



COUNCIL ON THE AGEING (AUSTRALIA)

RETRENCHMENT PRACTICES: ROUND TABLE FORUM 21 MARCH 2000

Introduction

The brief for the round-table forum on retrenchment practices:

“Emerging as one of the thematic issues to the frequently dehumanising period of work transition and unemployment is concern for the process followed by some employers in retrenching staff. In many cases businesses both large and small manage the displacement of employees in a constructive and sensitive manner. Sadly this is not always the case. The Committee is keen to explore with selected inquiry participants how retrenchment may best be handled in an ideal manner but which is appropriate to the size and nature of that business. The question is whether or not a code of conduct for employers would inform better practice in this area without adding unnecessary burdens to businesses that are themselves in many cases already in trouble.”

COTA's priorities on mature age employment

The area of mature age employment covers a very wide range of major policy issues for the Australian economy, labour market, governments and society. In COTA's previous submissions to the Committee we have identified the following as major areas needing reform (in summary):

1. Social attitudes towards older people:
 - stereotypes need to be broken
 - valuing of the skills and experience of older people

2. Employment practices:
 - ensuring that mature age people in jobs have opportunities for training and promotions and are not targetted for retrenchment on the basis of age.
 - ensuring age discrimination is not clouding hiring decisions

3. Government policy commitments are needed to providing assistance to mature age people in:
 - training and retraining
 - assistance in seeking work in public and private sectors
 - overcoming age discrimination
 - overhaul of income support policy for people 50-64

A code of conduct around retrenchment would be a useful development. However, it is critical that this code of conduct is part of a broader code of conduct which seeks to eliminate the targetting of mature age people for retrenchment in the first instance and address systemic age discrimination in the Australian labour market.

The dimensions of retrenchment

The worst case scenario in downsizing and restructuring

A common story is of a long term employee, sometimes a manager, being tipped out of a job in which they believe they have been performing to a high level but which is abolished due to restructuring or downsizing. There is also a group of people who are retrenched suddenly when a business goes into liquidation.

In this scenario, the person is often asked to leave almost immediately, without time for a formal farewell and to take leave of colleagues and staff. There is an undignified process of gathering personal effects; cleaning out the office; handing in car keys and identity cards – a hasty and embarrassed conversation with a senior management person as the individual tries to make sense of the situation.

The consequences of such a retrenchment process are immense and well known: in the short-term - shock, sense of betrayal, anger and disbelief. In the medium to long term, erosion of self-esteem and confidence, bitterness and isolation.

The best practice scenario in downsizing and restructuring

Even where adequate notice is given and due process observed, retrenchment is still often a painful experience for many people with a sense of betrayal and anger a consistent outcome.

The causes of the betrayal and anger are more complex in this case. Often people feel that they have been unfairly singled out for retrenchment when downsizing and restructuring exercises are carried out.

Retrenchment due to skills attrition

There are also many stories of mature age people who lose their jobs due to their employers' belief that they have insufficient skills in new communications technology or not fitting the desired skills profile in the organisation. This is an important dimension of the retrenchment experience of many mature age people and often leads to much bitterness when the employee believes that they have not been given adequate opportunities for retraining and skills up-grading.

Retrenchment for people in marginal employment

A code of conduct around retrenchment is likely to have most application for people in secure, full-time employment. But many mature age people are working in contract and otherwise insecure employment who are almost permanently at risk of retrenchment. This constant insecurity of retrenchment erodes quality of life and peace of mind for these workers and needs to be taken as seriously as the "sudden death" retrenchment of people in more secure employment.

A code of conduct: key elements

COTA believes that the Code of Practice on redundancy developed by the Employers Forum on Age and the British Government in the UK is a useful starting point for developing the Australian code of conduct. The UK Code of Practice on redundancy is:

Base decisions on objective, job related criteria to ensure the skills needed to help the business are retained

Using age as the sole criterion when selecting people for redundancy can lead to the unnecessary loss of skills and abilities which are essential to the organisation. Try to avoid this by:

- *using objective, job related criteria when considering candidates for redundancy*
- *make sure the business retains the staff it needs to remain competitive*
- *making sure age is not a criterion – and letting people know that*
- *looking at flexible options such as part-time working, job-share or career breaks and short-term contracts when considering alternatives to redundancy*

It is important to recognise however that this is a sub-set of a broader code of practice in the UK on age discrimination in the work place. The other dimensions of the code are:

- recruitment on the basis of the skills and abilities needed to do the job
- selection on merit

- base promotion on the ability or demonstrated potential to do the job
- encourage all employees to take advantage of relevant and suitable training opportunities
- ensure that retirement schemes are fairly applied, taking individual and business needs into account

COTA believes that an employer code of conduct on retrenchment in Australia would similarly benefit for being part of a broader strategy on age discrimination in employment.

It should be noted that a recent evaluation of employer awareness of the code of practice in the UK did not yield positive results and showed difficulties in implementation.

Best practice in retrenchment

The UK code of conduct does not look at a “best practice” scenario for retrenchment

From our discussions with mature age people some important elements of the “happier” retrenchments are as follows:

- as much prior warning as possible
- private process such that the retrenched person is the first to know within a company or organisation about the planned retrenchment
- out-placement and counselling services made available
- referral to Centrelink and other government services
- some control over process retained eg exact date of leaving by negotiation rather than coercion
- proper farewell and leave taking processes with acknowledgment of contribution made by that individual if that is desired by the retrenched individual
- strong emphasis on retention of dignity such that there is an orderly process of giving up office, company car etc.
- fair financial compensation.

Broader issues around a code of conduct for retrenchment

It has been beyond the scope of this submission to comment on the feasibility or otherwise of a code of conduct. However, further research is required to examine a very wide range of questions:

- Will a code of conduct work? Is it feasible?

- Are there circumstances when will it be feasible – others when it will not be?
- How will the code of conduct interact with the broader industrial relations requirements of employers during retrenchment?
- Are there different issues for:
 - Public sector
 - Large companies
 - Small to medium businesses
- Does **insolvency** pose one set of issues and **restructuring** another?
- Why should businesses adopt a code of practice?
- Are there to be some sticks and carrots?
- What can government do?
- Who is to administer and promote a code of conduct? Who will pay? Who will follow through?
- Who is to pay for services that are needed by retrenched people such as counselling and out-placement especially in the case of insolvency?

CONCLUSION

While the code of conduct on retrenchment practices would be of benefit to some groups of mature age workers, COTA is concerned that it is too narrow an emphasis in the debate on mature age employment. It should be broadened to take account of the broader systemic issues around age discrimination in the Australian work force and the targetting of mature age people in retrenchment and downsizing exercises.

Even more broadly, Australian business and governments should also begin to evaluate the role of retrenchment and downsizing as a management tool. Critical questions include:

Are the efficiency benefits of downsizing and retrenchment as significant as believed?

What are the real costs of losing the skills of mature age workers?

With an ageing workforce and ageing population, what is the rationale for retrenching mature age workers?

Why are mature age people denied opportunities for retraining and skills up-grading?

COTA's work on mature age employment in 1999-00

Over the past 12 months, mature age employment has been the primary focus of the Council on the Ageing policy development work. Our activities include:

- two submissions to the House of Representatives Standing Committee on Employment, Education and Workplace Relations Inquiry into older workers;
- a major submission to the Welfare Reform Inquiry;
- a national congress *Older Australians: A Working Future* held in Adelaide, November 1999.

COTA's view of the issue of mature age employment is driven largely by our contact with many people over the age of 50 who have been unable to find a job because of their age, who face discrimination within their current workplaces or who are working below their capacity in marginal self-employment enterprises or part-time and casual work.

References supplied by request.

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