

## **Keeping Skills During Hard Times: Key Findings and Recommendations**

### **Develop alternatives to firing and invest in skills**

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

When employers face labour shortages they often struggle to release existing workers to upskill for the future needs of their business, in the current environment, downtime can be used for training. The Australian Government should set up a new Skills Development Fund that would allow employers to keep their employees while they release them for training. A portion should be earmarked to re-skill for the new green collar jobs Australia needs to transform to a smart, low carbon economy. The Skills Development Fund could also collate and draw from good practice conducted overseas, such as Swedish firms working with Job Security Councils around competence shift and other strategies to increase the productivity of workers.

### **Repair the safety net to avoid poverty and dislocation**

The income support system for workers who lose their jobs is threadbare and inadequate. The pension has been accepted by many, including Government Ministers, as being “*not enough to live on,*” yet single base Newstart payments at \$225 are \$56 a week below that of the pension, and couples receive \$64 less. Some immediate relief should be granted to Newstart recipients, especially those in the private rental market. Measures to bring Newstart payments in line with pension levels should be included in the forthcoming Government Pension and Tax reviews.

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

A liquid assets test waiting period was introduced in 1991 to increase the time newly unemployed people were expected to live off their own funds before they could claim benefits. In 1997 the threshold was halved, so that now, a single person with as little as \$9,000 must wait three months before receiving Newstart. The current \$2,500 liquid assets test threshold would need to be increased to approximately \$7,500 to restore it to the \$5,000 level in 1991 and to take account of cost of living increases since that time. Liquid assets tests waiting periods should be abolished or restored to 1991 levels (in 2008 dollars) to ensure unemployed people retain some savings and buffers to poverty.

There is limited and uneven government support for mortgage relief, depending on the State a person lives in, the value of the home and the amount of outstanding mortgage (despite it being a Federal scheme). For example, in NSW, people may be eligible for a loan of up to \$20,000 if their house is worth less than \$500,000 and the amount owed on the mortgage is less than \$350,000. The Government should review the coverage and adequacy of this programme.

### **Increase coverage of payouts to redundant workers**

The Government introduced a National Employment Standard offering a minimum protection for all workers in late 2008. However up to one third of Australians employed in the private sector - between 1.5 and 2 million workers – will continue to be ineligible for employer-provided redundancy entitlements. These are mainly workers in firms employing less than 15 people and casual workers.

Government should ask the Productivity Commission or a Parliamentary Committee to undertake an extensive inquiry into the adequacy and coverage of Australia's redundancy arrangements, similar to the recent public inquiry conducted in New Zealand. Schemes to increase redundancy provision to all workers should be investigated including redundancy trust funds such as the Swedish Job Security Councils and within the building and construction sector in Australia, as well as employer-government shared funds operating in Ireland.

The Government provides the GEERS scheme as a safety net for employees in firms who become insolvent and cannot pay their redundancy entitlements. This only applies if a company becomes insolvent but even then, only for employees who had an entitlement to redundancy – again casual workers and many in small businesses are not protected. The GEERS scheme needs to be reviewed to ensure it does not provide a perverse incentive for companies under administration to become insolvent.

**Ensure retrenched workers get the most effective assistance to get back to work quickly.**

The privatised employment and training system (the Job Network) has operated during strong employment growth and has not been tested in an economic downturn. Its greatest criticism has been that it does not adequately assist very disadvantaged clients. A substantial redesign was done prior to the global financial crisis. In some ways, the new system will be better equipped to deal with a downturn in job growth as it will be more responsive to individual needs and offers more skills training.

Most of those recently retrenched will have to wait 12 months for individual assistance – leaving them vulnerable to loss of skills and connection with the job market. Access to early intervention and case management should be more widely available, rather than based on a lottery approach dependent on whether a person works in a specific industry subject to special government supports. Evidence from overseas and Australian structural adjustment schemes found early intervention, intensive case management and training connected with real work has proved to be more effective in preventing long-term unemployment. However increased support for newly unemployed people should not be at the expense of the intensive resources required to assist the disadvantaged and very long-term unemployed.

Employers continue to report that the Job Network is not responsive to their needs. There are pockets of demand-led approaches but overall the system is supply-driven with little connection to employer needs and the chance to get on-the-job training. A demand-led approach to employment and training should take centre stage rather than remain at the edges. This approach should be extended across the entire training system and artificial distinctions between welfare-to-work and in-work training should be avoided.

**Fill the Knowledge Gaps**

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

Best practice from previous industry Structural Adjustment Packages – what works; the impact of early intervention; and individualised support – should be collated and made available to industry, unions, government and Job Network agencies. The Federal Department of Employment Education and Workplace Relations (DEEWR) should set up an Office of Labour Market Adjustment or similar resource. It should work co-operatively with the Department of Industry, Innovation, Science and Technology and other relevant departments and State Government entities to pool knowledge and best practice.

ABS survey 6266.0 of redundancy and retrenched workers should be undertaken regularly.

**Prepared by Toni Wren, Employment and Social Policy Consultant**  
telephone 0405705442, email [tw@toniwren.com](mailto:tw@toniwren.com)