

# Sharing the challenges and opportunities of a clean energy economy:

A Just Transition for coal-fired electricity sector workers and communities



# Executive Summary

The ACTU is primarily concerned with workers, their rights, their welfare and their future. A just and civil society is one where everyone shares in the wealth of the nation but it is also one where economic costs are equally shared.

Transitioning an industry is a massive economic and social disruption. History shows that this has often been done poorly in Australia, with workers and communities bearing the brunt of such transitions - suffering hardship, unemployment and generations of economic and social depression.

Research in the textiles, clothing and footwear (TCF) and car manufacturing industries shows, for example, that only one third of workers find equivalent full time work following their retrenchment, while one third move into lower quality jobs (lower wage, lower job status or into part-time and casual work) and one third are locked out of the labour force altogether.<sup>1</sup>

International experience however shows that a transition can be done equitably, achieve positive outcomes for workers, save communities and forge new areas of industrial growth and prosperity.

Australia is currently facing one such transition in the coal-fired electricity sector. If Australia manages this transition well, the nation would have a structured and equitable approach that could apply to any industry undergoing similar change in the future.

At last year's Paris climate conference, Australia alongside 194 countries, committed to limit global warming to less than 2°C above pre-industrial levels.<sup>2</sup> As part of this historic agreement, unions successfully achieved recognition of the need for a 'Just Transition' that supports the most affected workers obtain new decent and secure jobs in a clean energy economy.

While Australia's international obligations will require a range of complementary policies that focus on emission reduction across a number of sectors of the economy,<sup>3</sup> as the largest contributor to Australia's emissions,<sup>4</sup> effective reform of the electricity sector has been identified as a key step in tackling climate change.

1. Michael J. Webber and Sally A. Weller, *Re-fashioning the Rag Trade*, (University of New South Wales Press, 2001) p.7; Michael Owen and Verity Edwards, *Sacked car workers shift gear*, *The Australian*, 28 January 2012 accessed at <http://www.theaustralian.com.au/news/inquirer/sacked-car-workers-shift-gear/story-e6frg6z6-1226255730999>
2. United Nations Framework Convention on Climate Change, *Adoption of the Paris Agreement*, 12 December 2015, accessed at <https://unfccc.int/resource/docs/2015/cop21/eng/109.pdf>
3. For example agriculture; industrial processes; transport; waste; land use, land use change and forestry; energy (direct combustion); and fugitive emissions, see Department of Environment, *Quarterly Update of Australia's National Greenhouse Gas Inventory: December 2015*, *Australia's National Greenhouse Accounts*, accessed at <https://www.environment.gov.au/system/files/resources/7c0b18b4-f230-444a-8ccd-162c8545daa6/files/nggi-quarterly-update-dec-2015.pdf>
4. 35% of Australia's emissions in the year to December 2015 – see Department of Environment, *Quarterly Update of Australia's National Greenhouse Gas Inventory: December 2015*, *Australia's National Greenhouse Accounts*, May 2016, p.9, accessed at <https://www.environment.gov.au/system/files/resources/7c0b18b4-f230-444a-8ccd-162c8545daa6/files/nggi-quarterly-update-dec-2015.pdf>

With strong leadership across government, industry, unions and communities, we can ensure that past mistakes are not made again.

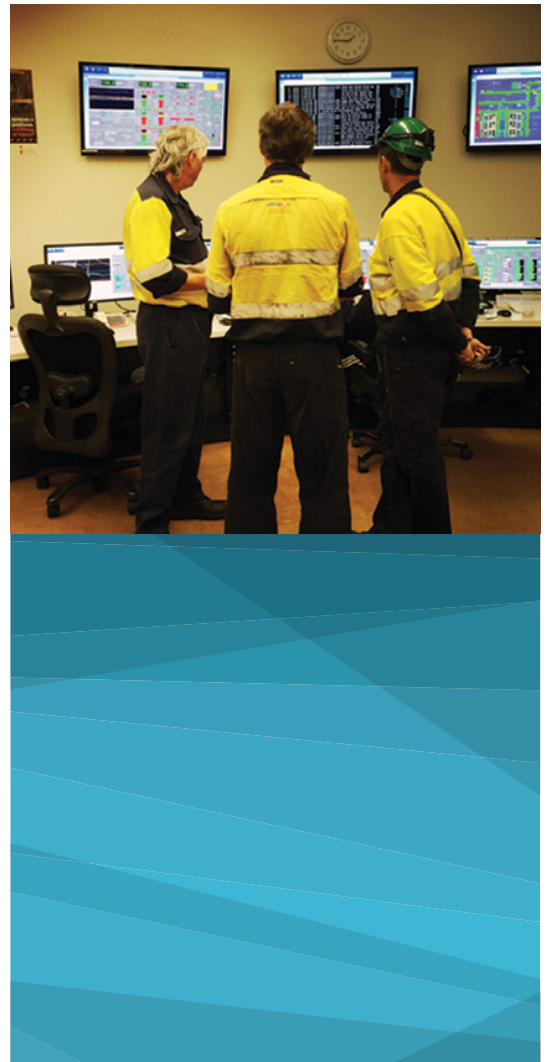
Australian unions have identified three key elements of a framework that needs to be implemented to ensure that the transition occurs in a fair and just way. This will require:

1. A transition plan – ensuring that Australia’s transition is managed in a fair and just manner, where affected workers and communities are supported to find secure and decent jobs in a clean energy economy;
2. A jobs plan – focusing on creating new jobs in a clean energy economy; and
3. An energy plan – setting out a sustainable future energy mix that ensures the affordable and secure supply of electricity.

This paper outlines a transition plan for working people and their communities who rely on the coal-fired electricity sector for employment, and focuses on the need to minimise the impact of unplanned closures on regional communities, which we have seen recently occur in the Port Augusta and Anglesea communities.

Unions are not alone in their call for a transition plan. Regional communities have been crying out for a plan for some time, with the Committee for Gippsland the most recent to join these calls.<sup>5</sup> It is time that the Australian Government works with unions, industry and communities to develop a national plan to transition Australia to a clean energy economy.

If managed well, Australia’s transition to a clean energy economy offers enormous opportunities for new sustainable and decent employment not only in the energy sector, but in transport, construction, agriculture and the services industry. With forward planning and investment in our regions, low carbon industries and workforce, we can create a more prosperous and diversified economy.



5. Committee for Gippsland, *Our Region Our Future Securing an Economic Future for Gippsland and Latrobe Valley*, July 2016.

# Key Recommendations

In order to deliver a Just Transition in the electricity sector, Australian unions believe that the costs of transitioning to a low carbon economy should be shared equitably across society and not borne solely by working people and regional communities.

The policy measures contained in this paper offer a possible pathway forward to transitioning Australia's economy, which can be adapted as Australia learns from experience and other countries' approaches. It is envisaged that this model could be used in other industries that undergo restructuring in the future.

**The key policy recommendations include:**

**1.**

**Creating a new independent statutory authority, Energy Transition Australia (ETA), that would sit within the Environment and Energy portfolio and be responsible for navigating and managing Australia's transition to a clean energy economy.**

The main roles of the ETA include:

**a.**

Overseeing an orderly transition plan and closure of Australia's coal-fired power stations, which ensures a Just Transition for working people, their families and communities.

Various approaches and mechanisms have been proposed to oversee this process both domestically and internationally and all should be explored by the ETA to ensure the most efficient and equitable mechanisms are implemented in Australia.

In considering the appropriate transition mechanism and how best to promote a just and orderly transition, the ETA should have regard to broader CO2 mitigation policy to apply to the electricity sector, alongside consideration of the social benefits and costs.

**b.**

Overseeing an industry-wide multi-employer pooling and redeployment scheme which provides retrenched workers with the opportunity to transfer to roles with renewable or low emission generators as well as remaining fossil fuel generators.

**c.**

Administering and developing a labour adjustment package that supports workers transition into new decent and secure jobs. The main labour market policies should include:

- job placement and information services;
- retraining with an option for this to be undertaken whilst still employed;
- financial and personal support; and
- travel subsidies and relocation assistance.



## 2.

Tasking the ETA to work with the Department of Environment and Energy, Treasury and the Department of Industry, Innovation and Science as well as state and local governments to develop specific plans to support the economic diversification of high emission power generation regions and associated communities.

This should include:

### a.

Mapping potential new industries to affected regions based on competitive and other advantages as well as worker skills. As part of this mapping exercise, infrastructure gaps should be identified and prioritised.

### b.

Developing and implementing specific industry and environmental policies to attract new investment, the growth of new industries and the creation of quality, secure jobs in affected regions. Such policies could include additional renewable energy investment incentives, investment tax incentives and the prioritised construction of new infrastructure.

# 1. Introduction

Until now, Australia's climate change policy and debate has largely focussed on both the likely and unlikely impacts of climate action on the environment and the economy, while ignoring the local effects for working people and communities that will likely occur following significant industry restructures.

Australia's transition to a clean energy economy will have profound impacts for working people across a number of industries including fossil fuels, manufacturing and forestry. Too often, we see working people and their families unfairly shoulder the burden of industry closure, losing stable, quality jobs and being forced into insecure work, early retirement or long-term unemployment. These impacts will be particularly felt in regional Australia where the livelihoods of a significant proportion of the community often rely upon one or two large industry employers.

In considering Australia's previous policy responses to large firm closures and industry restructures, a number of lessons can be learnt. Evidence suggests that the most successful policy responses involve early planning, proper engagement with the workforce and local community, and specific measures that target both demand (protecting and creating new jobs) and supply sides (helping people find new jobs) of the labour market.

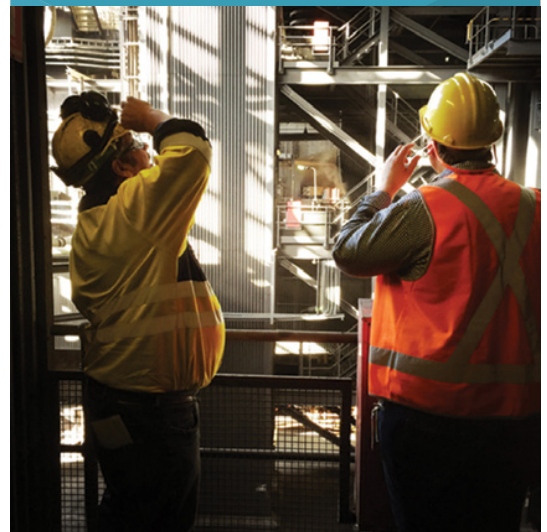
Drawing upon both domestic and international experience and best practice to delivering effective structural adjustment packages from countries such as Germany, Denmark and England, this paper sets out a possible pathway forward to managing Australia's transition to a clean energy economy.

Australian unions recognise that the transition of coal-fired power stations has been identified as crucial to achieving emissions reduction targets. Therefore it is critical that a national, multi-decadal plan be developed that focuses on transitioning workers in the coal-fired electricity sector into secure employment and helps support the creation of new industries in coal mining regions and communities.

For a Just Transition to be effective, early planning by local, state and federal governments and an active role for unions, industry and communities is needed to support working people transition into quality jobs and support regions' transition into new industries.

To help navigate and smoothly manage this transition and minimise the impact on working people and communities, a new independent statutory authority, Energy Transition Australia (ETA), is proposed. Working with the Department of Environment and Energy, Treasury, the Department of Industry, Innovation and Science and state and local governments, this agency would be responsible for developing plans to support the economic diversification of coal mining regions and creating policies that help stimulate new investment, the growth of new industries and job creation.

With bodies like the International Labour Organisation (ILO),<sup>6</sup> the Organisation for Economic Co-operation and Development (OECD)<sup>7</sup> and the United Nations<sup>8</sup> all recognising the need for a Just Transition and regional communities calling for a plan to transition their economies,<sup>9</sup> now is the time for Australia to act and develop a national plan to fairly transition Australia to a clean energy economy.



6. International Labour Office, Guidelines for a just transition towards environmentally sustainable economies and societies for all, 2015, accessed at [http://www.ilo.org/wcmsp5/groups/public/-ed\\_emp/-emp\\_ent/documents/publication/wcms\\_432859.pdf](http://www.ilo.org/wcmsp5/groups/public/-ed_emp/-emp_ent/documents/publication/wcms_432859.pdf); International Labour Office, A just transition for all: Can the past inform the future?, International Journal of Labour Research, p.177, accessed at [http://www.ilo.org/wcmsp5/groups/public/-ed\\_dialogue/-actrav/documents/publication/wcms\\_375223.pdf](http://www.ilo.org/wcmsp5/groups/public/-ed_dialogue/-actrav/documents/publication/wcms_375223.pdf)
7. Organisation for Economic Co-operation and Development and International Labour Office, Sustainable development, green growth and quality employment - Realizing the potential for mutually reinforcing policies, May 2012, accessed at <http://www.oecd.org/employment/emp/50318559.pdf>
8. United Nations Framework Convention on Climate Change, Adoption of the Paris Agreement, 12 December 2015, accessed at <https://unfccc.int/resource/docs/2015/cop21/eng/109.pdf>
9. Committee for Gippsland, Our Region Our Future Securing an Economic Future for Gippsland and Latrobe Valley, July 2016.

## 2. Delivering a Just Transition for workers in the coal-fired electricity sector

The Just Transition concept has been developed by the labour movement as a way of highlighting the need for public policy to minimise the negative impact of environmental policies on working people and communities and ensure that those affected are able to obtain good quality jobs in a clean energy economy.<sup>10</sup>

**The need for a Just Transition was recognised and endorsed in the Paris Agreement which requires parties to the agreement to:**

**“[take] into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.”<sup>11</sup>**

In light of this commitment, Australian unions believe that specific policies are needed to help ensure working people, their families and communities do not unfairly shoulder the burden of Australia’s transition to a clean energy economy. This requires governments to actively put in place plans and policies that focus on transitioning working people into decent and secure employment, alongside supporting investment in new green technologies and the creation of new industries.

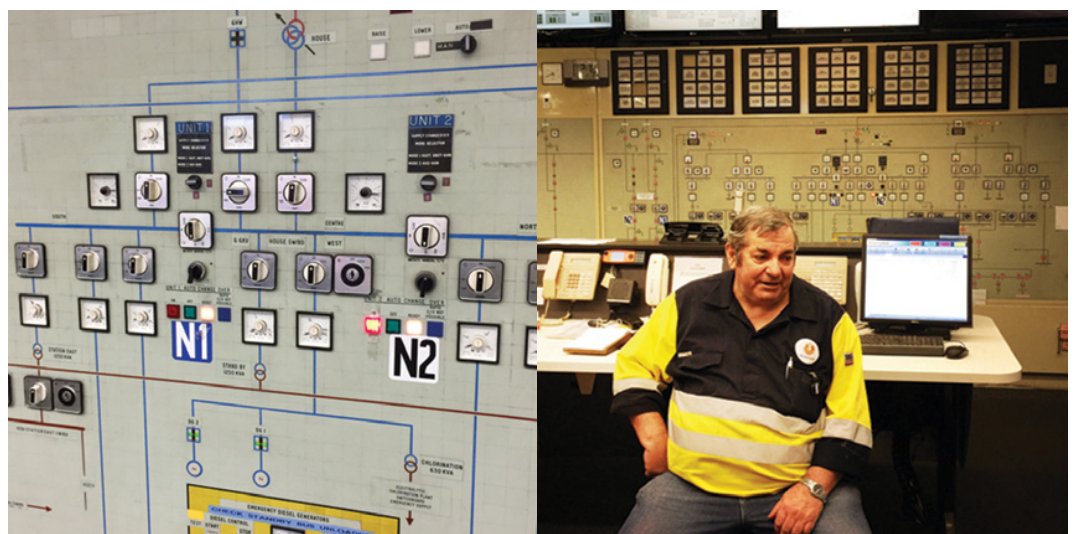
A successful Just Transition plan needs to be predicated on the premise that workers in fossil-fuel industries have a “right to know” how the transition to a more sustainable energy mix will be managed including providing information on future prospects for existing workers in fossil industries.

10. International Trade Union Confederation and Trade Union Advisory Committee (TUAC), A Just Transition: a fair pathway to protect the climate, accessed at <http://www.ituc-csi.org/IMG/pdf/01-Depliant-Transition5.pdf>; Anabella Roseberg, Building a Just Transition: The linkages between climate change and employment, International Journal of Labour Research, 2010 Vol. 2 Issue 2.
11. United Nations Framework Convention on Climate Change, Adoption of the Paris Agreement, 12 December 2015, accessed at <https://unfccc.int/resource/docs/2015/cop21/eng/109.pdf>



The key principles underpinning a Just Transition include:

- a.**  
Equitable sharing of responsibilities and fair distribution of the costs across society;
- b.**  
Institutionalised formal consultations with relevant stakeholders including trade unions, employers and communities, at national, regional and sectoral levels;
- c.**  
The promotion of clean job opportunities and the greening of existing jobs and industries through public and private investment in low carbon development strategies and technologies in all nations;
- d.**  
Formal education, training, retraining, and life-long learning for working people, their families, and their communities;
- e.**  
Organised economic and employment diversification policies within sectors and communities at risk;
- f.**  
Social protection measures (active labour market policies, access to health services, social insurances, among others); and
- g.**  
Respect for, and protection, of human and labour rights.



### 3. Securing Australia's future by tackling climate change, investing in clean energy sources and creating new, secure jobs



While the Australian Government's current 2030 target is to reduce emissions by 26-28% on 2005 levels, it is widely agreed that Australia will need to move towards net zero by 2050 if we are to play our part in global efforts to limit the impact of global warming.<sup>12</sup>

With fossil fuels accounting for around 86% of Australia's electricity generation (73% from coal)<sup>13</sup> and the electricity sector accounting for around 35% of Australia's emissions,<sup>14</sup> reform of this sector represents a critical step towards tackling climate change.

As power is an essential service, the Australian Government must ensure that households, communities and businesses can access reliable, secure, affordable and sustainable energy options. A national plan setting out a sustainable future energy mix that ensures both affordable and secure supply of electricity is therefore needed. This requires a suite of policies that not only support investment in renewable or low emission technologies and modernisation of our electricity distribution network, but also recognises that in the short to medium term Australia will continue to rely on a diversified energy mix including gas and existing renewable energy technologies (solar, wind, hydro, geothermal and biomass).

Australian unions believe that the Australian Government has an important and crucial role to play in supporting the creation of employment opportunities and encouraging the take up of new opportunities in renewable energy industries by creating a stable energy and climate policy platform that supports investment and creates new decent and secure jobs.

12. For example the Australian Climate Roundtable's (which represents a broad range of concerned stakeholders including business groups, unions, institutional investors, environmental groups, research organisations and social policy organisations) Joint Principles for Climate Policy recognises that achieving Australia's goal of limiting global warming to less than 2°C above pre-industrial levels will require deep global emissions reductions, with most countries including Australia eventually reducing net greenhouse gas emissions to zero or below; on 9 June 2016 the Victorian Government announced that it has committed to legislating a long-term target for Victoria of net zero greenhouse gas emissions by 2050 - see <http://www.delwp.vic.gov.au/environment-and-wildlife/climate-change#sthash.1erOJzNs.dpuf> and <http://www.premier.vic.gov.au/victoria-to-lead-the-nation-on-climate-change>; The Climate Institute, A Switch in Time: Enabling the electricity sector's transition to net zero emissions, Policy Brief, April 2016, p.2 accessed at [http://www.climateinstitute.org.au/verve/\\_resources/TCL\\_A-Switch-In-Time\\_Final.pdf](http://www.climateinstitute.org.au/verve/_resources/TCL_A-Switch-In-Time_Final.pdf); ClimateWorks Australia, Pathways to deep decarbonisation in 2050: How Australia can prosper in a low carbon world, accessed at <http://climateworksaustralia.org/project/national-projects/pathways-deep-decarbonisation-2050-how-australia-can-prosper-low-carbon>

13. Origin, Energy in Australia, 22 January 2015, accessed at <https://www.originenenergy.com.au/blog/about-energy/energy-in-australia.html>

14. Department of Environment, Quarterly Update of Australia's National Greenhouse Gas Inventory: December 2015, Australia's National Greenhouse Accounts, May 2016, p.9, accessed at <https://www.environment.gov.au/system/files/resources/7c0b18b4-f230-444a-8ccd-162c8545daa6/files/nggi-quarterly-update-dec-2015.pdf>

**To deliver a Just Transition, it is critical that working people are able to obtain decent and secure employment, which involves:**

- **Stable work with predictable pay, wages and entitlements;**
- **Adequate hours and pay, especially compared to previous jobs;**
- **Opportunities for training and lifelong education; and**
- **A dignified retirement.**

In the absence of bipartisan, stable climate policy, Australia has fallen behind our international counterparts in the clean energy race. For example, we are seeing countries such as China and the USA power ahead with substantial investments in renewable energy technologies and capacity.<sup>15</sup> Globally, renewable energy employment grew by 5% in 2015 to 8.1 million, with the International Renewable Energy Association projecting 24 million renewable jobs by 2030.<sup>16</sup> In the USA, renewable jobs grew at 12 times the rate of general jobs growth in 2015 and there are already more solar energy jobs in the US than in oil and gas extraction.<sup>17</sup>

In stark contrast, Australia has lost over 5,000 renewable energy jobs since their peak in 2012.<sup>18</sup> This decline must be reversed. According to a recent report by the Climate Council, if Australia derived 50% of its electricity from renewable energy sources by 2030, this could create more than 28,000 new jobs above the business as usual base case (34% renewable electricity in 2030).<sup>19</sup> These jobs would occur in construction, operation, maintenance of renewable energy installations and related industries.

With some of the world's best renewable technology and innovation, and some of the globe's most abundant renewable resources including solar, wind, tidal and geothermal, Australia is well-positioned to take advantage of these resources and transition to a clean energy economy. Renewable energy itself is a new industry with new jobs opportunities across a range of sub-industries. For example, renewable energy equipment manufacturing is a growing high tech manufacturing industry that can and should play a central role in the broader revival of Australian manufacturing. If effectively supported, Australian renewable energy equipment can serve as both a new export industry and assist other countries in meeting the challenge of climate change. Likewise, renewable energy and energy efficiency services, such as energy efficiency audits, can and should be booming new service sectors that both create new jobs at home and generate export income abroad, while enabling both Australia and other countries to tackle climate change.

In addition to jobs in the renewable energy sector and services industry, Australia's transition presents enormous opportunities for new employment across other sectors of the economy including transport, construction and agriculture. Through increased investment in public transport, road construction and electric vehicles support infrastructure such as charging stations, this will create new jobs in the construction industry.

Land rehabilitation and rectification of coal mining sites is also likely to offer new employment opportunities. Environment Victoria has estimated for example that between 254 and 626 jobs could be created in mine rehabilitation in the Latrobe Valley.<sup>20</sup> Further, it is estimated that rehabilitating the Anglesea coal-fired plant and mine site would create between 30 and 60 jobs over 10 years.<sup>21</sup>

15. Climate Change Authority, Reducing Australia's Greenhouse Gas Emissions: Targets and Progress Review—Final Report, February 2014, p.7, accessed at [http://www.climatechangeauthority.gov.au/files/files/Target-Progress-Review/Targets%20and%20Progress%20Review%20Final%20Report\\_Summary.pdf](http://www.climatechangeauthority.gov.au/files/files/Target-Progress-Review/Targets%20and%20Progress%20Review%20Final%20Report_Summary.pdf)
16. Anna Hirtenstein, Clean-Energy Jobs Surpass Oil Drilling for First Time in U.S., Bloomberg press, 26 May 2016, accessed at <http://www.bloomberg.com/news/articles/2016-05-25/clean-energy-jobs-surpass-oil-drilling-for-first-time-in-u-s>
17. Ibid.
18. ABS, Catalogue 4631.0, Employment in Renewable Energy Activities, available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4631.0Main+Features12014-15?OpenDocument>
19. Climate Council, Renewable Energy Jobs: Future Growth in Australia, 2016, p.ii, accessed at <https://www.climatecouncil.org.au/uploads/7b40d7bbefbdd94979ce4de2fad52414.pdf>
20. Environment Victoria Policy Report 2014, Preventing the Preventable: Policy Options for Accelerating Coal Mine Rehabilitation and Creating Jobs in the Latrobe Valley, p.7.
21. Tom Arup and Richard Willingham, Alcoa to shut Anglesea coal mine and power plant, The Age, 12 May 2015, accessed at <http://www.theage.com.au/victoria/alcoa-to-shut-anglesea-coal-mine-and-power-plant-20150512-ggzgw9.html>

## 4. Coal mining regions and communities are particularly vulnerable in Australia's transition to a clean energy economy



Whilst there are opportunities in the clean energy economy, working people and communities are likely to require support to take these up.

**In Australia coal-fired power stations are often closely located in areas with significant coal resources.**

For example:

- In Victoria, all four major brown coal power stations are located in the Latrobe Valley east of Melbourne;
- In NSW, the five black coal power stations are located in the Newcastle / Hunter Valley and Lithgow areas;
- The seven black coal power stations in Queensland are located to the west of Brisbane and in or around the Gladstone / Rockhampton area; and
- The four black coal power stations of Western Australia are located near Collie.

Given the concentration of coal-fired power station operations and employment, the impact of unplanned and disorderly closure is likely to profoundly affect regional communities. This is recognised by a number of bodies including the Climate Change Authority, which notes that 'this transition is likely to hit some industries and regions more severely than others'.<sup>22</sup>

**According to a report by the Committee for Gippsland, nearly 10 per cent of the Latrobe Valley's workforce is employed in power stations, which includes around 3,000 power station workers and over 1,000 contractors.<sup>23</sup> Significantly, this report considered the impact of closure of up to two power stations and found that:**

**'Based on GHD modelling and analysis, a total closure impact across the Gippsland region resulting from the 1,400 jobs lost due to the forecasted closure is a further loss of 1,771 jobs. This would feed into a current unemployment rate of 9 per cent, which has increased nearly 4 per cent over the last 12 months in the Latrobe Valley.'**<sup>24</sup>

22. Climate Change Authority, Some Observations on Australia's Post-2020 Emissions Reduction Target, Statement by the Chair, Mr Bernie Fraser, 14 August 2015, accessed at <http://www.climatechangeauthority.gov.au/sites/prod.climatechangeauthority.gov.au/files/files/CFI/CCA-statement-on-Australias-2030-target.pdf>

23. Committee for Gippsland, Our Region Our Future Securing an Economic Future for Gippsland and Latrobe Valley, July 2016, p.7.

As Webber and Weller note 'retrenchment from long-held, stable and permanent employment is, for most people a traumatic experience.'<sup>25</sup> The consequences for individuals of losing their job can be devastating – not only from a financial perspective through the loss of their livelihood, but also impacting their mental health, their families and connection to the community if they need to move for new work opportunities.<sup>26</sup>

**The impact of job losses on the region's population was also recognised in the Committee for Gippsland's report, which found:**

**'[t]here is the potential for a gross loss of over 3,000 people out of the Gippsland economy because of carbon transitioning. This in turn means an extrapolated figure of over 7,000 people potentially moving out of the Gippsland region as a result of job losses stemming from carbon transitioning in the Latrobe Valley.'**<sup>27</sup>

Further, Dr Georgiana Daian notes in her evaluation report of the Tasmanian Pulp and Forestry Workers Assistance Project that:

'The flow-on effects of job losses in a small community normally generate many more casualties; these extend to family members and members of the communities who, despite not being employed in the industry, experience pressure associated with the stress and uncertainty in their social networks.'<sup>28</sup>

**In considering the vulnerability of regional communities in Australia's transition, the Victorian Government's State of the Valley report found that the Latrobe Valley's workforce experiences:**

- **Lower weekly incomes compared with Victorian averages;**

- **A higher proportion of workers with Certificate level and no post-school qualifications than the Victorian average; and**
- **A lower proportion of workers than the Victorian average with an Advanced Diploma, Diploma, Bachelor or Postgraduate education levels.**<sup>29</sup>

Similarly, as at July 2015, the Hunter Valley recorded the highest regional youth unemployment rate in the State and the second highest unemployment rate.<sup>30</sup> The Hunter region also has lower levels of post-school qualifications compared to the New South Wales average<sup>31</sup> and lower median incomes than the national average.<sup>32</sup>

Given the economic dependency of these regions on the coal industry, any unplanned closure of these power stations and withdrawal of a major employer from these regions without appropriate policy, planning and support from government, is likely to have devastating consequences. For local communities and economies, this will result in increased unemployment, lower incomes for local businesses and widening inequality.

**As the Committee for Gippsland paper notes, the Latrobe Valley power stations provide a number of benefits to small and medium businesses including:**

**'employing customers of SME businesses; paying higher wages meaning higher disposable income; providing direct and indirect employment and spending in the regions; and creating flow on confidence throughout the Latrobe Valley.'**<sup>33</sup>

A multi-pronged policy framework that supports investment in coal mining regions and stimulates their local economies by creating new jobs is therefore crucial to securing these regions' future.

24. Ibid.

25. Michael J. Webber and Sally A. Weller, *Re-fashioning the Rag Trade*, (University of New South Wales Press, 2001), p.227.

26. Kathy Armstrong, David Bailey, Alex de Ruyter, Michelle Mahdon and Holli Thomas, *Auto Plant Closures, Policy Responses and Labour Market Outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia*, p.1, accessed at [http://eprints.aston.ac.uk/20384/1/Auto\\_plant\\_closures\\_policy\\_responses\\_and\\_labour\\_market\\_outcomes.pdf](http://eprints.aston.ac.uk/20384/1/Auto_plant_closures_policy_responses_and_labour_market_outcomes.pdf)

27. Committee for Gippsland, *Our Region Our Future Securing an Economic Future for Gippsland and Latrobe Valley*, July 2016, p.7.

28. Dr Georgiana Daian, *Tasmanian Pulp and Forestry Workers Assistance Project, Evaluation Report*, 2012, p. 3

29. Department of Education and Early Childhood Development, *State of the Valley – A profile of the Latrobe Valley*, p.5, accessed at <http://www.education.vic.gov.au/Documents/about/programs/learningdev/statevalley.pdf>

30. Daniel Montoya, *Hunter Valley labour force trends*, NSW Parliamentary Research Service September 2015 e-brief 11/2015, p. 1, accessed at <https://www.parliament.nsw.gov.au/researchpapers/Documents/hunter-valley-labour-force-trends/Hunter%20Valley%20labour%20force%20trends.pdf>

31. Australian Government, *Regional Education, Skills and Job Plan, New South Wales – Hunter, 2012–2014*, July 2013, p.10 accessed at [https://docs.employment.gov.au/system/files/doc/other/resj\\_new\\_south\\_wales\\_hunter.pdf](https://docs.employment.gov.au/system/files/doc/other/resj_new_south_wales_hunter.pdf)

32. Australian Bureau of Statistics, *Hunter Valley exc Newcastle (SA4)*, accessed at [http://stat.abs.gov.au/ttt/r.jsp?RegionSummary&region=106&dataset=ABS\\_REGIONAL\\_ASGS&geoconcept=REGION&measure=MEASURE&datasetASGS=ABS\\_REGIONAL\\_ASGS&datasetLGA=ABS\\_REGIONAL\\_LGA&regionLGA=REGION&regionASGS=REGION](http://stat.abs.gov.au/ttt/r.jsp?RegionSummary&region=106&dataset=ABS_REGIONAL_ASGS&geoconcept=REGION&measure=MEASURE&datasetASGS=ABS_REGIONAL_ASGS&datasetLGA=ABS_REGIONAL_LGA&regionLGA=REGION&regionASGS=REGION)

33. Committee for Gippsland, *Our Region Our Future Securing an Economic Future for Gippsland and Latrobe Valley*, July 2016, p.13.

## 5. Australia's approach to structural adjustment has been ad hoc and ineffective in transitioning workers into new and secure employment

In response to large firm closures and industry restructures, state and federal governments have implemented a number of structural adjustment packages to assist workers and businesses mitigate the negative socio-economic impacts of structural change.<sup>34</sup>

According to Professor Andrew Beer, approximately \$88 billion in public funds has been made available through structural adjustment packages to affected communities and businesses between 2000 and 2012.<sup>35</sup> These programs have focussed on achieving a number of goals such as:

'[s]ecuring employment for displaced workers or business owners, supporting an industry as it goes through a time of change, compensating property owners for the loss of rights or other economic opportunities, and generating new economic opportunities in communities affected by change.'<sup>36</sup>

A review of domestic literature and case studies in the manufacturing<sup>37</sup>, forestry<sup>38</sup> and textiles, clothing and footwear (TCF)<sup>39</sup> sectors however suggests that Australia's previous responses to large firm closures and industry restructures have been largely unsuccessful in their efforts to support workers transition into secure employment following their retrenchment.

**In the manufacturing sector for example, Professor Andrew Beer's research found that two years after their retrenchment from Mitsubishi only 'one-third [of workers] found full-time equivalent work, one-third left the labour force and one-third were either unemployed or under-employed.'**<sup>40</sup>



34. Andrew Beer, Structural adjustment programmes and regional development in Australia, Local Economy 2015, Vol 30(1) p.23; E Loxton, J Schirmer, M Dare, Technical Report 208 Structural adjustment assistance in the Australian forestry industry: A review of recent experience and recommendations for best practice design of future structural adjustment packages, February 2011, p.iv.
35. Andrew Beer, Structural adjustment programmes and regional development in Australia, Local Economy 2015, Vol 30(1), p.22.
36. Ibid, p.24.
37. Kathy Armstrong, David Bailey, Alex de Ruyter, Michelle Mahdon and Holli Thomas, Auto Plant Closures, Policy Responses and Labour Market Outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia, p.1, accessed at [http://eprints.aston.ac.uk/20384/1/Auto\\_plant\\_closures\\_policy\\_responses\\_and\\_labour\\_market\\_outcomes.pdf](http://eprints.aston.ac.uk/20384/1/Auto_plant_closures_policy_responses_and_labour_market_outcomes.pdf); Andrew Beer, Fran Baum, Holli Thomas, Diannah Lowry, Cecile Cutler, Guangyu Zhang, Gwyn Jolley, Anna Ziersch, Fiona Verity, Colin MacDougall and Lareen Newman, HSRIP Report: An Evaluation of the impact of retrenchment at Mitsubishi focussing on affected workers, their families and communities: implications for human services policies and practices, Flinders University, April 2006
38. Dr Georgiana Daian, Tasmanian Pulp and Forestry Workers Assistance Project, Evaluation Report, 2012; E Loxton, J Schirmer, M Dare, Technical Report 208 Structural adjustment assistance in the Australian forestry industry: A review of recent experience and recommendations for best practice design of future structural adjustment packages, February 2011.
39. Michael J. Webber and Sally A. Weller, Re-fashioning the Rag Trade, (University of New South Wales Press, 2001).
40. Professor Andrew Beer quoted in Michael Owen and Verity Edwards, Sacked car workers shift gear, The Australian, 28 January 2012, accessed at <http://www.theaustralian.com.au/news/inquirer/sacked-car-workers-shift-gear/story-e6frg6z6-1226255730999>

Further, Armstrong et al's review of the closure of the Adelaide Mitsubishi and United Kingdom MG plants concluded:

'[t]hat despite the rhetoric of flexible labour markets and successful adjustment from the effects of plant closure for both ex-Mitsubishi and ex-MGR workers, it is evident that the majority of workers in both countries have not experienced an improvement in their labour market status. Rather, for many, the experience of adjustment has been overwhelmingly negative, with a loss of income and a rise in employment insecurity'.<sup>41</sup>

Armstrong et al were particularly critical of the Australian Government's response to the Mitsubishi closure noting that despite there being clear warning signs of the imminent closure for years:

'[t]he government response to the closure of Mitsubishi at Lonsdale was rushed and ad-hoc and not very effective. Yet despite this, the package of assistance for Mitsubishi has become the standard 'roll out' government response to redundancies that have occurred in Australia such as Holden Motors, Electrolux and Ford'.<sup>42</sup>

Similarly in the forestry industry, a review by ForestWorks of the Tasmanian Pulp and Forestry Workers Assistance Project found that:

'[a]t the completion of the contract period, 55% and 40% of the total pulp and paper participants and forestry participants, respectively, occupied a new job ... [m]ore than 50% of the employed workers managed to secure a full time (over 39%) or part time (over 14%) position'.<sup>43</sup>

**These undesirable employment outcomes were also reflected in a longitudinal study of 600 retrenched workers in the TCF industry, which found that 'about one third of the workers found a secure new job of similar or better status and conditions to their TCF jobs, about a third were relegated to insecure, intermittent employment, and the other third did not work again after retrenchment.'**<sup>44</sup>

As Webber and Weller note 'many retrenched TCF workers who returned to the labour force have suffered a long-term disadvantage and have been relegated to a precarious status, only marginally attached to the labour force'.<sup>45</sup>

According to Webber and Weller's research, older workers and those with poor language and literacy skills were more likely to leave the labour force.<sup>46</sup> Similarly, research conducted by the National Centre for Vocational Education Research (NCVER) on industry restructure in the manufacturing sector found that older workers with lower skills, fewer qualifications and poorer literacy and numeracy skills are likely to experience significant challenges in finding new employment.<sup>47</sup>

**In light of the above, Australian unions believe that a transition to a clean energy economy that recreates this pattern and fails to transition working people into secure employment is unacceptable.**

41. Kathy Armstrong, David Bailey, Alex de Ruyter, Michelle Mahdon and Holli Thomas, Auto Plant Closures, Policy Responses and Labour Market Outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia, p. 9.

42. Ibid, p.10.

43. Dr Georgiana Daian, Tasmanian Pulp and Forestry Workers Assistance Project, Evaluation Report, 2012, p.21

44. Michael J. Webber and Sally A. Weller, Re-fashioning the Rag Trade, (University of New South Wales Press, 2001), p.7.

45. Ibid, p.272.

46. Ibid, p.7.

47. Victor J Callan and Kaye Bowman, Industry restructuring and job loss: helping older workers get back into employment, NCVER Research Report, 2015, p.11.

## 6. Early planning is needed to successfully transition working people and their communities into decent and secure employment

Domestic and international research has consistently shown that early planning involving a variety of stakeholders delivers better outcomes for working people.<sup>48</sup> As Beer notes, '[t]he overwhelming majority of structural adjustments can be anticipated and early steps are needed to a) reduce the likelihood of adverse events, b) reduce the scope and scale of adverse events, and c) plan for a new future.'<sup>49</sup>

**With the closure of a number of coal-fired power stations already flagged, there is a significant but diminishing window of opportunity for government to consult and engage with industry, working people and their communities to manage and plan a transition that is responsive to their needs.** For example, AGL has already announced that it will not build any new coal-fired power stations and will close all existing coal-fired power stations by 2050, starting with the Liddell power station (NSW) in 2022, Bayswater power station (NSW) in 2035 and Loy Yang A (Victoria) in 2048.<sup>50</sup>

Moreover we have seen recent closures of coal-fired power stations at Anglesea<sup>51</sup> in 2015 and Port Augusta in May 2016.<sup>52</sup> The short period between the announcement and subsequent closure of these plants provided little time for the community or state and local governments to adequately prepare for the transition and support working people into new employment opportunities. Neither closure was accompanied by adequate or effective structural adjustment policies, and their negative impacts on working people and communities were not minimised.

The timing of any policy response to transition Australia's economy will be crucial to its effectiveness as more isolated regional economies that are reliant on one or two industries are particularly susceptible to the long-term impacts of large-scale retrenchments. As Webber and Weller note '[w]orkers who lost their jobs when plants were closed began to search for jobs in a labour market that was flooded with job seekers, most of whom possessed similar skills and experiences. In regional areas, small and relatively isolated local labour markets amplified that disadvantage.'<sup>53</sup>

48. E Loxton, J Schirmer, M Dare, Technical Report 208 Structural adjustment assistance in the Australian forestry industry: A review of recent experience and recommendations for best practice design of future structural adjustment packages, February 2011; Gwyn Jolley, Lareen Newman, Anna Ziersch and Fran Baum, Positive and negative impacts of job loss on family life: the perceptions of Australian car workers, Australian Journal of Social Issues Vol 46 No.4, 2011;

49. Andrew Beer, Structural adjustment programmes and regional development in Australia, Local Economy 2015, Vol 30(1), p.37.

50. AGL, AGL Greenhouse Gas Policy, 17 April 2015, accessed at [https://www.agl.com.au/-/media/AGL/About-AGL/Documents/Media-Center/Corporate-Governance-Policies-Charter/1704015\\_GHG\\_Policy\\_Final.pdf?1a=en](https://www.agl.com.au/-/media/AGL/About-AGL/Documents/Media-Center/Corporate-Governance-Policies-Charter/1704015_GHG_Policy_Final.pdf?1a=en)

51. Tom Arup and Richard Willingham, Alcoa to shut Anglesea coal mine and power plant, The Age, 12 May 2015, accessed at <http://www.theage.com.au/victoria/alcoa-to-shut-anglesea-coal-mine-and-power-plant-20150512-ggzg9.html>

52. Note: Alinta Energy paid \$3.5 million to support workers to transition into new work, on top of \$75 million in entitlements and benefits see <http://www.abc.net.au/news/2016-05-09/port-augusta-s-coal-fired-power-station-closes/7394854>

53. Michael J. Webber and Sally A. Weller, Re-fashioning the Rag Trade, (University of New South Wales Press, 2001), p. 220.



## 7. Australian Unions' policy framework to support workers and communities transition into new, secure employment in a clean energy economy

Australian unions urge the Australian Government to adopt a national plan that focuses on creating new decent and secure jobs in a clean energy economy. To achieve this, Australian unions propose a multi-decadal plan to oversee the transition of the energy sector and expansion of the renewables sector of the Australian energy industry.

At the centre of this plan is the need to create a new, independent statutory authority, the ETA, responsible for managing a multi-decadal plan to regulate the orderly closure of coal-fired power stations and transition to renewable and low emissions generation, a multi-employer pooling and redeployment scheme, and a labour adjustment package that effectively supports working people find new jobs.

It is envisaged that the ETA would work closely with other Departments and local and state governments to help develop specific plans to support the economic diversification of high emission power generation regions. The ETA could also undertake a review of the National Energy Market (NEM) regulatory bodies such as the Australian Energy Market Commission (AEMC), the Australian Energy Regulator (AER) and the Australian Energy Market Operator (AEMO) to ensure that the roles and activities of these agencies are consistent with the low emissions modernisation of the electricity sector.



# Key Recommendations

## 1.

### **A new independent statutory authority, ETA, responsible for navigating and managing Australia's transition to a clean energy economy**

In order to oversee the orderly closure of Australia's coal-fired power stations and ensure a Just Transition for working people, families and communities, a new independent statutory authority is proposed.

The key focus of the ETA will be to minimise the impact of unplanned closures on workers and their communities through managing this transition in a regulated manner and developing plans to ensure the ongoing economic prosperity of affected regions. Given Australia's current energy mix and the need for substantial investment in renewable energy, it is important that this transition is managed carefully and in a manner that supports the continued supply of electricity. The need for an orderly and planned phase out of high-carbon generators has been recognised by a number of organisations including The Climate Institute.<sup>54</sup>

Creating a body that has the freedom, independence and mandate to adopt a long term approach to managing this transition will help ensure that decarbonisation occurs efficiently and fairly – without working people and their families bearing the brunt of this transition and being plunged into unemployment or insecure work through a sudden plant closure.

Australia already has a number of bodies that support Australia's transition to a low carbon economy, including the Climate Change Authority, Clean Energy Finance Corporation (CEFC), Australian Renewable Energy Agency (ARENA), Clean Energy Regulator and the Clean Energy Innovation Fund. These bodies were specifically established to advise on climate policy and to support investment in renewable energy, low-emission technology and energy efficiency.

Australian unions believe that creating an independent statutory authority that manages the transition and oversees support for workers is an important part of the

mix to implementing any serious Federal Government climate policy that decarbonises Australia's economy and delivers the necessary emissions reductions consistent with Australia's international commitments under the Paris Agreement. By creating an independent body, this will ensure that the ETA is at arm's length from government and provides a buffer against undue political influence.

To ensure appropriate consultation with industry and unions, the ETA would be overseen by a tripartite advisory board – comprising industry, unions and government – and enacted in legislation. The ETA would be responsible for reporting to the Parliament, as well as to the responsible Minister.

It is envisaged that the ETA will have three main roles:

### **a.**

#### **Overseeing an orderly transition plan and closure of Australia's coal-fired power stations, which ensures a Just Transition for workers, their families and communities**

Various mechanisms have been proposed to oversee this process both domestically and internationally and all should be explored by the ETA to ensure that the most efficient and equitable mechanism is implemented in Australia.

For example, one option put forward by Frank Jotzo and Salim Mazouz requires coal-fired power stations to submit a sealed competitive bid nominating the payment they require for closure.<sup>55</sup> The ETA could then choose the most cost effective bid with payments made by the remaining power stations in proportion to their carbon dioxide emissions.<sup>56</sup> Importantly, closure includes 'ceasing operation on a predetermined date, remediating the site to a predetermined standard and paying for a predetermined assistance package for their workforce and the regional towns they operate in.'<sup>57</sup>

54. The Climate Institute, *A Switch in Time: Enabling the electricity sector's transition to net zero emissions*, Policy Brief, April 2016, p.4 accessed at [http://www.climateinstitute.org.au/verve/\\_resources/TCI\\_A-Switch-In-Time\\_Final.pdf](http://www.climateinstitute.org.au/verve/_resources/TCI_A-Switch-In-Time_Final.pdf)

55. Frank Jotzo and Salim Mazouz, *Brown coal exist: a market mechanism for regulated closure of highly emissions intensive power stations*, CCEP Working Paper 15, 10 November 2015, p.10.

56. *Ibid*, p. 3.

57. *Ibid*, p. 10.

The predetermined assistance package would be determined in conjunction with the ETA and include funding for a labour adjustment package to support working people into new employment.

Jotzo and Mazouz's paper importantly recognises the need for social costs to be built into the bid, and notes that plant owners are already responsible for site remediation and retrenchments costs when the stations are eventually closed,<sup>58</sup> with bonds paid to state governments to cover site rehabilitation. This is a consideration that all options should include.

In determining the successful mechanism, the ETA should also take into account both the social benefits and costs of closure. Examples of issues that could be considered include:

- Social benefits = improved air quality / environment, health benefits and local amenity benefits e.g reclamation of space.<sup>59</sup> For example, greater value would be placed on the closure of brown coal-fired stations, as these are significantly more emissions intensive than black coal-fired stations.<sup>60</sup>
- Social costs = unemployment rate of the region, percentage of workforce that works in the industry, skills and education levels and potential economic opportunities in region.

The ETA should also have regard to broader CO2 mitigation policy to apply to the electricity sector.

Without a coordinated policy approach to managing an orderly closure of Australia's coal-fired power stations, these stations are likely to close in an unplanned and disorderly way, plunging working people and their families into unemployment or insecure work and serious social and economic hardship.



58. Ibid, p. 17.

59. Ibid, p. 11.

60. As Jotzo notes at p. 5 'black coal in Australia has an average emissions factor of just over 0.9 tCO2 per MWh generated, whereas brown coal based generation in Australia ranges from 1.2 to 1.5 tCO2 per MWh, with an average of 1.3 tCO2 per MWh'.

**b.**

**Overseeing an industry-wide multi-employer pooling and redeployment scheme which provides retrenched workers with the opportunity to transfer to roles with renewable or low emission generators as well as remaining fossil fuel generators**

Drawing on Germany's successful restructuring approach (which saw an orderly decrease in the number of coal mining jobs from 130,300 in 1990 to 12,100 in 2014 and opportunities for industry redeployment)<sup>61</sup> Australian unions propose that the ETA oversee a multi-employer pooling and redeployment scheme.

In consultation with industry and unions, ongoing staff from the closing generator would be offered redeployment opportunities to remaining power stations or opportunities to transfer to roles with renewable or low emission generators, based on either their length of service and / or age. As older workers often find it more difficult to find work following their retrenchment, it is envisaged that they would be offered first priority.<sup>62</sup> Accrued leave entitlements and redundancy pay will need to be paid out at the time the worker transfers to a different employer.

Given the need for land rehabilitation and rectification, power sector workers should also be offered first priority to access these employment opportunities. As Environment Victoria notes, '[a]s part of supporting a just transition for workers in the Latrobe Valley, as many as possible of these jobs should be reserved for local residents, rather than contractors from elsewhere.'<sup>63</sup> It is important that the rehabilitation jobs provide good working conditions.

For those working people that do not wish to participate in the redeployment scheme, voluntary redundancy packages should be available. Early retirement schemes alongside superannuation top-up arrangements should be made available to assist working people leave the industry earlier than anticipated.<sup>64</sup> In Germany for example, a transitions payment system was introduced for coal industry employees, enabling workers to access paid monthly support for a period of five years after the early termination of their employment and until they qualified for the pension insurance scheme.<sup>65</sup> To access this scheme, workers were required to reach a specified age threshold and period of service.<sup>66</sup>

61. Prof. Dr. Franz-Josef Wodopia, Chief Executive, German Coal Association, Coal industry restructuring in Germany presentation, 2015, p.6.

62. Victor J Callan and Kaye Bowman, Industry restructuring and job loss: helping older workers get back into employment, NCVET Research Report, 2015, p.11.

63. Environment Victoria Policy Report 2014, Preventing the Preventable: Policy Options for Accelerating Coal Mine Rehabilitation and Creating Jobs in the Latrobe Valley, p.7.

64. E Loxton, J Schirmer, M Dare, Technical Report 208 Structural adjustment assistance in the Australian forestry industry: A review of recent experience and recommendations for best practice design of future structural adjustment packages, February 2011, p.16; Béla Galgóczi, The long and winding road from black to green, Decades of structural change in the Ruhr region, International Journal of Labour Research 2014, Vol. 6, Issue 2, p 231.

65. Béla Galgóczi, The long and winding road from black to green, Decades of structural change in the Ruhr region, International Journal of Labour Research 2014, Vol. 6, Issue 2, p 231.

66. Ibid.

67. Ibid.

68. The RAG-Stiftung, accessed at <http://www.rag-stiftung.de/en/about-us/>

69. Ibid.

70. Béla Galgóczi, The long and winding road from black to green, Decades of structural change in the Ruhr region, International Journal of Labour Research 2014, Vol. 6, Issue 2, p.221.

71. Prof. Dr. Franz-Josef Wodopia, Chief Executive, German Coal Association, Coal industry restructuring in Germany presentation , 2015, p.23.

72. Prof. Dr. Franz-Josef Wodopia, Chief Executive, German Coal Association, Coal industry restructuring in Germany presentation , Euracoal seminar on restructuring, p.11.

73. Prof. Dr. Franz-Josef Wodopia, Chief Executive, German Coal Association, Coal industry restructuring in Germany presentation, 2015, p.6.

## Case study: Germany's successful decade-long transition out of coal

The multi-decadal long transformation of the Ruhr and nearby regions in Germany from a mining-dependent region to a more diversified economy is a successful example of active federal and regional government policy, in consultation with industry and unions, that has delivered a just transition for workers and communities.<sup>67</sup>

In February 2007, the German federal government, the states of North Rhine Westphalia and Saarland, RAG Corporation and the Mining, Chemical and Energy Industrial Union (IG BCE) negotiated an agreement to discontinue government subsidises for coal and find socially acceptable means of ending the coal mining industry by 2018.<sup>68</sup>

### Establishment of the RAG Foundation<sup>69</sup>

To help ensure and manage the orderly and socially acceptable transition of the coal mining industry, the RAG-Stiftung (RAG Foundation) was created. Its main responsibilities included providing qualification training to employees, information about new job opportunities, financing ongoing mine management (e.g. securing shafts and tunnels, land rehabilitation and management of pit water and groundwater) and financing educational, scientific and cultural projects in the Ruhr and Saar regions.

### Redeployment of workers, early retirement and investment in retraining

Through adopting a cooperative and coordinated approach, Germany has overseen an orderly reduction in coal mines and socially acceptable transition of coal mining workers into new employment opportunities.<sup>70</sup>

According to the German Coal Association, between 2007 and 2018 approximately 10,600 workers are scheduled to be relocated from closing mines to active mines across the Ruhr, Saar and Ibbenbueren regions (with approximately 850 staff relocations occurring within the Ruhr area from 2014 to 2018).<sup>71</sup>

Further, between 1996 and 2014, 40,880 workers entered early retirement, while 26,560 workers underwent retraining and obtained new qualifications and 2,210 workers were redeployed.<sup>72</sup>

As a result of this process, there has been a reduction of 130,300 coal mining jobs in 1990 to around 12,100 in 2014, with Germany's last two coal mines scheduled for closure at the end of 2018.<sup>73</sup>

### Key lessons:

- **Early planning with a long term focus and cooperative approach between government, industry and unions helped ensure workers and communities were effectively supported.**
- **Industry redeployment enabled workers to take up new employment opportunities in remaining mines.**
- **Active labour market policy measures are needed including agencies specialised in employment promotion and retraining.**
- **Financial support for workers through access to retraining and early retirement schemes.**

## C.

### Administering and developing a labour adjustment package that supports workers transition into new, decent and secure jobs

In considering Australia's previous policy responses to negating the impact of structural adjustment, evidence suggests that a mix of measures is needed to best support working people transition into decent and secure employment. As Beer recognises, 'one of the keys to better labour market outcomes is a focus on a suite of measures, rather than one-off interventions'.<sup>74</sup>

The evidence suggests that the most effective structural adjustment programs are those that are well targeted, well-timed, involve stakeholder consultation and 'are designed to make best use of available funds in an effective and equitable manner'.<sup>75</sup>

### Australian unions consider that a range of active labour market policies are required to support workers including:

#### i. Job placement and networking service

Early and ongoing provision of information on job and training opportunities and entitlements including access to government benefits is needed to support workers obtain new jobs.<sup>76</sup>

As the Mitsubishi case study below demonstrates, funding must be invested in programs that support skilled working people to find suitable jobs.<sup>77</sup> In this case, the provision of funding to Job Network providers was considered largely unsuccessful, due to the agency's inexperience in supporting workers other than the long-term unemployed find work.<sup>78</sup>

#### ii. Retraining

A skills audit should be conducted to assess employees' current skill set and identify opportunities for retraining that can begin prior to retrenchment. Prior learning should also be recognised to ensure that workers focus on developing new skills that can be used in future employment.<sup>79</sup>

Evidence consistently shows that retraining increases the probability of workers finding a new job.<sup>80</sup> The types of retraining could include basic skills training (job-seeking skills such as resume writing or basic literacy, numeracy and communication skills), up-skilling, targeted skills acquisition and re-skilling in a new area.

Opportunities to access retraining should ideally be made available to workers prior to any workplace closure or redundancy and while workers are still earning an income.

In the MG Rover (England) case study, £50 million was provided to redundant workers to undergo training and reskilling to enable them to move into new industries.<sup>81</sup> This formed part of a wider assistance package of £176 million that included £40 million in redundancy payments, a £24 million loan fund to help businesses and £41.6 million to ensure MG suppliers remained viable.<sup>82</sup> One year after the plant's closure over 90% of workers were in full time employment.<sup>83</sup> Whilst this appears prima facie to be a good outcome, it was found that a majority of workers were earning less than they did in their previous role.<sup>84</sup>

74. Andrew Beer, Structural adjustment programmes and regional development in Australia, Local Economy 2015, Vol 30(1), p.28.

75. E Loxton, J Schirmer, M Dare, Technical Report 208 Structural adjustment assistance in the Australian forestry industry: A review of recent experience and recommendations for best practice design of future structural adjustment packages, February 2011, p. iv, vi.

76. Andrew Beer, Structural adjustment programmes and regional development in Australia, Local Economy 2015, Vol 30(1), p.28.

77. Kathy Armstrong, David Bailey, Alex de Ruyter, Michelle Mahdon and Holli Thomas, Auto Plant Closures, Policy Responses and Labour Market Outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia, p.5.

78. Kathy Armstrong, David Bailey, Alex de Ruyter, Michelle Mahdon and Holli Thomas, Auto Plant Closures, Policy Responses and Labour Market Outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia, p.5.

79. Andrew Scott, Northern Lights: The Positive Policy Example of Sweden, Finland, Denmark and Norway, Monash University Publishing, 2014, p. 160.

80. Michael J. Webber and Sally A. Weller, Re-fashioning the Rag Trade, (University of New South Wales Press, 2001), p.206.

81. Kathy Armstrong, David Bailey, Alex de Ruyter, Michelle Mahdon and Holli Thomas, Auto Plant Closures, Policy Responses and Labour Market Outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia, p. 5.

82. Ibid, p.6.

83. Ibid, p.7.

84. Ibid, p.8.

To ensure that working people are able to access skills and qualifications to transition into new jobs, it is important that the Australian Government recommits to delivering a high quality, equitable and affordable vocational education and training (VET) system including proper funding of our TAFE sector.

In contrast to Australia, the Danish Government contributes significant amounts of public funding to support workers find new jobs through investments in active labour market programs and quality training.<sup>85</sup> This commitment to substantial investment in retraining has resulted in the highest rates of older people in paid employment, when compared to other Western nations.<sup>86</sup>

Consideration should also be given to introducing lifelong learning accounts in Australia. Former Deputy Prime Minister Brian Howe has argued that these accounts should be introduced as a way of supporting individuals to improve their skills and knowledge across their lifetime and enable people to adjust to the changing labour market.<sup>87</sup> This would involve 1% contributions by employees, employers and government (for low income earners) into an individual fund that can then be drawn down upon by workers to pay for recognised training.<sup>88</sup>



85. Andrew Scott, *Northern Lights: The Positive Policy Example of Sweden, Finland, Denmark and Norway*, Monash University Publishing, 2014, p.141.

86. *Ibid*, p.141-142.

87. Brian Howe *Weighing up Australian values: balancing transitions and risks to work and family in modern Australia*, UNSW Press, p.128.

88. *Ibid*, p.148.

### iii. Financial and personal support

According to Loxton et al the most effective structural adjustment programs involves a mix of measures that focus not only on providing financial assistance to workers and businesses, but also includes financial and psychological counselling and specific community support.<sup>89</sup>

Financial support should include access to redundancy packages and options for early retirement.<sup>90</sup> Special financial assistance payments should also be available including assistance to workers to meet their mortgage or rental payments<sup>91</sup> as well as consideration of income assistance for a defined period of time (e.g. 12-24 months) subject to eligibility criteria.

Financial counselling should also be available to assist workers to assess their financial position and plan for the future.<sup>92</sup> When provided early and in conjunction with psychological counselling and legal advice, this can help workers manage the stress, anxiety and depression that can arise following retrenchment.<sup>93</sup>

Consideration could also be given to introducing unemployment insurance in Australia, which would provide income security to individuals throughout their working lives. Grant Belchamber has argued for example that by providing a proper living wage to working people, this will provide people with the time needed to undergo proper training and skills development and subsequently find a good job.<sup>94</sup>

89. E Loxton, J Schirmer, M Dare, Technical Report 208 Structural adjustment assistance in the Australian forestry industry: A review of recent experience and recommendations for best practice design of future structural adjustment packages, February 2011, p.iv.

90. Ibid, p.16.

91. Ibid, p.16.

92. Ibid, p. v.

93. Ibid, p. v.

94. Grant Belchamber, 'To Fix a Flaw and Fix the Floor: Unemployment Insurance for Australia' in Paul Smyth and John Buchanan, *Inclusive Growth in Australia: Social policy as economic investment*, Allen & Unwin, 2013.



#### iv. Travel subsidies and relocation assistance

Financial support and incentives are needed to support people commute or relocate to another region for employment.<sup>95</sup> Special assistance should also be made available to people that participate in the pooling and redeployment scheme and have to relocate for work.

Previous labour adjustment packages have included provision for travel subsidies and relocation assistance. For example as part of the Commonwealth Forest Industry Structural Adjustment Package, workers were able to access up to \$8,000 in relocation assistance or to attend formal retraining as well as fare assistance to undertake job searches.<sup>96</sup>

Further, in reviewing the Mitsubishi structural adjustment package, Professor Beer recommended that a travel subsidy be provided to encourage individuals facing redundancy to take up employment opportunities in other areas.<sup>97</sup>



95. E Loxton, J Schirmer, M Dare, Technical Report 208 Structural adjustment assistance in the Australian forestry industry: A review of recent experience and recommendations for best practice design of future structural adjustment packages, February 2011, p.16.
96. Australian Government, Department of Agriculture and Water Resources, Commonwealth Forest Industry Structural Adjustment Package, accessed at <http://www.agriculture.gov.au/forestry/policies/rfa/publications/deferred/wood-paper/commonwealth-fisap>
97. Andrew Beer, Fran Baum, Holli Thomas, Diannah Lowry, Cecile Cutler, Guangyu Zhang, Gwyn Jolley, Anna Ziersch, Fiona Verity, Colin MacDougall and Lareen Newman, HSRIP Report: An Evaluation of the impact of retrenchment at Mitsubishi focussing on affected workers, their families and communities: implications for human services policies and practices, Flinders University, April 2006, p.vi.

## Case study:

### The Mitsubishi plant closures and the failure of government to invest in training and transition workers into permanent employment.

In May 2004 Mitsubishi announced that it would close its Lonsdale manufacturing plant and Tonsley Park assembly plant in Adelaide, causing around 1,100 redundancies.<sup>98</sup>

#### Structural Adjustment Package

A Structural Adjustment Fund for South Australia (SAFSA) was created with the Federal Government committing \$40 million and the South Australian Government committing \$5 million to support new business investment.<sup>99</sup> The main Labour Adjustment Package (LAP) included \$10 million in funding from the Federal Government delivered through Job Network agencies and \$380,000 from the State Government for financial counselling, resume preparation and career counselling.<sup>100</sup>

#### Increased job insecurity

Following their retrenchment, Mitsubishi workers experienced significant job insecurity. This is reflected in one worker's response that:

**'I've had a few jobs since leaving Mitsubishi ... they were part time and contract ... it took me three months to find a job, we had a contract at Walkers which we were led to believe could be permanent. After nine months of contract it faded out. I found another job six weeks later. I'm assuming that we'll be talking about permanency in February (2006). I'm assuming that because they sort of indicated three months' probation.'**<sup>101</sup>

Significantly in considering the employment outcomes for workers, research showed that a year after their redundancy, only 34% of workers were in full time employment, while over 20% were in casual or part-time employment.<sup>102</sup> Significantly, 69% of those in casual employment reported that would they would rather be working full time.<sup>103</sup>

Of the remaining 30% of workers that had not participated in the labour force in the previous year, 13% were looking for work, 9% retired and 4% were not working because of a disability.<sup>104</sup> Significantly for those that retired, 28% said they would rather be working but had been unable to find new employment.<sup>105</sup>

Among those who had found work during the year since their retrenchment, 73% reported having two or more jobs, of which 14% of these workers had had three or more jobs.<sup>106</sup>

#### Lower pay and poorer working conditions

Not only did Mitsubishi workers experience significant job insecurity following their retrenchment, but over 70% reported earning less than when employed at Mitsubishi.<sup>107</sup> Workers also experienced poorer working conditions with 31% of those in full employment reporting that their current job was worse than when they worked at Mitsubishi and 41% employed in casual work reporting that their current job was worse.<sup>108</sup>

Despite growth in the mining and defence industries, only 4% of workers obtained jobs in these industries, and Armstrong et al suggests that this was because workers were not equipped with the necessary skills to move into employment in these industries.<sup>109</sup>

#### Key lessons

- Funding should be directed to invest in retraining and up-skilling to enable workers to transition into permanent employment.
- Job placement and networking services must tailor their resources and support to job seekers.

## 2.

### **Tasking the ETA to develop specific plans to support the economic diversification of high emission power generation regions and associated communities.**

Australian unions believe that the ETA should work closely with the Department of Environment and Energy, Treasury, the Department of Industry, Innovation and Science and state and local governments to help develop specific plans to support the economic diversification of high emission power generation regions. This would involve developing specific industry and environmental policies that focus on attracting new investment, the growth of new industries like renewable power generation, renewable equipment manufacturing and energy services and the creation of quality, secure jobs.

In Victoria for example, it is envisaged that the ETA would work closely with the Victorian Department of Economic Development, Jobs, Transport and Resources and in particular Regional Development Victoria to support the development of new infrastructure projects, improve the long term performance and sustainability of current successful industries, and encourage new investment that focusses on creating jobs and strengthening regional communities.

Key to an effective diversification plan is a whole of government approach that can only be achieved by having the ETA work with all relevant government agencies as well as other levels of government. In addition, it will be crucial to the success of diversification plans that unions, industry and community groups are represented, especially at senior strategic planning levels. This will help ensure a more integrated approach by government to diversifying regional economies industry base, to improve productivity and the earning capacity of these economies.

Following retrenchment, some people will decide to leave their communities in search of new opportunities, resulting in a loss of population, social capital and services for that region.<sup>110</sup> Whilst individuals should be supported to take up new opportunities, specific policy measures are still needed to help support the creation of new jobs in coal mining and power station regions. As Webber and Weller note '[m]arket forces alone are unlikely to direct investors back into old manufacturing regions'.<sup>111</sup> Specific policies are therefore needed.

98. Andrew Beer, Fran Baum, Holli Thomas, Diannah Lowry, Cecile Cutler, Guangyu Zhang, Gwyn Jolley, Anna Ziersch, Fiona Verity, Colin MacDougall and Lareen Newman, HSRIP Report: An Evaluation of the impact of retrenchment at Mitsubishi focussing on affected workers, their families and communities: implications for human services policies and practices, Flinders University, April 2006, p.i.
99. Kathy Armstrong, David Bailey, Alex de Ruyter, Michelle Mahdon and Holli Thomas, Auto Plant Closures, Policy Responses and Labour Market Outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia, p.2.
100. Ibid.
101. Andrew Beer, Fran Baum, Holli Thomas, Diannah Lowry, Cecile Cutler, Guangyu Zhang, Gwyn Jolley, Anna Ziersch, Fiona Verity, Colin MacDougall and Lareen Newman, HSRIP Report: An Evaluation of the impact of retrenchment at Mitsubishi focussing on affected workers, their families and communities: implications for human services policies and practices, Flinders University, April 2006, p.17.
102. Kathy Armstrong, David Bailey, Alex de Ruyter, Michelle Mahdon and Holli Thomas, Auto Plant Closures, Policy Responses and Labour Market Outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia, p.3.
103. Ibid.
104. Ibid, p.4.
105. Ibid.
106. Ibid.
107. Ibid.
108. Ibid.
109. Ibid.
110. E Loxton, J Schirmer, M Dare, Technical Report 208 Structural adjustment assistance in the Australian forestry industry: A review of recent experience and recommendations for best practice design of future structural adjustment packages, February 2011, p.vi.
111. Michael J. Webber and Sally A. Weller, Re-fashioning the Rag Trade, (University of New South Wales Press, 2001). p.209.

Similarly Callan and Bowman notes that studies have found that:

'[i]n many instances displaced workers took up less-skilled and less well-paid jobs in order to stay local. This study and a number of similar studies emphasise the need for the promotion of regional job-creation work should be seen as a complementary strategy in efforts to build the skills and capacity of displaced workers searching for new jobs locally.'<sup>112</sup>

In developing these plans, policies should focus on:

- Gaining a detailed knowledge of regional advantages, capabilities and opportunities and how these can be improved through specific infrastructure and other investments.
- Encouraging new public, community and private investment to increase the attractiveness of regions to private investment that grows new jobs and focuses on areas of growing Australian comparative advantage and new technologies;
- Promoting investment in renewable energy generation and other new growth industries through provision of grants and other forms of financial support to businesses (for example through ARENA, CEFC and the Clean Energy Innovation Fund), or other new investment support (for example, by creating a premium renewable energy certificate under the Renewable Energy Target or related post 2020 policy for new renewable energy generated in affected regions);
- Encouraging new job creating investment through incentives such as:
  - tax incentives (for example a payroll tax holiday);
  - government provided small and medium business loan guarantees;
  - government provided concessional loans; and
  - traditional co-investment incentives.
- Encouraging community led local cooperatives run by worker-owners in sustainability-focused industries;
- Prioritised construction of new infrastructure in high emission power generation regions;
- Encouraging university, TAFE and other research institute partnerships to support new start-up businesses; and
- Providing support (including diversification advice, financing support, new market access advice and new product and process commercialisation support) for supply chain businesses that support coal-fired power stations, for example local retailers, manufacturers, service providers, trade and independent contractors.

112. Victor J Callan and Kaye Bowman, *Industry restructuring and job loss: helping older workers get back into employment*, NCVET Research Report, 2015, p.14.

## 8. Funding

In accordance with Just Transition principles, Australian unions believe that the costs of transitioning to a low carbon economy should be shared equitably across society and should not be borne solely by working people and communities.

Australian unions consider that funding for this policy should be drawn from:

- Industry;<sup>113</sup>
- Revenue from a carbon price, in the form of an emissions trading scheme;
- Long term phase out of fossil fuel subsidies with funds redirected towards a labour adjustment package for coal-fired electricity sector workers and communities;<sup>114</sup> and
- Local, state and federal governments.

Whilst the cost of such a plan will need to be modelled by the ETA and developed in light of broader carbon abatement policies, it is anticipated that this is likely to cost several billion over the next few decades. This level of expenditure needs to be considered in the context of the large amounts of money that will need to be spent on rebuilding the electricity sector through to 2050 (and in particular significant funds that will need to be spent by 2030 if tougher targets are to be met). The Climate Institute has estimated for example that between \$164 billion and \$276 billion (on a net present value basis) will be required for the electricity sector to reach net zero emissions.<sup>115</sup>

Given these figures, several billion on labour adjustment and industry diversification programs represents only a few percentage points of the total transition cost. This amount should also be considered in light of the significant economic and social benefits that will also flow from delivering a Just Transition that ensures that working people and communities are supported to move into new employment.

## 9. Conclusion

As part of national efforts to achieve Australia's emissions reduction targets, we need a national plan to deliver a Just Transition in the electricity sector.

At the centre of this plan is the need to create an authority responsible for navigating and managing Australia's transition to a clean energy economy, including an orderly closure of Australia's coal-fired power stations and the development of regional economic diversification plans that focus on stimulating new investment, the growth of new industries and the creation of quality, secure jobs.

If Australia is to truly deliver a Just Transition in the electricity sector, it is imperative that we avoid a situation where only one third of people find equivalent full time work following their retrenchment, while one third move into a lower quality job and one third leave the labour force altogether.

Australian unions are standing with regional communities to call on the Australian Government to develop a national plan to transition Australia to a clean energy economy. With the right policy mix and early planning, Australia can successfully transition to a low carbon economy without leaving any worker or community behind.

113. For example, Jotzo and Mazoum suggest that the bids for closure should include social costs, in particular provision for structural adjustment packages. Jotzo and Mazoum refer to the Hazelwood station employing 540 workers and 300 contractors, and that a structural adjustment package of \$150 million would provide over \$100,000 per worker/contractor and another \$50 million to the community.

114. For example in Ghana, subsidies from petroleum products were removed and public funds were redirected to social policies. See Mohammed Amin Adam, A case for socially sustainable petroleum product pricing in Ghana, *International Journal of Labour Research*, 2014, Vol. 6, Issue 2, p.176 accessed at [http://www.ilo.org/wcmsp5/groups/public/---ed\\_dialogue/---actrav/documents/publication/wcms\\_375223.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---actrav/documents/publication/wcms_375223.pdf)

115. The Climate Institute, *A Switch in Time: Enabling the electricity sector's transition to net zero emissions*, Policy Brief, April 2016, p.15 accessed at [http://www.climateinstitute.org.au/verve/\\_resources/TCL\\_A-Switch-In-Time\\_Final.pdf](http://www.climateinstitute.org.au/verve/_resources/TCL_A-Switch-In-Time_Final.pdf)

## Sharing the challenges and opportunities of a clean energy economy:

A Just Transition for coal-fired electricity  
sector workers and communities

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