

2017 Retrenchment Index
Taking a hit, tapping out

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Executive summary

Not to shock you, but being retrenched is not good.

Lingering like a shadow, it can haunt us - workers and managers alike. After a period of decline, I can confirm that retrenchments are increasing.

While it is in vogue to say that the labour market is changing, most of this is based on a hunch. In this, accompanied with previous reports, I am painting a macro and deep understanding of the modern workforce.

In this report you will find an overview of the current state of retrenchments, broken down by age, gender and state, along with a look at where these people go.

This report - the Retrenchment Index - is the first of its type for Australia. It provides the most detailed view of retrenchments and their impact.

What were once considered trends of recessions might now be commonplace. Job security cannot be taken for granted.

This is concerning. Workers who are retrenched have their records stained for the rest of their lives. They are more likely to struggle to find work and are more likely to be in need of social services.

Retrenchment is rarely the first choice for business. Managers often struggle to decide which staff to let go and it is usually a last resort. But Australian business is eager to cut costs and remain competitive, and operating expenditure is a key cost for most businesses.

I detail who is burdened by retrenchments, and explain to some extent why this is occurring.

Key outtakes

Following a slide, retrenchments are on a steep increase;

The largest group being retrenched are 25-34 year olds, and almost 50 per cent of all fired workers are under 35;

Confidence in the labour market is sliding, with all states reporting an increase in people leaving the labour force altogether;

More than half of all people retrenched won't find work for more than three months;

More than one in six people will give up looking for work after being retrenched;

More than one in three retrenched workers become long-term unemployed;

Victoria and Tasmania have the most volatile job markets for retrenched workers;

Western Australia and Queensland are the retrenchment capitals of Australia;

Due to the industries they work in men are twice as likely to be fired than women; and,

People leaving the labour market is on a steady trend upwards, which shows signs of a lack of confidence.

A changing market, sometimes through force

Australia's labour market is becoming more complex. There are four generations working, a rise in part-time work, rising underemployment and the threats and opportunities that come with "disruption". This is having an impact in a variety of ways.

Table one shows the number of people retrenched each quarter and table two the rate at which this is occurring, both are broken down by state.

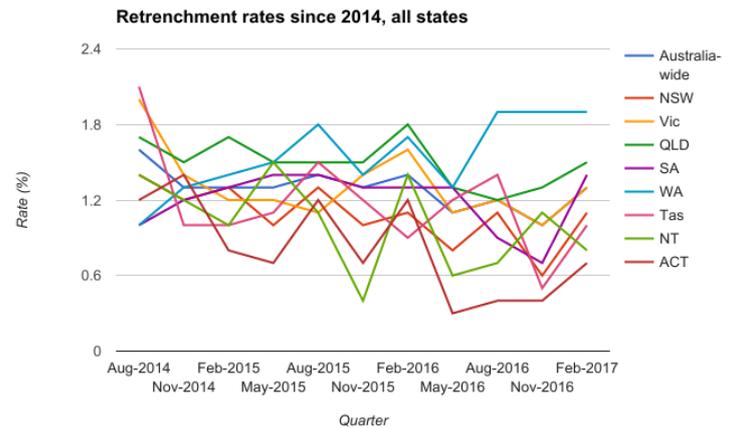
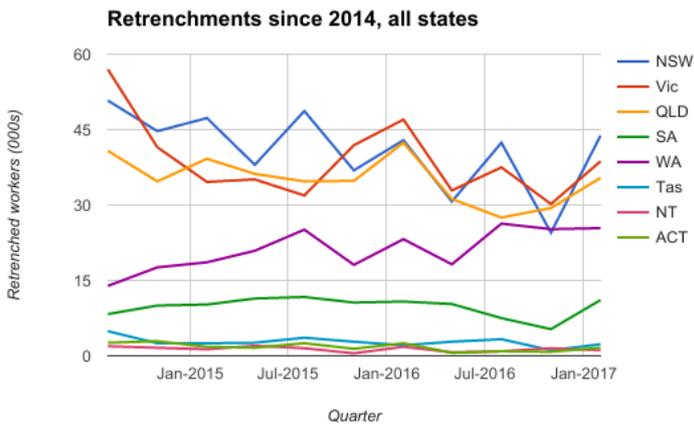


Table three shows the quarterly increase or decrease per each state.

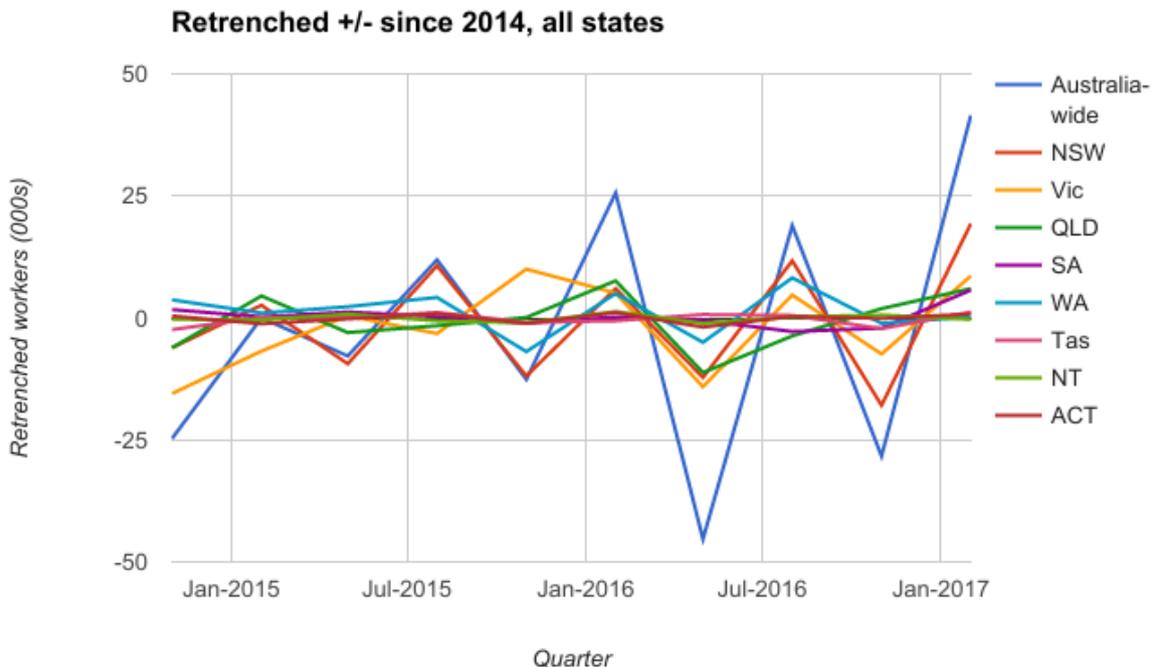
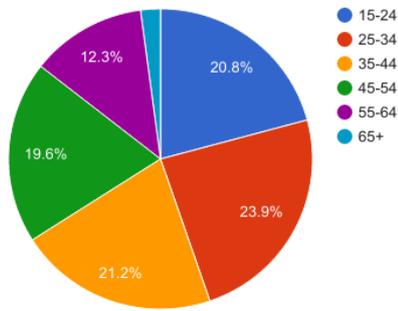


Table 3

Together, these tables show that until quarter two of 2016 there was a softening of retrenchments, but since then all states have recorded an upswing. Partly, this is because of economic shifts occurring globally, and also because of Australian business' penchant for cost cutting.

Average retrenchments since 2014, by age group



Many have noted the change in job creation, being a shift to casualisation, what we see here is how much of it is by force. Instead of easing this in with mere job creation, business is back to offloading staff.

While that macro view is important, digging into the details shows a more concerning picture emerging. Table four shows that almost half of all retrenchments are being borne by those under the age of 35, and the largest age group to face retrenchment are people aged 35-44. For younger workers, retrenchment stains their record into the future. They will find it more difficult to find work and are more likely to have streaks of unemployment in their career history.

Workers on the other side of 35 they are more likely to suffer financial stress and more disposed to leaving the labour force altogether.

To better understand what happens to these people, table five shows a national breakdown of whether those who are retrenched each

quarter go into employment, are still unemployed or leave the labour force all together. This shows that after being retrenched more than one in every six workers leave the labour market altogether; and more than a third are unemployed.

Table six shows that the state with the most volatile job market for retrenched workers is not Western Australia or Queensland, but Victoria. From quarter to quarter, Victoria has the most distinct change in employment prospects; workers in Victoria are least likely to know whether they will be employed after retrenchment or not. Other states have more stable employment/unemployment outcomes.

Table 4

Status of retrenched workers, average since 2014

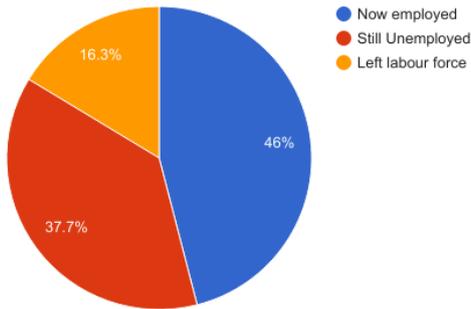


Table 5

Workers retrenched in previous quarter now employed, since 2014

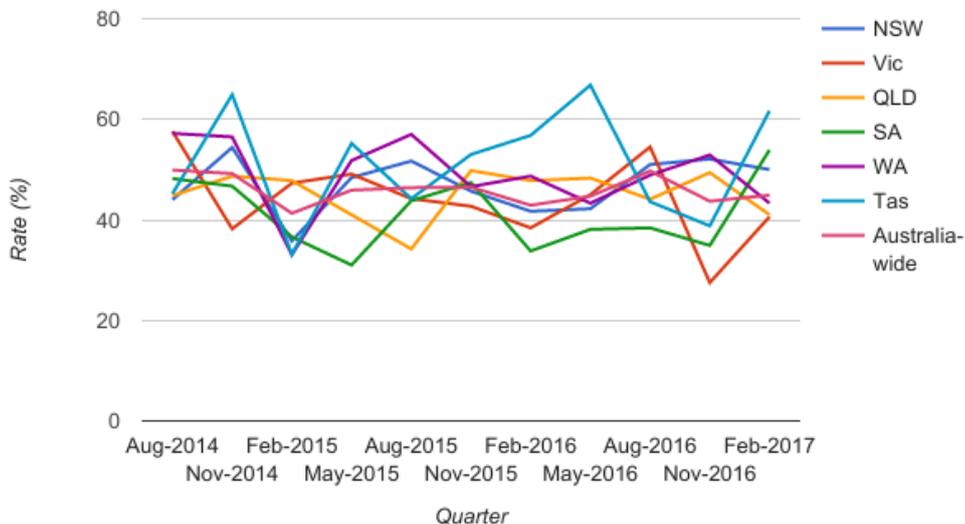


Table 6

The state where workers are most likely to bounce back into employment from retrenchment is Tasmania.

Workers being retrenched are most likely to be from Western Australia or Queensland, which confirms the state of their economies. The following is a ranking, from highest to lowest, in terms of retrenchments:

- Western Australia
- Queensland
- South Australia
- Victoria
- New South Wales
- Tasmania
- Northern Territory
- Australian Capital Territory

Further, there is a very concerning picture emerging in the labour market, which is that the number people who leave the labour market overall - who are neither employed or not looking for work - is growing.

While only 16.3 per cent of retrenched workers leave the labour market in the immediate aftermath, they are predisposed to both unemployment early exit from the labour market. This suggests a decline in labour market confidence.



Table 7

Workers who are retrenched often struggle to work again. Indeed, in the recession of the early 1990s those who were retrenched over the age of 45 never worked again.

Workers retrenched in the contemporary economy won't face such a dire experience, though they will be tested. The evidence presented shows that they are likely to take more than three months to find work.

Analysis and commentary

Organisations are confident, business is recording profit - so why are they getting rid of workers?

While this is part of the casualisation of the Australian labour market, retrenchments show that this is being done, in part, by force and not just by job creation.

Operating expenditure is putting pressure on workplace budgets, which drive two key causes of job losses. Firstly, given the scale of most quarters, it is smaller businesses driving these figures. Showing that while bigger businesses are flourishing the emerging sector is not as confident as they may parade to be.

Pressures on small business finances have been well documented and there are signs government and industry are working on solutions. This would have alleviated some financial pain and thus job losses.

Part of this, however, is the innovation penchant of some businesses and managers is redesigning jobs and workplaces. Effectively, we are becoming better at the way we work and some jobs are no longer needed.

This, in part, helps explain why there is a decline in job opportunities.

Labour market confidence

A crisis of confidence is emerging in the labour market. We aren't there yet, and we may not be for some time, but the seeds exist.

Younger people are distinctly facing a lack of prospects, which is spilling into other areas of the economy. Young people are becoming less confident in the economy, and few could fault them.

There is a noticeable decline in meaningful work across the economy. If this continues - which is foreseeable - then confidence will wane and that has threats for government, business and society.

The gender divide

Within the appendices you will find details on the gender differences in retrenchments.

We are seeing the slow, yet consistent, decline of masculine industries. Manufacturing and mining are being radically redesigned for a new economy and this is deeply impacting the work men do.

There is a clear growing despondency in the male labour market with more men leaving than ever before.

There is an imperative for men and women to look forward and see the changes in their fields, or face retrenchments.

Disparate states?

States with more masculine industries are seeing greater retrenchments than those with more diversified economies.

Western Australia and Queensland are both reliant on old industries like manufacturing and mining and lack the breadth that New South Wales and Victoria do.

It is imperative that these traditional industries and their workforces retrain and forge opportunities in new fields.

Old and protected

Unequivocally, younger workers are under the most pressure in economic change.

It's difficult to explain the inequity here, but it's clear that young people are a labour market which is doing almost everything to keep them down.

Without getting on top of this young people are likely to lose even more confidence in the labour market, which will further undermine their opportunities.

Impact of retrenchments

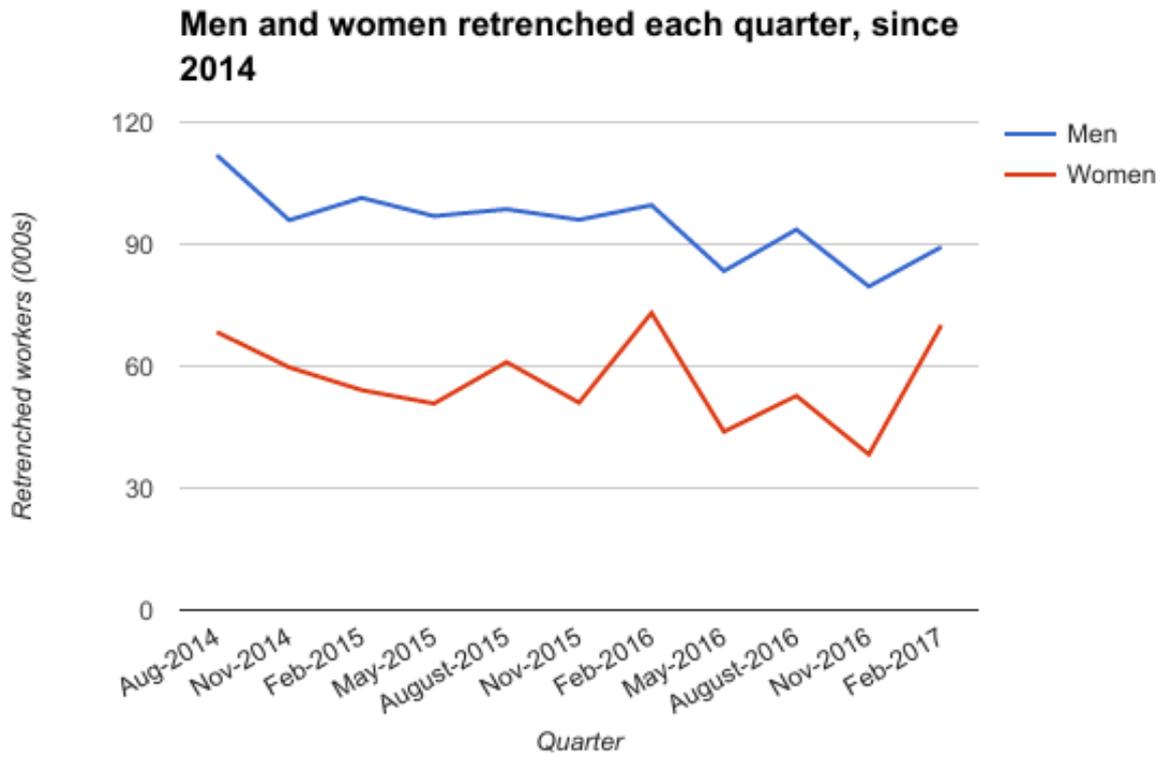
Retrenchments have social and economic impacts.

Economically, they represent a form of waste and incorrectly allocated labour. These people need to be redeployed in other jobs or other industries to reach their potential.

Socially, these people are less employable and more likely to be on welfare and not pay tax. There are also mental health and social disadvantage issues associated with losing your job and not being able to find work.

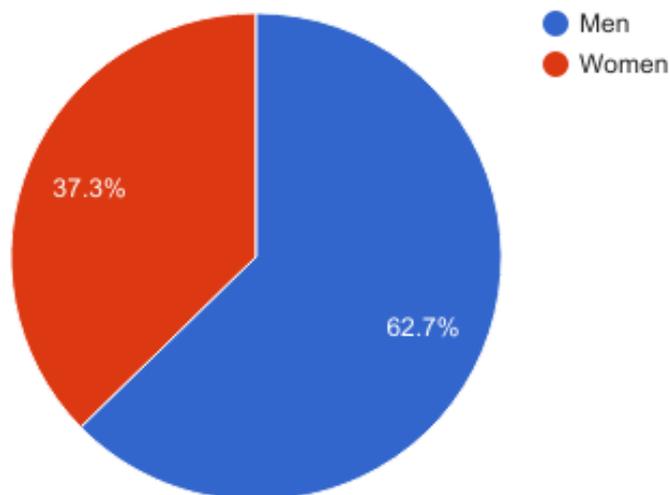
Appendix

Appendix 1

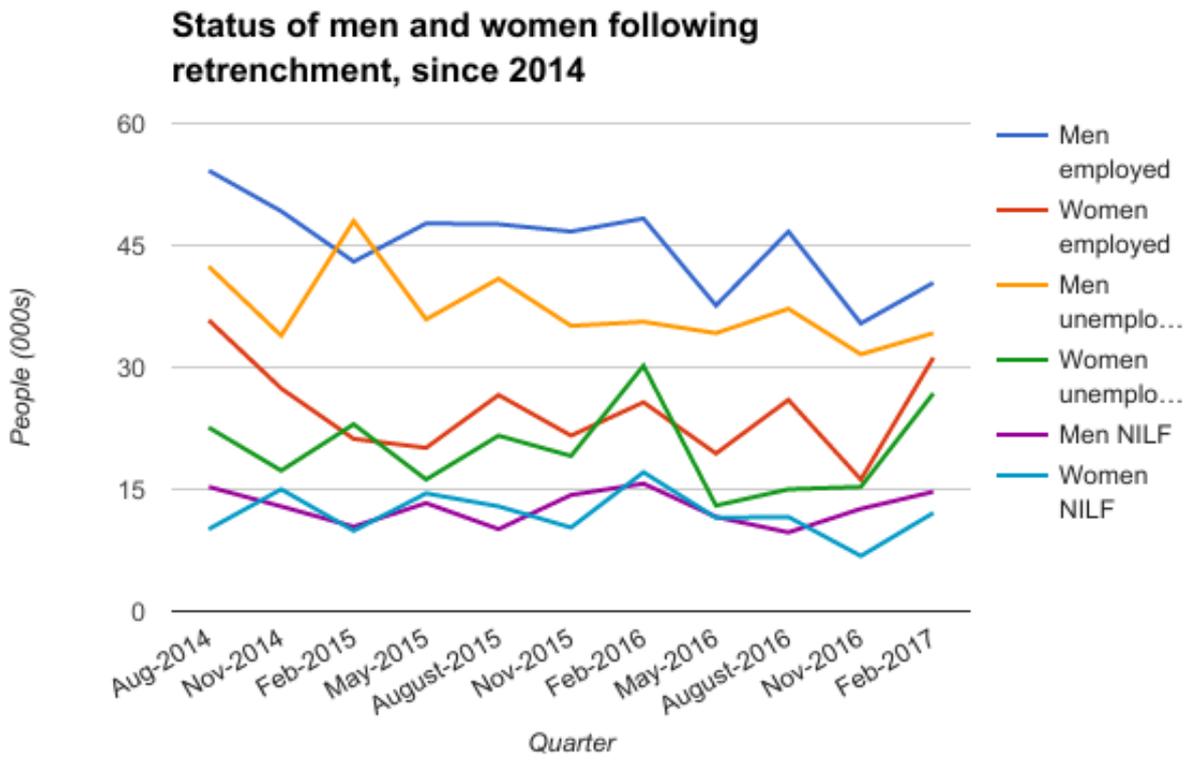


Appendix 2

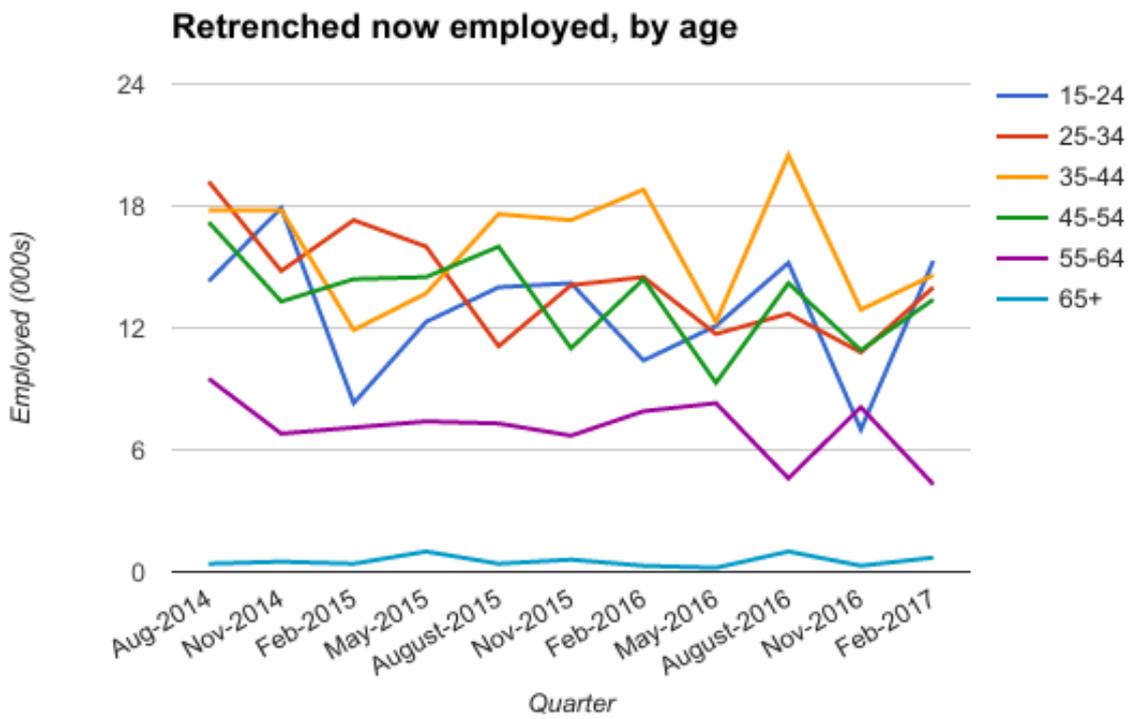
Average quarter retrenchments per gender, since 2014



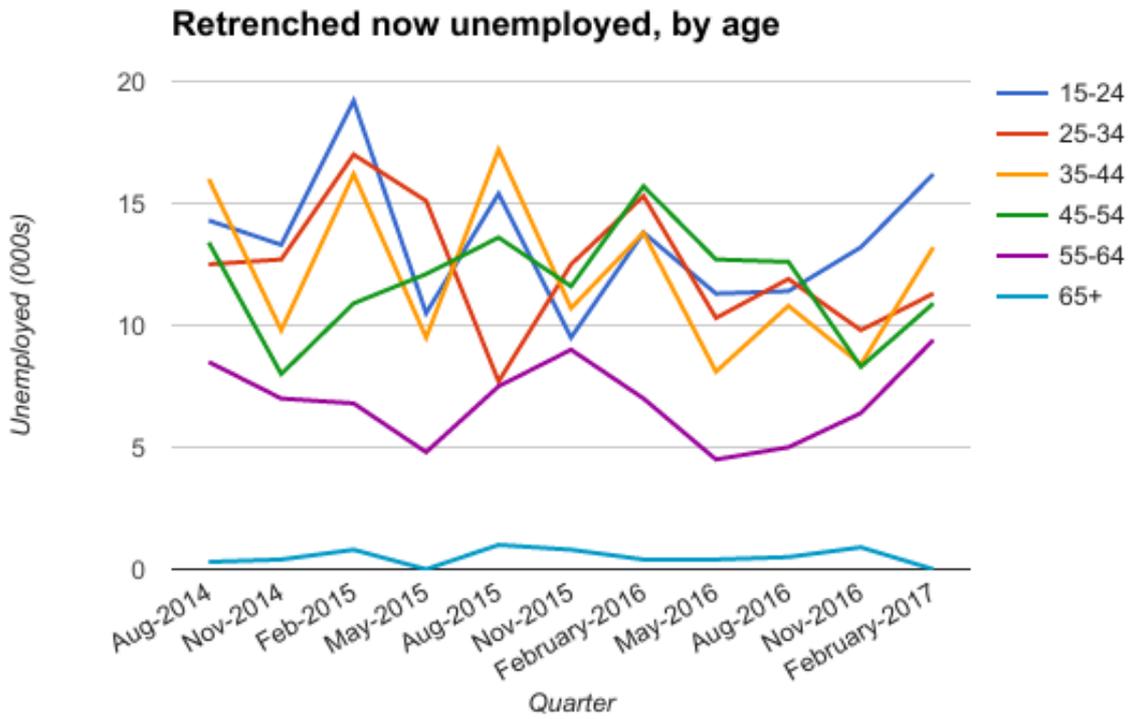
Appendix 3



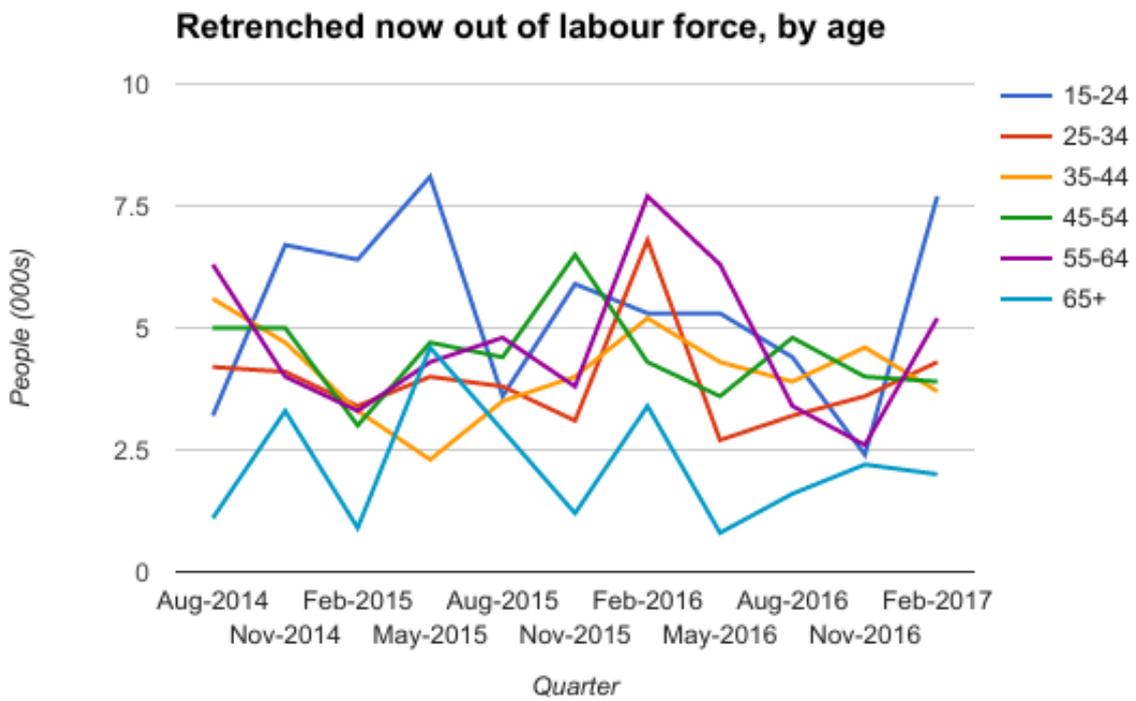
Appendix 4A



Appendix 4B



Appendix 4C



Disclosure:

To cite this document for future reports and academic work, please do as: Liveris, C, "2017 Retrenchment Index", May 2017.

This is part of an annual update of diversity in the workforce and organisational leadership in Australia, initiated by Conrad Liveris. These contributions are verifiable and are reviewed by experts prior to release.

The intention is to provide analysis on various workforce and economic topics on contemporary topics of national and industry interest. All efforts are made to present the evidence as impartial, independent, fair and not misleading.