

# GOVERNMENT ASSISTANCE TO RETRENCHED WORKERS

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In recent years Australian trade unions have used the Accord with the Hawke government to campaign for an interventionist industry policy. Improvements to public assistance for retrenched workers are a key element in public proposals for industry plans for the heavy engineering and clothing, footwear and textiles industries. Judging from overseas experience, a correlation exists between the extent of state intervention in the economy and support for displaced workers, while trade union density (the proportion of the workforce which is unionised) appears to influence the form and direction of that support.

To examine the link between interventionist economic policy and public assistance to the retrenched, we have looked at arrangements in the United States, France, Japan, Sweden and Australia. These countries represent a cross section of Western nations, not only in terms of their markedly diverging levels of union density, but also in types of economic management. We have examined seven key policy areas - advance notification, special benefits paid to retrenched workers, job retention measures, early retirement, retraining relocation assistance and public employment services - and briefly related them to the domestic political and economic environment. From this review we draw out some political lessons about the efforts of the Australian unions and their current attempts to integrate labour adjustment with industry policy.

## The United States

Retrenched workers in America have the worst of all possible worlds - a tradition of laissez faire economic management and a labour movement poorly mobilised and without strong links to a major political party. Union membership is less than 20% of the workforce, and a craft union/industrial union division has existed between the national confederations for twenty years from 1938 (Curtain 1938:12 and Korpi 1983:30). Left-voting in the US is insignificant, and the unions are highly decentralised, based on industry and even plant level collective bargaining.

Magaziner and Reich describe American industry policy as 'irrational and unco-ordinated', and US policy since 1945 has been directed at maintaining the perogatives of the free market, even at the expense of orderly international monetary arrangements (Magaziner and Reich 1928:255 and Block 1977).

These traditions are evident in the little public support for retrenched American workers. There is no national legislation

governing advance notice, and only two States have any provision in this area (Oaklander 1982:194 and Hookes 1984:116). Benefits from the Unemployment Insurance Scheme are on average only 40% of previous earnings, and the scheme itself has solvency problems (Bendick 1983:725 and Sweet 1985:42-3). Short-time working was used in the 1970s as a job retention measure, but without any supplementary compensation for wages lost, and government policy discourages early retirement (Casey and Bruche 1984:4 and Casey 1985:132). Employee ownership is supported by government by way of tax concessions, but the success in job retention of these buyouts has been poor, and most of the companies deny worker decision-making and use employee participation to borrow tax-sheltered money (Kuttner 1985:18). The Federal administration has taken the initiative on retraining with the Job Retraining Partnership Act of 1982, but as the States have been given control of the program, there is no provision for income maintenance and it has been condemned as no substitute for a comprehensive redundancy policy (Cook and Turnage 1985:32 and Sweet 1985:59-61). The most innovative retraining schemes in the US are the products of union-employer negotiation, as in the case of the Ford/United Auto Workers Union agreement to cover the closure of a Californian assembly plant, but with the frailties of American unionism, the protection such agreements can offer to the majority of workers is obviously limited.

### France

Labour adjustment has become an important issue for French economic policy, even although union membership in the mid-1970s was only 20% of the workforce in France, and a generally low level of left-wing participation in government since 1945. (Curtain 1983:12 and Korpi 1983:30,40).

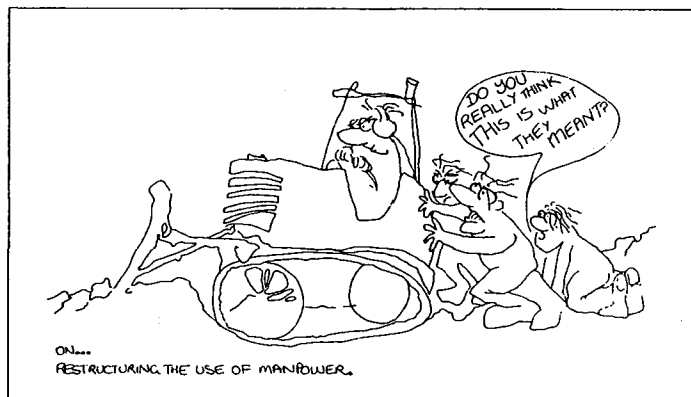
France's industry policy, although less successful than the Japanese, is also of the interventionist type. Promotion of French exports is elaborate, and includes generous credit arrangements. Government also takes a direct role in industrial restructuring, but not particularly successfully. The organisation of industry policy is handicapped by the fragmentation of responsibility among different bureaucracies which may have conflicting philosophies (see Magaziner and Reich 1982: Part III).

Retrenchment policies reflect the legitimacy which state intervention enjoys in France, but also contain shortcomings indicative of the low levels of union mobilisation. For instance, retrenched workers have been eligible since 1979 for a special payment based on 65% of previous earnings, but in an attempt to put pressure on the recipient in his or her job search this proportion is reduced over time. (Pelissier 1982:74). Subsidies were used in the 1970s to finance short-time working arrangements to avoid outright dismissals, but these guaranteed the worker only 50% of gross weekly pay. More positively three months advance notice is now required for a retrenchment of 50 or more people, and employers are required to consult with staff representatives and not merely inform them of the decision. Early retirement is encouraged in France, both by lowering the pension age to 60 and

by paying special bridging payments to early retirees or those over 55 who have been dismissed. (Casey and Bruche 1985:19).

The provisions for retraining in France are comprehensive. A retraining agreement struck between the unions and employer associations in 1970 was cemented by legislation in 1971 and 1976. This requires employers with 10 or more workers to make an annual contribution to training courses (Bendick 1982:726-7). The funds can be used by the firm to run in-house training; or to contribute to an industry fund to run training centres for the unemployed; or they can be handed to the government for allocation.

In 1985, legislation was enacted for a voluntary system of agreements between companies, retrenched workers and the National Employment Fund, to extend the "training leave" already existing in certain industries. Under the scheme the Government and industry will jointly finance 4-10 months training leave, and workers receive not less than 65 per cent of their wages nor less than 85 per cent of the statutory minimum wage. The significance of this arrangement is that the worker retains a link with the employer because the employment contract is merely suspended, not terminated. This idea is taken further in the iron and steel industry, where firms are obliged to make two offers of employment where the retrained worker has been unable to find alternative employment (European Industrial Relations Review 1985:16).



## Japan

Although the Japanese devote considerable resources to labour adjustment, there is evidence to suggest that this is not a product of labour movement strength. With American help, Japanese employers successfully restored company unionism after the Second World War, and union density by the mid 1970s was only 24% of the labour force (Apple 1980:21 and Curtain 1983:12). These weaknesses are compounded by political divisions between the union confederations, and the insignificant representation of left-wing parties in Japanese governments since 1945 (Korpi 1983:30,42).

Nevertheless, labour market policies are an important component of an interventionist tradition of public economic management in Japan. Two prominent institutions directing policy are the Ministry of Finance and the Ministry of International Trade and Industry which take an active role in influencing enterprise decision-making and the finance market through an extremely close-

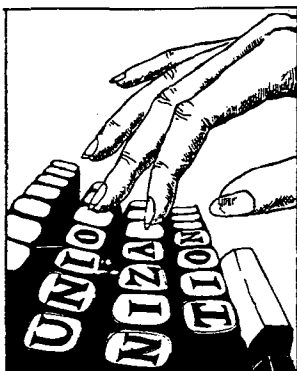
but not trouble free- relationship with the business community (See Magaziner and Hout 1980).

Retrenchment policies are a part of a cohesive strategy to foster growth industries and rationalise older industries. Since 1978, workers in designated depressed industries are entitled to various forms of assistance, including special benefits for training and allowances for job search and moving. Employers in the industry are required by law to prepare a plan to assist the re-employment of retrenched workers, which if approved makes them eligible for subsidies (Shimada 1984:17-9).

Outside these selected industrial sectors, workers under threat of retrenched in Japan are more vulnerable. Although unemployment benefits are based on a proportion of previous earnings and favour low income earners, there is no minimum period of advance notice set by national legislation. Single company unions, because they link the company's fate to their own have limited bargaining power to deal with collective dismissals. (Hanami 1982:172). Although the large corporations are reluctant to retrench regular employees, and take steps to avoid doing so including transferring workers within the company and 'loaning' them to other firms, workers in small firms are more likely to be retrenched or retired (Shimada 1984:27.35).

### Sweden

There is more evidence that retrenchment policies in Sweden are the product of a strong labour movement. At around 90% of the workforce, Swedish union density in the mid 1970s was the highest in the Western industrialised world, and this mobilisation has been translated into a long history of Social Democratic government (Curtain 1983:12). Swedish unions have been - to paraphrase Meidner - the ideological motor in the labour movement's policy formulation, resulting in an interventionist policy tradition which defined labour adjustment as a key tool of economic strategy. At the end of the 1940s, the Swedish blue-collar confederation (LO) adopted the 'Rhen-Meidner' model, to take the burden to stabilisation policy off wages. This model used a so-called solidarity wages policy to restrain wage increases for the higher paid and to accelerate them for the low paid, using high indirect taxation to squeeze inefficient manufacturers out of business. The Swedish unions coupled an active labour market policy to these measures, which guaranteed displaced workers opportunities for retraining and relocation (See Rhen 1952 and Meidner 1980).



Not surprisingly then, support for retrenched workers in Sweden is very thorough. To begin with, workers about to be retrenched receive a minimum of one months advance notice, with longer periods for those aged 45 and over or with long service. The employer is also obliged to notify the local employment exchange two months before retrenchments involving 5 or more people. Sweden has a national employment insurance scheme

which ties benefits to previous income, and due to a highly progressive taxation arrangements, the net difference between former earnings and the unemployment benefit is only 4-16% over a full year (Bjorklund 1985:9). This full benefit lasts for 60 days, or 90 days in the case of these aged 45 and over, after which supplementary benefits are available, but at a lower rate.

In the 1977-8 period, job retention measures in Sweden were introduced to avoid retrenchments, including stock-piling and subsidised in-house retraining, but the training subsidy proved inadequate as a long-term measure (Casey and Bruche 1985:5, and EFA 1984:27). Thanks to generous pension entitlements however, early retirement is a viable alternative to retrenchment. In the early 1980s, early retirement became a common labour-shedding device for companies, but for the individual, income maintenance is high. A partial pension scheme introduced in 1976 is also used to reduce workforce levels and has the effect of keeping up labour market participation for those aged 60-64 (Bjorklund 1985:120 and Casey and Bruche 1985:21).

The importance of the active labour market policy is reflected particularly in the retraining and relocation assistance available in Sweden. Some 13 per cent of total labour market expenditure is devoted to retraining, which is open to the unemployed or those 'at risk'. Recent reforms of the retraining programme include decentralisation, and the provision of a 'non-academic' environment for trainees (AMS 1985:23-4 and Bendick 1983:219-20). Relocation assistance is generous, and includes travelling and moving costs and an allowance for the 'non-monetary' costs of moving, which is up to \$US1800 for households and \$500 for single people (Bjorklund 1985:11).

Finally, the employment service in Sweden (equivalent to the CES) is well-funded. Each client receives a case-worker, who develops specific services to suit the needs of that person, and employers are required to notify all new vacancies to the employment offices (Bendick 1983).

### Australia

As many commentators have noted, the high levels of union membership in Australia sit oddly with both the poverty of our welfare arrangements and the infrequent occupation of the government benches by the ALP. Castles attributes the inadequacies of our welfare state to a strategic decision made by organised labour at the turn of the century, which placed the real wages of wage earners above that of more general social security provisions for the population at large (Castles 1985:82). Instead of unemployment insurance and the other social, wage provisions, Australian unions turned to arbitration, a White Australia policy and protectionism to deliver full employment and high wages. Although this strategy had some success, its eventual inability to deliver full employment left the Australian working class with poorly developed welfare provisions. Coupled with the bi-partisan adherence to the virtues of economic liberalism dating from the rise of monetarism in the mid 1970s, this environment has produced retrenchment policies more in common with the American experience than the European (Ewer and Higgins 1986).

The Arbitration Commission has only recently stipulated advance notice in the Terminations, Change and Redundance case, but even so no overall set minimum period of notice exists. This circumscribes action to assist workers before the actual job loss, although the Commission does require employers to consult and not just inform workers and their unions of the retrenchment. Unemployment benefits are not based on the insurance principle, so that the income loss experienced by retrenched workers in Australia is often much higher than in other industrialised countries. The needs-based criterion applied to the benefit disadvantages workers with a spouse in employment and unmarried retrenched workers, but it does have the redeeming features of eligibility for school-leavers and no time limit.

Efforts at job retention in Australia in the 1970s were the product of employer initiatives, and centred on natural wastage, transfers, the spreading of workloads and the taking of accrued annual and long service leave (Taylor and Yerbury 149-51). Early retirement as an alternative to unemployment is not catered for by the wage pension in this country, although many companies have used cash incentives to promote early retirement to reduce workforce levels. These schemes are on offer for a limited time, making their claims to voluntarism open to doubt. In a study of former employees of BHP's Newcastle steelworks, Gordon and Gordon founded that 27 per cent of workers who accepted voluntary retirement said they had done so because they expected to be retrenched (Gordon and Gordon 1983:143).

The specific Federal Government program to assist retrenched workers through retraining is the Labour Adjustment Training Arrangements (LATA), which covers only designated industries. Allowances are paid to trainees to undertake courses, but the scheme has a poor take-up rate among those eligible (DEIR 1985). Relocation assistance in Australia is limited to those with a job offer that the Commonwealth Employment Service (CES) cannot fill. The CES itself has a limited success in funding jobs: only 10% of successful job-seekers find their jobs through it (ABS 1983). Unlike the Swedish employment service, the CES minimises staff involvement with clients, and the pressure on resources make it difficult for the CES to respond quickly to one-off events like plant closures.

Fortunately Australian unions are moving towards 'political' trade unionism - by which is meant the pursuit of goals outside the traditional narrow focus on wages and conditions. This development is producing innovative proposals to prevent retrenchments or, if they do occur, to assist the workers concerned to find another job at the same or higher skill level. One successful experiment at the Government Aircraft Factory (GAF) used retraining as a means to avoid retrenchments threatened by workload fluctuations. In 1982, GAF faced a severe downturn in work as a result of the Fraser government's decision to and production of the Nomad light transport aircraft. The Nomad had in fact begun life as 'counter-cyclical' work to even out loads between military projects. Despite the prospect of work from the RAAF's FA-18 fighter program, 400 retrenchments were announced. The unions involved launched a political and industrial campaign

to save these jobs, and the Hawke government established a tri-partite task force to develop a recovery program. To avoid the sackings while waiting for the FA-18 to come on-stream, the task force obtained government-funding for an 'interim training programme', which was launched in February 1984. This training course lasted 55 working days, and up-dated and up-graded technical skills. It also included a humanities component, covering factory familiarisation and workplace communications. The Preston TAFE College provided the course outline, and two other TAFE colleges, the Royal Melbourne Institute of Technology and the Gordon Technical College, provided trade training. GAF itself contributed to the humanities component of the course. A total of 217 people, drawn initially from areas of lightest workload, attended the course up to December 1984, and the program proved a success both as a training course, and as a means to avoid job losses while waiting for an up-turn in workloads (Interview with Neil Marshall, AMWU organiser, 5 December 1985, and GAF Recovery Plan Team B Report, December 1984, Attachment 4.5).

This initiative at the enterprise-level is being matched nationally. Unions are currently negotiating for labour adjustment measures to be integrated into industry policy, most notably in the heavy engineering and the clothing industries. The Clothing and Allied Trades Union in its current battle with the IAC has called for programs to increase labour mobility in the textiles, clothing and footwear industries, and to improve the chances of clothing workers finding employment outside the TCF sector (CATU 1986:16). As a part of its response to the recent inquiries into the future of the heavy engineering industry, the Metal Trades Federation of Unions commissioned a study into the options available to encourage skills upgrading for existing employees at risk of retrenchment and to address the problem of total plant closures. The report recommended support for workers co-operatives, or if the preconditions for a successful cooperative could not be met, a best practice model of prior consultation to permit in-plant training and assistance before the retirements (see Curtin 1986). Such a model would contain, among a range of recommended measures, fixed periods of advance notification, liberalisation of LATA eligibility rules and the funding of union liaison officers to encourage workers to take up training.



The heavy engineering assistance package (announced 13 June, 1986) includes a skills upgrading and enhancement program with subsidies for off- and on-the-job training as well as a range of measures to assist workers displaced to regain employment within the industry. These aspects of the package have been welcomed by the metal trade unions. (See appendix)

## Conclusions

The type and coverage of policies to assist retrenched workers is determined by the direction of economic policy and the strength of the union movement in each country. In Sweden, the trade union movement has substantially influenced economic policy, resulting in the establishment of a comprehensive social welfare safety net for the victims of market forces. In France and Japan, a centrally co-ordinated economic strategy has produced a measure of public support for retrenched workers, but the absence of industry wide trade union involvement is indicated by important weaknesses, particularly in the vulnerability of workers outside the large corporations in the latter country. In the United States, retrenched workers are at the mercy of the market, and their problems are compounded by the lack of working class mobilisation. Australian experience confirms the lessons from overseas. Policy-makers in this country have upheld the ability of the market to allocate resources, including labour, closing off the possibility that support for the retrenched would be included in an interventionist economic policy. Although Australian workers are comparatively highly organised, strategic decisions made by the unions before the First World War circumscribed their interest in social and economic policy. Only in recent times have the unions pushed beyond a narrow focus on wages and conditions, and it is this development that holds the best prospects for substantial improvements to Australia's inadequate level of support for those facing or experiencing retrenchment.

## Appendix

### Statement, by the Metal Trades Union, on the Restructuring and Development of the Heavy Engineering Industry

The following Statement was endorsed, for presentation to the Commonwealth Government, at a meeting of Federal/National Representatives of the Amalgamated Metal Workers' Union, the Australian Society of Engineers, the Association of Draughting, Supervisory and Technical Employees, the Electrical Trades Union and the Federated Ironworkers' Association held in Sydney on Friday, 4 April 1986.

The Statement assumes that the Government will shortly announce a comprehensive Heavy Engineering Industry Development Plan.

The Metal Trades Unions will actively participate in genuine consultations with employers in the Heavy Engineering Industry to develop and implement guidelines on matters of common concern including:

#### Technological Change

The introductions of new technology is accepted as necessary for the Heavy Engineering Industry to survive and grow.

The consequence of technological change must be addressed with a view to increasing efficiency, maximising employment and job opportunities and avoiding adverse effects on the work environment.



## Restructuring

Restructuring is an inevitable and continuing process which must involve capital and labour adjustment and, in some cases, relocation.

Proposals by employers in the Heavy Engineering Industry to restructure plants must be the subject of consultation amongst all concerned, or likely to be concerned, before decisions are made.

Proposed changes in employment levels, due to restructuring and/or redeployment, should be kept to a minimum and be the subject of consultation, with a view to reaching agreement between the employer concerned, the unions and their members.

Consultation with a view to reaching agreement between employers, unions and their members on proposals for restructuring must be a condition for an organisation's eligibility for restructuring assistance.

## Work Practices

The introduction of new technology including plant and equipment, production processes/techniques and materials, requires continuing review and, where appropriate, changes to workers' skills and work practices.

The need to change work practices should be identified and implemented by agreement between employers, unions and their members.

Changes in work practices, including the avoidance of demarcation disputes, are vital to assist the redevelopment of the Heavy Engineering Industry.

Consultation on proposed changes to work practices must take into account employment levels, the need to maintain and improve job satisfaction, workers' health and safety and the effective utilisation of plant and equipment.

The unions will encourage and cooperate in the elimination of inappropriate work practices having regard to the particular circumstances in each plant or workplace."

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