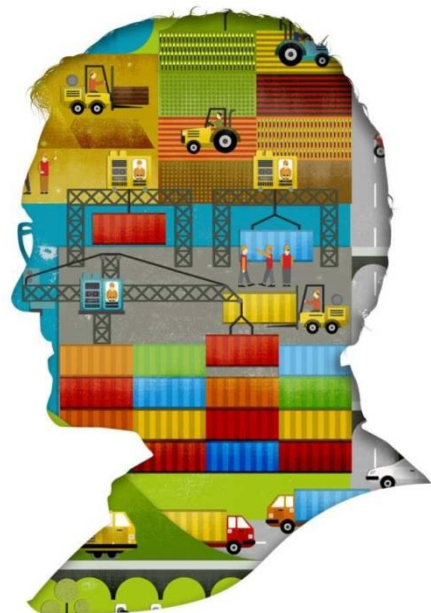


Lessons learnt from large firm closures – main report (volume 1)

Department of Industry, Innovation, Science, Research
and Tertiary Education

22 July 2013



About this project

The analysis contained in this 3-volume report is based on an extensive research project conducted between July and October 2012 by the Nous Group (Nous) on behalf of the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE).

The first phase of the project was an international literature review on the causes of, the responses to and the outcomes from government intervention after large-scale retrenchment events, including large firm closures. The findings of this work are detailed in Volume 2.

The second phase was an intensive case study analysis of five government responses to structural adjustment events across Australia, spanning large, medium and minimalist responses. These are detailed in Volume 3. Each case study was selected by the Department and Nous in consultation with a project management committee to enable analysis of a broad cross-section of different responses around Australia. They also include a range of industry sectors as follows:

- food manufacturing - Heinz and SPCA closures in Northern Victoria (2011)
- tourism – various businesses affected by loss of competitiveness and exacerbated by natural disasters (Cairns)
- forestry - the PaperlinX closures and the Intergovernmental Agreement in Northern Tasmania (2009)
- steelworks - Bluescope Steel's major downsizing in the Illawarra region of NSW (2011)
- automotive manufacturing - Bridgestone Tyres closures in metro SA (2010).

Data for each of the case studies was collected using a combination of field interviews, focus group workshops and desktop analysis. We spoke directly to representatives from organisations involved in each intervention from the employers through to Commonwealth, State and Local government officials. These interviews helped develop an understanding of what was done, how well it was done, and how it was coordinated.

Nous would like to acknowledge the invaluable contribution made by those we interviewed during the case study research. The desire to make a real difference to the lives of retrenched workers was clearly evident in the willingness of stakeholders to engage with us, and the knowledge and passion they bring to their work.

For two of the case studies - BlueScope and PaperlinX - we ran an evening workshop with a group of retrenched worker at each location. These workshop discussions helped us develop a better understanding of longer term outcomes from the interventions. We give our special thanks to the retrenched workers we directly spoke to during the course of this project. Hearing their experiences first-hand provided us with exceptional insights into the personal experiences of retrenched workers and how they value different forms of assistance from government and other providers.

The final phase involved Nous convening a group of economic and policy experts to test our thinking and explore a number of themes we had identified in our case study and literature review work. The expert group involved former state-level government ministers, economists, academics, senior industry and skills policy experts and an employment services representative. Their perspectives, along with the feedback we received throughout the project from DIISRTE and management committee representatives (representing a number of other government agencies) provided us with further valuable insights and suggestions, for which we are also very grateful.

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1 Executive summary

The Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) engaged Nous Group to undertake research into lessons that could be learned from previous government responses to large firm closures. The final report is divided into three volumes, as follows:

- Volume 1 – Discusses the key findings that hold implications for future skills-related strategy and delivery in the context of the Commonwealth Government’s structural adjustment-related interventions.
- Volume 2 – A literature-based review of the rationale for and types of government interventions in cases of large-scale retrenchments, and available evidence of their relative effectiveness.
- Volume 3 – Findings from case study analysis of five government responses to structural adjustment events across Australia, spanning large, medium and minimalist responses.

A central objective of the ‘lessons learnt’ project was to answer the question: what does the evidence tell us that can inform policy concerning the skills component of the Commonwealth’s response to large firm closures and similar events?

Volume 1 sets out our overarching conclusions by considering in turn:

- Strategy – to design effective interventions, policy-makers need to locate the structural adjustment challenge in place and time, defining the short and long-term risks and objectives before determining the appropriate strategy to implement at each of four phases.
- Delivery – we discuss the principles and learnings that should underpin government interventions, with a particular focus on the immediate post firm closure skills assessment and training responses.
- Governance – we take a step ‘up’ to consider, from a systems perspective, the government’s recent approach to managing large-scale layoffs associated with structural adjustment events. In this section we suggest that a ‘systems stewardship’ approach to defining and executing government responsibilities may help in improving the design and delivery of responses to large firm closures, while minimising governance and other resourcing overheads.

The supporting evidence for much of our argumentation in Volume 1 appears in Volumes 2 and 3. A key thread that runs through the discussion in this volume is that interventions associated with structural adjustment events can be viewed in similar ways to governments’ management of natural disasters or other major emergencies. Specifically, we propose that a ‘Prevention, Preparation, Response, Recovery’ (PPRR) framework is useful for making sense of the different objectives at different times and the players that need to be involved in the each of the four phases. It also serves to emphasise the need to consider longer term ‘recovery’ from a large firm closure, both for the affected region and the affected individuals.

Within that construct, we suggest that governments can in the ‘prevention’ phase take a risk assessment approach to determining the adaptive capacity both of a regional economy and its prevailing institutions, which can then inform the design of a response.

In the ‘preparation’ and ‘response’ phase, the primary issue becomes the capacity of the displaced workforce to transition to new employment. Understanding this is critical to delivering services that are flexible and tailored to individual workers’ needs, noting that can change as the initial response phase gives way to considerations of longer-term recovery.

The issue of what happens after the response is important for we cannot be confident about the quality or durability of the employment outcomes that have been attributed to government interventions around structural adjustment events. This is partly due to the absence of counter-factual evidence (i.e. we do not know what would have happened without government intervention)¹ and partly because monitoring of the employment outcomes of Job Services Australia (JSA) clients is intermittent after they have found employment and stops after one year of the job seeker being employed.²

A key aspect of our recommendations for future governance, therefore, is the need to establish longer- term and more qualitative feedback loops to better determine the effectiveness of skills interventions in the context of government responses to large firm closures.

We also address concerns that arose in our case studies about the layers of oversight in government responses to large closure events (particularly in the early part of the ‘response’ phase) and suggest that a clearer and simplified approach to governance should be instituted.

We argue, first, that a clearer delineation of strategy and associated governance according to the 4-phase PRR framework can produce greater clarity and simplicity; and that second, a ‘system stewardship’ mindset on governments’ part could foster a more creative and dynamic approach to interventions, as opposed to a programmatic response that tends to be accompanied by a heavier governance burden and more limited flexibility.

2 Design: good strategy requires an understanding of situational context and shifting goals over time

Governments have a role to play in assisting workers through structural adjustment events that involve mass lay-offs, and to include a skills component in that response. While views about the degree of appropriate interventions differ, it is generally accepted that some assistance is warranted to workers (and in some limited circumstances, to organisations) where the impacts of a major closure or downsizing creates an impact that cannot be easily absorbed by the economy or the community.³

Government interventions here and overseas have been inconsistent, however, and not necessarily well-informed by an understanding of ‘what works’ to cushion the impact for workers, without at the same time countering the necessary processes of structural adjustment that contribute to longer term economic efficiency and productivity.

For this reason, DIISRTE has sought to develop an evidence base to inform future strategies for the skills component of government interventions associated with large firm closures or mass retrenchments. This section outlines the high level findings from our research that relate to underlying strategy development, while the next section addresses lessons learnt that can be applied to the delivery of an agreed strategy.

We have concluded that intervention strategies should be informed by the specific circumstances of place – the social and economic context for a firm closure or major downsizing – and an understanding of what interventions are appropriate at different times during the course of a major structural adjustment process, noting that these tend to run for decades.

The arguments here underline the fact that most firm closures are to some considerable degree predictable in both their timing and their impact.

2.1 A regional risk analysis can inform strategy development

The ability of a region to withstand a major firm closure can be viewed at three levels:

- Economic capacity – what is the degree of economic diversity and internal supply chain dependency and how ‘thin’ is the labour market?
- Institutional capacity – to what degree are there concentrations in the region of government services, (Commonwealth, State and Local) and other institutions such as universities, industry or not-for-profit organisations that can bring intellect and resources to bear?
- Workers’ capacity – how skilled, resourceful and flexible is the workforce within the firms most likely to be affected by structural adjustment and firm closures?

Those regions that appear to have the highest adaptive capacity (economically and institutionally), and which have workers who are readily re-employable, clearly are unlikely to need a high level of government intervention in the event of a large firm closure. While this 'rule of thumb' will always be subject to specific circumstances and extenuating factors, it is possible to undertake a risk assessment using these broad criteria to determine:

1. the likelihood of a major firm closure in a region
2. the consequences of such a closure (including the ability of the region to weather the impact)
3. what this means for the design of a response for the Commonwealth to deploy in the wake of a closure.

Such an assessment need not require the collection of new data or even necessarily the introduction of new processes, but could form part of preparations for a 3-5 yearly stocktake by government agency representatives that in turn could inform an integrated regional strategy.

2.1.1 The capacity of the local employment market to absorb retrenched workers is a key consideration

In considering the likelihood of a major firm closure, a risk assessment needs to start with analysis of such features as:

- the trends in regional and sectoral growth
- the concentration of industries in the region, including those from sectors in decline
- business confidence and economic outlook
- investment attraction and performance.

In assessing the impact of a closure, key considerations include:

- the broad skill base of the workers likely to be retrenched
- the degree to which supply chains are interdependent
- levels of unemployment in the region
- regional income and skills levels
- degree and location of socioeconomic disadvantage.

The central question becomes the extent to which (and how quickly) the local labour market can absorb a large-scale retrenchment of workers from a firm that is at risk of closure or downsizing.

2.1.2 The strength of local institutions speaks also to the adaptive capacity of the region

In addition to assessing economic diversity and vulnerability, a risk analysis should also look at what capacity exists among local institutions and leaders to cope with a large firm closure or similar structural adjustment event. This includes a consideration of the ways in which employers whose firms are vulnerable are likely to handle the event, particularly with respect to supports that are put in place for the workers or the local community. It also includes an assessment of the extent to which Local and State Governments are likely to engage, noting that there is a great deal of variability around the federation and between metro and city areas.

What we are calling ‘institutional capacity’ is important both for undertaking risk assessments and for developing intervention strategies. This is because:

1. state and local governments, employers (notably the closing firm), educational and/or others (e.g. industry associations and skills councils, Regional Development Australia boards) can provide practical assistance through in-kind contributions, effort or program resources
2. representatives of these institutions and other local leaders can offer ideas and serve as advocates or spokespeople in their individual capacities.

On the first point, a lesson learnt from our case study analysis is that government interventions were designed on the basis that the employer would contribute little other than redundancy payments to the retrenched workforce. This is certainly true in most situations – and indeed firms that are in receivership can be utterly uncooperative – but it is not always the case. Much depends on the history of the enterprise in the community and also its corporate structure. For some firms, for example, it is in their interests to leave a region with their reputation intact and good relationships with governments and others.

It is also true that some Local and State governments are better positioned to provide a quick and strong response. For example, in Queensland five abattoirs closed, displacing 3,000 people. The

Commonwealth did not need to intervene arguably because the State Government had a good intervention strategy in place. With worsening budget positions, however, such programs can be cut. Therefore it is important to stay abreast of what the capacity is on the part of the other tiers of government to contribute to a response (or indeed other aspects of an intervention strategy, as discussed below).

On the second point above, intellectual capital is an important component both in designing an intervention strategy and implementing it. The presence of institutions often suggests that there are people associated with them who might have good ideas, good connections, or who are prepared to volunteer their efforts in other ways. Our case studies show that local leaders can bring an important dimension both to how regions conceive of their future and how they respond to periods of adversity.

The leaders need not be from lofty institutions or corporate giants; they can be scout leaders or former mayors who have profile within, and the respect of, the community. Importantly, they bring deep knowledge that ensures a well-informed approach to identifying risk and managing the fall-out from a mass retrenchment.

Assessing these aspects of the region’s adaptive capacity alongside the risks of a large-scale firm closure provides a solid basis for developing an intervention strategy (or strategies).

The next section moves from a focus on place to a consideration of time: specifically, what types of interventions are warranted at different times in a structural adjustment process?

2.2 The goals for an intervention vary according to different phases of a structural adjustment event

We noted above that the timing and impact of large firm closures can, to some degree, be predicted on the basis of a thorough risk analysis.⁴ It follows that, armed with this information, there is an opportunity to mitigate the likely impacts in advance, and plan a response.

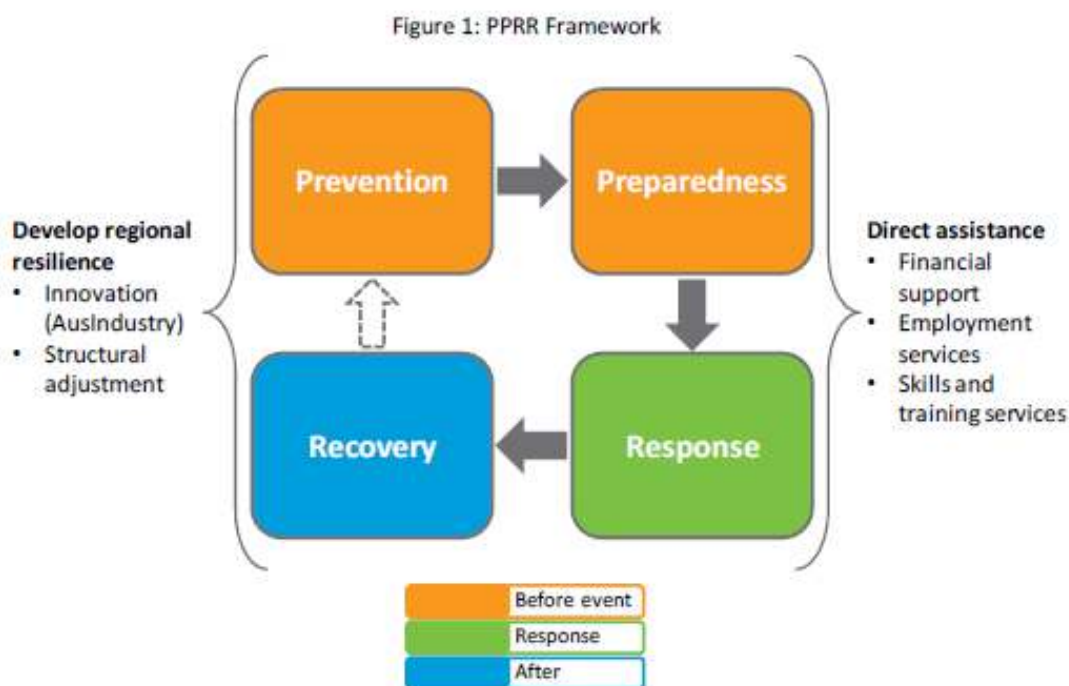
The case studies of larger-scale government responses indicate that government responses to firm closures are assembled and deployed very quickly. This is commendable, though it does sometimes lead to ‘over-reach’, confusion, or else the packaging-up of existing programs as part of an impressive but inherently generic response.

In light of what we have learned about a) the predictability of firm closures and b) the tendency for the initial response to peter out before outcomes can be fully assessed (discussed further in Section 3.1.1), we would propose the adoption in DIISRTE’s strategy development of an approach that corresponds with that used in dealing with natural emergencies.

Emergency management agencies nationally use the Prevention, Preparedness, Response and Recovery (PPRR) framework, depicted in Figure 1. The essence of the PPRR model is that action can be taken to prevent the impact of a likely event (note we are not arguing here that structural adjustment should be prevented) and to prepare for its aftermath before mobilising the necessary resources to respond. Importantly, it looks beyond the immediate response to a period of ‘recovery’ which we could think of in terms of personal recovery, community-level recovery and regional economic recovery.

The phases of the PPRR cycles are discussed more below with reference to the different objectives that prevail at each phase, and what this means for strategy development – particularly the skills component of intervention strategies.

Figure 1: PPRR Framework



2.2.1 Prevention

A strategy for this phase would have the objective of developing regional resilience to mitigate the impact of a likely large firm closure or downsizing. In this phase, governments focus on economic diversification and job creation through direct investment and investment attraction, promotion of innovation and the like. From a skills policy perspective, attention and effort would be directed towards lifting school outcomes and post-school qualification attainment, and working with providers and businesses to ensure that there is an appropriate focus on skills development to meet emerging high demands.

In some circumstances, there may be a case for job protection strategies aimed at forestalling a closure. However, direct subsidisation should not be seen as an ongoing measure to prevent large-scale job losses. Instead efforts at this phase should be focussed on local resilience and capacity building to minimise the impact of large-scale retrenchments.

2.2.2 Preparedness

If a specific closure begins to look more likely, it is possible to prepare for that eventuality by finding out more about the workforce likely to be displaced, establish (if possible) the intent of the employer with respect to retrenched workers, update advice from State and local authorities about existing mechanisms or programs to deploy in a response, and consider internally whether the Commonwealth will regard an intervention as appropriate in the circumstances. The objective of the strategy for this phase, therefore, is to be well-prepared for an announcement of a closure.

From a skills policy perspective, there will be particular value in obtaining details on the firm's workers, to the greatest extent possible. While there needs to be sensitivity about news of an impending closure, it may be possible nevertheless to be briefed or to obtain useful data on tenure of workers, age profiles, qualifications and any RPL process or skills audits that the company has done (even knowing what information they have or do not have would be useful). In some cases it may be possible to learn of any plans the employer has for offering training to retrenched workers, as was the case with respect to two employers in our case studies⁵.

All such information helps in the design of the response, and enables richer conversations with State Governments, JSAs and Registered Training Organisations (RTOs) about what might be needed by ways of skills-related supports post-closure.

2.2.3 Response

The objective for the response phase is different again, and the strategy needs to centre clearly on delivering an appropriate set of services to workers in the wake of an announced closure or lay-off.

From a skills policy perspective, key considerations are the training entitlements that workers can access and how they interact with other offerings (e.g. from the employer or State Government), the ways in which they will be promoted (directly and indirectly), ensuring that RTOs are responsive and that industry is engaged to advise on skills in demand.

2.2.4 Recovery

The recovery phase kicks in after the immediate response and is important given what we have learned about workers wanting to engage with the services well after their retrenchment. It also has value in emphasising the need to track outcomes over a longer period of time.

The objective for this phase therefore is to evaluate and adjust programs and services as necessary in light of what data reveals about the extent of recovery at the individual, community or economy level.

From a skills policy perspective, this period is important for re-connecting with retrenched workers to see if they, in the light of (possibly) intermittent or unsatisfying employment post-retrenchment they want to re-consider training options. It would be useful also to assess the extent which employers are accessing the skills acquired by retrenched workers.

From an economy-wide viewpoint, analysing the extent to which workers had to leave the region to pursue training or employment, or whether uptake of certain training changed as a result of a highly-publicised closure, would contribute to improved understanding of the extent of regional resilience and recovery.

Such information of course then feeds into a new strategy for ‘prevention’, in the event that other firm closures are likely in the region.

Lessons learnt to inform implementation of strategies during the response, and to some extent the recovery phases, are addressed in greater detail in the following section.

3 Delivery: in delivering the response, skills interventions should be tailored and flexible

This section focuses on the ‘response’ phase of delivering an intervention strategy. It addresses more directly the skills-related components of government services that might be assembled under responses to larger events with potentially greater economic and social consequences.

Our case study and literature analysis showed that two key concepts should inform the delivery of information and services in the wake of a large firm closure (or similar crisis event):

1. Tailoring – have a baseline set of service offerings that are appropriate to the circumstance with an opportunity for workers to access additional advice or support as and when needed.
2. Flexibility – ensuring that services are responsive to need, delivered in a way that is suitable for the client and adjusted over time in light of data and feedback.

Put simply, tailoring is about the ‘what’ and ‘why’ of services delivered. Flexibility is about the ‘how’ the ‘when’ and the ‘where’.

3.1 Responses should be tailored to circumstances and needs

Tailoring the government response means taking account, first, of what the employer intends to do for the retrenched workers (ideally determined through the preparatory stage) and second, delivering services that match workers’ needs.

On the first, there may be specific provisions that the employer makes to assist workers and/or there may be conditions attached to receipt of a redundancy package. For example, in the case of Bridgestone, workers were offered an incentive to remain with the firm for a full six months to complete contract commitments; others had the option to leave as soon as they wished including to take up training or alternative employment. Such details are crucial to informing an appropriately tailored skills response.

On workers’ needs, we know that in almost all cases, longer-term training and up-skilling options will be of less interest to workers than finding another job. The skills and training services that are of most value in the immediate aftermath of a closure or retrenchment notice therefore are:

- recognition of prior learning and skills assessments (though note that, ideally, these should be done in preparation of a closure)
- short certification processes designed to make job-seekers more attractive to potential employers (e.g. ‘white cards’ that enable people to be employed on construction sites)
- non-accredited and accredited foundation training which improves general employability and job-seeking skills (e.g. literacy or numeracy courses, OH&S training, resume writing).

Long-term formal training options are less attractive to retrenched workers because they usually prolong the period of unemployment, they often require financial outlays (even if heavily subsidised) and do not usually come with a guarantee of employment at the end.

For many older retrenched workers, formal training is daunting because of concerns about their ability to cope and succeed. Low levels of literacy are evident in large manufacturing enterprises and primary industries; many workers left school early because they were struggling. Such issues highlight the need to avoid ‘one-size-fits-all’ responses.

We would suggest that where effort and resources are delivered in addition to generic baseline supports, that they be in response to expressed need rather than perceived demand. Our analysis shows that governments can sometimes ‘over-respond’ with a plethora of programs that have a low take-up or limited impact in terms of real outcomes. It is understandable that, driven by a need to mobilise a rapid and comprehensive response, agencies are keen to direct all apparently relevant services and program offerings to the response. The risk is that the response is a supply-led one, however, rather than a demand-driven one.

An approach where services over and above the generic baseline supports can be accessed – ‘pulled in’ rather than ‘pushed on’ – enables greater efficiency and also improved effectiveness.

3.1.1 Well-timed information delivery enables a ‘pull-in’ approach

A worker-led approach to accessing services that are in addition to generic baseline supports puts a premium on getting the right information to workers at the right time and in the right form, and communicating with them effectively over the response period.

For many workers losing their job in a large firm closure is often the first time, or a rare occasion that they will interact with the unemployment system. Our research revealed that communication can become confusing for workers in the situations where:

1. government information sessions use multiple presenters (e.g. federal government, state government, local government, unions, etc.) whose messaging is not always consistent
2. particular opportunities are ‘marketed’ (notably in mining) as highly accessible to the retrenched workers when the reality proves quite different
3. entitlements are framed in a way that can lead to misinterpretation – for example, messaging that workers will receive training worth a certain amount can be interpreted as a right to a training voucher that can be cashed in or traded for other services.

One way of increasing the effectiveness of information delivery is to include spouses/partners and/or families. Oftentimes others are responsible for making financial decisions, or are in a better frame of mind to process options clearly. Sometimes too it may prove useful to think about wider employment notions for the family – that is, does retrenchment for one create an opportunity for the other to up-skill and re-enter the workforce? Two of our case studies involved household members in this way, to very good effect.

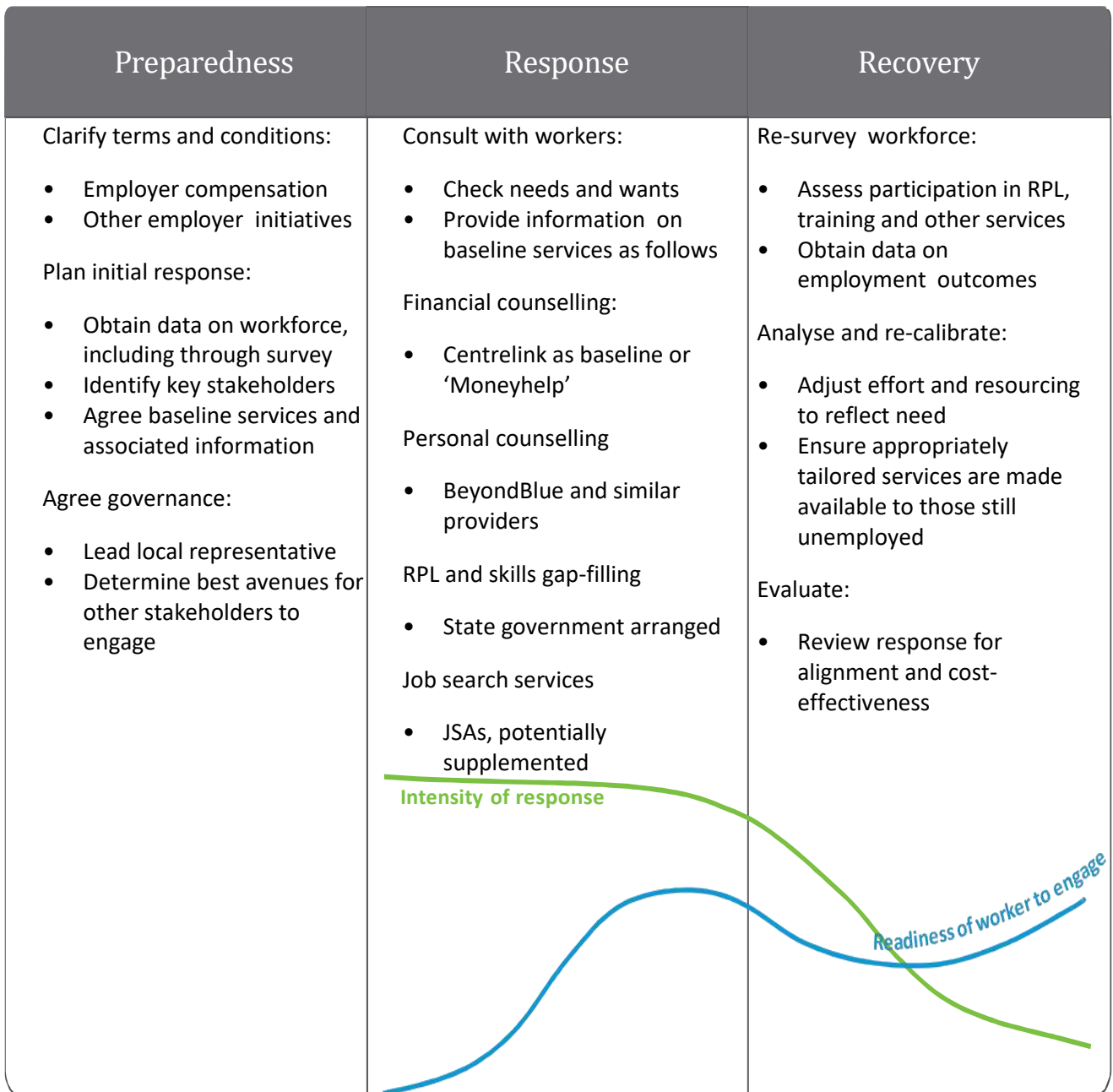
Another consideration in delivering a tailored response is to communicate in a way that will resonate with the worker or workers concerned. For example, case study interviewees stressed the importance of being direct but empathetic with the workers: being sure to say that ‘this (retrenchment) is not your fault’ but also to avoid patronising the worker. Related to this, workers said they wanted to hear difficult information put to them in a clear and straightforward manner, without obfuscation or jargon. Several noted that Centrelink was effective in emphasising that recipients of redundancy packages should not expect to receive unemployment benefits for a lengthy period. The same principle of communication would apply to others offering advice or delivering services such as training.

Finally, and importantly, government responses to large firm closures are generally focussed on delivering services and assisting workers to gain new employment quickly which means information and activity is front-loaded. Unfortunately this approach does not always mesh with workers’ own plans or their mindsets.⁶

An initial information session is important, but oftentimes workers will want to retreat for a while before considering their options in more depth. It is also the case that at different points workers will be interested in accessing financial advice; at other times – particularly if early job-search efforts have proven fruitless – there could be more interest in re-skilling and training.

This rhythm – which will vary among workers – and its correlation with how government responses are usually structured is illustrated in Figure 2.

Figure 2: Misalignment of worker and government ‘readiness to engage’



Understanding such rhythms and synchronising information and service provision with them means being sensitive to the psychological states or mindsets of the affected workforce. For many there will be a grieving period which affects their ability to articulate their needs or make good judgements. For other workers, there will be a desire to preserve dignity which creates a reluctance to come to grips with unfamiliar government systems and processes. A ‘job-for-life’ culture in some workplaces means that few employees would have thought about other career options, and so will need time to explore and seriously consider alternative employment.

The issue is not just one of calibrating initial information delivery and service responses, but also extending their availability. Our cases studies revealed examples of workers who originally decided to retire but changed their minds later, after they had been taken ‘off the books’ of program managers.

Having an entitlement that could be exercised over a longer period of time would be helpful to limit the number of workers who might otherwise ‘fall through the net’. Ensuring there are ‘check-in’ points to renew offers of information about services and options would also be an important aspect of worker-led, tailored delivery.

3.1.2 Understanding and responding to individuals’ needs is also crucial

A ‘pull in’ approach also puts a premium on understanding at the outset that there will be different interests and needs among a retrenched workforce. While some of this analysis can be done in the ‘preparatory stage’ (most, notably, through RPL processes and discussions) there should be dialogue with the individuals and their spouses or families. Such discussions can lead to a ‘co-designed’ and negotiated set of services accessed at the most appropriate time, which in turn can enable a greater sense of work empowerment – important when they are feeling adrift and unemployed through no fault of their own.

For example, Bridgestone specifically sought feedback from their workforce on what were their future goals and ambitions, using the information to develop appropriate support services for different groups of workers – those that wanted to retrain, those that wanted to retire and those that wanted help finding a new job immediately.

While there will be individual variations that will be important to capture, as an initial step to deliver a more tailored response, it would be valuable to consider some of the typical variations in attitudes and preferences among cohorts of retrenched workers who were the subjects of our case studies. For example:

- Older traditional blue collar workers (the majority of those that are likely to be affected by large firm closures) are generally less knowledgeable about how the skills and training and unemployment systems work; are less likely to be comfortable with seeking assistance; and more likely to require intensive services due to educational (literacy and numeracy) issues.
- Higher-skilled workers (young and old) tend to be more willing to engage with the skills and training system to gain additional qualifications (usually non-award or short-course) to improve their employability. They often find work quickly.
- A significant proportion of older workers see retrenchment as an opportunity to retire early. In some cases this was a positive, well-considered choice, while in others, it became the fall-back option once they experienced (what they felt was) ageism amongst potential employers and in some instances service providers.
- Normally there is a small cohort of retrenched workers who want to pursue business opportunities rather than employment.
- A small minority are interested in career change, including intensive re-skilling.
- A smaller sub-set again is attracted to re-location or FIFO options.

The key is to create the circumstances and exchange the necessary information to enable considered pursuit of realistic options aligned as much as possible to workers’ abilities and preferences.

3.2 Flexibility in delivery makes a difference

It was clear from our case study analysis that flexibility in where and how services are delivered was one of the defining features that made responses to large firm closures more or less successful. Flexibility is contingent on the predisposition of the employer as well as the agility of government and other service providers.

3.2.1 Employer flexibility in enabling early access to workers helps

There are distinct advantages to working with affected workforces before they have left their employer. This is not always possible as occasionally closures of large firms occur with little warning, while some employers (particularly those going into administration) prove unwilling to cooperate with government agencies seeking access. However, where employers are cooperative and onsite access to workers is granted, communication with employees becomes much easier (e.g. disseminating information about worker redundancy benefits). From a skills perspective, ideally, skills assessments and RPL can be conducted on site as well, at the same time that workers are deciding their preferences for subsequent employment, training or retirement.

3.2.2 Participation increases with onsite delivery

A theme that permeated our case studies was that workers were often very reluctant to visit government offices (notably Centrelink, but other government sites as well) because of the associated stigma. Pride becomes a hugely important issue and can get in the way of workers admitting to training needs or seeking personal counselling. In most cases we studied; government representatives and service providers were sensitive to this and arranged to hold briefing sessions and job fairs onsite.

Again such flexibility is contingent on the willingness of the employer to cooperate and this does not always happen. It is often difficult to schedule sessions that do not disrupt one or more shifts, and there have been cases where the employer will allow workers to attend sessions, but on their own time.

One way of dealing with the latter situation (which we observed in our case studies) is to hold interactive briefing sessions in local sports halls or clubs, thereby avoiding government sites and allowing workers to get some distance from an unsympathetic or uncooperative employer.

3.2.3 Flexibility on the part of RTOs should be encouraged

Mobilising and coordinating government responses is challenging and workers in our case studies appreciated the range of services and initiatives organised for their benefit. One point of frustration, however, was the inability in some cases to undertake training that had been either been promoted in briefing sessions, identified through RPL processes or discussed with employment service providers.

This situation arose when RTOs showed an unwillingness or inability to alter their entry requirements, timetables or modes of delivery. Workers and employers in some locations found TAFEs especially to be inflexible.

The result was that several workers were motivated and ready to undertake training, but did not commence because, having missed an enrolment cut-off, they found they had to wait a semester. This was enough to deter people anxious about a prolonged period out of employment. In other examples, there was very high interest among workers to undertake certain training courses, but the hours clashed with workers' shift rosters.

As the training market becomes increasingly competitive and technology enables different modes of delivery, such issues may be less prevalent in the future. Nevertheless, it is important for policy-makers and program managers to be mindful of this potential risk to the take-up of training. Given the size of some of these closures there would seem to be an argument for negotiating with RTOs for 'one-off' delivery of high-demand courses to retrenched workers, at a time and place that suits.

3.3 A case management approach enables both tailoring and flexibility

One example that captures the principles of tailored and flexible delivery was the ForestWorks case management model delivered in Northern Tasmania.⁷ The model sees case management workers, trained and employed from the affected workforce assist employees facing retrenchment to access services and pursue alternative employment opportunities.

The case manager takes a proactive approach, seeking out workers and check-in on their progress and wellbeing. They also visit people in their homes or wherever they feel most comfortable and ‘walk side-by-side’ with them through the transition.

While not always practicable, the use of former colleagues as case managers in this way encourages greater engagement and fosters better understanding. Being able to empathise and speak a common language makes a big difference to someone’s willingness to explore options.

Crucially, too, it enables the worker to articulate which services he or she wishes to ‘pull’ from the range of offerings and to discuss alternative services that may not be offered but could reasonably be considered as part of a set of entitlements.⁸

4 Governance: a ‘systems stewardship’ approach could better enable integrated effort, quality control and feedback on outcomes

In this section we discuss where in the PPRR Framework the activities undertaken by the Australian Government in response to structural adjustment events fit.

The temporal dimension which the PPRR Framework provides has implications for the governance of interventions. – by which we mean the arrangements in place for decision-making and information-sharing. Such considerations are important for three reasons, namely that:

1. our case studies show that decision-making and coordination was overly-complicated in several respects (both in the larger scale response and in the more diffuse and protracted structural adjustment event described in the Far North Queensland tourism case study);
2. issues can arise around quality of service delivery that need to be acted on; and
3. the monitoring of impact and outcomes, particularly with respect to individual workers, tailed off in most of the case studies, and did not occur with respect to the smaller-scale responses.

Each of these issues is addressed below. Our concluding proposition is that by re-conceiving the governance paradigm – specifically by shifting from a directive ‘management of funded program and service delivery’ focus to a ‘government as stewards of a dynamic system’ approach – the Commonwealth Government will be better positioned to make the changes discussed in this volume around both strategy and delivery.

We describe the ‘system stewardship’ concept later in this section, but in essence, it sees the role of government being to create the conditions for interaction between members of a defined ‘system’ (in this case, service providers and retrenched workers, employers and other stakeholders) that meets respective needs. So, rather than adopt a hub-and-spokes view of managing an intervention, it acknowledges the different interests of system participants; the dynamic nature of their interactions; and the various incentives, rules and information inputs that can government can ‘steward’ to make system work for participants’ respective benefits.

4.1 The four phases of the PPRR provide a conceptual framework for interventions

With some refinement, it is possible (and we would argue, desirable) to locate the Commonwealth Government’s current approach to structural adjustment in the ‘response’ phase of the PPRR continuum. Doing so sharpens the distinction between immediate and appropriate strategic responses to the different objectives that obtain to each of the four phases. This idea is illustrated in Figure 3 over.

Figure 3: How interventions used by governments in recent responses to large firm closures could fit into the 4-phase framework

Phase	Prevention (of severe and sharp impacts to workers and region)	Preparation (of responses and how they will be managed)	Response (to closure – i.e. delivery of programs and services)	Recovery (follow through, adjustment and evaluation)
Strategies and actions	<ul style="list-style-type: none"> • Identify risks and opportunities by considering the economic base and the adaptive capacity of the regional economy, and of regional institutions and leadership. • Introduce initiatives and undertake investment to mitigate identified risks and exploit potential opportunities. 	<ul style="list-style-type: none"> • Determine employers' likely approach to assisting workers. • Assess workforce profile (age, skills, socioeconomic disadvantage). • Determine which level of response is applicable. • Agree governance, funding and messaging for Response phase. 	<ul style="list-style-type: none"> • Existing government services such as Local Employment Coordinator (in priority regions), RESJ, and JSA access. State-based programs • Where required more intensive services and support such as onsite delivery of information and basic services (e.g. up-skilling), relocation support, jobs markets, reemployment support for displaced workers, skills and capability support, skills assessment and training funding. 	<ul style="list-style-type: none"> • Examine employment outcomes (qualitative and quantitative). • Re-connect with displaced workers who remain unemployed and who retired to discuss their situation and options. • Evaluate progress in achieving prevention phase objectives. • Extend and adjust assistance as necessary
Governance	<ul style="list-style-type: none"> • Economic development and industry agencies • Regional devt. Agencies • Skills devt. Agencies (Commonwealth, State, Local) 	<ul style="list-style-type: none"> • Lead Commonwealth and State agencies 	<ul style="list-style-type: none"> • Local coordinators • Service providers with lead agencies' 'stewardship' 	<ul style="list-style-type: none"> • Lead Commonwealth (and State) agencies

Using this framework, the investment fund and business support programs belong in the prevention phase. This is because:

- Investment and innovation funds are directed towards job creation via support to emerging industries or innovative businesses seeking assistance to expand. There is a long lead time before new jobs can be made available for retrenched workers post-firm closure. While announcements of new investment in job creating industries provides an important psychological boost in the 'response' phase, to be truly effective in minimising retrenched workers' disengagement from the labour market, the investments should occur earlier.
- business support programs, such as Enterprise Connect, whose services assist businesses develop the skills, knowledge and capabilities needed to improve their competitiveness and productivity should be provided while businesses are still viable and have the capacity to improve their performance. Previous experience has shown that early intervention for firms results in a higher likelihood of ongoing success. It is therefore important to ensure that advice and assistance to businesses is considered a 'preventative' strategy rather than a 'response' strategy in the case of a possible structural adjustment event.

If the Government was inclined to place the interventions it undertakes in response to large firm closures into 'the PPRR framework's 'response' phase - with the appropriate design for the response determined during the prevention and preparation stages (via risk assessments) - we would expect to see benefits in the form of a sharper delivery focus and clearer governance.

The latter point is discussed further in the following section.

4.2 Governance of interventions should be simplified while preserving effective coordination

In our case studies, we observed that the number of players involved in contributing to or coordinating the larger-scale responses appeared to detract from their efficiency and effectiveness, especially at the early stages. By contrast, ongoing or existing government services such as the JSAs and RESJs were lean and well-integrated up-front, but coordination dissipated after the delivery of initial information sessions to affect workers.

The challenge for governments as we see it is to create governance structures for interventions that support enduring, well-directed and coordinated effort, without adding inefficient administrative layers.

4.2.1 Simple, effective governance starts with clarifying decision-making roles

It was evident in some of our case studies that people who needed to be consulted or informed about responses to major closures or retrenchments were included in day-to-day decision-making groups. In other circumstances, decision-making authority was not clearly defined. Both of these examples led to open ended meetings with limited resolution of contentious matters¹⁰ and indicated weak governance arrangements.

An oft-used tool to aid design of good governance arrangements is the 'RACI analysis'. Using the example of setting up appropriate governance for the 'response' phase (as opposed to, say, the preparation phase) of an intervention, a RACI analysis would prompt consideration of the following questions:

- Who is responsible? – in the response phase for managing programs, initiatives, or contracted service delivery
- Who is accountable? – the decision-maker who determines that the programs, initiatives and services that will be run
- Who needs to be consulted? – to help design, deliver or evaluate the programs, initiatives and services
- Who needs to be kept informed? – about what is going on and what is on offer.

Having these questions in mind makes it is easier to design decision-making processes separate from information-sharing or consultative processes. This avoids clutter and confusion while improving both efficiency and accountability.

Table 1 over provides an indicative example of how applying RACI analysis could potentially simplify the governance for the response phase of an intervention around a large firm closure or mass retrenchment.

Note that the governance would change significantly for managing the prevention and preparedness phases - most particularly, the industry or regional development agencies would come to the fore – and would likely change a little for the 'recovery' phase.

Table 1: Indicative delineations of who should be responsible and accountable, and who should be consulted and informed during the response phase

Responsible manager (with delegated authority for day-to-day decisions)	Accountable decision-maker (controls the funds and broad directions/focus)	Stakeholders to be consulted (as necessary)	Stakeholders to be informed (as necessary)
Local Employment Coordinator	DEEWR, DHS (Centrelink)	Commonwealth Minister/s, JSAs, RESJs, FIFO coordinators	
DIISRTE tertiary education representative (Level 3 only?)	DIISRTE	Commonwealth Minister/s, AusIndustry, Enterprise Connect coordinators	RDAs
State training authority representative	State training authority	State Minister/s, RTOs	State industry department, regional development and welfare agencies
Local government representative	Mayor	Local MPs, community action groups	Local media
Employer representative	CEO/GM	Professional associations, skills councils	Potential employers of retrenched workers
Employee representative	Respective leaders within employee representative groups	11 Employees, unions/ other employee representative groups	Employees and their families ¹²

The discipline of a RACI-informed governance structure comes from making sure that the decision-makers convene in one forum, and have an agreed process for exercising oversight of those responsible for delivery. Consultation with stakeholders can be initiated by the accountable decision-makers or by the responsible managers, depending on the purpose of that consultation. Information-sharing processes can be kept separately, and could be ‘virtual’ in many instances (including with workers)¹³.

Such discipline rests on a willingness to delegate decision-making powers, however, and to maintain clarity and consistency in dealings with influential external stakeholders who want direct visibility and input into decision-making. Again it highlights the value of using the ‘preparation’ phase to sort out proposed arrangements that can obtain during the ‘response’ period.

4.3 Effective oversight is necessary for quality control

In post-closure responses, governments are direct providers of funds and services, purchasers of services and regulators of markets where those services are offered on a competitive or quasi-competitive basis. In the case of interventions in the lead-up to and post- large firm closures, the main service providers involved are Job Services Australia agents (JSAs) and Registered Training Organisations (RTOs).

As funders of JSAs and regulators of the market that most RTOs operate in (as well as being a funder of training in some cases) the Commonwealth has an interest in ensuring high value from these services. Here we discuss some of the risks to quality service provision that obtain in large firm closure responses, and the associated implications for policy and regulation.

4.3.1 Case studies revealed variable JSA quality and opportunistic behaviour by some RTOs

Workers, even those who have not been exposed to the system before, quickly realise who are high value and high quality employment service and training providers. Where they can, they will be selective.

While some JSAs were commended highly, we did hear criticism that some providers appeared ageist, used inexperienced and unknowledgeable staff, were passive and/or driven by revenue generation more so than finding suitable and sustainable jobs. Generally-speaking, our case studies showed a worker preference to deal with those who project as businesses rather than as extensions of welfare providers.

The issue that arose with some RTOs was one of inflexibility (discussed earlier, see Section 3.2.3) and, in other instances, of exploitative behaviour, with training providers in the latter case appearing to put their financial interests too far ahead of the workers' interests.

In theory, well-regulated competition between providers should improve overall quality and responsiveness to demand while ensuring that public interest needs are met. In the case studies we looked at, however, we found that there were both limits and downsides to the competitive behaviour of JSAs, and insufficient 'real-time' mechanisms to deal with insufficient quality or inappropriate behaviour by either employment services or training providers.

4.3.2 Automatic access to services have implications for efficiency and effectiveness

With respect to JSAs, there are sound processes for approving which organisations can be listed within each region. Once formally contracted, they have a ready-made market to operate in (by virtue of Centrelink referrals), which can arguably dampen some of the competitive pressures that apply to commercially-based recruitment services. Our case studies revealed that workers met strong resistance when they attempted to switch from one JSA provider to another in cases where they were dissatisfied with the service they were receiving.¹⁴

The stronger driver of provider behaviour therefore becomes the contractual arrangements (with performance benchmarks) and financial incentives that spur JSA staff to take on the 'tougher' cases and work hard to secure employment.

These incentives are distorted in the context of major retrenchments in an industry sector that the Government regards as being in decline due to its own policy settings (e.g. they have become less competitive as a result of tariff reductions or the demise of industry assistance). Because workers in some of these sectors – automotive, textile/clothing/footwear (TCF), and steel – are under current policy given automatic access to more intensive JSA services regardless of their 'worker readiness', they become an attractive cohort that JSAs are keen to serve. This is good in terms of promoting positive and outcomes-based engagement, but it also means that

- a. JSAs can be paid more than they should (arguably) for placing relatively highly-skilled and work-ready people into jobs
- b. there is a differentiated approach to assisting retrenched workers that doesn't always correspond with the relative difficulty of finding alternative employment in the affected region.

Some 50 electrical technicians in the cohort of Bridgestone Tyres' 600-strong workforce were placed immediately due to their experience and Certificate 4-level qualifications, creating somewhat of a windfall for the JSAs involved. This is atypical in that the majority of retrenched workers in the auto, steel and TCF sectors would not be so competitive in the labour market. However, it does highlight the inequity in providing greater incentives for placing retrenched employees from large and diverse workforces in some industry sectors versus the lack of substantive JSA support provided to retrenched workers from food processing, construction or other industries similarly affected by structural adjustment and facing tough labour market conditions. The differentiated treatment on the basis of

industry sector carries with it actual costs, in the form of over-servicing, and opportunity costs in that those that might benefit from greater assistance are not necessarily receiving it.

The inconsistent approaches are understandable, and reflect the sheer complexity of trying to design arrangements that are fair but rationed, bespoke but consistent. We are conscious that the JSA system is a relatively flexible and effective one and that policy-makers are fully aware of the trade-offs involved in managing and effective and efficient service.

What the case studies tell us, nevertheless, is that there is room for further refinement in the industry-based policy for determining whether workers should automatically access higher levels of JSA services. Applying a risk assessment approach (as argued earlier), and using the preparation phase of an intervention to understand and disaggregate a workforce that is likely to face retrenchment, the Government can be better equipped to decide what level of JSA service is right for a particular cohort in the context of the local labour market.

This is not just an issue for employment services, for the quality and quantity of attention a job-seeker receives from JSAs post-retrenchment has a bearing on the quantity and quality of information s/he receives about suitable training options.

4.3.3 Ideally, there would be more agile mechanisms to correct poor quality or inappropriate provider behaviour

JSAs worked under a Code of Practice Service to ensure that job seekers get the quality, individualised help they need to gain skills and find sustainable work. However, job-seekers who perceive that there are restrictions in switching from one JSA to another can have a dampening effect on competition, and this in turn may make arresting poor performance in service delivery more difficult.

Job Services Australia releases JSA site level ratings on a quarterly basis. These 'Star Ratings' can be used by job seekers to assess the comparative performance of providers; providers as a measure of their contractual performance; and the Government to drive improved performance within the system.

However, from a regulatory oversight perspective, we would suggest that additional thought be given to ways of providing more 'real-time' quality control of JSA services that are not meeting reasonable expectations. This could be done directly through more intensive oversight or, preferably (in our view), through injecting further competition and empowering workers to exercise greater choice. For example, making workers' JSA entitlement more portable between services could improve consistency of quality¹⁵.

There is the issue of variable RTO quality. In addition to the issues of relative inflexibility and responsiveness discussed earlier in this volume, our case studies revealed concern that some RTOs were acting opportunistically to take advantage of the generous training entitlements being given to retrenched workers. It seems that a small number at least were seeking to exploit the availability of funded training places by steering workers into low value, high fee courses that did not necessarily improve job prospects.

Such risks of opportunistic or exploitative behaviour among providers will be present at any time, and while regulation of the sector is robust, it is inherently slow. As with JSAs, it would be desirable to have mechanisms that enable more agile responses to inappropriate behaviour by training providers – something other than post-facto regulatory compliance actions.

In order to check overtly self-serving behaviour or complacency on the part of RTOs, funders and regulators need timely and accurate information. As importantly, in order for retrenched workers to exercise choice and therefore provide reliable feedback to those responsible for overseeing service delivery, they need to be well-informed and have reasonable expectations about the assistance they can expect to receive, as well as the reality of alternative employment options¹⁶.

4.4 There should be follow-up with affected workers to properly assess outcomes and gauge 'recovery'

So far we have focussed on the information flows needed during the immediate response phase to ensure needs are being met, services are 'pulled' and the providers are meeting reasonable expectations of quality and timeliness. The ability to track people (and the labour market) through the 'response' and into the 'recovery' phase, and to do so in a fairly qualitative way, is also crucial. Without such information there can be no certainty that government actions are leading directly to jobs, let alone jobs that are higher-skilled and more sustainable.

During our case study work we obtained feedback (admittedly from two small sample groups of formerly retrenched workers) that, two years after being laid off, several were unemployed, underemployed or had had intermittent and insecure jobs.¹⁷

At present, where a retrenched worker has accessed JSA provider services, the Government has the ability to track their immediate re-employment pathway but does not have information around the durability or quality of that new position beyond 12 months. Furthermore, it is almost impossible for government to track the outcomes for workers where they have not accessed JSA services.

While we understand that government resources are extremely limited, developing low-cost ways to check in with workers at the 18 month and 2 year point after retrenchment would be a valuable investment and is strongly recommended.

4.5 A systems approach could be helpful in managing a response characterised by intensive intervention

The issues canvassed above – decision-making and role clarity, regulation and oversight, and monitoring and reporting – all have a relationship to governance structures. Nous proposes that, as the Government considers the lessons learnt from our analysis and case studies, it also give some attention to the overarching definition of its role in relation to other players in the lead-up and response to a large firm closure or mass retrenchment.

Specifically, we suggest that models of 'systems stewardship' could assist in addressing the governance-related challenges outlined here, while also creating the conditions for a holistic consideration of structural adjustment issues and consequences across the four PPRR phases.

Systems stewardship has emerged in part as an evolving response to the inadequacy of linear funder-purchaser-provider arrangements to describe the complex program design and delivery that is the feature of contemporary public policy. It picks up on many of the ideas of market design that have been employed in government service delivery reform in Australia the past several years, but takes one step further by incorporating more explicitly the network of non-government players who can be involved in 'co-production' of outcomes that have public value.

A key proponent of the concept of systems stewardship, Michael Hallsworth, describes it as follows:

"The nature and outcomes of a policy are often adapted by many different actors working together in a system; system stewardship involves policy makers overseeing the ways in which the policy is being adapted, and attempting to steer the system towards certain outcomes, if appropriate."¹⁸

In the context of structural adjustment events – particularly those that attract a large and intensive government response - there is not just a market for parallel services (e.g. training and employment) but an integrated system of initiatives, programs and services, involving a raft of contributors and stakeholders. This suggests to us that a systems model may be appropriate.

Important characteristics of systems approach to public policy and service delivery challenges are that:

- there is a public value or public good objective that underpins it
- the players in the system are diverse, producing different outputs and with inter-relations that would go beyond normal supply chain or value chain relationships
- it acknowledges that, while there would be common interests and some inter-dependencies among players, there is not necessarily full alignment around motivations and objectives
- it is dynamic, with players responding to signals that come from different sources and that change according to new information or different circumstances.

A central feature of the systems approach is that it redefines government's role as a 'steward', setting the goals and rules for the system and providing the environment for appropriate information exchange and feedback to enable the system to respond and adjust appropriately. This is in contrast to the notion of government taking a more directive approach as regulator and funder – the hub in a set of hub-and-spokes arrangements.

System stewardship therefore embraces and complements ideas of citizen-centric service delivery, market design and new approaches to collaboration with the non-government sector. It also puts a focus on the quality of relationships between system players as an important feature worthy of consideration in their own right.¹⁹ This is important given the learnings from this project about the influence of assumptions, perceptions and emotions on the behaviour and choices of retrenched workers.

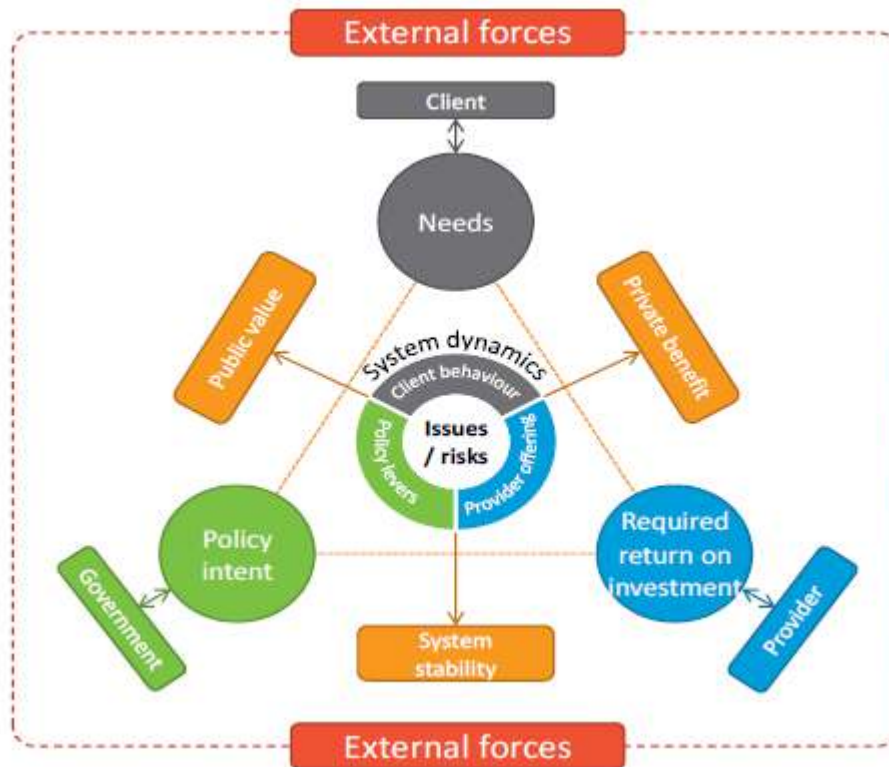
4.5.1 Systems stewardship re-defines and elevates government's role

Government defines the goals of a system and in so doing, sets the broad parameters for whom will be its members. Typically system members include one or more tiers of government, commercial and/or non-profit service providers, community and/or interest groups, individuals as customers or users of services, and other stakeholders who can influence the behaviour of others in a way that supports achievement of system goals.

Nous has adapted Hallsworth's systems framework to show how the players in the system are motivated by different needs, and how the interactions between them can affect system stability and outcomes.

Our version is illustrated in Figure 4 over.

Figure 4: Nous' framework for considering the dynamics within a public service delivery system



Government players in the system are motivated by an expressed public value proposition and set of policy goals. They have available to them the usual range of policy levers, such as taxation, regulation, funding etc.

Where government's role differs from non-systems approaches is that stewardship is effected through:

- goal-setting and rule-setting for the system – including defining its boundaries and creating the regulatory environment for the system to function well
- creating the conditions and platforms for information flows – most particularly enabling the feedback loops that allow service providers to respond and adjust to changing dynamics and outcomes.

Hallsworth explains the difference thus:

“system stewardship does not preclude the use of directive approaches and plans from central government...(b)ut directive approaches are rarely suitable to dealing with complex problems...and ongoing public service reforms mean that the systems through which policies are delivered are likely to become even more complex. These changes suggest that government should increasingly be in the position of setting high-level, resilient goals, and letting the system find the best solution through adaptation and experimentation.”²⁰

Within a systems paradigm, the question for policy-makers becomes one of “how do we create the conditions for a variety of service providers to respond to the reasonable and well-informed preferences of clients in a way that meets stated public policy goals?” This implies a shift from control of and/or delivery of services towards ‘enablement’ of both providers and clients.

4.5.2 Describing a system for response to large firm closures

In Figure 4 above, the three key players are government policy-makers, clients or customers of services, and providers of the services. Each is motivated by different interests, and each influences the system in different ways – e.g. through customer choice, government regulation, provider positioning in the market for services. These variables (not necessarily an exhaustive list) are listed in Table 2 over.

Outcomes are realised in terms of public value, private benefit and system functionality (i.e. the extent which client needs are adequately met via the policy settings and provider behaviour). A well-functioning system requires a careful balance between these sets of interests. If outcomes are not being met, the system becomes unstable and dysfunctional.

For this reason, it is crucial that government obtains data to test effectiveness and improve system responsiveness to the different needs and interests.

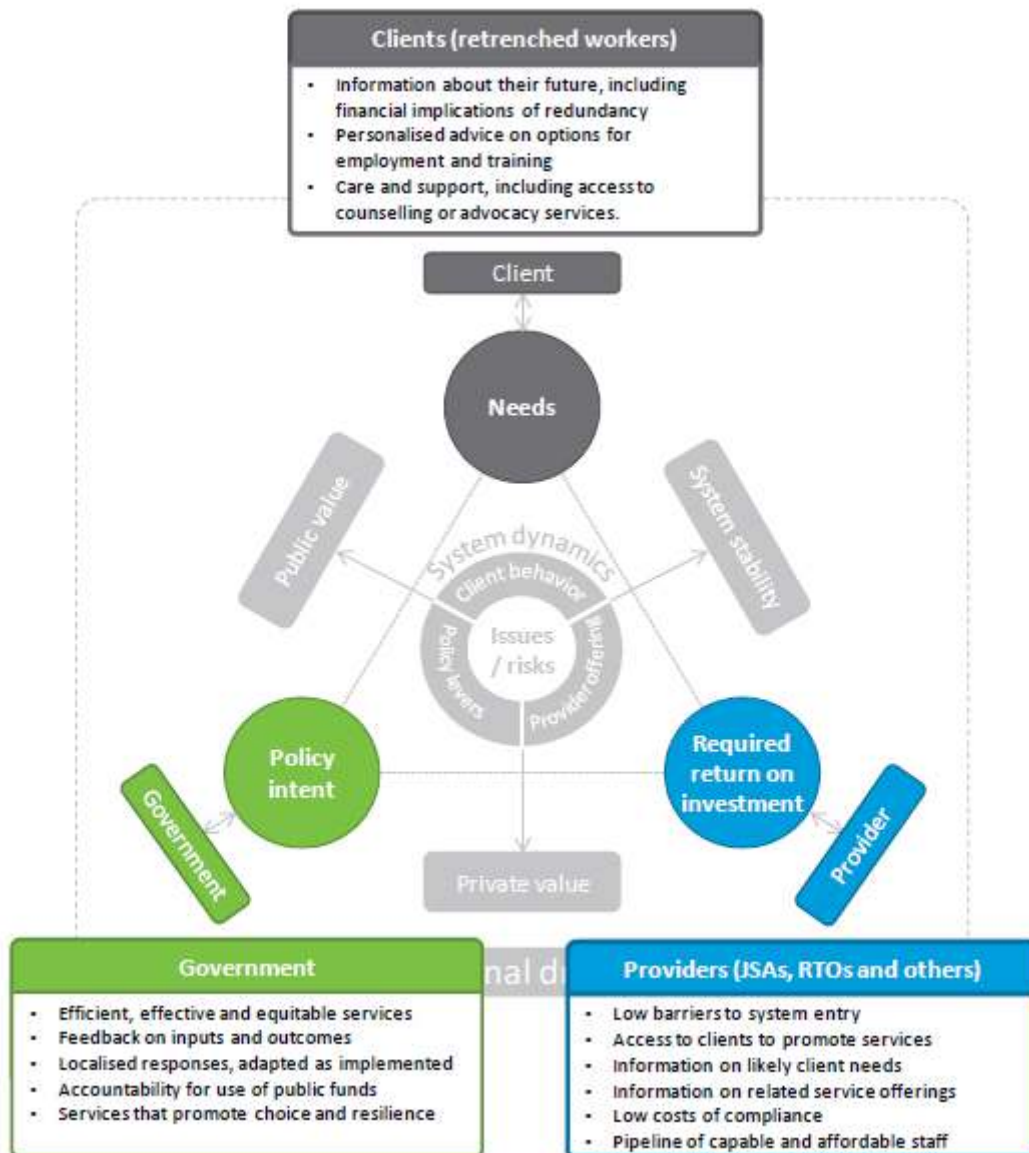
Table 2: Ways in which different groups of players in a system influence behaviour within it

Clients/customer disposition	Government intervention	Service providers' interests
Beliefs and attitudes	System scope/boundary setting	Solution/product – the solution(s) provided in the system
Willingness to engage, based on confidence in the system	Provider regulation	Access/place – where and how services are accessed
Willingness to engage, based on capacity to pay/invest	System information	Value /price – the price of accessing products or services
Personal capacity to engage	Penalties and incentives	Position/education – how products and services are promoted in the system
	Performance measurement and reporting	
	Product and service specifications	

Applying a systems analysis to the large firm closure scenario prompts consideration of the different objectives that the three groups of actors would likely have, which in turn influences their behaviour and interactions within the system. Examples of what each group of players might seek from an effective, functioning system are listed in Figure 5 over.

Addressing these considerations group by group provides deeper insights into the system dynamics which can inform the Government’s policy settings – including which levers to employ and how – as well as its overall stewardship function.

Figure 5: Indicative drivers for system participation by the three main groups of players (based on the response phase of a large firm closure scenario)



4.5.3 A system approach empowers other players to contribute effectively to design and delivery of responses

We noted earlier that, although the system players have different objectives, there are high level outcomes that provide the rationale for the system’s operation. As part of its stewardship function, the Government needs to articulate the broad system goals as shared outcomes that all players can lend support to.

In practice this ensures that:

- members see their ‘place’ in the system, with some contributions similar and others unique
- competition among providers is possible, but not to the extent that it interferes with pursuit of the shared high level outcome
- there is scope for more organic evolution of relationships and more agile responses (i.e. actions are not confined to those set out in an agreed ‘implementation plan’ that sits under a negotiated strategy document or a strategic plan).

For non-government players in the system, a less directive and 'managerial' role by government overseers creates the space and opportunity for complementary initiatives. If the goals and rules are clear and feedback mechanisms are in place, system players should be inclined to respond and adapt accordingly. In other words, the system creates the conditions for tailored and flexible delivery of the sort described in Section 3 of this volume.

Over the course of the four phases in the PPRR cycle, the system will need to change according to the overarching outcome that resonates with the various objectives of stakeholders and providers. For example, a system could be designed that deals with issues of 'prevention' rather than 'response'.

In this way, government can avoid trying to manage one process that covers disparate goals. Coordination is maintained by effective information sharing, while feedback on the short-term impacts and longer-term outcomes serves to inform strategy design and implementation at each stage of the PPRR cycle.

There is also the opportunity to maintain clear lines of accountability to ensure appropriate use of public funds, but such relationships are a sub-set within the wider system framework. It is understood that a government agency that is funding a service needs to ensure that contract conditions are met, but that is something that can be done through effective contract or program management and monitoring of deliverables. Such functions are complementary but separate to a system-based arrangement that focuses on intermediate outcomes and interactions to create new information that can then be fed back into the relevant service provision channels.

The systems approach to large firm closures does not represent an easy response to the entirety of the lessons learnt from the study of past events, but nor does it necessarily imply a dramatic departure from current practice. Its value comes from providing a different way for defining government's role and from the emphasis it places on creating the circumstances for coordinated on-ground delivery, feedback and adaptation, less burdened by the weight of approval and consultation process, reporting, acquittal and oversight that can often accompany more directive approaches. It does not compound existing complexity, but acknowledges it and seeks to find simplicity and ease of operations among those best-placed to deliver information and services.

5 Concluding remarks

The challenge with the ‘lessons learnt’ project has been to distil practical insights from a variety of large firm closure and retrenchment events in Australia and overseas (the latter via our literature review), and to consider these alongside more conceptual considerations about the appropriate role of government in such situations. Our focus was to be particularly on the implications for skills policy responses in cases of structural adjustment-related retrenchments, but in the context of whole-of-government responses – embracing a mixture of training and employment services as well as regional development and industry policy interventions.

This volume attempted to bring these dimensions together by considering first how to develop a coherent and appropriate strategy for a response to a large-scale retrenchment. In this context we emphasised the need to focus on ‘place’ and ‘time’ (rather than, say, ‘industry’). With respect to ‘place’, we argued that regional risk assessments should consider not just the degree of economic diversity and labour market strength but also what we called the ‘institutional’ capacity of the regional to absorb structural change. ‘Time’ points to the fact that large-scale retrenchments are rarely sudden, and we promoted the adoption of a PRR framework, such as that used in the emergency management sector, to create a clearer sense of appropriate strategies for government to deploy in the lead-up to and the wake of a closure or mass retrenchment.

We then turned to the lessons learnt from the case studies about how delivering the ‘response’ could be improved. In this section we advanced the idea of having a baseline set of services with supplementary services being made available, ideally through response to expressed demand rather than assumed demand. We also emphasised the need to be flexible in adjusting where, how and when the services are offered, in part to reflect the different ‘rhythms’ of retrenched workers’ engagement with their own transition to re-employment or training.

Finally, we discussed some of the governance issues that came to light in the case studies, with a focus on decision-making and information-sharing arrangements, quality control and outcome monitoring regimes. We considered emerging thinking about ‘systems stewardship’ as a possible means to address these issues while also creating the conditions for tailored and flexible delivery of services to retrenched workers.

None of this is easy but much of what we are recommending points to using existing resources differently, clarifying processes and minimising some aspects of administrative oversight. In several respects what we are recommending involves less certainty and control. However, other ideas here envisage better planning of responses and improved targeting of effort and investment.

The project brief was focussed squarely on lessons learnt; hence we have not explored in great detail several of the propositions canvassed in this volume. Nevertheless, we trust the analysis contained in the full 3-volume report provides a substantive platform to inform future skills policy responses to large firm closures, while also stimulating further thinking about how such events can be planned for and managed across relevant Commonwealth agencies.

Notes

1 We can compare, to a limited degree, the difference in the proportion of workers who found new jobs in the wake an intervention for a smaller event in terms of economic and social effects versus an intervention for an event with potentially greater economic and social effects but this does not compare 'like with like' given the different workforces and labour market contexts.

2 People are contacted 24 weeks and 48 weeks after they found employment through a survey mechanism. Data is collected on a sample basis and there is no 'compulsion' for successful job seekers to respond. While the survey sample is quite large it is virtually impossible to know the outcome of every person through this mechanism.

3 For a more detailed discussion of the drivers of structural adjustment, and its impacts at a personal, industry and economy level, see Volume 2 of this report.

4 A less empirical but important source of information is also the 'rumour mill'

5 Heinz and Bridgestone

6 See Volumes 2 and 3 for more on the psychology of dealing with redundancy and the different rates at which redundant workers process information about their options. .

7 ForestWorks has also been employed in the forestry sector Victoria and South Australia to deliver similar services.

8 Note that an extension of this idea is to offer a voucher up to a certain value. We have not explored this further as we do not have any examples from our case study to draw on.

9 For a more detailed discussion of the different options available to government around job protection and job creation (which is where business support programs most often come into play) see Volume 2.

10 The Bridgestone Tyre case study provides an example of it taking three meetings of the Steering Group to agree on the software package to be used in the onsite RPL process.

11 Note that employees are the decision-makers when it comes to accessing services and so are more than 'stakeholders', but for the purposes of clarifying and simplifying governance, we focus here on formal representative roles (and therefore the groups established to represent employees' interests on the basis of workplace, trade or professional grouping).

12 Our case studies underline the value of including spouses and partners especially in information sessions to aid interpretation and processing of the advice being conveyed.

13 One interesting finding from our case studies showed that social media proved to be a highly effective way of keeping workers and their families informed of entitlements and developments. It also created a virtual community that enabled former workers to stay in touch and lend support to each other.

14 There are processes that can be followed to enable JSA clients to switch providers, however the prevailing perception of the workers we spoke to was that changing providers was not allowable.

15 We acknowledge that this would need to be limited to avoid "JSA-shopping". One option could be to allow a job-seeker to shift providers once only, and only after a certain period of time.

16 The onus here is not just on the JSAs but on other job-promoters who are keen to spruik opportunities in other sectors (notably, mining) that have proven to be out-of-reach for many retrenched workers.

17 Moreover, many said they had secured work through friends and social networks rather than through formal government assistance.

In their view, the same could be said for many of their former colleagues who didn't participate in the workshop sessions we ran. This is a common occurrence for many who become part of the employment market.

18 Hallsworth, Michael, 'System stewardship: the future of policy making?', Working Paper, Institute for Government, UK, April 2011, pp. 8-9

19 This is in line with thinking emerging now also about the failure (or limited success) of structures and processes that centre on target-based delivery. The argument runs that the absence of an appreciation of relationships beyond assumed cause and effect leads to sub-optimal results. See The Institute for Public Policy Research's November 2012 publication "The Relational State: How Recognising the Role of Human Relationships could Revolutionise the Role of the State".

20 Ibid, pp 12-13