

# Retrenchment and Labour Market Flows in Australia

Iain Campbell\*

Michael Webber\*\*

## Abstract

*Retrenchment is a significant element of current labour restructuring in Australia. This article situates retrenchment and the experiences of retrenched since the late 1980s within a broader context of labour market flows. The article refers to labour flows at the level of the individual enterprise but it concentrates on the aggregate level of the national economy, drawing mainly on official Australian Bureau of Statistics (ABS) data. It points to several important factors that are neglected in contemporary discussion of the experience of retrenchment – the effects of periods of job expansion and job contraction, industry patterns of retrenchment and labour turnover, enterprise-level retrenchment and recruitment practices, and the place of ‘precarious’ employment as an increasingly significant point of departure and destination in labour flows.*

## Introduction

Retrenchment is a significant element of current labour restructuring in Australia. It has provoked sporadic public and policy concern, which focuses primarily on the issue of employment insecurity and the fate of the individual retrenched who bear much of the burden of industry and labour restructuring. In periods of job expansion this concern is often applied to individuals retrenched from industries that are identified as undergoing processes of severe restructuring, perhaps spurred on by government policy.

---

\* National Key Centre in Industrial Relations, Monash University

\*\* Department of Geography and Environmental Studies, University of Melbourne.

Thus labour adjustment packages have been introduced to assist workers displaced from jobs in the struggling textiles, clothing and footwear (TCF) and passenger motor vehicles (PMV) industries. However, concern tends to emerge most forcefully in recessionary periods, when retrenchments rise throughout most industries and new job opportunities fall, thereby threatening a broader section of the workforce with the consequences of protracted periods of unemployment. In the most recent recession in 1990-91, as employment fell and levels of unemployment once again rose, the issue of retrenchments attracted renewed attention, with several studies seeking to point to alternatives to retrenchment, to develop a 'code of practice' for labour adjustment and to advocate better assistance for retrenchees (Buchanan, Campbell, Callus and Rimmer, 1992; SJCC, 1992).

Retrenchment will continue to be important in labour restructuring in Australia. If we are to develop adequate policy, it is necessary to deepen and extend research on the fate of retrenchees. Much research in Australia – insofar as it reaches beyond a count of retrenchments – takes the form of case studies of groups of retrenchees in the aftermath of particularly dramatic retrenchment events, primarily closures of manufacturing plants. Such studies can be useful for charting the varied paths taken by individual retrenchees, their personal experiences and some of the personal attributes that influence labour market outcomes. But in focussing on singular retrenchment events they risk missing several important features of the broader social context of retrenchment, both as it constitutes a wider range of cases of retrenchment and as it structures the experiences of particular groups of retrenchees (for a critical review of such case studies see Webber and Campbell, 1996).

Scherer argues that case studies of retrenchment need to be 'placed in context through a familiarity with the general pattern of mobility in the labour market' (1986: 46). Our study seeks to take up Scherer's challenge. It seeks to extend existing research by situating retrenchment and the experiences of retrenchees in Australia since the late 1980s in terms of selected aspects of the labour market context. The discussion is framed in terms of labour market flows. It refers to labour flows at the level of the individual enterprise, but it concentrates on the aggregate level of the national economy, drawing mainly on official Australian Bureau of Statistics (ABS) data from the Monthly Population Survey.

The article has four substantive sections and a summary conclusion. The first section briefly reviews employment and unemployment trends in Australia over the past decade or so. The second section examines labour adjustment at the level of the enterprise, including retrenchment practices, and assembles evidence about the changes in the magnitude of retrenchment

and other forms of separation from jobs. The third section considers what happens after retrenchment and examines what is known about the aggregate flows of retrenched into unemployment, employment or not in the labour force statuses. The flow into employment, structured by enterprise-level recruitment practices, is of particular significance, and it forms the subject-matter of the comments in the fourth section. A final section offers some conclusions on the implications of this discussion of retrenchment and labour market flows.

The approach taken in this study is necessarily limited. We look only indirectly at the experiences of retrenched in Australia, primarily through examination of aggregate data relating to the labour market context. Aggregate data sources are themselves limited as a vehicle for describing and analysing the relevant labour market context, which is often spatially and temporally specific and intertwined with the operation of a wide range of social and economic institutions. The study is not intended to be a comprehensive study of retrenchment but instead aims to highlight important factors that are often neglected in current discussion. Amongst the factors emphasised below are the effects of periods of job expansion and job contraction, distinctive industry patterns of retrenchment and labour turnover, enterprise-level retrenchment and recruitment practices, and the place of 'precarious' employment as an increasingly significant point of departure and destination in labour flows. The interaction of these factors can be crucial for determining who is most likely to be retrenched and who is most disadvantaged after retrenchment. Awareness of these factors can be useful in guiding further research and policy development.

### **General labour market conditions**

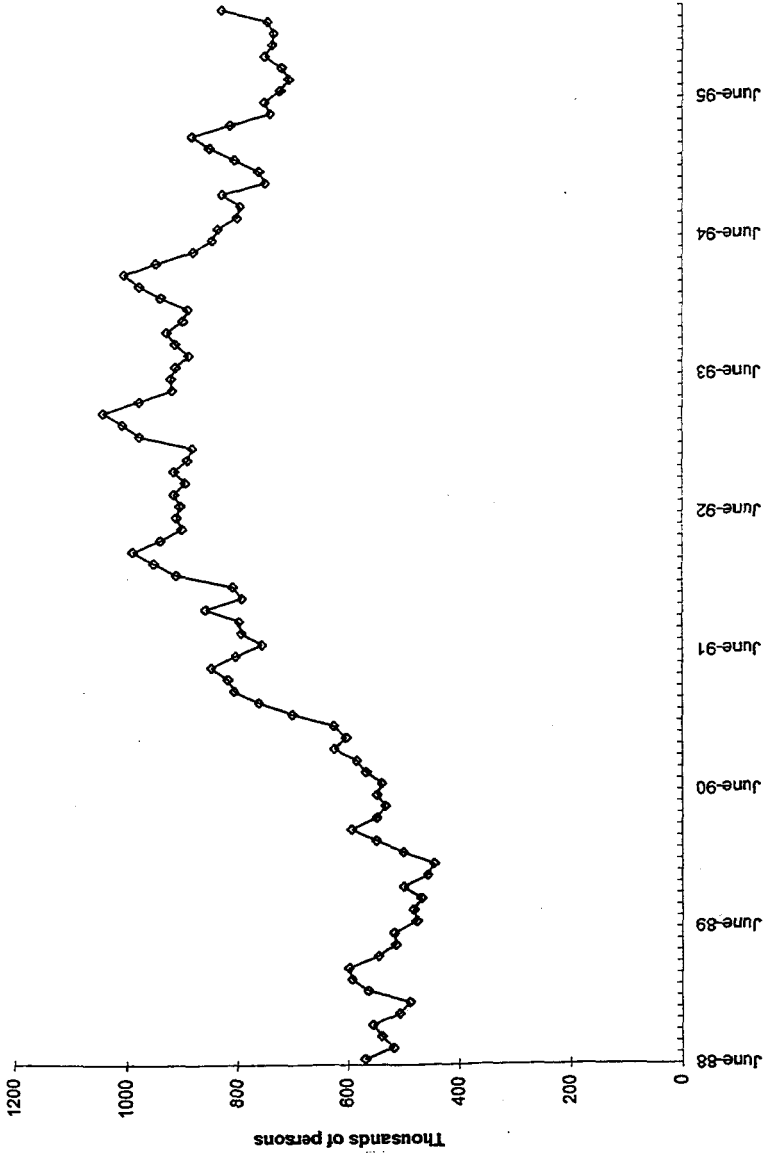
The story of the current period is relatively straightforward. After the economic exuberance and employment expansion of the mid to late 1980s, output declined in 1990-1991 in what has been described as a short and shallow recession. Since late 1991 a tentative recovery in output and a sharp upturn in profits have been evident, accelerating more recently. The recession of 1990-91 was accompanied by a sharp contraction in employment, which proved much slower to recover. From a peak of 7.94 million persons in December 1989, the recession impelled an absolute decline in the total numbers employed to only 7.57 million in January 1992. This was followed by an initially sluggish, slowly accelerating employment growth, which did not restore the previous peak employment level until the middle of 1994 but subsequently quickened to reach a new peak of 8.43 million persons in December 1995 (ABS cat 6203.0).

In employment terms the period since 1990 has involved first contraction, then stagnation and finally growth. It is important to note however that the decline and stagnation in employment was confined to full-time employment, as part-time employment continued to grow for most of the period. The growth of part-time employment is itself heterogeneous, with a long-term growth trend for female part-time employment, which appears to have stuttered during the recession and then resumed, overlaying a different pattern of male part-time employment, which rose rapidly during the recession and then contracted. This pattern suggests that some of the growth of male part-time employment represents underemployment (Burgess and Campbell, 1993; Sloan and Wooden, 1994: 14-17).

More specifically, the decline and stagnation in employment was largely confined to what is called 'standard' (or 'typical') employment, that is to full-time, continuing ('permanent'), waged employment. Annual figures for August suggest that between 1990 and 1993 the number of persons in standard employment declined sharply. The subsequent growth in the standard workforce in the two years after August 1993 has not in fact been sufficient to restore the levels attained in August 1990. This experience continues a consistent and very important process of relative decline in the significance of standard employment that stretches back at least to the early 1980s. Over the period from August 1982 to August 1995, the proportion of the employed labour force in standard employment in Australia has fallen by almost ten percentage points, from 66% to 56.2% (64.2% of employed males but only 45.8% of employed females) (ABS cat 6310.0; Campbell and Burgess, 1993; Campbell, 1994).

The relative decline in standard employment has been matched by relative growth in the significance of 'non-standard' (or 'atypical') employment, comprising statistical categories such as non-employees (15.0% of the workforce in August 1995), part-time, permanent employees (7.4%), full-time, casual employees (5.9%) and part-time, casual employees (14.2%). Relative growth appears to have been fastest in what can be called the 'precarious' forms of employment, that is in those forms of non-standard employment marked by low pay and high levels of labour insecurity (OECD, 1994: 9). In Australia the notion of 'precarious' employment embraces casual employment, places in government employment schemes and some forms of marginal self-employment (for a more detailed discussion see Campbell, 1994). Casual employment is the most important of these forms. The proportion of casual employees in the employed labour force has increased sharply from around 10.8% in August 1982 to 20.1% in August 1995, thereby accounting for almost the entire ten percentage points lost by standard employment over the same period. The absolute and relative

Figure 1 Number of unemployed persons, Australia, 1988-1996



Source: ABS The Labour Force, Australia cat 6203.0

growth in casual employment continued smoothly through the period of employment expansion in the 1980s and then through the period of job decline, stagnation and expansion of the first half of the 1990s (ABS cat 6334.0, cat 6310.0; Campbell and Burgess, 1993; Campbell, 1994).

The relative growth in precarious employment in Australia has been very dramatic and has major consequences for labour market policy. It is useful to note here that the significance of precarious employment in labour market flows will be much greater than is indicated by the mere proportion of these jobs in the workforce at any one time. The notion of precarious employment implies rapid turnover, both of jobs and of the individuals in the jobs, with the result that such employment can be expected to be disproportionately influential as a departure point and a destination in labour flows.

Unemployment levels have remained high in Australia in the 1990s (see Figure 1). Monthly unemployment figures rose from a trough of less than half a million at the end of 1989 to a peak of over one million unemployed in February 1993 (this peak was repeated in February 1994), before falling to a low of 700,000 in the middle of 1995. Similarly, the unemployment rate rose from a low of just over 5% in late 1989 to a peak of 12.2% in February 1993. In April 1994 the unemployment rate still exceeded 10%, but by the middle of 1995 it had fallen back to around 8%. Unemployment rates are an increasingly inadequate indication of the cyclical performance of the economy and must be complemented with measures of underemployment and hidden unemployment (De Neubourg, 1988). However, on most of the alternative measures of labour slack the picture remains the same. Rising unemployment rates during the recession were accompanied by rises in estimates of hidden unemployment and underemployment (Wooden, 1992; Baker and Wooden, 1993).

The rise in unemployment incorporated a (lagged) rise in the numbers of long-term unemployed, that is those recorded as unemployed for 12 months or more. The increase in long-term unemployment provided the main focus of labour market policy in the early 1990s, sparking off concerns that led to the Green Paper, *Restoring Full Employment* (Committee on Employment Opportunities, 1993) and then the White Paper, *Working Nation* (Commonwealth of Australia, 1994), which announced the introduction of additional measures to assist the long-term unemployed into employment.

## Retrenchment and exits from employment

How does retrenchment fit into the picture of employment change? The conventional understanding, often supported by the selective approach of

case-study research, is that retrenchment in Australia is largely a phenomenon of accelerated industry restructuring in recessionary periods, often involving plant closure and disproportionately affecting older, male workers who have been in their job a long time. But this grasps only a small part of the total flow of retrenchments. Retrenchment decisions at enterprise level are the product of a complex range of factors. Though recessionary periods can be expected to increase the pressures on many firms, leading to retrenchments either through closures or through contraction of employment in continuing enterprises, retrenchments can proceed in a variety of contexts and have a variety of causes. Retrenchment appears to be a heterogeneous phenomenon, with a stable underlying base in most periods, topped up by new categories of workers in periods of employment contraction. It is often firmly anchored in an industry context, marked by distinctive patterns of enterprise and labour turnover. Even in periods of employment expansion, retrenchment is part of the experience of a substantial minority of the workforce. Corresponding to the diversity in the causes and mechanisms of retrenchment, there is extensive diversity in the categories of workers affected. For example, those who have been in their jobs only a short time are most affected by retrenchment in all periods. Groups with longer periods of tenure in their job tend to be drawn most strongly into retrenchment flows in recessionary periods, as closures rise and cutbacks bite more deeply into the workforce in continuing enterprises.

In examining retrenchment and flows out of employment, it is useful to approach the topic first from the point of view of the individual enterprise and then in terms of the aggregate data on the extent of retrenchment.

### **The individual enterprise**

External labour adjustment at the level of the individual enterprise is the net result of exit and entry flows in the number of persons employed. Exit (or separation) can take various forms – not only retrenchment or ‘redundancy’ or ‘lay-off’,<sup>1</sup> but also dismissal, conclusion of a temporary or fixed-term contract, cessation as a result of ill health or injury, voluntary separation (resignation), retirement and death. From the point of view of the individual enterprise retrenchment is one mechanism of external labour adjustment (though in the case of plant closure it may be the only mechanism).

The processes that generate retrenchment at enterprise level are complex. This is particularly true for continuing enterprises, which are the site of the vast majority of retrenchments. Recent research at this level often fixes on the issue of good management practice. Our focus here is strictly on the quantitative dimension of enterprise-level retrenchment practices.

For continuing enterprises the quantitative significance of retrenchment depends:

1. on the significance of the pressures for adjustment through labour (that is, on the extent to which firms are forced to restructure their operations and the degree to which that restructuring is confined to the management of labour);
2. on the relative significance of external versus internal labour adjustment (that is, on the degree to which the restructuring of labour occurs by changing the workers who are employed rather than by rearranging their hours or their tasks); and
3. on the relative significance within external labour adjustment of retrenchment as opposed to other mechanisms (that is, on the degree to which changes in the workers who are employed are effected by retrenchment rather than by other mechanisms such as natural attrition).

The current period is undoubtedly characterised by intensified economic pressures, including volatile and shifting product market conditions. Many enterprises in Australia have been forced to adjust, and – in the absence of control over other factors – the immediate impulse is towards labour adjustment. In conjunction with increasing pressures, the opportunities for adjustment through labour at the enterprise level have increased in Australia since the mid 1980s, as labour market deregulation has gathered pace. This helps to direct the pressures for adjustment towards labour adjustment. It is important however to underline the argument that both pressures and opportunities are differentiated, dependent on factors such as product market position, impact of external regulation, degree of prosperity, size and industry. Also significant in determining labour-management practices at the level of the enterprise will be the strategic response of management to perceived pressures and opportunities. Management always enjoys a certain discretion in choosing the degree of emphasis to be given to labour adjustment (and indeed, more specifically, to external labour adjustment and retrenchment). Responses to increasing pressures vary. Indeed, even when the results involve net job loss this can occur as a result of quite different mechanisms, for example rationalization, intensification or investment and technical change (Massey and Meegan, 1982).

Labour adjustment can be internal or external (or a mix of the two). International comparisons provide indirect evidence of an orientation in Australian enterprises to external labour adjustment, suggesting that Australia has low levels of average tenure in a job (OECD, 1993) and high levels of turnover and worker mobility between industries and regions (OECD, 1988: 70; see also BLMR, 1987: 107-137). In spite of widespread discussion



of the need to build up internal labour markets, the orientation in Australia to external labour market adjustment does not seem to be diminishing.

External labour adjustment in continuing enterprises need not proceed only through retrenchment. In many OECD countries external regulations erect barriers to retrenchment and offer inducements for enterprises to pursue measures of internal labour adjustment or measures of external labour adjustment other than retrenchment. The configuration of the 'employment security regime' at the national level will condition the extent to which retrenchment is favoured in continuing enterprises (Buechtemann, 1993, though Buechtemann usefully warns that the impact of regulatory measures is often overstated and that they need to be situated carefully in terms of both the specific institutional setting and the actual functioning of labour markets).

In Australia the major regulatory constraint is identified with the Termination, Change and Redundancy (TCR) provisions established as a result of a test case before the Australian Conciliation and Arbitration Commission in 1984. The TCR decision was primarily significant in introducing *ex post* conditions such as extended periods of notice for termination and standards for severance pay. Though a break with prior practice – oriented to principles of 'employment at will' – the impact of the decision was more limited than may at first appear. It seems likely that only a minority of employees were ever effectively covered by the TCR provisions. Most employees missed out on protection as a result of limits in the reach of the award system, the failure of the provisions to be incorporated in all awards, and the numerous exemptions, for example for firms with fewer than 15 employees and for all part-time employees, all casual employees and all full-time, permanent employees with less than 12 months continuous service. In addition to the gaps in formal coverage were the gaps as a result of a lack of enforcement. Interviews with retrenched workers testify to the common absence of adherence to TCR standards (SJCC, 1992; see also the data on notice for retrenched workers in ABS cat 6266.2, October 1993).

Labour market deregulation widens the gaps in employment protection. In principle, recent moves towards 'enterprise bargaining' open up room for advanced negotiation over retrenchment provisions. But so far bargaining on such matters is 'very rare' (Campbell and Rimmer, 1994, 63). In seeking to calm concerns about the impact of shifts away from award regulation, the *Industrial Relations (Reform) Act* 1993 drew on ILO Convention 158 in order to introduce minimum standards for all terminations. These largely represent a preservation of the TCR standards. Though initially also significant as a generalisation of these standards to wider groups of employees, the legislation was amended in 1994, in response to

concerns expressed by employers, to revise the procedures for claims of unfair dismissal and to establish a broader series of exemptions on mandatory notice periods, e.g. for fixed-term employees, probationary employees and casuals with short periods of tenure (Pragnell and Ronfeldt, 1994; Stewart, 1994; Hamilton, 1995: 162-165). In spite of the changes since the early 1980s, it seems that regulations governing retrenchment remain weaker in Australia than in most other OECD countries (SJCC, 1992: 88-100; Buchanan and Campbell, 1992). The new federal Coalition government elected in March 1996 has promised to weaken these already attenuated regulations.

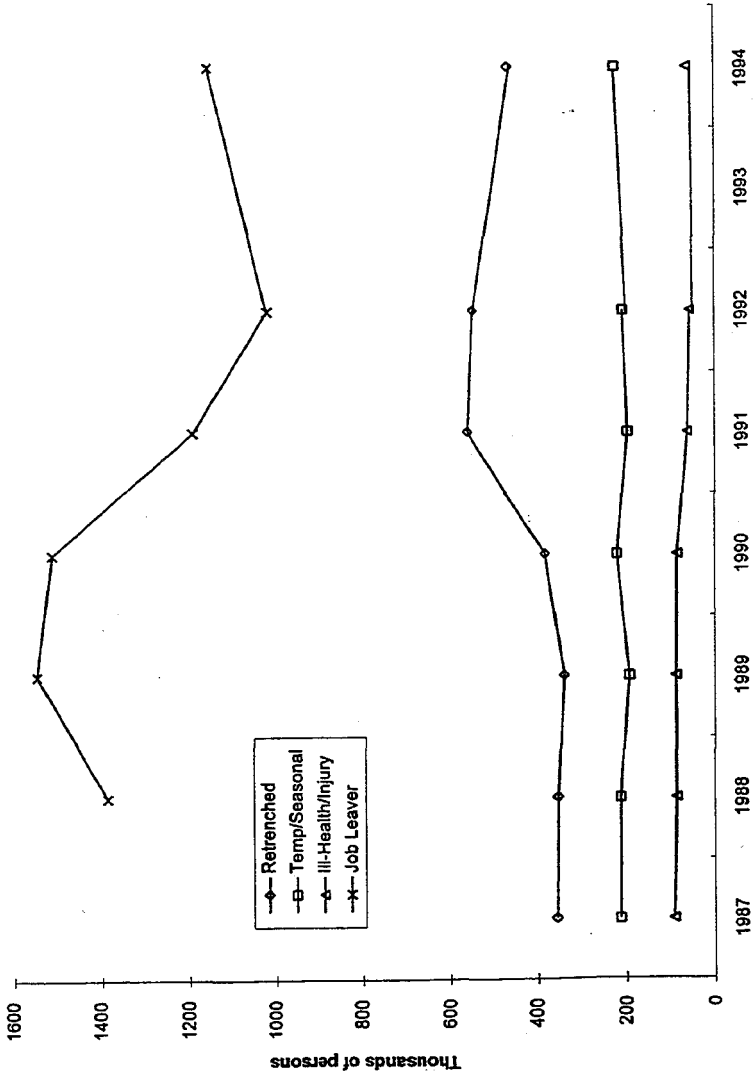
Several recent studies in Australia point to the persisting importance of retrenchment as a component of management strategies. Buchanan et al (1992: 4-6) use the data from the 1989-90 Australian Workplace Industrial Relations Survey (AWIRS) to discuss the apparent readiness of firms to respond to decreased demand through workforce reduction and to implement workforce reduction through retrenchments. Other available evidence suggests that the latest period has been marked by a widespread enthusiasm for 'downsizing', both in the private sector and, more recently, in the public sector, where budgetary pressures and new managerialist practices have encouraged cutbacks in employment (see Littler, Bramble and McDonald, 1994). A 1992 study for the Business Council of Australia (BCA) of the diverse 'human resource' responses of larger firms to competitive pressures suggests that the most important responses have been reduction in workforce numbers, restructuring through closure of plants or divestment, and implementation of a range of new employee management practices (BCA, 1992). Drawing on this research Angwin argues that

Perhaps the most dramatic response of Australian business resource practices over the last five years has been reducing the workforce. This has not just been a strategy for dealing with the immediate impact of the recession. It is a response to longer term competitive and other structural pressures.... Policies of non-recruitment and redundancy, combined with cut backs in entry level training opportunities, have been the main methods for reducing work force size. (1993: 52; see also BCA, 1992: 12-13)

Similarly, a National Institute of Labour Studies (NILS) survey of large employers offers data on management perceptions of 'improvements' in employee management since 1988. Management in almost 75% of enterprises cite 'reduction in overstaffing' as an improvement in this time, making it one of the most frequently cited changes (BCA, 1993: 195).

Retrenchment practices in continuing enterprises are important in determining who is at most risk of retrenchment. External regulation is unlikely

Figure 2 Persons who ceased a job during the year: reason for ceasing, Australia, 1987-1994



Source: ABS Labour Mobility, Australia cat 6209.0

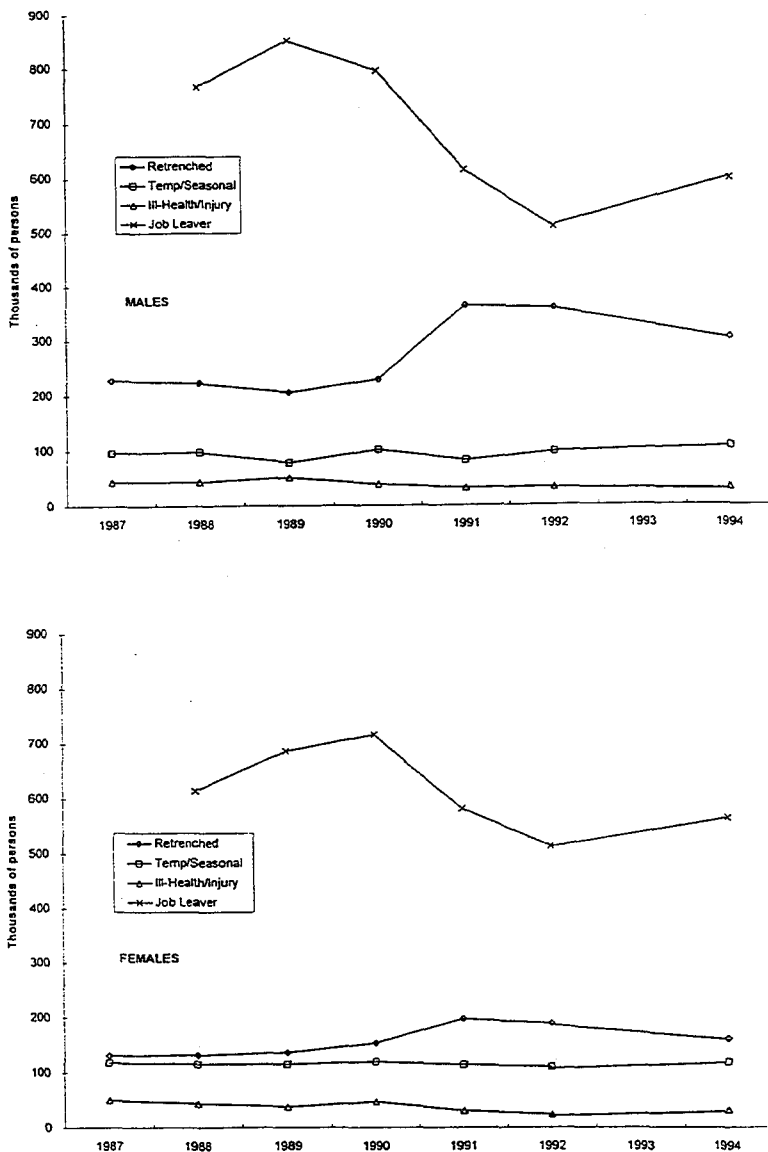
to be a major constraint in Australia, but significant constraints on retrenchment practices still apply as a result of specific pressures that impel retrenchment decisions, specific business strategies and informal expectations and negotiation, including expectations on the part of continuing workers. Little information about informal expectations in Australia is available, though it is unlikely that they are as patterned as in the US, where acceptance of a principle of 'last-on, first-off' in lay-offs is linked with broader traditions, for example of 'job-control unionism'. It is likely that selection of workers for retrenchment in Australia operates according to more varied principles.

### **The extent of retrenchment**

The evidence on the extent of retrenchment in Australia can be examined in the light of the above discussion. The ABS supplementary survey on labour mobility (ABS cat 6209.0) includes a question asking people who have ceased a job during the previous year to February about the reason for ceasing. Figure 2 shows the results for the different categories of job loss, including retrenchment, and for the general category of job leaving over the period from 1987 to 1994. The period of job contraction after 1990 is clearly marked by a jump in the number of those giving retrenchment as a reason for ceasing a job. The overall increase between 1989 and 1991 in persons citing retrenchment was around 64%, reaching some 560,000 people in 1990-91 and 547,500 in 1991-92 (about 6.4% of those who worked at some time during the year to February 1992). As growth resumed the numbers fell back to 464,300 in 1993-94 (about 5.4% of those who worked at some time during the year to February 1994), still somewhat higher than the figures recorded in the late 1980s.

Figure 3 provides figures for males and females. It indicates that males consistently outnumbered females in retrenchments. If this is viewed in the light of their respective proportions in the employed workforce, it appears that males and females shared an almost equal probability of being retrenched up until 1990 and 1991, when the probability for males appeared to creep ahead. Other evidence of a greater susceptibility of males to retrenchment in the recent period appears in a survey of persons employed between October 1990 and October 1993 in Victoria. The results suggest that 13% of employed males and 8% of employed females had experienced retrenchment (and voluntary redundancy) during this time (ABS cat 6266.2, October 1993). This does not mean that men were targeted for retrenchment during this period. It is more likely that men held a disproportionately high fraction of the jobs in the economy that were vulnerable to retrenchment

**Figure 3** Males and females who ceased a job during the year: reason for ceasing, Australia, 1987–1994



Note: data for males are in the upper graph; for females in the lower graph.  
 Source: ABS *Labour Mobility, Australia* cat 6209.0

and that gender segregation in employment acted to provide protection against retrenchment for some women.

Two other features of Figures 2 and 3 are noteworthy. First, the jump in retrenchment was from an already substantial base. This draws attention to the fact that even in periods of job expansion retrenchment is part of the experience of a large minority of employees (for example 341,200 in 1988-89). Second, the pattern of change in retrenchment was matched by an inverse pattern of change in 'voluntary' job leaving. At the same time as retrenchments increased, the number of job leavers fell away – a symptom of a decline in the propensity to quit, that is an (understandable) increase in the impulse to hang on to jobs. Indeed, this decline in the number of job leavers far exceeded the rise in retrenchments, leading to a decline in the total number of exits or separations. As a result, retrenchment increased not only absolutely but also – and even more sharply – in relative terms, as a proportion of all separations. Retrenchment rose from a low of 15.7% of all separations in the year to February 1989 to 27.8% and 29.9% of all separations in the years to February 1991 and February 1992 respectively. In the year to February 1994, as the number of retrenchments dropped back and the number of job leavers increased again, retrenchment accounted for 24.3% of all separations.

This description of the rise and fall in retrenchments needs to be qualified by a recognition of differences in terms of size of firm and industry location. Data on retrenchments in small, medium and large enterprises are lacking. However, a recent BIE study (1994) has pointed to the concentration of net job losses in large firms, that is (private sector) firms with over 100 employees, during the 1990-91 recession. This provides indirect evidence that some of the increase in retrenchments during this period may have been disproportionately concentrated in larger firms engaged in 'downsizing'.

Better data are available for the industry patterns. Table 1 shows retrenchments, retrenchment rates, quit rates and total separation rates for selected industry divisions in the years to February 1989 – at the height of the 1980s period of job expansion – and February 1992 – at the end of the 1990-91 recession. This clearly reveals the marked differences amongst industries. For example, in the year to February 1989 retrenchment rates ranged from a low of 1.9% in community services to a high of 9.2% in recreation, personal and other services. A comparison of the two periods suggests that the overall increase in the level of annual retrenchments was primarily due to large rises in retrenchments in wholesale and retail trade, construction, manufacturing, and finance, property, business services. The overall increase in the retrenchment rate was composed of rises in the retrenchment rates for most industry divisions, with construction, followed

by manufacturing and wholesale and retail trade, now leaping to the front ahead of recreation, personal and other services. But it is noteworthy that the common pattern of increase in retrenchment rates does not eliminate the inter-industry differences. Indeed the span of the difference between the highest (15.5%) and lowest (1.6%) industry division retrenchment rates was wider in the later period. Further dimensions of industry diversity can be seen in the quit rates and total separation rates. For all industries, we can see the pattern alluded to above: the rise in the retrenchment rate between the two periods was less than the fall in the quit rate, with the result that the total separation rate fell. Each industry division shows a similar pattern of change, though as in the case of retrenchment rates the magnitudes of the quit rates and total separation rates remain highly diverse.

**Table 1** Retrenchments and Separations in Selected Industry Divisions in The Year to February 1989 and The Year to February 1992

	retrenchments ('000)		retrenchment rate (%)		quit rate (%)		total separation rate (%)	
	1989	1992	1989	1992	1989	1992	1989	1992
agriculture	16.7	16.5	4.0	4.2	8.7	8.2	17.9	21.4
manufacturing	69.3	110.8	5.8	9.7	18.8	9.8	27.8	22.1
construction	41.1	84.8	7.3	15.5	21.8	9.8	31.3	28.2
wholesale & retail trade	87.8	141.5	6.0	9.0	24.5	16.1	34.3	27.6
transport & storage	14.6	27.2	4.0	6.9	20.1	11.8	26.5	20.4
finance, property, business services	25.7	51.5	3.2	5.9	27.4	15.7	33.4	23.7
public administration and defence	*6.9	6.1	*2.0	1.6	18.0	12.0	25.5	18.1
community services	25.4	36.7	1.9	2.6	19.5	13.3	26.0	20.1
recreation, personal & other services	43.7	52.2	9.2	8.7	28.6	19.3	45.5	33.4
ALL INDUSTRY	341.2	547.5	4.7	7.1	21.3	13.3	29.8	23.8

Note: The denominator in the calculation of rates is employed persons in the previous February, that is February 1988 and February 1991 respectively.

Source: ABS *Labour Mobility, Australia* cat 6209.0, February 1989; ABS unpublished data.

The industry differences revealed in Table 1 are generated by a complex range of factors. We refer to just a few points. Discussion of industry differences in separations and retrenchments is often confined to a differentiation of industries in terms of net changes in employment. Abstracting from cyclical variation, the emphasis here is often on structural changes in

the economy that produce either long-term employment decline (for example manufacturing) or long-term employment growth (for example finance, property and business services) in particular industry divisions. But net changes in employment are often insubstantial compared with gross changes (flows).<sup>2</sup> Most important, net changes in employment provide few direct clues to the significance of either gross changes or the place of retrenchments within such gross changes, both of which need to be carefully analysed in their own right.

The data in Table 1 help to paint a more sophisticated picture of inter-industry differences (though they remain limited, failing for example to pick up the useful distinction between retrenchments due to closure of enterprises and retrenchments due to contraction within continuing enterprises). On the one hand they suggest that in periods of job expansion retrenchments cannot be identified just with structural change in a few struggling industries (for example within manufacturing) but instead must be seen as a much broader phenomenon. The divisions with the highest retrenchment rates in the year to February 1989 were in fact recreation, personal and other services, construction and wholesale and retail trade. Why do these appear so prominently? They are divisions dominated by labour-intensive service industries. They are dominated by small businesses, which are likely to be vulnerable to fluctuations in demand and susceptible to closure. They are also industry divisions with high overall rates of separation (many times larger than the retrenchment rates). It is likely that retrenchment in these cases can be understood in terms of distinctive industry patterns of labour and labour participation. In the light of the previous discussion of forms of employment, it is possible to note that these three industry divisions are characterised by high proportions of precarious employment (for example, in August 1988 casual employees were 46.5% of all employees in recreation, personal and other services, 18.9% in construction and 30% in wholesale and retail trade – ABS cat. 6325.0). Persons in precarious employment are more easily and more often displaced from jobs and are also more likely to leave their jobs. Many retrenchments in these industry divisions may be merely a part of a broader phenomenon of turnover of persons in precarious employment, and these retrenchments may be best viewed as overlapping with other forms of job loss and even voluntary job leaving.

On the other hand the data also enrich the account of the effects of recession. The largest rises in retrenchment rates in the recession year to February 1992 occurred in the industry divisions of construction, manufacturing and wholesale and retail trade. It may be argued that the rise in retrenchments in these industry divisions represented a mere cyclical re-



sponse to changes in demand (structured in particular by the effect of the marked decline in quit rates, which limits the option of natural attrition for continuing enterprises seeking recourse to external labour adjustment). In the case of traditionally volatile industries such as construction and to a lesser extent wholesale and retail trade this appears largely valid, and similar jobs could be expected to be offered again (perhaps to be filled by those retrenched) when trade picked up. But in the case of manufacturing – and indeed some other industry divisions – it appears more accurate to say that recession acted to accelerate industry restructuring and that retrenchment signalled the loss of jobs that are unlikely to return in the same form. Surveys of large employers in manufacturing provide some indirect support for this conclusion (BIE 1994; see Angwin, 1993).

A further feature of the labour mobility data, not evident in the figures and table above, relates to the duration of the job that has been ceased. Through the mid to late 1980s most of those retrenched had been in their job for less than one year. As the recession bit and retrenchments rose sharply, this group displayed only a small absolute increase in retrenchments (though it remained the group most likely to experience retrenchment). The largest increases in retrenchments were for those who had been in their jobs for longer periods, with the fastest rate of growth amongst those who had been in their job 10 years or more. One factor here was the emergence of retrenchments amongst longer-tenure employees in the public sector (see ABS cat 6266.2, October 1993), but the trend undoubtedly also holds true for the private sector. Long tenure is only an imperfect indicator of age, but the available data suggest that a similar pattern holds true for age, with older workers encountering a sharp upturn in retrenchments in recessionary periods, though generally not sufficient to lift the retrenchment probabilities to the level of younger workers (but cf ABS cat 6266.2, October 1993).

These aggregate data underline both the significance and the heterogeneity of retrenchment as a labour market phenomenon in Australia. They indicate the magnitude of retrenchment even in periods of job expansion. Retrenchment occurs during such periods both as a consequence of restructuring in distinct industries and enterprises and as a 'normal' product of the operation of distinct labour market segments, for example segments characterised by high labour turnover and large proportions of casual employment. In such periods men and women have an almost equal probability of retrenchment but the clearest 'risk factors' are industry of employment and brief periods of job tenure (with both factors perhaps also acting as indices of the prevalence of precarious forms of employment contract). In addition the data confirm the significance of recessionary periods in producing

increases in retrenchments and in introducing new features to the underlying pattern of retrenchments inherited from non-recessionary periods. The 1990-91 recession witnessed a large expansion in the number of retrenchments. This expansion cannot be understood as due just to cyclical factors. Instead it also appeared to signal an acceleration of industry restructuring in sectors such as manufacturing. The expansion of retrenchments was accompanied by a change in the composition of the flows of retrenchees, bringing in more males, more workers with long periods of job tenure and more older workers. However, it is industry of employment that still appears to be the most decisive factor in defining the probability of retrenchment.

### **Experiences after retrenchment**

What happens after retrenchment? Measurement at an interval after retrenchment finds that retrenchees have moved either into other employment, into unemployment (including long-term unemployment), or out of the labour force. Any retrenchment involves personal hardship and disadvantage, but the flows into these states help to define who is most disadvantaged after retrenchment. The size and composition of these flows seem to vary according to the employment character of the period and according to age and gender.

Flows into employment and unemployment tend to attract most attention in conventional understanding, with the former often taken as an index of successful labour market outcomes for retrenchees and the latter as the main site of disadvantage. The conventional view puts most emphasis on personal attributes and personal behaviour in determining labour market outcomes, but it does accommodate a limited recognition of the importance of labour market conditions. A particular concern with recessionary periods arises from the fear that the flows into employment will tend to evaporate and the flows into unemployment will swell into a flood, stranding retrenchees in unemployment for much longer periods. This is overstated but points to a real trend. However, there is good reason to be concerned about the magnitude of the flows into unemployment even in periods of job expansion. Moreover, it is important not to overlook the flows out of the labour force, which can be very important for the labour market behaviour of certain groups, for example older workers and in particular women.

Table 2 presents data on the flows of workers retrenched in the previous year into the three main labour market destinations in February 1982, 1983, 1985, 1987, 1989, 1992 and 1994. After the recession year to February 1983, the pattern during the 1980s appears consistent, with almost half of those retrenched in the previous year recorded as being in employment in the

following February, over a quarter recorded as unemployed and some 20% recorded as leaving the labour force. It is important to note however that the pattern for women appears substantially different to that for men. Retrenched women were less likely to be employed, but they were also less likely to be unemployed. Instead they were far more likely to withdraw from the labour force.

**Table 2** Labour Force Status of Workers Retrenched in Previous 12 Months

		1982	1983	1985	1987	1989	1992	1994
<b>MALES</b>								
All retrenched workers	'000	192	354	218	227	205	359	304
Working	%	59.6	38.2	47.5	53.5	57.3	39.0	43.2
Looking for work	%	31.9	49.9	39.3	37.8	31.7	50.4	43.7
Not in the labour force	%	8.5	12.0	13.2	8.7	11.0	13.5	13.1
<b>FEMALES</b>								
All retrenched workers	'000	123	167	129	131	136	188	161
Working	%	39.4	28.8	38.2	34.2	42.2	31.4	40.1
Looking for work	%	27.1	30.9	22.1	31.7	19.3	33.3	27.8
Not in the labour force	%	33.5	40.3	39.7	34.0	38.6	35.3	32.1
<b>TOTAL</b>								
All retrenched workers	'000	315	520	348	358	341	547	464
Working	%	51.7	35.2	44.0	46.5	51.3	34.4	42.2
Looking for work	%	30.0	43.8	32.9	35.6	26.7	44.5	38.2
Not in the labour force	%	18.2	21.0	23.0	17.9	22.0	21.0	19.7

*Note:* Data refer to February in the year listed; they indicate, for each February, the number of workers who had been retrenched at some time in the previous twelve months, and the proportion of those retrenched workers who were working, looking for work, or not in the labour force at the time of the survey.

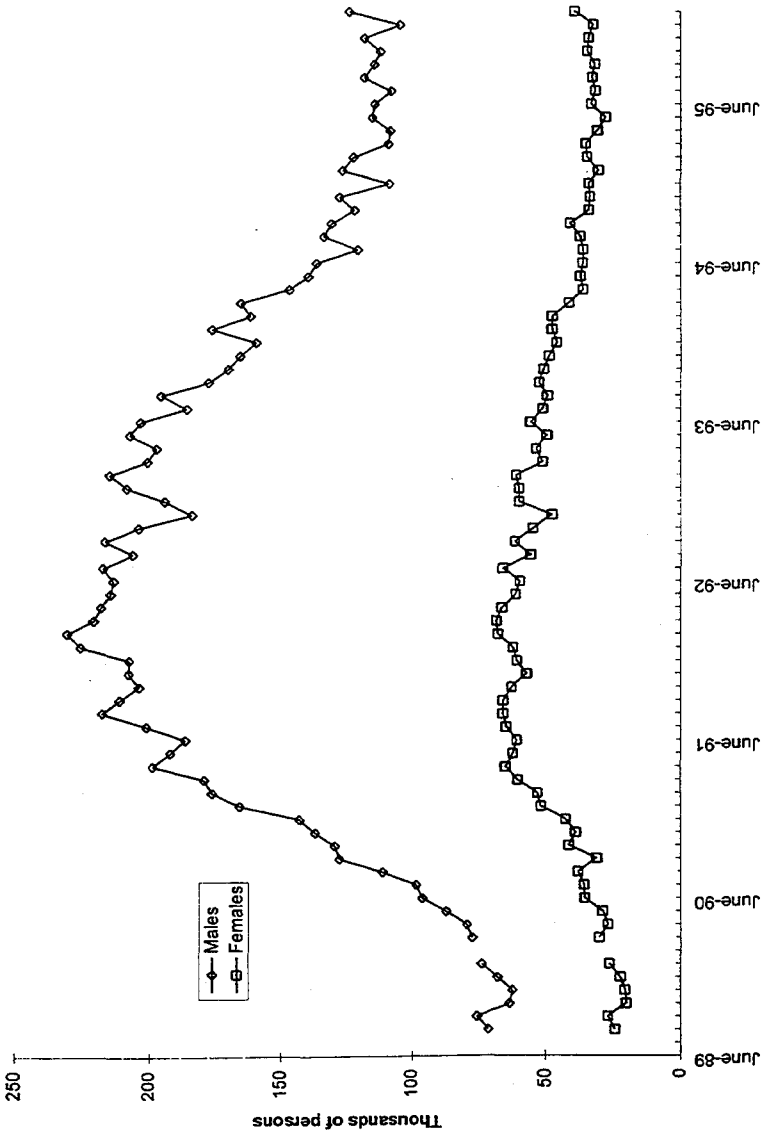
*Source:* ABS *Labour Mobility, Australia* cat 6209.0; ABS unpublished tables.

Table 2 shows the large rise in the level of retrenchment in the year to February 1992, as a result of the 1990-91 recession. In contrast to the pattern during most of the 1980s – although in parallel with the experience of the previous recession of 1982-83 – proportionately fewer of these retrenchees were recorded as working, and proportionately more were recorded as looking for work. This confirms the expectation that recessionary periods boost the probability of retrenchees remaining unemployed. At the same time, the proportion recorded as withdrawing from the labour force remained much the same. The latest data for the year to February 1994 show some evidence of a reversion to the pattern of the 1980s, though still with high levels of retrenchment and high proportions of retrenchees recorded as looking for work.

Evaluating the size of the flows outlined in Table 2 is difficult. The experiences of retrenched workers need to be compared with the experiences of both job leavers and other job losers. On the one hand substantial numbers of retrenched workers, particularly in periods of job expansion, find employment by the February after their retrenchment. This could be seen as a token of success in the labour market for this group of retrenched workers. On the other hand, it is also clear that large numbers, particularly in periods of job contraction, have not found employment. This could be taken as a sign of significant hardship and disadvantage.<sup>3</sup> Most retrenched workers without employment are recorded as unemployed, but not all. As Table 2 indicates, in periods of both job expansion and job contraction a substantial flow of retrenched workers have moved out of the labour force by the February after their retrenchment. It is particularly difficult to assess the relative hardship and disadvantage associated with this group. Some will have taken the opportunity – either with or without an interval of looking for work – to study full-time or to go on holiday. Others will be retrenched workers from older age groups who have treated their retrenchment as a spur for early retirement. But the most prominent feature is the predominance of women in this flow, suggesting that gender is important in structuring experiences after retrenchment. It is possible that such women are ‘hidden unemployed’ who still form part of a reserve of labour. Certainly, the fact that this flow is predominantly female could point to the gendered nature of the conventional labour force status categories, whereby many women appear reluctant to define themselves as unemployed (Callender, 1987).

Unemployment is a major destination for retrenched workers – it is certainly the destination for almost all retrenched workers in the phase immediately following retrenchment. Monthly data on unemployment allow a breakdown of currently unemployed persons in terms of whether they have had a full-time job in the last two years and if so the reason for ceasing this job. These data offer an indirect glimpse into the contribution of retrenchment to rises in levels of unemployment during recessions. Figure 4 shows data over the period from August 1989 for males and females who were unemployed and gave retrenchment as the reason for ceasing work. The figure displays a very sharp jump from early 1990, reaching a plateau in late 1991 before falling away from the middle of 1993. Retrenched workers as a proportion of all unemployed persons increased from 20% in August 1989 to 35% in August 1991, before falling back to 21% in August 1995 (ABS cat 6203.0). The data indicate that retrenchment can be seen as having made a substantial contribution to the rise in unemployment. They also provide further support for the expectation that retrenched workers are more likely to remain in unemploy-

**Figure 4** Unemployed males and females: retrenchment as a reason for ceasing last full time job, Australia, 1989–1996



Source: ABS The Labour Force, Australia cat 6203.0

ment – perhaps drifting into long-term unemployment – during recessionary periods.

The composition of the retrenched group amongst the unemployed could be taken as a key to special disadvantage. But it is necessary to be careful. One noteworthy feature of Figure 4 is the dominance of males, who feature more prominently than females in the group of unemployed who have been retrenched from their last full-time job (much more prominently than their representation in full-time employment would suggest). But this conceals the fact, noted above, that women are less likely to be defined as looking for work and more likely to leave the labour force after retrenchment. Other data from the same source indicate that retrenchment as a reason for leaving the last full-time job rose sharply for all age groups amongst the unemployed during the recession. However, again it would be necessary both to place this in the context of the distribution of different age groups in full-time employment and to take into account the effect of movements of different age groups of retrenchees out of the labour force.

## **Flows into employment and recruitment**

Flows into employment are particularly important, both from the point of view of individual retrenchees and from the point of view of labour market policy, which aims to assist retrenched workers into new employment through training, work experience and employment programs. The data presented in Table 2 suggest that the flow of retrenched workers back into employment is strong, although it is reduced in recessionary periods and is always joined to a substantial flow out of the labour force and a large pool of people who remain looking for work.

This section examines more closely the flows into employment, concentrating in particular on the labour market barriers that impede and channel opportunities for re-employment and that thereby help to determine the extent of hardship and disadvantage faced by groups of retrenchees. We put to one side the flow into self-employment and concentrate on the main flow into waged employment. The most obvious barrier here concerns the volume of vacancies on offer. However, barriers for particular groups of retrenchees are also associated with the nature of the vacancies. In studying flows into employment, it is important to extend the analysis beyond the volume of vacancies to the forms and conditions of the employment that retrenchees seek and obtain.

The issue of the nature of vacancies tends to be poorly handled in contemporary discussion in Australia. Vacancies are usually considered just as a quantum and the implications of the volume of vacancies for entry into

employment are expressed quantitatively in terms of a 'jobs queue'. Policy proposals focus on particular groups thought to be at the back of the jobs queue, which is then reshuffled in order to push these groups to the front (for example through reducing the costs to employers of hiring individuals from targeted groups). Insofar as the nature of vacancies does attract consideration, attention is generally confined either to the uneven spatial distribution of job opportunities or, more substantively, to skill levels and the postulated effects of broad structural changes (leading to skills mismatch). This in turn is translated into policy prescriptions that emphasise either geographical mobility to take up jobs in growing regions or (re-)training to take up jobs in growing industries and occupations. But talk of a jobs queue is misleading in that it blurs an awareness of fragmentation and segmentation in the job structure. Similarly talk of uneven spatial distribution or skills mismatch can be misleading in that it is generally based on sketchy analyses of net changes at an aggregate level rather than an analysis of labour flows and the social processes regulating entry into different forms of employment.

We can approach the issue of flows into employment first in terms of aggregate data on job starts and then, more briefly, in terms of the enterprise level, where recruitment practices are of clear and immediate importance.

Aggregate data are of limited use, but they do allow a couple of points to be made. Table 3 identifies job starts in the years to July 1990, July 1992, and July 1994. In each of these years, a large number of people started a job. At the same time large numbers looked for, but did not start, a job. The data point to three important changes between the first two periods, corresponding to the onset of the recession. First, the total number of job starts declined by almost a quarter, providing evidence of a partial drying up of recruitment. Second, whereas in the year to July 1990 a substantial proportion (43%) of job starts were by those who had changed employer to start a new job, in the year to July 1992 the number of those who changed jobs fell by almost half, providing further evidence for a decline in the propensity to quit. Third, the number of those who looked for but did not find work increased by 88%. In the year to July 1994 we can see a partial recovery in job starts and in the propensity to quit but a continuing high figure for those who had looked for but not started a job for wage or salary in the previous twelve months.

**Table 3** Successful And Unsuccessful Job Search Experience July 1990, July 1992 and July 1994

	1990	1992	1994
Persons out of work prior to starting a job (1)	1 069 000	1 029 200	1 129 600
Persons who changed employer to start job (2)	811 300	423 800	601 800
Persons who started a job for wages or salary during the previous twelve months, ie (1)+(2)	1 880 300	1 453 000	1 731 500
Persons who had looked for, but not started, a job for wages or salary during the previous twelve months	515 600	970 800	855 400

Source: ABS *Successful and Unsuccessful Job Search Experience, Australia* cat 6245.0

What are the nature of the vacancies available to retrenchees (and other job seekers)? There are several dimensions to the structuring of employment opportunities, including not only uneven spatial distribution and the various factors bundled up under the heading of 'skill levels' but also the more elusive criteria imposed by employers such as age, English-language proficiency, work experience, and Workcare/ Workcover record. We confine our comments to the structuring of employment opportunities in terms of forms of employment – an important element neglected in most research on retrenchment in Australia. The discussion above alludes to the place of precarious employment as a point of departure in labour flows, suggesting that a substantial component of retrenchment, particularly in non-recessionary periods, can be traced back to distinctive industry patterns in the use of precarious employment. Here, the discussion takes up the other side of the coin and focuses on the place of precarious employment as a destination in labour flows.

Information on the significance of precarious employment as a destination in labour flows is limited. However, data on job tenure reveal that more than half (272,100) of all employees (524,600) who had been with their employer for less than 3 months in February 1993 were classified as casual employees (ABS cat 6254.0). Some of the remainder, classified in these data as 'permanent' employees, would in fact also be in precarious employment, for example as a result of the impact of government-sponsored employment programs. These data confirm the expectation that the significance of precarious employment in labour flows will be greater than is indicated by the figures for the stock of precarious employment.<sup>4</sup> Indeed the data strongly suggest that the majority of vacancies on offer at any one time will entail precarious employment and that labour market flows into em-



ployment will in fact predominantly constitute flows into precarious employment.

Precarious employment is likely to be dominant as a destination in flows into employment in all recent periods. However, its dominance will be strongest in periods of overall job contraction, such as the last recession. The pattern of net changes in this period suggests that the drying up of recruitment was concentrated in permanent, full-time waged employment, while recruitment into precarious employment continued to grow.

The predominance of precarious employment as a destination in flows into employment is significant first for the way in which it signals barriers to re-employment for most retrenched. On the one hand, most obviously, it signals the existence of high barriers to employment in the sector offering permanent stable jobs. These barriers are consolidated in a recessionary period, when recruitment into this sector dries up and the few jobs available are subject to narrower mechanisms and criteria of selection, to the detriment of most retrenched. It appears likely that the (limited) recruitment into such jobs becomes more tightly concentrated on those already in comparable jobs, who can be induced to leave by the prospect of improvement in wages or conditions. At the same time it is important not to overlook the barriers to acceptance of precarious jobs. Such jobs are often unsuitable for many employees, offering inadequate and perhaps irregular income, arduous work, or unsocial hours. Furthermore, selection mechanisms for precarious jobs can still be narrow, for example through informal social networks, and the selection criteria can still be tight, targeted on specific groups such as young people and students and those seen as having access to alternative forms of income support (for example married women). Again this can operate to the detriment of many retrenched.

Current labour market policy seems to hinge on the assumption that any employment is valuable to a job seeker. Indeed in the recent period policy has been largely concerned both with sponsoring new forms of precarious employment via employment schemes and encouraging targeted groups to move into these and other forms of precarious employment. Insofar as precarious employment is acknowledged as a problem, it is suggested that it can act as a 'bridge' to better employment. But information on the extent to which and the way in which precarious employment can act in Australia as a 'bridge' is elusive (for a brief discussion see NBEET, 1992). It may operate as a bridge for some groups of workers, though in the favoured example of young workers it seems more accurate to describe precarious employment as a 'parking lot' rather than a 'bridge'. For other categories of workers precarious employment can be a 'cul de sac' or 'trap', in which individuals become locked into a cycle of rotation in and out of precarious

employment. In this last case precarious employment can entail a distinctive pattern of participation marked by intermittent employment – employment for limited periods, interspersed with bouts of unemployment and withdrawal from the labour force.

A pattern of intermittent employment helps to define distinct labour market segments, anchored in the employment conditions of particular industries and enterprises. Intermittent employment in precarious jobs appears to underlie the high labour turnover in industries such as recreation, personal and other services, construction and wholesale and retail trade. Retrenchment in these industries could be viewed as one channel in an overall cycle of rotation in and out of employment. Here we can emphasise that these are not only the high retrenchment industries but also the high recruitment industries. They will be disproportionately influential in offering employment to job seekers. However the employment offered will tend to be precarious.

The predominance of precarious employment as a destination in flows into employment is also significant for the way in which it challenges the assumption that re-entry into employment can be identified as a successful labour market outcome for retrenched workers. A more adequate assessment should take into account the quality of employment gained by retrenched workers. The problems with precarious employment are to do not just with low pay and poor conditions but also with instability. Because of this instability re-entry into employment may be simply a stage in a cycle that will shortly lead the worker once again to involuntary job loss and unemployment. In this latter case a sharp distinction between those recorded as employed and those recorded as unemployed at any one time may be highly misleading as a sign of success in the labour market (see Webber and Campbell, 1996).

An awareness of the differences in forms of employment allows us to distinguish several paths that can be taken by retrenched workers. Some, perhaps even a majority, will already be in a pattern of intermittent employment, in which retrenchment is merely the channel for the most recent transition. Others – particularly in recessionary periods – will have been retrenched from what was classified as a continuing ('permanent') job. In the most fortunate cases some of these retrenchees will be able to secure re-employment in the more stable, 'permanent' sector. Alternatively, they may be on a path that leads from 'permanent' employment into precarious and intermittent employment. In some of the remaining cases they may not only be unable to secure re-employment in the more stable, 'permanent' sector but also be unable or unwilling to adapt to a pattern of intermittent employment. In these latter cases the path taken by retrenched workers will

branch out into a series of tracks leading into long-term unemployment, withdrawal from the labour force (for example 'early retirement'), or perhaps some form of marginal self-employment. Except in the case of re-employment in the more stable 'permanent' sector, each of these paths appears to involve a significant labour market disadvantage. However, equally salient from the point of view of labour market policy, each of these paths involves a different *type* of disadvantage, placing a different demand on economic and social policy. A major challenge for research must be to describe more precisely these paths and their implications both for retrenched workers themselves and for labour market policy.

The paths taken by retrenched workers depend crucially on the social and economic processes in the period after retrenchment, including the operation of recruitment practices at the level of individual enterprises. Recruitment is a counterpart at the level of the enterprise to separation, but management recruitment practices are less constrained and broader in their impact than separation (including retrenchment) practices. From the standpoint of the individual enterprise, entry is the counterpart to exit in constituting external labour adjustment. However, entry has the advantage that it is more directly amenable to management initiative. This is true both in a quantitative and in a qualitative sense. The level of recruitment can be varied relatively freely. Once a particular level is established, the definitions of ideal candidates, the mechanisms of selection, and the criteria of selection can also be varied relatively freely. Recruitment can be confined to special groups in terms of factors such as skill levels, position in the job hierarchy, age and wage levels (including publicly-subsidised employees). In addition it is possible to vary the relation between hours and persons by varying the type of employment contract offered on recruitment. Within 'permanent' employment it is possible to choose between full-time employment and varied versions of part-time employment (including job sharing). In addition, entry may be disproportionately composed of fixed-term employees (the termination of whose contract no longer counts as retrenchment) or casual employees (whose hours can be varied more easily at management discretion and whose dismissal is largely unregulated). At the furthest remove it is possible to step beyond the employment contract altogether by moving towards the use of independent contractors or different forms of subcontract relations with other firms ('distancing').

Discussion of the demand side of the labour market in Australia appears to be quickly exhausted before reaching management recruitment practices. The latter is a major blind spot in research and policy, which appear to be dominated by the false assumption that employer selection of workers is an individualised market process.<sup>5</sup> But recruitment practices are social proc-

esses that are central to the actual operation of labour markets. They encompass the design of jobs, the determination of the number of jobs and the selection of individual workers to fill these jobs. They are themselves largely responsible for the predominance of precarious employment noted above. Most important, they are the crucial mechanism in distributing retrenched workers (and other job seekers) amongst the labour market destinations of employment, unemployment (including long-term unemployment) and not in the labour force. If retrenchment practices play a part in determining who is at most risk of being retrenched, recruitment practices appear to be decisive in determining who suffers most disadvantage in searching for new jobs. Employer selection of workers acts as a filtration process, producing not only acceptance but also rejection, and it is in this process that individual characteristics such as age, skill level and illness or injury become most salient. Aggregate data can provide few insights into these practices. A major challenge for research and policy initiatives must be to develop a better understanding of recruitment processes and their effects.

## **Conclusion**

Retrenchments represent a significant element in labour restructuring in Australia, affecting around one in twenty workers even in periods of job expansion. Retrenchments will continue to be important for the remainder of the 1990s, whether this period is characterised by ongoing job expansion or whether, as appears more likely, it is punctuated at some point by a return of recessionary conditions.

This study examines the place of retrenchments in labour market flows in Australia, drawing primarily on aggregate ABS data for the period since the late 1980s. It highlights features of the labour market context that have been neglected in much current research on retrenchment. One important conclusion concerns the heterogeneity of retrenchment as a contemporary labour market phenomenon in Australia. Retrenchment appears in different forms. In some cases it approximates to the conventional model of a distinct, involuntary (and unexpected) break in continuing employment as a result of swelling pressures for labour adjustment at the enterprise level, leading either to closure or to cutbacks in employment. In other cases it appears to represent an important element in a 'normal' pattern of management labour-use practices in selected industries and enterprises. In these latter cases it overlaps with other forms of job loss and job leaving and appears to serve as one channel in an increasingly influential pattern of movement in and out of precarious employment. The diversity of forms of retrenchment is

paralleled by a similar diversity in the groups of workers affected by retrenchment. The precise configuration of the different forms of retrenchment and the different groups of retrenched workers is most clearly dependent on the industry context and on the character of the period as one of employment expansion or contraction. However, the underlying trend towards an increase in precarious employment in most industries may also prove to be significant in the longer-term, helping to ratchet up the levels of retrenchment and labour turnover.

The heterogeneity of retrenchment offers a challenge to research and policy. An additional challenge concerns the assessment of the extent of social and economic disadvantage associated with retrenchment. This study examines the aggregate data on flows of retrenched workers into employment, unemployment or withdrawal from the labour force. Here we point to a number of different paths for retrenched workers, each of which seems to be associated with different levels and different types of disadvantage. There is some support for the conventional view that disadvantage is most severe amongst workers who are retrenched – in particular during recessionary periods – from continuing ('permanent') jobs in struggling industries and who suffer protracted periods of unemployment. However, it is important not to overlook the personal costs associated with retrenchment in other industries and in other periods. Moreover, it is important not to overlook the implications for the living conditions of individual workers both of the flows in and out of precarious employment and the flows that lead retrenched workers – either temporarily or permanently – out of the labour force.

This study emphasises the link between retrenchment and different forms of employment, including in particular what is referred to as 'precarious' employment. Precarious employment can serve as an important departure point for retrenchments, helping to consolidate a pattern of intermittent employment. However, perhaps its major impact is as a destination point in labour market flows, where the predominance of precarious employment – particularly in periods of overall job contraction – affects the re-employment chances of almost all retrenched workers. Here the discussion spills well beyond the discussion of retrenchment to raise broader concerns about changes in employment, changes in management recruitment practices and the future of the labour market.

## Notes

1. There are some problems of terminology as a result of the differences in the uses of terms in British, Australian and North American English. Retrenchment in

- Britain and Australia is often identified with 'redundancy', by which is meant both the redundancy of the job and the worker in that job (though these two do not of course always have to coincide – see SJCC, 1992). Another synonym for retrenchment in Britain and Australia is 'lay-off', but in the US this can have the meaning of temporary cessation of work (close to the Australian term 'stand down'), in which the worker retains a contract of employment and probably seniority rights and can expect to be recalled to work in the individual enterprise.
2. The relative extent of gross and net changes can be illustrated with data for all industries over the year to February. Of the 8.6 million persons who worked at some time in the year to February 1994 6 million worked in the same job and 2.6 million participated in some way in labour flows (they either started a job, ceased a job or both started and ceased a job). In contrast to this figure of 2.6 million persons, the net change between February 1993 and February 1994 was a meagre 160,600 persons (ABS cat 6209.0; see also the data on monthly labour flows in ABS 6203.0).
  3. It should be pointed out that 'other job losers', that is those who ceased their job either because it was temporary or seasonal (and did not leave to return to studies) or because of their own ill health or injury, are in fact *less* likely to be employed in the following February than those retrenched (ABS, unpublished tables, 1992, 1994; see OECD, 1990: 58-59).
  4. The importance of examining labour flows into different forms of employment is also shown by the example of part-time employment. Data on monthly flows (ABS cat 6203.0) indicate that the monthly turnover in part-time employment is approximately 20% (about four times the turnover rate for full-time employment). As a result, in any one month the movement in and out of part-time employment is greater than the movement in and out of full-time employment. In other words over the period of a month there will always be more part-time jobs than full-time jobs on offer. The effect is dampened for data that present labour force experience over the course of one (previous) year, but even here we can note that over a third of all job starts in the year to 1990 were in part-time jobs, rising to 44% in the year to July 1992 (ABS cat 6245.0). The data on labour mobility similarly point to the significance of part-time employment in labour flows (ABS cat 6209.0).
  5. The blind spot was demonstrated most dramatically in the development of policy through the Green and White Papers. This issued in a multi-billion dollar package of measures ostensibly aimed at solving the problem of exclusion of the long-term unemployed. But the entire process unfolded without any knowledge of the causes of this exclusion and indeed without any signs of interest or effort in filling in this gap in knowledge (see Webber and Campbell, 1994).

## References

- Angwin, M. (1993) 'Competitiveness and the future of work', in ACOSS, *The Future of Work*, Australian Council of Social Service, Surry Hills (NSW), pp. 49-63.
- Baker, M. and Wooden, M. (1993) 'The Australian Labour Market – March 1993', *Australian Bulletin of Labour*, 19 (1), pp. 3-27.
- BCA [Business Council of Australia] (1992) *Workforce 2000: A Survey of Human Resource Responses to a Changing Workforce and Business Environment*, BCA, Melbourne.

- BCA [Business Council of Australia] (1993) *Working Relations: A Fresh Start for Australian Enterprises*, The Business Library, Melbourne.
- BIE [Bureau of Industry Economics] (1994) *Job growth and decline: Recent employment changes in large and small business*, BIE Occasional Paper 21, AGPS, Canberra.
- BLMR [Bureau of Labour Market Research] (1987) *Structural Change and the Labour Market*, AGPS, Canberra.
- Buchanan, J., Campbell, D., Callus, R. and Rimmer, M. (1992) *Facing Retrenchments: Strategies and Alternatives for Enterprises*, AGPS, Canberra.
- Buchanan, J. and Campbell, D. (1992) *Retraining, redeployment and retrenchment practices: a review of recent overseas literature*, ACCiRT Working Paper 22, University of Sydney, Sydney.
- Buechtemann, C. (1993) 'Introduction: Employment Security and Labor Markets', in C. Buechtemann (ed) *Employment Security and Labor Market Behavior: Interdisciplinary Approaches and International Evidence*, ILR Press, Ithaca, pp. 3-66.
- Burgess, J. and Campbell, I. (1993) 'Moving Towards A Deregulated Labour Market: Part-Time Work and the Recession in Australia', *International Journal of Employment Studies*, 1 (2), pp. 192-211.
- Callender, C. (1987) 'Women seeking work', in S. Fineman (ed) *Unemployment: Personal and Social Consequences*, Tavistock, London, pp. 22-46.
- Campbell, D. and Rimmer, M. (1994) 'Managing Retrenchment: Award Standards or Enterprise Agreements', *Australian Bulletin of Labour*, 20 (1), pp. 45-65.
- Campbell, I. (1994) Theorising labour restructuring: the casualisation of labour in Australia, paper for the ISA Conference, Bielefeld, July.
- Campbell, I. and Burgess, J. (1993) 'Unemployment and nonstandard employment', in A. Hodginson and D. Kelly (eds) *Responses to Unemployment*, LMAP Monograph 1, Department of Economics, University of Wollongong, Wollongong, pp. 83-112.
- Committee on Employment Opportunities (1993) *Restoring Full Employment: a Discussion Paper*, AGPS, Canberra.
- Commonwealth of Australia (1994) *Working Nation: Policies and Programs*, AGPS, Canberra.
- De Neubourg, C. (1988) *Unemployment, Labour Slack and Labour Market Accounting*, North-Holland, Amsterdam.
- Hamilton, R. (1995) 'Employer Matters in 1994', *Journal of Industrial Relations*, 37 (1), pp. 148-171.
- Littler, C., Bramble, T. and McDonald, J. (1994) *Organisational Restructuring: Downsizing, Delaying and Managing Change at Work*, Industrial Relations Research Series Number 15, DIR, Canberra.
- Massey, D. and Meegan, R. (1982) *The Anatomy of Job Loss*, Methuen, London.
- NBEET [National Board of Employment, Education and Training] (1992) *Disadvantaged Jobseekers: Casual, Part-time and Temporary Work*, Commissioned Report 18, AGPS, Canberra.
- OECD (1988) *OECD Economic Surveys: Australia*, OECD, Paris.
- OECD (1990) 'Displacement and job loss: the workers concerned', in OECD, *Employment Outlook, July 1990*, OECD, Paris, pp. 43-75.

- OECD (1993) 'Enterprise tenure, labour turnover and skill training', in OECD, *Employment Outlook, July 1993*, OECD, Paris, pp. 119-155.
- OECD (1994) *The OECD Jobs Study: Evidence and Explanations*, Part 1, OECD, Paris.
- Pragnell, B. and Ronfeldt, P. (1994) 'Redundancy Under Enterprise Bargaining and New Federal Laws', in R. McCallum, G. McCarty and P. Ronfeldt (eds) *Employment Security*, Federation Press, Sydney, pp. 115-137.
- Scherer, P. (1986) 'Comment', in V. Routley (ed) *Redundancy: Where do we go from here?*, BLMR Monograph 8, AGPS, Canberra, pp. 45-48.
- SJCC [Social Justice Consultative Council] (1992) *Social Justice: Economic Restructuring and Job Loss*, SJCC Report to the Premier of Victoria, Melbourne.
- Sloan, J. and Wooden, M. (1994) 'The Australian labour market – March 1994', *Australian Bulletin of Labour*, 20 (1), pp. 1-28.
- Stewart, A. (1994) 'The Industrial Relations Reform Act 1993: Counting the Cost', *Australian Bulletin of Labour*, 20 (2), pp. 140-161.
- Webber, M. and Campbell, I. (1994) 'How do labour markets work? Reality versus *Working Nation*', *Australian Geographer*, 25 (2), pp. 142-148.
- Webber, M. and Campbell, I. (1995) *Labour Market Outcomes Among Retrenched Workers in Australia: A Review*, Department of Geography and Environmental Studies, University of Melbourne, mimeo.
- Wooden, M. (1992) 'The Australian labour market – March 1992', *Australian Bulletin of Labour*, 18 (1), pp. 2-24.