and its adverse consequences for workers. However, such interventions can be costly for employers. This limits the number of workers who benefit from these types of human resource management practices.

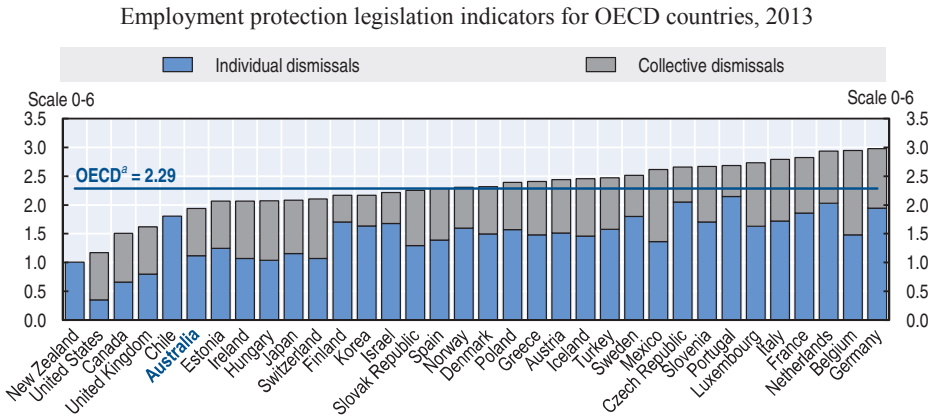
Compared with other OECD countries, government actions to prevent dismissals are relatively limited in Australia. In particular, there are relatively few legislative or regulatory restrictions applying to employers wishing to displace some or all of their employees. Targeted assistance programmes for displaced workers in Australia are restricted to sectors that are covered by structural adjustment programmes, implying that most of the workforce does not qualify for these measures. This chapter discusses the resulting coverage gaps and reviews the labour adjustment support included in structural adjustment programmes.

Employment protection legislation is less stringent than in most other OECD countries

Employment protection legislation (EPL) – that is the set of rules governing the hiring and firing of workers – typically has been designed to both protect workers from unfair dismissals and increase job stability, with the aim of shielding workers and society from some of the economic and non-economic costs associated with job displacement. While the costs of displacement are real, a large body of research has shown that excessively strict or poorly designed EPL can greatly hamper the economy by discouraging job creation, lowering productivity and strengthening labour market dualism (see Chapter 2 in OECD, 2013). However, there is a role for EPL provisions that encourage employers to consider economically justified alternatives to permanent layoffs and, when the latter cannot be avoided, require employers to facilitate the early provision of support services for these workers to allow for their smooth transition to new jobs. In particular, employer-provided advanced notice of planned layoffs can assist in implementing proactive measures, or simply allow workers an early start in searching for a new job.

EPL in Australia underwent significant reforms during the past two decades.¹ Overall, compared with most other OECD countries, the rules governing hiring and firing of permanent workers are not particularly strict in Australia (Figure 3.1). This is especially the case for individual dismissals. Severance pay provisions are relatively low in international comparison, starting at four weeks of pay for workers with 1-2 years of tenure, reaching a maximum of 16 weeks of pay for 9-10 years of tenure, before falling back to 12 weeks after 10 years of tenure in recognition of long-service leave entitlements. Businesses with fewer than 15 employees are exempted from severance pay requirement altogether. The required length of the notice period for individual dismissals is also among the shortest in the OECD (Figure 3.2). It increases with tenure from a minimum of 1 week to a maximum of 5 weeks for workers with more than 20 years of tenure. As in most countries, pay in lieu of notice is allowed.

Figure 3.1. **The protection of permanent workers against individual dismissal in Australia is lower than the OECD average**



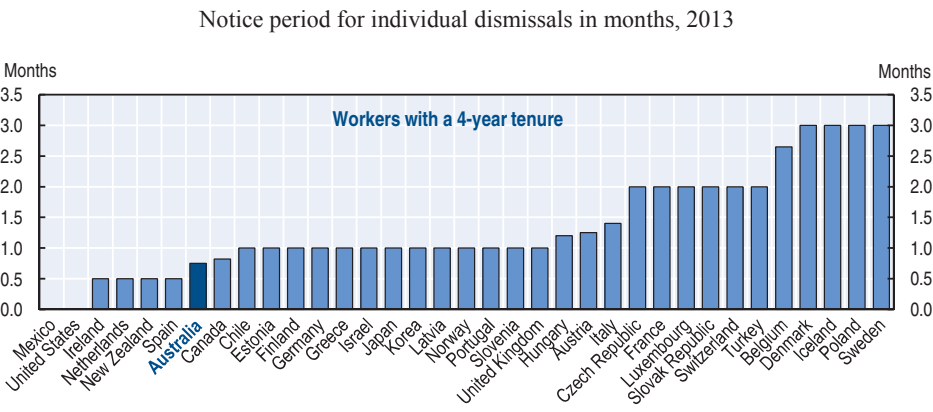
Note: The figure presents the contribution of employment protection for regular workers against individual dismissal and additional provisions for collective dismissal to the indicator of employment protection for regular workers against individual and collective dismissals (EPRC). The height of the bar represents the value of the EPRC indicator.

a) Unweighted average of the EPRC indicator for the 34 OECD countries.

Source: OECD Employment Protection Database, 2013 update, <http://dx.doi.org/10.1787/lfs-epl-data-en>.

StatLink <http://dx.doi.org/10.1787/888933340329>

Figure 3.2. **The length of the notice period in case of individual dismissal in Australia is among the shortest in the OECD**



Source: OECD Employment Protection Database, 2013 update, <http://dx.doi.org/10.1787/lfs-epl-data-en>.

StatLink <http://dx.doi.org/10.1787/888933340335>

Australian law grants additional protection to workers in the case of collective dismissals, which is defined as the dismissal of 15 or more employees for economic, technological, or structural reasons. In particular, employers have to engage in prior consultations with trade unions or workers' representatives. These consultations generally involve discussion of: i) possible redeployments to minimise the number of dismissals; ii) the selection process for the dismissed workers; iii) redundancy payments; and iv) outplacement and training support provided by the employer. The employer is also requested to notify Centrelink, the public income benefit administration, as soon as practicable after the decision is made to displace a sizeable number of workers and before the employees are dismissed. However, unlike in many OECD countries with consultation and notification requirements, the notice period is no longer in the case of a collective redundancy than in the case of an individual redundancy. In Canada, for example, where the notice period on individual dismissals is also relatively low, the extension of that period in case of collective dismissals ranges from 1 to 18 weeks, according to the province where the redundancies occur and the number of workers laid-off. Australian law does not prescribe priority rules for selecting the workers who will be displaced, whereas other countries sometimes specify criteria motivated by social considerations, such as specifying that low-tenured or younger workers should be displaced before higher-tenured and older workers. Another difference with many European countries – e.g. Denmark, France – is the absence of any obligation for employers to provide assistance to their laid-off employees to facilitate their transition to another job.

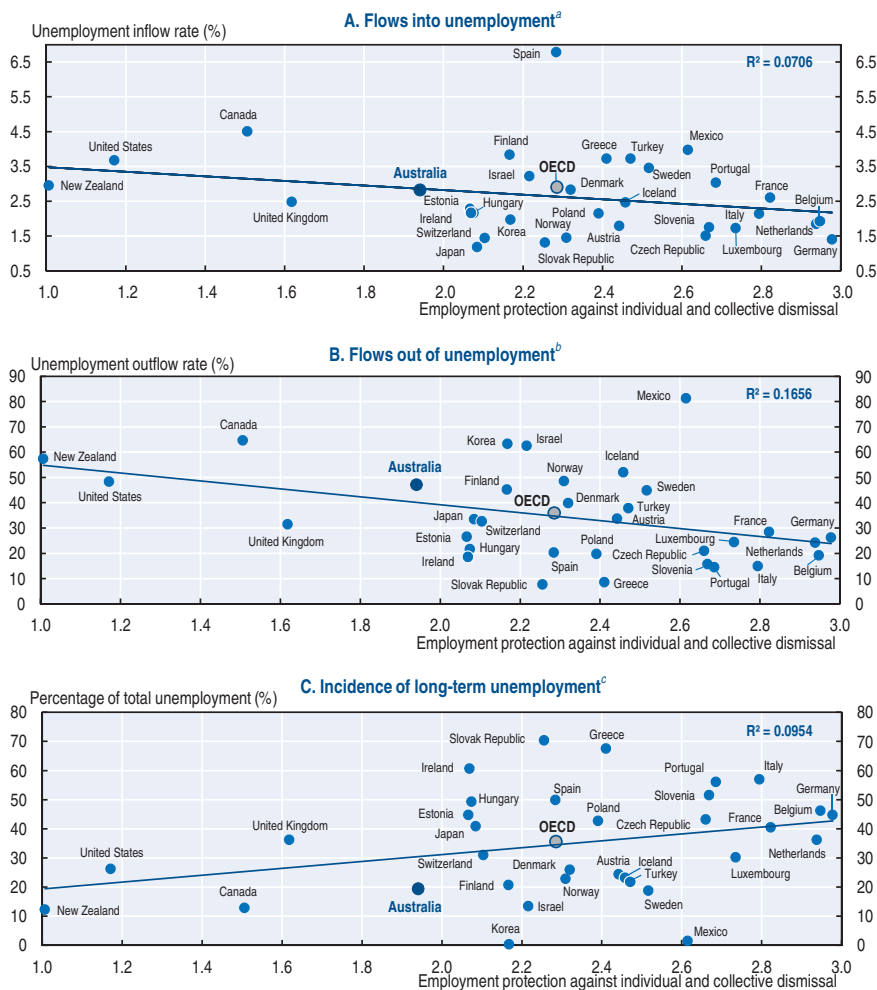
While Australian law sets minimum standards, many workers receive more favourable treatment in practice. In particular, workers who are covered by awards or collective agreements at the firm level, representing about 58% of all employees in 2010 and 2012,² are likely to benefit from more generous provisions in case of dismissal, especially as regards severance pay.³ This is especially so in sectors with high union membership, such as the automotive industry. For example, workers laid off by Ford in 2011 in Victoria State received 4 weeks of severance pay per year of tenure capped at 90 weeks, *plus* 1 week per year, uncapped. Firms with collective agreements and union representatives are also likely to notify public authorities about pending lay-offs considerably in advance.

At the other extreme, many workers are not covered by employment protection rules covering economic dismissals. This is notably the case of casual workers who have no entitlement to advance notification or severance pay. Another exemption that was noted above, is that employees in small firms – representing about 40% of the employees in the Household, Income and Labour Dynamics in Australia (HILDA) Survey sample analysed in detail in Chapter 1 of this review – have no right to severance pay.

Compared with most OECD countries Australia has moderately above-average worker flows into unemployment and considerably above-average flows out of unemployment (Figure 3.3). Flows into and out of unemployment both tend to be lower in countries with strict EPL. This is consistent with what the theory and empirical research suggests: strict EPL is likely to reduce the propensity for permanent workers to be displaced into unemployment, but at the same time tends to dampen hiring rates so that unemployed persons take longer to move back into jobs (OECD, 2013b). Hence, although workers tend to be more vulnerable to experiencing job loss in Australia, they are also in a better position to find jobs quickly and are less likely to experience long-term unemployment, as confirmed by the high re-employment rates of displaced workers (see Chapter 1).

Overall, the design of EPL in Australia grants employers relatively large flexibility to reduce staffing when necessary, but, due to the very short notice period, is not well suited to encourage the early provision of adjustment assistance to displaced workers in case of a mass layoff. This is probably not a problem in firms with effective trade unions or other workers' representatives, as the obligation for employers to consult with trade unions before implementing any collective layoffs implies that firms are also likely to notify the authorities significantly in advance of the planned layoff. In all other firms, however, which employ the majority of the Australian work force, advance notification is contingent upon the goodwill of employers and workers and labour market authorities are likely to receive little or no advance notice in many cases delaying private and public adjustment measures. Consistent with this conjecture, adding together administrative data on the number of retrenchments notified to Centrelink with the displacements announced ahead of time in the media, by the Australian Stock Exchange and by local employment co-ordinators and unions provides an estimate of the prevalence of advance notice that is much lower than the total number of retrenchments derived from the Labour Mobility Survey (ABS-LMS), ranging from 12% to 26% of the latter over the period 2009-10 to 2012-13.

Figure 3.3. **Relatively high flows in and out of unemployment result in low long-term unemployment incidence in Australia**



Note: Data refer to 2013. EPL: Employment protection legislation.

- The *unemployment inflow rate* is defined as the ratio of the number of unemployed who have been unemployed for less than one month to the number of employed one quarter earlier.
- The *unemployment outflow rate* is defined as 1 minus the ratio of the number of unemployed for more than a month to the total number of unemployed one quarter earlier.
- Number of long-term unemployed (12 months or more) as a percentage of total unemployment.

Source: OECD calculations based on national labour force surveys; and *OECD Employment Protection Database*, 2013 update, <http://dx.doi.org/10.1787/ifs-epl-data-en>.

StatLink  <http://dx.doi.org/10.1787/888933340347>

Short-time work is not institutionalised

Many OECD countries have Short-Time Work (STW) schemes in place. These are public subsidies – often provided via the unemployment insurance system – that are intended to preserve jobs in firms experiencing temporarily low demand by encouraging work-sharing, while also providing income support to workers whose hours are reduced due to a shortened week or a temporary lay-off. The purpose of these schemes is to avoid *excessive* layoffs, that is, the permanent dismissal of workers during a business downturn whose jobs would be viable in the long run (Hijzen and Venn, 2011). In principle, a well-designed STW scheme can promote both equity and efficiency: i) equity, by sharing the burden of adjustment more equally across the workforce; and ii) efficiency, by preventing transitory factors from destroying valuable job matches (OECD, 2009). These schemes played an important role in preventing workers from unnecessarily facing unemployment during the global financial crisis (GFC) in several OECD countries, most notably Germany and Japan (Hijzen and Venn, 2011).

Examples of short-time work or work-sharing exist in Australia, but they are either organised at the firm level after consultations between the employer and the trade unions, or decided unilaterally by employers. There is no public income support during these episodes in Australia, and workers generally undergo pay cuts. For example, during the GFC, the vehicle producer Holden stopped a production shift from April 2009 to November 2010 and employees alternated work, receiving half pay for the days they were not working.⁴ Some also undertook training under the *Structural Adjustment Places* of the *Productivity Place Programme* (PPP) (see Chapter 2). The Commonwealth Government was involved in the negotiation of the deal between the firm and the union, but only contributed through the provision of PPP places. Some car component producers followed suite, reducing the working week to four days with a corresponding pay cut.⁵

Australia was quite successful during the GFC at both preventing excessive lay-offs and rapidly re-employing workers who were displaced, due to an effective macroeconomic policy response, the unusually buoyant labour market situation before the crisis, the continuing boom in the mining sector during the crisis and the extra re-employment support provided by the Jobs Compact (see Chapters 1 and 2). Nonetheless, there may be a case for making greater use of short-time working when managing temporary business downturns in the future, when macroeconomic and labour market conditions may be less favourable, employers less able or inclined to *hoard* workers and workers who are displaced less able to quickly locate a new job. The positive experiences of other OECD countries with operating publically subsidised STW schemes raise the possibility that a measure along these lines could also play a positive role in

Australia. However, a fully-fledged STW scheme probably would not be suited to the Australian context. STW schemes are generally integrated into an unemployment insurance scheme which compensates workers for a part of the wages loss due to shorter working time (i.e. by paying a partial UI benefit). The unemployment assistance system in Australia would not mesh easily with such a scheme, because it is designed to assure a minimum family income level, rather than to dampen downward fluctuations in individual earnings. In addition, STW schemes are particularly relevant in countries with stringent EPL, since they provide additional flexibility to firms that cannot easily dismiss workers, which is not the case of Australia. While a fully-fledged STW scheme linked to unemployment insurance would not be appropriate for Australia, the authorities could consider introducing a more limited fiscal mechanism to support firms that temporarily reduce the working hours of their employees, rather than dismissing them, when demand is temporary low. For example, this support could take the form of providing subsidised training places for these workers or temporary subsidies to the firm, possibly in the form of low-interest loans.

Support to displaced workers that is provided through structural adjustment programmes

Structural adjustment programmes cover a limited number of displaced workers

One way displaced workers can receive special support in Australia is through the labour adjustment programmes (LAPs) included in structural and regional adjustment programmes. Structural adjustment programmes have traditionally been used by the Australian Government for a number of decades to mitigate the adverse impacts of policy changes, most prominently trade liberalisation, in a number of sectors.⁶ Following the closure or downsizing of iconic local employers and major employing industries, successive governments have established *regional adjustment funds* intended to diversify local economies and ultimately create employment (Productivity Commission, 2012). These funds most often also include a LAP, aiming to assist displaced workers in transitioning to new jobs. The regional adjustment funds can differ in the way they provide support to the targeted industry, making use of various combinations of the following measures: i) transitional budgetary support to help incumbent firms regain competitiveness or restructure the industry; ii) support directed at attracting new or expanding existing businesses to the region with grants for investing in plants or equipment, which has become increasingly important over the recent years – the most recent programmes have been commonly titled *Innovation and Investment Funds*; and iii) support to help retrenched workers transition to new jobs.⁷

The Commonwealth Government provides the majority of these regional adjustment funds, with co-funding from the States (often through the provision of training programmes) and in a few cases also the company that is closing or downsizing (e.g. Ford and BlueScope Steel). Over the 1997-2011 period, AUD 250 million were announced for these regional adjustment funds (Productivity Commission, 2012), implying a notional subsidy of about AUD 31 000 per job flagged as being at risk. However, the notional subsidy per actual job lost probably varies a lot across programmes,⁸ as well as the eligibility criteria.

Until July 2015, there used to be four sectors in which retrenched workers had automatic access to LAPs: the automotive industry; textile, clothing and footwear; steel (with Bluescope Steel); and the forest industry in Tasmania. The textile adjustment programme is now closed, but four additional programmes of much smaller size have been recently introduced for workers made redundant in particular firms and sometimes their suppliers (Alinta Energy and Arrium – OneSteel in South Australia, Caterpillar mining in Tasmania and Queensland Nickel). The coverage of the LAP programmes is very limited compared with the overall displacement figures presented in Chapter 1. A rough estimate of the number of employees possibly concerned by these programmes is less than one percent of total dependent employment in Australia.⁹ This is actually an upper-bound estimate of the workers covered, as casual and temporary workers employed in these sectors are not always eligible for these programmes, especially when they work for component suppliers.¹⁰ For example, in the automotive manufacturing sector, only permanent workers in component firms are eligible to the Victorian Government State assistance programme. In particular, employees engaged through labour hire, which can be numerous in non-unionised firms, do not qualify for this assistance. However, given that these sectors probably have above-average displacement rates, the LAPs probably cover a larger share of total displacement than of total dependent employment.

The limited coverage of displaced workers by LAPs raises two concerns. First, the sectors and firms selected for structural adjustment packages are almost inevitably characterised by shrinking employment and, in some cases, may even disappear in the medium run. This implies that the already low share of displaced workers receiving re-employment assistance from this source will tend to decline over time unless new sectors are added. A more fundamental concern is that it is difficult to justify why displaced workers who are covered by the LAPs should receive re-employment assistance that is not available to other displaced workers facing similar adjustment difficulties.¹¹ The Productivity Commission points to this equity issue in its latest report on the automotive manufacturing industry (Productivity Commission, 2014).

While the unequal treatment is *prima facie* unfair, it might be justified on efficiency grounds if there were evidence that workers displaced from jobs in these sectors either face significantly higher adjustment costs or benefit more from public re-employment support than other displaced workers. Evidence appears to be lacking to substantiate either of these possible rationales, suggesting that the main reason these workers have been singled out for additional help is that providing them with assistance was deemed to be particularly important to firm up political support for trade liberalisation and other efficiency enhancing policies that are associated with an intensification of structural adjustment pressures, at least temporarily.

Many other OECD countries also operate targeted programmes to assist a subset of displaced workers, although these programmes often have a broader coverage than the structural adjustment packages in Australia. The *Trade Adjustment Assistance* (TAA) programme in the United States, which has operated since 1960, is probably the example closest to the Australian programmes since its creation and operation have been closely tied to the goal of building political support for trade liberalisation.¹² TAA's coverage is considerably broader, including all workers in manufacturing losing their jobs due to imports until 2009, when coverage was extended to include all employees in the public and service sector losing their jobs due to import competition. The programme's definition of which workers are displaced due to imports was also broadened in 2009 to include workers who are employed by component part suppliers to firms that were affected by increased imports, and those working in companies that shifted production to any foreign country (not only those with a trade agreement with the United States).¹³ The TAA programme has been the object of multiple rigorous evaluations which have confirmed the effectiveness of many of the re-employment and training services it supports, particularly technical vocational training, but has not revealed an economic efficiency rationale for targeting greater adjustment assistance to trade-displaced workers than is available to other displaced workers. Indeed, the assistance provided is not tailored to meet the distinct needs of such workers, as compared with other displaced workers.

Other OECD countries tend to have targeted programmes covering all workers affected by mass layoffs, often based on a numerical definition of collective dismissal,¹⁴ with various degrees of intervention, according to the workers' needs. This is the case for example of Canada (Box 3.1), Denmark (OECD, 2016, forthcoming) and Sweden (OECD, 2015a). The *European Globalisation Fund* (EGF), which can provide support to workers in case of large scale mass layoffs associated with globalisation – is another interesting example, as it also takes a case-by-case approach in deciding about the quantity and nature of assistance to provide.

Its institutional set-up in which the lower level of government submits a proposal to the upper level that controls the budget, may also appropriately fit the multi-level structure of labour market policies in Australia.

Box 3.1. Targeted support schemes for displaced workers in Canada: The examples of Ontario and Québec

In three provinces, including Québec, and the federal jurisdiction, employers who intend to proceed with collective dismissals are required by law to establish a joint committee with public employment services and the social partners to develop an adjustment programme aimed at minimising the number and impact of job losses, and assisting affected workers in finding new employment. In other provinces, employment law does not automatically require a joint committee to be formed when a mass layoff is announced, but authorises the government to order the employer to form one to provide special services to assist both displaced workers and communities to adapt to labour market changes, when the government considers such measures to be necessary.

The Rapid Re-employment and Training Services in Ontario

In Ontario, the *Rapid Re-employment and Training Service* (RRTS) provides an immediate response to large-scale layoffs (50 workers or more) in order to connect dismissed workers with Employment Ontario (EO) services (the Provincial public employment service). Once notified of the layoff, the Ministry of Labour informs the Ministry of Training, Colleges and Universities, which is then responsible for initiating the RRTS process within an hour by contacting the employer, the union and local EO providers to organise assistance. The level and type of support offered is tailored to the severity of the layoff and the capacity of the local employment service provider. The type of services offered may vary from:

- **Tier 1:** Providing information sessions for workers and raising awareness about labour market conditions and the types of assistance available to redundant workers through general programmes.
- **Tier 2:** When EO service providers have insufficient capacity to meet demand, additional services can be arranged, such as short-term training for affected workers, the setting-up of an *Action Centre*, often at or near the work site, where displaced workers can access job search assistance, financial counselling, personal counselling, vocational and educational counselling, and referral to EO programmes. Every laid-off worker is also required to develop an action plan within 15 days of his/her initial assessment and has access to customised training, skills upgrading, job placement and relocation services for a limited time (variable, but no longer than a year).
- **Tier 3:** When the impact on the local economy or community is severe, displaced workers have access to the same type of services as in Tier 2, but an inter-Ministry approach is also taken and a local committee is established to put in place a Service Action Plan within 30 days and co-ordinate its implementation. A Rapid Response Team is formed at the local or regional level to provide timely, focused and integrated training and employment solutions to affected workers and communities. The Reclassification Assistance Committees in Québec.

Box 3.1. Targeted support schemes for displaced workers in Canada: The examples of Ontario and Québec (*cont.*)

In Québec, when the Ministry of Employment and Social Solidarity is informed of a pending mass layoff (50 workers or more), it contacts the employer, the union and other stakeholders to set-up a reclassification assistance committee (*Comité d'aide au reclassement – CAR*), quite similar to Action Centres in Ontario. In contrast to Ontario, however, employers are requested by law to contribute 50% of the CAR budget or offer directly at least equivalent assistance to the affected workers if they choose to opt out (an option often taken by the largest firms). A site is chosen and a professional consultant is recruited to administer the CAR, who develops an assistance plan and hires staff as needed. A *reclassification plan* is developed for each dismissed worker which includes a combination of tailored services to help workers find a job as quickly as possible. The CAR can function for up to two years. Displaced workers still requiring assistance once the CAR is dissolved are referred to the public employment services, *Emploi-Québec*.

Source: OECD (2015), *Back to Work: Canada – Improving the Re-employment Prospects of Displaced Workers*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264233454-en>.

Another gap in the Australian set-up is that workers affected by individual or small-scale dismissal are not provided with specific assistance, unless they are in firms supplying those firms covered by a structural adjustment package. This is actually the case in many OECD countries, which tend to focus their targeted assistance to displaced workers on those affected by collective dismissals. Schemes aimed at individual or small-scale dismissals nevertheless exist in a few OECD countries notably Canada (Québec). In other countries, such as France and Sweden, assistance is open to all retrenched permanent workers (Box 3.2).

Box 3.2. Support schemes benefiting workers displaced individually or in small firms: The examples of France, Sweden and Québec-Canada

The Career Path Security Contract in France

Since 2011, whatever their tenure, all permanent workers dismissed for economic reason from a firm with less than 1 000 employees are entitled to enter a programme called *Contrat de sécurisation professionnelle* (CSP). The programme lasts a maximum of 12 months and includes a range of measures such as job-search assistance, intensive counselling, individual interviews with a specific caseworker, skills evaluation, access to training and follow-up support during the entire programme to improve re-employment prospects.

The cost of the programme is shared between the public employment service, *Pôle emploi*, the employer and the employee, providing incentives for all actors to facilitate co-operation. The employer *must* offer the CSP to the workers they plan to dismiss before actual dismissal takes place and is subject to a significant fine in case of non-compliance. The workers participate in the cost by allocating part of their severance pay to *Pôle emploi*, waiving their notice period as well as their training rights acquired on the previous job (which are used to finance the CSP instead). Workers with at least one year of tenure are provided higher replacement income than other unemployed and they can also get wage insurance if the new job pays less than 85% of the previous one. On the public employment service side, caseworkers are specialised, that is, they work exclusively with displaced workers.

Box 3.2. Support schemes benefiting workers displaced individually or in small firms: The examples of France, Sweden and Québec-Canada (cont.)

The Job Security Councils in Sweden

In Sweden, once a permanent employee has been notified of dismissal, both the employee and employer apply to the *Job Security Council* (JSC), a body managed by the social partners in a given sector or occupational field (e.g. white-collar workers in the private sector) and financed through employer contributions. The JSC provides transition services such as individual counselling, career planning, job-search assistance and outplacement services. JSCs overall achieve very high placement rates, exemplifying the advantages of a systematic early intervention approach. On average, 80%-90% of dismissed workers find new jobs within 7-8 months, often without using any public employment service.

The Continuous Entry Reclassification Assistance Committees in Québec

In Québec, workers affected by individual or small-scale dismissals can enrol in *Comités d'aide au reclassement à entrées continues* (CREC), which provide services similar to those provided by a *Comité d'aide au reclassement* (CAR) (see Box 3.1). CRECs meet the needs of regions: i) facing multiple redundancies in small and medium-sized firms (therefore not reaching the 50-displaced workers threshold to qualify as a mass dismissal); and/or ii) that do not have enough public employment services staff to cope with the sudden influx of displaced workers in a local employment centre. To ensure sufficient capacity is available, *Emploi-Québec* outsources these CREC outplacement services to specialised external providers.

Source: OECD (2015), *Back to Work: Canada – Improving the Re-employment Prospects of Displaced Workers*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264233454-en>; OECD (2015), *Back to Work: Sweden – Improving the Re-employment Prospects of Displaced Workers*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264246812-en>; Dares-Pôle emploi (2013), “L’accompagnement renforcé des demandeurs d’emploi : Évaluation du recours aux opérateurs privés par Pôle emploi de 2009 à 2011”, *Synthèse.Éval*, No. 03, January; and website of the Ministère du Travail, de l’Emploi, de la Formation professionnelle et du Dialogue social, http://travail-emploi.gouv.fr/informations-pratiques/89/les-fiches-pratiques-du-droit-du-91/accompagnement-des-mutations_593/le-contrat-de-securisation_13990.html.

These large gaps in Australia in the coverage of displaced workers by support programmes can be particularly problematic for some groups, notably older and low-skilled displaced workers. Research literature in Canada and the United States also shows that long-tenure workers and older displaced workers, especially those who learned most of their vocational skills on the job, can often have a very hard adjustment, in terms of finding employment and earning losses (see e.g. Gray and Finnie, 2011 for Canada; Root and Park, 2003; and Couch and Placzek, 2007 for the United States). These workers generally lack recent experience and realism about labour market search for a new position, have difficulty in communicating their skills to potential new employers, and are likely to be either demoralised or excessively optimistic about their re-employment options. These difficulties represent an efficiency loss for the overall economy, as well as a source of hardship for the individuals affected and their families.

The lack of anticipation often reduces the benefits of regional adjustment funds to displaced workers

In many cases, the large majority of the funding for regional adjustment programmes has been dedicated to *demand-side* measures (i.e. measures to support firms or the industry or attract new investment to the region in order to stimulate job creation), rather than to *supply-side* measures (i.e. measures to help displaced workers transition to a new job). That is, the LAPs generally represent a relatively small share of overall regional adjustment programme funding. Comprehensive estimates are not available but, to give an example, in the two structural adjustment programmes put in place in South Australia for the downsizing and, subsequently, closure of Mitsubishi, LAPs represented respectively less than one-fourth and one-third of the overall budgets that were announced. The Textile structural adjustment package is an exception, as all the budget was spent on measures for the workers concerned. In the budget committed in view of the closure of Holden and Toyota, AUD 110 million are directed at investment measures (diversification of supply chain businesses, manufacturing investment and regional infrastructure) and AUD 45 million at support to the retrenched workers: AUD 30 million being designated for skills funded by employers, and an additional AUD 15 million for intensive re-employment support through the Commonwealth Automotive Industry Structural Adjustment Programme – AISAP).

Favouring the demand side may be appropriate if the programmes make a cost-effective contribution to diversifying the local/regional economy and ultimately create local employment. Such an assessment is difficult to make – notably because of the absence of systematic monitoring or reporting of the outcomes of the programmes – and outside the scope of this review. Nevertheless, the limited available evaluation evidence available suggests that the funds may not be as effective as intended in terms of improving employment prospects. An evaluation commissioned by the government for a specific regional fund in the mid-2000s found that, after five years, actual job creation was only half of what had been expected (Productivity Commission, 2012). A study of outcomes at the aggregate regional level by the Grattan Institute (2011) found that the cost per job created is high and that programmes do not appear to have a positive effect on total regional employment. Beer (2015) also notes that repeated assistance to the same regions suggests that current policy instruments do not succeed in repositioning these economies.

Even when demand-side measures are ultimately successful, their benefits often come in too late for workers affected by a displacement to benefit. This time consistency problem is probably unavoidable to a

considerable extent because the investment/innovation part of regional adjustment programmes takes several years to materialise, but could perhaps be somewhat overcome if these programmes could be implemented in a more proactive manner. What is clear is that if a closure is not anticipated and the policy response not provided significantly ahead of the actual closure, displaced workers cannot make a transition to any new jobs eventually stimulated by demand-side measures, as highlighted for example by Nous Group (2013) in its case studies of Bluescope Steel. This may partly explain why the Productivity Commission (2012) finds a limited impact of the regional adjustment funds in addressing short-term regional vulnerability to closure of a major firm. More recently, after the announcement of the closure of the remaining automotive manufacturing industries by 2017, the Commonwealth and Victoria and South Australia state governments have worked together with these employers at implementing early responses through regional investment funds; this was made possible by early announcements by the companies concerned from mid-2013.

Economic forecasting and risk analysis at the regional level to anticipate possible restructurings and plant closures, appear to be little developed in Australia. The ability of a region to withstand a major firm closure can be viewed at three levels: i) economic capacity (i.e. the degree of economic diversity, internal supply chain dependency, and the state of the local labour market); ii) institutional capacity (i.e. the concentration of government services and other institutional resources such as universities, think tanks, etc.); and iii) workers' capacity (i.e. their skill levels and adaptability) (Nous Group, 2013). The lower the ability of a region to absorb the shock of a closure, the more important it is for the government to intervene in advance in terms of investment, investment attraction, and promotion of innovation. Some OECD countries have well developed anticipation tools. The regional economic forums in the United Kingdom, for example, are in charge of assessing the regional impact of current economic uncertainties, providing ideas to answer the problems and co-ordinate public action (Bergström et al., 2010). These forums provide a potentially interesting example for Australia in considering whether and how to enable earlier action.

Labour adjustment programmes face a number of challenges to be effective

When covered by a structural adjustment programme, displaced workers are generally offered a set of public services which often comprise: access to intensive support by employment service providers, assistance and advice on writing job applications and in preparing an effective and up-to-date CV, recognition of prior learning (see below), training assistance, information

seminars on employment opportunities, job fairs, and advice on establishing a small business. This can come on top of services provided by the employer, such as financial advice, psychological counselling, and possibly outplacement services. Typically, the financial arrangements will require a joint effort by employers, the federal ministry in charge of employment, employment service providers, the State authorities on employment and education and training, and sometimes the local authorities and unions.

An early and co-ordinated intervention is crucial when mass layoffs occur

Case studies in Australia, as well as international evidence, illustrate the importance of *intervening early* to the effective provisions of assistance to displaced workers. Early intervention – particularly if it is delivered at the worksite to workers on notice that they will be made redundant – allows the timely provision of advice about the nature of the challenge confronting redundant workers and information on the types of services available to them. It may also be possible to start delivering some of those services before the layoff takes place. In some instances, job search can be more effective if it is initiated during the notice period, while the worker is still employed. This can allow them to better utilise their on-the-job contacts while avoiding the stigma sometimes associated with unemployment (e.g. when prospective employers interpret unemployment as a signal of low productivity).

Early support is not always easy to implement due to the unpredictability of economic developments. For example, an unexpected improvement in business conditions may mean that some announced redundancies are later cancelled. However, early intervention faces additional barriers in Australia due to certain policy choices and institutional features. First, the short notification period, even in case of collective dismissals, makes it more difficult for public labour market authorities to intervene before workers are made redundant. In the absence of early intervention measures, it can be difficult for the authorities to establish contact with workers who have already been laid-off and offer assistance to them. This is probably true in all countries to some extent, but may be a particular concern in Australia where there is no unemployment insurance and many displaced workers have little contact with government offices once laid off unless they remain unemployed for an extended period of time. The stigma sometimes attached to receiving government services, such as those provided by Centrelink and the employment service providers – which may be seen as programmes for disadvantaged groups – could also discourage displaced workers from making use of even those services they are entitled to.¹⁵

In the absence of a legal requirement, the feasibility of early intervention largely depends on the voluntary initiative of employers. Firms closing their production facilities, but remaining active as wholesalers or retailers, are generally concerned about their image vis-à-vis workers and customers and are often co-operative (e.g. Bosch, Mitsubishi, Bridgestone). However, this is less likely to be the case for a total business closing when employers may care less about leaving a good image and thus not be inclined to grant government officials access to their premises, even if the shutdown can be foreseen well in advance and there is time to organise timely assistance. For example, this scenario played out in a number of pulp mill closures in Tasmania. As early intervention was not possible in that instance, despite the establishment of a LAP, the first task of the co-ordinators especially recruited for the assistance project was to hunt down and contact the laid-off workers, one by one. While they finally managed to reach a large majority of them, this represented a considerable loss of time and resources (see Box 3.3).

Co-ordinating the various stakeholders is also instrumental to ensure the quality of the services delivered. Both the Commonwealth and State Governments intervene to assist laid-off workers so that they need to co-ordinate their actions. Often, this co-ordination appears to be achieved through informal links between the officials running separate programmes in the two levels of government, with varying success. Formal co-ordination arrangements are rare and not always very effective, as seen in the example of the Bridgestone closure. Insufficient co-ordination between the federal and state governments sometimes make it difficult for workers to understand what types of services they are entitled too. In the case of Bridgestone, for example, the involvement in informational meetings of many players from different layers of government, who had not prepared their messages in a co-ordinated way, significantly confused the workers about the process (Box 3.4).

Box 3.3. Supporting workers retrenched by paper mills and other forestry industry businesses in Tasmania: The Forestworks Workers' Assistance Project

In December 2009, PaperlinX announced the closure of two paper mills in the north-west region of Tasmania, in localities where the labour market situation was already rather grim. The federal government commissioned Forestwork – an independent, industry-led, not-for-profit organisation – to develop and implement a two-year assistance project to provide re-employment support to the 420 workers who were laid off (mostly males aged over 45). In light of the subsequent overall deterioration of the economic environment in the Tasmanian forestry industry, the programme was extended to 480 additional forestry workers who were retrenched from August 2011 to August 2012.

Box 3.3. Supporting workers retrenched by paper mills and other forestry industry businesses in Tasmania: The Forestworks Workers' Assistance Project (cont.)

A key mechanism that was adopted to ensure the effective delivery of support was the recruitment of workers as assistance co-ordinators. The fact that co-ordinators were peers who shared their culture and occupational skills, as well as their retrenchment experience, and had a genuine interest in the future of the workers was instrumental in motivating displaced workers to participate in the programme and use government services, to which they were initially very resistant.

In the case of the two paper mills, the employer prevented early on-site intervention, despite a six-month consultation between DEEWR, the employer and the union. This uncooperative behaviour made it much more difficult to reach out to the affected workers and offer support to them. Another difficulty that arose is that the skills audit and recognition of prior learning that was initially envisaged proved to be infeasible due to inconsistencies in the individual competency transcripts provided by the company. Nonetheless, 32 workers benefited from a more informal skill audit process undertaken by the co-ordinators and a Registered Training Organisation (RTO). These audits were subsequently used to identify the best training options for improving the chances of re-employment. In the case of the forestry industry, the main employer, Gunns Limited, was more co-operative. As a result, early intervention could be organised on site and it was possible to conduct a formal recognition of prior learning process (RPL) for 221 workers (46% of the participants).

As a part of the Jobs and Training Compact, workers laid off from the paper mills were also eligible to Stream 2 JSA employment services, while those from the forestry industry were covered by the Structural Adjustment Programme for the Forestry Industry in Tasmania and thus eligible to Stream 3 JSA employment services. JSA providers were used mostly as a way to access training through the Employment Pathway Fund. Of the workers participating in the project, 32% of the paper mill workers and 24% of the forestry industry undertook short-term training, mostly in the construction sector (work and safety training necessary to be allowed to work in the sector) and in transport (licences). In the case of the forestry industry workers, special training programmes were sometimes organised for groups of displaced workers, to overcome the barriers the latter felt in joining standard training sessions together with younger, better educated and computer-literate people.

Most of the assistance for job search was provided by the co-ordinators themselves, who were in a position to spot skill matches. JSA providers nevertheless received the placement fee when a registered worker found a job. At the completion of the two-year project, 55% and 40% of the pulp and paper and forestry participants, respectively, occupied a new job. Overall, almost 54% of the employed workers were under a permanent or a fixed-term contract (40% full-time and 14% part-time). 46% had found seasonal or casual jobs.

Source: OECD interviews at Forestworks; and Daian, G. (2012), "Tasmanian pulp and forestry Workers Assistance Project – Evaluation report", Forestworks.

A number of recent initiatives demonstrate the value of putting mechanisms in place to improve the co-ordination of different governmental bodies when responding to mass layoffs. For example, the involvement of

Local Employment Coordinators (LEC) in the assistance programmes for displaced workers is generally found to have been helpful. LEC positions were established in 2008-09, together with the priority employment areas, to bring together local stakeholders and develop local labour market solutions (OECD, 2014), and then eliminated in 2014. A number of case studies – including for the Bridgestone and Bluescope closures, as well as for the closures in Queensland tourism industry during the GFC – highlighted the useful contribution of LECs to improving co-ordination. It appears that the various stakeholders also appreciated LECs for their action-oriented approach and their ability to overcome bureaucratic inertia and inefficiency. A second example is provided by the Rapid Response Teams set up by the federal and state governments during the GFC. These also proved quite useful at co-ordinating government responses to mass layoffs, as for example in the cases of Tasmanian forests and the Queensland tourism industry. Finally, the Employment Response Plans that were developed by local councils in the Goulburn Valley in response to the number of firm closures during the GFC also did a good job of organising informational sessions for the retrenched workers. These sessions consisted of short interventions from representatives of Centrelink, JSA providers, RTOs, superannuation funds and others, followed by a questions and answer period and more informal exchanges where workers could ask questions individually if interested (Nous Group, 2013).

Box 3.4. **Bridgestone closure: Early intervention with co-ordination problems**

The closure of Bridgestone, a tyre manufacturing plant located in the northern suburb of Adelaide and the largest employer in the area, was announced in October 2009 for April 2010. Over 500 employees, mostly skilled workers, were laid-off, out of which one third had been with the firm for more than 20 years. 50 contract workers also lost their jobs. The announcement of this large-scale redundancy in a rather vulnerable area generated a strong political response from both the Commonwealth and South Australia State Governments.

Organising the assistance

The Federal and the state governments contacted the employer after the public announcement was made, to organise early intervention. On the federal side, workers were eligible to intensive employment assistance (Stream 3) through the *Automotive Industry Structural Assistance Package* (AISAP). The Commonwealth and the South Australia State Government worked together to fund training and skills recognition for displaced workers through the *Productivity Places Program* (PPP) and state funded initiatives. However, it was not easy for the employer and the workers to deal with the two, uncoordinated and sometimes even competing, levels of governments. A steering committee involving all the stakeholders was meant to achieve co-ordination, but this governance structure, while eventually effective, was cluttered and inefficient at the outset (Nous Group, 2013). The Local Employment Coordinator (LEC) was found to be of great help in co-ordinating the federal and state responses, but workers and the employer still had to deal with multiple interlocutors.

Box 3.4. **Bridgestone closure: Early intervention with co-ordination problems** (*cont.*)

One-hour informational sessions were organised on site in November where DEEWR, the South Australian Department of Further Education, Employment, Science and Technology (DFEEST), Centrelink and the employer provided information about services available to workers. However, separate and long presentations, most of which were not adapted to Bridgestone's specific case, left workers, and the employer confused about the services they could receive. The format of information delivery (i.e. large meetings of 200 workers each) also appears to have prevented workers from asking specific questions. On the employer's request, federal and state government officers subsequently provided information on site to individuals or small groups of workers, which helped to reduce the confusion. Financial advice and psychological counselling were organised by the employer. Workers were given the choice to schedule their initial JSA provider appointment either on-site or off-site at the JSA premises, well ahead of the closure. Dealing with the 18 JSA providers located in the region place a heavy burden on the employer and also made it difficult for workers to select the assistance best suited for them. Bridgestone arranged a separate re-employment service for its 150 white-collar workers, because the services offered by JSA providers were thought to be unsuitable for this group. A customised package of supports were organised and Bridgestone engaged a JSA provider, a RTO and an outplacement company to provide those services.

Skills recognition and training

Recognition of prior learning was organised by DFEEST in two stages. First, skill recognition was conducted with the help of skills advice software. Skill validation was then performed through assessment interviews. Bridgestone facilitated this process by providing competency statements for each worker. Where the skills of the worker did not meet a qualification, statements of attainment were issued and further training identified that would address the gap between the skills recognised and those required for that formal qualification. Despite taking longer than expected and some initial difficulties of co-ordination between the employer and DFEEST, this process allowed 67% of the workers to participate in the skills recognition process and almost 40% had their skills validated across a broad range of qualifications.

Investment in training was also substantial. The relative inflexibility of the format of some RTO training programmes made it difficult for workers to participate. Nonetheless, 82 workers commenced new qualifications through the PPP programmes. In addition, 98 retrenched workers received up to six months of DFEEST-funded VET training or training to close the gaps identified in the skills recognition process. Finally, the Employment Pathway Fund of JSA providers, enhanced by an AISAP contribution, provided funding for non-qualification training such as licenses, white card and computer courses.

Only limited data are available about the effectiveness of these interventions: 329 out of the 368 workers who registered with JSA providers were placed into jobs, and over 438 Bridgestone workers have found new jobs in total, but there is no information on the quality and sustainability of those jobs. It is also unclear how much better these outcomes are than what would have happened in the absence of these interventions.

Source: OECD Secretariat meeting with Bridgestone's head of human resource and "Beyond Bridgestone evaluation", Report of the Steering Committee, October 2010; and Nous Group (2013), "Lessons learnt from large firm closures", Report for the Department of Industry, Innovation, Science, Research and Tertiary Education, Vol. 3, January.

Co-ordinating the government response with the employer is also important. At times, political concerns have prompted governments to react hastily to closure announcements, committing budgets on specific expenditures and sometimes even announcing it, without first consulting with employers on the assistance they intend to provide to their workers. For example, Bridgestone was not expecting the strong government response and had therefore made generous provisions for training and employment services to be provided to the retrenched workers. After the governments announced their support, Bridgestone redirected these resources into topped-up redundancy packages (Nous Group, 2013). Consulting the employer before making the announcements could have contributed to saving scarce public resources.

In the case of the forthcoming closure of Holden and Toyota, a National Governance Committee has been established to co-ordinate assistance. The committee is comprised of representatives from Holden and Toyota, the South Australian and Victorian Governments, the Australian Government and other key stakeholders with relevant expertise.¹⁶ It is in charge of overseeing the strategy to assist workers displaced from the automotive manufacturing industry and monitoring performance. Decision-making to implement the strategy rests with four stakeholders according to the groups of workers concerned: Holden and Toyota respectively for their own workers, and the Victorian and South Australian Governments for the supply chain workers in their respective states. A national facilitator, located in Victoria where most layoffs will occur, has also been appointed to co-ordinate action on the ground. An *employment facilitator* position has also been established in the Geelong region to replace the LEC position after Ford announced its closure, as well as in Illawara and North/North-West Tasmania, with duties similar to those of former LECs.

Experience in other OECD countries suggests that placing the responsibility with one specific stakeholder can be an effective way to address co-ordination issues. In Québec, Canada, for example, the ministry of employment is initially responsible for setting-up the reclassification assistance committee (CAR), but a professional consultant is then recruited to manage the CAR and this person has considerable autonomy in doing so (see Box 3.2).

Tying recognition of prior learning, training and work opportunities

Increasingly, assistance programmes for displaced workers include *Recognition of Prior Learning* (RPL). RPL is well developed in Australia and it provides a mechanism for national education, training and employment stakeholders to grant formal recognition, through the awarding of qualifications, of vocational knowledge and skills gained on-the-job or through other informal learning experiences. As is the case for training policy, RPL processes are under the responsibility of state governments in

Australia. However, the system of accreditation of competencies relies on the Australian Qualifications Framework which was developed at the national level in the mid-1990s. This represented an important advance since the geographical mobility of displaced workers can be hampered when vocational qualifications vary from one area to another, as is often the case across Canadian Provinces (OECD, 2015b).

RPL is particularly useful for displaced workers who have no formal qualification but have acquired their skills on the job, as is often the case for low-educated long-tenured workers. RPL processes generally involve both skills recognition and skills qualification where the skills are translated by a qualified assessor (generally from a RTO) into formal qualifications. Employers' training policy as well as their ability and willingness to provide proper competency certificates to their workers have a large impact on how smoothly the RPL process can be applied to workers they displace. The Tasmanian paper mills and Bridgestone provide two contrasting examples in that respect (see Box 3.3 and Box 3.4).

Combined with the knowledge about local/regional labour market opportunities and worker preferences, RPL assessments provide a useful basis to develop effective training plans for displaced workers – plans which in addition may be more cost-effective in the sense that the worker has to complete only the missing skills to receive a qualification. By contrast, the lack of RPL may compromise this possibility. In the case of Bluescope, for example, no support was provided to workers to complete assessments to map their skills, which prevented workers from becoming aware of the opportunities available to them to undertake targeted training (Nous Group, 2013).

Available case studies suggest that training is often a weak component of the LAPs, either because it is under-resourced or due to weaknesses in its design and delivery. In the case of the 2004-05 Mitsubishi retrenchments, the lack of training provision is thought to have undermined the chances of workers to find sustainable jobs (Beer et al., 2006). While almost 60% of the workers had indicated that they had plans for further training – mainly those with either less than a secondary qualification or already a tertiary qualification – only 5% became full-time students at any point. Retraining workers would have been necessary in particular to allow for switches to the mining and defence industries that were growing at the time. The 2011 collective dismissal at Bluescope in New South Wales presents another case in point: only 79 out of the 800 workers who were laid off received any training, due to both insufficient resources and low take-up (Nous Group, 2013). Resource limitation also explains why the type of training workers can receive is often restricted. In the Tasmanian paper mills and forestry case, for example, workers were not able to access vocational training (see Box 3.3). Bridgestone is a welcome counter-example, as workers were offered various training entitlements and programmes (see Box 3.4).

While it is still an ongoing process, the amounts set aside by Holden and Toyota to provide RPL and training to the workers they will be laying off also appear to be significant. Workers from the component suppliers will rely on the skills and training programmes developed for them by Victoria and South Australia State Governments, which are less generously funded.¹⁷ Additional training support may be available to these workers via the employment service providers. However, the amount that the Employment (Pathway) Fund makes available to retrenched workers in the automotive sector, has been reduced since July 2014 (see below).

In order to be effective for displaced workers, the content of the training offered needs to be tailored to their individual needs. Case studies point to a number of obstacles that may prevent displaced workers from undertaking training. First, low-educated and older retrenched workers are often reluctant to enrol in training, because they fear that they would not perform well in a classroom setting. Organising training sessions with peers can help to alleviate these fears (see Box 3.3). In Bluescope, workers were deterred by perceptions about the learning environment (e.g. the intensity of testing or literacy and numeracy requirements) that were not necessarily accurate. The assistance was therefore reframed, highlighting for example where written tests would not be required (Nous Group, 2013). Sometimes training offers lack the required flexibility in terms of timing – especially for the longer training options – and schedules. For example, in the case of Bridgestone workers sometimes had to wait for months for a course to start, while other working on shifts could not access some courses that were held at hours when they could attend.

A general need is to help workers to understand which training options are both possible and relevant for them. Pre-training counselling is thus important and it can increase post-training employment rates (ILO, 2014). It also can be used to expand workers' perceptions of what they can envision themselves doing in the future. When there is no pre-training counselling, bandwagon effects are likely to emerge, whereby workers simply follow their peers. RTOs are not in a good position to provide such counselling, as they can act opportunistically, and employment service providers are sometimes linked to RTOs. Due to the difficulties many displaced workers confront in choosing which training to undertake in the absence of counselling, using training vouchers is probably not an efficient way to offer access to training unless it is combined with effective (and possibly mandatory) one-to-one training counselling. In the case of the Commonwealth funded Ford Transition Programme which helps Ford workers and workers in Ford supply-chain businesses affected by Ford's closure to make a transition after they leave their current employers, this is done by the Transition Program Coordinators who more generally help workers establishing a transition plan (Callan and Bowman, 2015). Such practice should be used more widely to help displaced workers return to employment successfully.

Finally, for training to effectively help displaced workers transition to new jobs better links are needed between training and work experience. In the Tasmanian forestry case, training was often not enough to find employment. Instead, many displaced workers observed that despite having obtained new qualifications in growing occupations, only workers with relevant experience were attractive to employers. Bluescope workers faced similar obstacles. Avenues for trainees to gain work experience should be developed so as to make graduates fully work-ready. One possibility could be to develop flexible training where the worker or jobseeker can alternate periods in training with periods in a workplace where they gain the necessary experience applying their new skills. Subsidising employers to provide work experience to recently-trained workers or subsidising training after hiring could be other options to explore.

Providing adapted placement services into sustainable jobs

Displaced workers can receive a number of employment services to help them transition to a new job. Some employers provide outplacement services, especially for their white-collar retrenched workforce. LAPs also include automatic access to higher level streams of employment services and sometimes top-ups for the Employment (Pathway) Fund. Until June 2014, workers retrenched in the four sectors covered by structural adjustment programmes could access Stream 3 employment services under the JSA. Since June 2014, this was limited to access to Stream 2 services for workers in the automotive manufacturing sector, and the top-up made available through the Automotive Industry Structural Adjustment programme to complement the Employment Fund was significantly reduced.¹⁸ Since July 2015 under jobactive, retrenched workers covered by a LAP now have access to Stream B employment services.¹⁹

The scarcity of reliable data about displaced workers' experiences with the services offered through LAPs and other measures, and their employment outcomes makes it difficult to judge the value and effectiveness of these services. However, a number of features emerge from the various case studies that are available. When employers offer outplacement services, workers generally seem to be satisfied with them. By contrast, the services provided by the Job Network (JN) or JSA employment service providers often appear to be poorly adapted to displaced workers.

First, there is an issue of timing of the re-employment services. Mitsubishi and Bluescope workers, for example, had to wait until after the retrenchment – when they were already unemployed – to be able to access JN/JSA providers' services. By contrast, Bridgestone workers and the automotive manufacturing workers covered by the AISAP are able to access these employment services before they were/are retrenched.

Second, available case studies indicate that workers often question the quality of the services available to them. In particular, the employment service providers are often perceived as being equipped to assist disadvantaged workers, but not *job-ready* displaced workers. In Bluescope and the Tasmanian forestry cases, junior level staff had limited experience to deal with (often older) retrenched workers. In fact, the co-ordinators did most of the job search assistance for the Tasmanian forestry retrenched workers (see Box 3.3), as JSA services were not equipped to provide the intensive case management that these workers required (Nous Group, 2013). JN agencies were also found to be of limited help to the semi-skilled Mitsubishi workers. This is reflected in the fact that 12-18 months after retrenchment, 38% of the workers had not used JN providers, and of those employed, only 6% had obtained their job through JN agencies (Beer et al., 2006). JN/JSA providers would nevertheless cash in the placement bonus once a registered worker found a job.

Another problem reported by workers relates to the quality of the jobs into which employment service providers place them. The structure of the remuneration system leads employment service providers to give priority to short-term positions, rather than sustainable jobs (see Chapter 2). For instance, despite the relatively good labour market conditions at the time, only one-third of the previously full-time permanent Mitsubishi employees were back in full-time paid employment (permanent or short-term) 12-18 months after retrenchment, while one-quarter were in casual or part-time jobs (Productivity Commission, 2014). Among the re-employed group, 70% were earning less than when employed in Mitsubishi, which was paying relatively high wages. Many Tasmanian forestry workers also moved into seasonal and casual jobs. Even the relatively skilled Bridgestone workers incurred substantial wage losses in their new jobs. Reforming the remuneration structure for employment service providers towards longer-term results would be necessary to provide incentives to place displaced workers into more sustainable and higher quality jobs.

Conclusion

Australia does not have specific policies in place to prevent layoffs or help employers in retaining workers in economically difficult circumstances. Flexible labour markets, in which employers can easily hire and fire workers, are seen as the best guarantee for workers to find a new job quickly when they are retrenched and to facilitate restructuring. This appears to have worked relatively well during the GFC, but may not always do, in particular as the labour market has become much less buoyant over the recent period.

The absence of a publicly supported short-term work scheme in Australia may imply foregoing some leverage for discouraging excessive layoffs in response to temporary demand shocks. While a fully-fledged short-term work scheme linked to unemployment insurance is not suitable for Australia, the authorities could consider introducing a mechanism to provide public support to firms that temporarily reduce the working hours of their employees, rather than dismissing them, during a period of temporarily low demand. This support could take the form of publically-subsidised training places for these workers or temporary subsidies to the firm, possibly in the form of low-interest loans.

More generally, employers in Australia have limited obligations towards workers they dismiss for economic reasons, as compared with employers in most other OECD countries. Severance payments are low and notice periods are short by international standards, and the notification of dismissals to the public authorities comes late if at all. Workers in small firms and casual workers more generally (one-fifth of the Australian workforce) usually receive no support from their employer when displaced. Employees of larger firms that implement large-scale layoffs are more likely to benefit from timely re-employment support since their employers are required to consult with unions and workers' representatives ahead of time, although it appears that this requirement is poorly enforced and no sanctions are applied in case of non-compliance. There is considerable room to strengthen employer responsibilities to facilitate worker adjustment by introducing an obligation to keep training records that can facilitate the recognition of skills obtained on the job when workers are displaced.

When layoffs are taking place, the Australian system of publicly-funded assistance raises both equity and efficiency concerns. Compared with other OECD countries, Australia provides relatively limited assistance to displaced workers. Special assistance measures are provided only through the LAPs for collective dismissals in sectors and/or regions, or since recently, selected firms covered by structural adjustment programmes. This leaves most displaced workers in Australia without any specific assistance to transition to a new job, again including especially all workers in smaller companies (with less than 15 employees) and casual workers. The narrow targeting of this support is especially problematic for some groups of displaced workers who are known to face above-average adjustment costs, such as older workers and low-educated, long-tenured workers. International experience suggests that it can be cost-effective to offer re-employment assistance to these groups while limiting intensive support for work-ready displaced workers who do not require assistance.

The system of support through structural adjustment programmes could be significantly improved by moving towards a cross-sectoral approach, in

which the intensity of the public response to any collective layoff could be tailored to the needs, depending on the severity of the layoff, the local labour market and economic conditions, the local institutional capacity, and the workers' capacities – as done in Ontario, Canada, for example, or by the European Globalisation Fund. The recent conclusion of five structural adjustment programmes for specific enterprises signals some change towards more responsiveness to specific conditions in setting-up specific intensive responses. Real changes in this direction could be achieved by further developing the *Retrenchment to Re-employment Response* approach to collective dismissals that the current government is using (Box 3.5) and allowing for a wider use of its Stage 3. In particular, criteria to access Stages 2 and 3 should be established to go beyond the current discretionary approach and workers from supply-chain firms should be automatically included when Stage 3 services are being delivered.

Intervening early is probably the most (cost-) effective way to provide re-employment support to displaced workers. At the moment, in view of a very short notification period also in case of mass layoff, early intervention is only possible when employers voluntarily warn the authorities sufficiently in advance. Introducing a longer notice period in case of collective dismissal, could allow public authorities to provide information to displaced workers and possibly start providing services before retrenchment occurs. This would be particularly important in Australia, where workers are generally reluctant to contact government services, which are often perceived as dealing only with disadvantaged groups of workers.

Improved co-ordination between the various federal and state government offices providing support to displaced workers could enhance the effectiveness of public re-employment assistance. When co-ordination is lacking, it is difficult for displaced workers to navigate the services offered. Co-ordinating action with the employer is also important, notably to prevent governments from providing services which the employer would readily provide. Local Employment Coordinators (LECs) were found to efficiently serve this aim of co-ordination, as were the rapid response teams (RRTs) set-up by States during the GFC. Since LEC positions were eliminated and the RRTs disbanded at the end of the crisis, it is important to find another mechanism to assure co-ordination. Employment facilitators positions with similar functions have been created, but in three regions only.

Box 3.5. *The Retrenchment to Re-employment Response approach to collective dismissals*

According to the Australian Department of Employment, the following approach is used to deal with collective dismissals. Once notified of redundancies via Centrelink, the national office of the Department of Employment notifies its state offices and requests contact with the affected employers. The level of federal government assistance can depend on i) the services already being provided by the employer and state government; ii) the scale of the redundancies; iii) the ability for workers to quickly move to new employment; and iv) the capacity of the local labour market to absorb these workers.

The services are tailored to the needs of the employers and workers and assessed on a case by case basis. Based on this assessment services of various intensity are provided in a “staged approach”:

- **Stage 1:** The Department of Employment local state office contacts the affected employers by email or phone to discuss their needs and provide them with information and resources on support for their workers. The state office may also contact the relevant state government to also provide assistance. Resources made available to retrenched workers can include: factsheet on the support for retrenched workers, information on the What’s Next website, information on where the job opportunities are including Australian Jobs and links to the Job Outlook website, factsheets on creating and updating résumés and cover letters, as well as on how to prepare for interviews and information on the steps to find work.
- **Stage 2:** The local state office, alongside the relevant state government and in collaboration with Centrelink and local stakeholders (including local jobactive providers), provides on-site information sessions on the types of support available (assistance to find a new job, financial support, eligibility for income support payments, eligibility for training support and local labour market information).
- **Stage 3:** If the impact of a company’s retrenchment on the local economy or community is severe, a targeted response may be developed by the Department of Employment in collaboration with relevant federal departments, the state government and the employer in the form of a structural adjustment programme, which then provides additional, more intensive, assistance (including career counselling, recognition of skills, support for training and licences, financial counselling, personal counselling, and immediate access to intensive jobactive support, including small business assistance, wage subsidies and relocation assistance to take up a job).

Source: Department of Employment.

One promising development in Australia is the increasingly widespread recognition of prior learning in LAPs for displaced workers. When combined with training counselling and case management, this is a useful tool to help workers with concrete advice about which types of training to

undertake, taking into account the workers' skills, preferences and job opportunities. An increasing number of studies that take account of longer-run impacts on employment and earnings demonstrate that well-designed training programmes can be a cost effective way to help jobseekers find good and sustainable jobs. Poorly-educated displaced workers need to see how they can benefit from training that it is accessible to them and for displaced workers trying to change occupation, it would be important to develop options to tie training with practical work experience.

Assistance provided by JN/JSA employment service providers to displaced workers covered by LAPs was often not well adapted to their needs. Providers in Australia are used to dealing with the long-term unemployed or other people with long-standing barriers to stable employment, but not with work-ready clients. Under jobactive, the focus on disadvantaged workers, notably indigenous people, has been strengthened even further. Moreover, LAPs coverage is arguably inequitable and potentially wasteful as it provides automatic access to employment services to all displaced workers in a particular sector or region, irrespective of whether a worker needs help, while excluding other displaced workers who have an equal or greater need for re-employment support from such services merely because they were employed in different sectors or regions.

To answer these efficiency and equity concerns, the Australian authorities should consider changes in the current system of employment service provision for displaced workers. The aim should be to provide access to Stream B employment services to workers with the greatest adjustment difficulties, with case workers specialised in dealing with the needs of displaced workers. Access to services would not be based on the (arbitrary) existence of a structural adjustment programme, but by assessing the risk for displaced workers of not successfully transitioning into a new job; the Productivity Commission actually proposed targeting the assistance to workers in the automotive sector by initially assessing individual employees' risk of not finding employment without assistance (Productivity Commission, 2014). Such a targeted cross-sectoral approach would have the great advantage of also covering workers displaced individually or from small companies, workers who are currently left out. It could also help to reduce the strong stigma currently attached to employment services. In practice, such change would imply a major expansion of the employment service contracts. As the contract for employment service providers will be renewed in 2020 only, this would leave sufficient time to develop pilot projects in some areas and test and refine the provision of such services before generalising them in the new contract. In this context, to provide financial incentives to employment service providers to place displaced workers into stable jobs that foster skills development and earnings growth over time, longer-term outcome payments – beyond the current 26-week payment – should also be introduced.

Notes

1. After a first set of reforms in 1996, further amendments to the labour legislation introduced by the Conservative Government in *Work Choices* in 2005 significantly reduced the protection of workers against dismissal, mainly by abolishing unfair dismissal protections for workers in firms with less than 100 workers. Venn (2016) finds no impact of this increase in the threshold for small firms on hiring, firing or working hours, possibly because employment protection rules were already among the least strict in the OECD. In 2009, however, the Fair Work Act passed by the Labour Government introduced new protections for workers. The act includes in particular a provision preventing employers from dismissing a worker on the basis of redundancy without first considering opportunities for re-deployment within the company or an associated entity of the company. Moreover the threshold for exemption from the main employment protection legislation provisions was reduced from 100 to 15 workers.
2. *Source*: ABS (2012), “Employee earnings and hours, Australia”, Cat. 6306.0, May 2011.
3. Over the period January 2011 to 30 September 2015, 95% of the collective agreements included provisions regarding severance pay, most often for employees with tenure of four years or more. 64% of the agreements set the maximum entitlement (26.6 weeks or slightly more than 6 months on average).
4. Employees alternated work from one week on – one week off to one week off in 12 weeks. *Source*: <http://gmauthority.com/blog/2010/06/holden-to-bring-back-second-shift-return-all-employees-to-full-employment/>.
5. In Ford and Holden, workers were also requested to use accrued holiday, as were workers in many firms across Australia (paid or unpaid leave).
6. A diverse range of industries have received structural adjustment support including the higher education and mining sectors, but most of it has gone to the manufacturing sector, in particular the automotive sector and the textile, clothing and footwear industry (Beer, 2015). The agriculture, forestry and fishing sector also received a substantial share of the support. Structural adjustment programmes have sometimes been introduced to increase the political acceptance of resource/environmental policy measures, for example in the Murray Darling Basin and for fishing quotas.
7. Since 2004, the parts of the regional adjustment funds not directly dealing with retrenched workers have been the responsibility of the *industry* department in the Commonwealth Government. DEEWR and now the Employment Department has been responsible for the labour adjustment component of the programme.

8. The notional ex-post subsidy per actual job lost is unclear as there is no consolidated public record of final retrenchments. Besides, actual expenditure tends to be significantly lower than announced expenditure (AUD 134 million against the AUD 250 million) (Productivity Commission, 2012). Also, the plans may save jobs other than just those in the firms directly targeted by the regional adjustment funds, so that the ex-ante notional subsidy per job at risk may be lower than is indicated by the published estimates.
9. Estimate by the OECD Secretariat: 38 800 in textile footwear and clothing (*Source*: ABS, “Labour force, Australia, detailed, quarterly”, Cat. No. 6291.0.55.003, February 2014); 1 040 in Tasmanian forestry and logging (*Source*: ABS, 2011 Census,); 40 000 in automotive manufacturing (*Source*: Productivity Commission, 2014); and 7 400 at Bluescope steel (*Source*: Productivity Commission, 2015), http://www.pc.gov.au/data/assets/pdf_file/0006/187638/sub0058-workplace-relations.pdf); total dependent employment in Australia is 10 383 000 according to the *OECD Employment Database*, www.oecd.org/employment/database. An estimate for 2016 would be lower, since the textile programme is closed and the four new programmes concern much fewer workers.
10. In the Textile, Clothing and Footwear Structural Adjustment Package, casual employees and employees from labour hire with tenure of at least six months were eligible for the support. Outworkers/homeworkers were also eligible. In the latest automotive industry structural adjustment programme, some labour hire workers with long tenure are also eligible.
11. For example, workers displaced from food processing, construction and other industries receive no assistance, even though they are similarly affected by structural adjustment and face difficult labour market conditions. Some state programmes for displaced workers, such as Workers in Transition, a training programme in Victoria (see below), are in principle open to all sectors. However, such programmes are rare and in any case restricted in the scope of the assistance they provide (here only training).
12. TAA offers a more generous set of unemployment benefits and ALMPs to workers certified as trade-displaced than is available to other displaced or unemployed workers, as well as assistance to firms in need of restructuring.
13. However, latest evaluation suggests that the broadening of the coverage was not successful, with a rather low take up in the new sectors and case management for all translating into high caseloads and delivery of services to workers who did not need it (D’Amico et al., 2012).

14. In Canada, the definition of collective dismissals varies from one jurisdiction to another but depends on five factors: i) number of employees terminated; ii) type of employees (permanent/temporary); iii) length of time over which terminations occur; iv) whether terminations are counted business-wide or by facility; and v) whether any exceptions apply. For example in Quebec, collective redundancies are defined as either the termination of employment for 10 or more employees in the same establishment over a period of 2 consecutive months; or the temporary layoffs of at least 10 employees for 6 months or more. In Denmark, mass dismissal is defined as the dismissal for economic reasons within a 30-day time frame of: i) at least 10 employees for firms employing more than 20 but less than 100 employees; ii) at least 10% of the workforce for medium to large companies (100 to 300 employees); and iii) at least 30 employees for firms with more than 300 employees. Sweden has no such definition of collective dismissal. Any dismissal of more than five employees must be notified to the public employment services.
15. One of the advantages of providing on-site informational sessions for groups of workers who will be affected by a mass layoff is that it can help to overcome any misperceptions they may have about government re-employment services not being suitable for people like them. Quite often, such programmes make use of *peer counsellors* who are members of the group affected by the pending mass dismissal (or experiences an earlier dismissal in the same firm or industry) and thus have considerable credibility with workers who are notified that they will be displaced.
16. Ford is not part of these arrangements because its closure was announced earlier. At that time, the scale of the impact of the closures on the automotive manufacturing industry was not clear and the response was smaller in scale.
17. Our Jobs Plan in South Australia is a AUD 7.3 million fund aiming to re-skill and retrain 7 900 workers, implying slightly less than AUD 1 000 of funding per worker.
18. However, support for training may be available through the Skills and Training initiative to workers who will be retrenched while still at work. Overall, this has resulted in higher funding levels for training.
19. In the Automotive sector, the per worker contribution of the Employment Fund for workers covered by the AISAP was AUD 1 100 (Stream 3) plus a top-up of AUD 1 780 until July 2014. Between July 2014 and June 2015, it was AUD 550 (Stream 2) plus a top-up of AUD 450, and since July 2015 it is AUD 850 (Stream B) plus a top-up of AUD 450.

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AUSTRALIA

IMPROVING THE RE-EMPLOYMENT PROSPECTS OF DISPLACED WORKERS

Workers who are involuntarily displaced from their jobs can face long periods of unemployment. Wages also tend to be lower once they find a new job, especially when they are unable to find a new job in the same occupation as their pre-displacement job or in occupations using similar skills. Helping displaced workers back into work quickly and minimising the income losses they face are therefore an important challenge for employment policy. This series of reports provides new empirical evidence from a comparative perspective on the incidence of displacement and the risk that displaced workers may subsequently face a long spell of unemployment and large wage losses when re-employed. It also identifies the main labour market programmes providing help to these workers and assesses how adequate and effective they are. Policy recommendations for further action are presented.

Nine countries are participating in the review: Australia, Canada, Denmark, Finland, Japan, Korea, New Zealand, Sweden and the United States.

Contents

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