DOWNSIZED COSTS OF PRIVATISATION IN THE ERA OF RESTRUCTURING: EXPERIENCES OF ‘VOLUNTARY’ RETIREMENT

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ABSTRACT

This study investigates the economic deprivation of rural workers resulting from the sale of the State Electricity Commission (SEC) in Victoria, Australia. In particular it examines how the specific processes of downsizing adversely affected the workers. Some retrenched workers have been able to cope with unemployment better than others. Understanding how the social and economic life of rural workers is ‘organized, structured and systematically integrated’ will provide us with knowledge about possible directions for programs and interventions.

Electricity generation companies in the Latrobe Valley have vigorously pursued downsizing as a tool for economic restructuring in the last twenty years. Approximately 2,500 workers left the former SEC between 1989 and 1994. Rural Australian communities in particular have experienced dramatic changes and their employment opportunities have been adversely affected. The process of micro-economic reform failed to include community participation, and there was virtually no facilitation process to help the people transit from the old to new conditions of life. This process of change challenges our understanding of people’s well-being and offers health sectors the opportunity to cater for the disenfranchised population in rural Australia.

Key words: downsizing, restructuring, privatisation, health, well-being, life history
1 INTRODUCTION

In the early 1970s, the crisis in welfare-statism began to grip advanced western societies. Prior to that period, the progression from organised Fordism to disorganised post-Fordism had become a notable phenomenon (Jessop 1994; Scambler 2002: 63). With these developments came neoliberalism, which has influenced public policies ever since the 1970s. An obvious deterioration of labour market conditions since the mid-1970s has led both unions and management to view selective early retirement as ‘a relatively uncontroversial means of cutting the workforce and reducing the need to declare compulsory redundancies’ (Laczko, Dale et al. 1988: 316). The use of early retirement is widely used as a method of downsizing the corporate structure (White 1980) and in this disguised form is really another name for compulsory redundancy. Certain members of companies are often left without an alternative in a climate of deep economic insecurity because decisions about early retirement are made for them (cf. Dollard, 2002).

Despite increased employment during the economic growth of the 1990s, the number of jobless families has increased in Australia in recent years (Anglicare Australia, 2002). According to the Anglicare Australia report (2002), an estimated 676,800 children were growing up in jobless families and 12 per cent of Australian children faced poverty compared to five per cent in the Nordic countries. This has major implications for the well-being of future Australians because the benefit of economic growth is not evenly distributed among the population. A further problem resulting from this is that ‘higher income inequality produces lowered social cohesion/lower trust which in turn produces lowered health status’ (Coburn 2000: 136).

The central focus of the paper is to illustrate the subjective experiences of former State Electricity Commission (SEC) workers going through ‘voluntary’ redundancy and its impact upon personal and family life.

2 THE STUDY

This study investigates the economic deprivation of rural workers resulting from the sale of the State SEC in Victoria, Australia. In particular it examines how the specific processes of downsizing adversely affected some members of the group. Some retrenched workers have been able to cope with unemployment better than others. Understanding how the social and economic life of rural workers is ‘organized, structured and systematically integrated’ (Lloyd 2000: 272) will provide us with knowledge about possible directions for programs and interventions.

Electricity generation companies in the Latrobe Valley, like many Australian corporations, have vigorously pursued downsizing as a tool for economic restructuring in the last twenty years. Approximately 2,500 workers left the former SEC between 1989 and 1994. Rural Australian communities in particular have experienced dramatic changes and their employment opportunities have been adversely affected. The process of micro-economic reform did not allow for community input, and there was essentially no...
facilitation process to help people transit from the old to new conditions of life (Pargeter and Miller 1994: 372). This process of change challenges our understanding of well-being and health needs of the people and offers health sectors the opportunity to cater for the disenfranchised population in Australia.

Longitudinal studies have shown that people moving from employment to unemployment experience a range of adverse effects (Ballis and Munro 1992; Winefield, Tiggermann et al. 1993). The effects of unemployment are not only detrimental to the health and well-being of those who are jobless, but also to that of their partners and children (Hakim 1982; McLoyd 1989; Mathers and Schofield 1998; Creed 2000). Although past studies of the affected population in the Latrobe Valley region have examined the economic and social impact of restructuring on broad social planning issues (e.g., PARGETER and MILLER 1994), no research has studied the impact on health and the specific needs of the people affected. Its importance to the development of appropriate care policies and strategies that could lead to a reduction of the adverse health effects of unemployment cannot be underestimated (Creed 2000: 177; SENETT 1998; Beer & Cooper 2007).

3 METHOD

3.1 Study participants

We found it difficult to access the qualified study participants – i.e., those who have taken voluntary departure packages many years ago, and (1) are now working for a private power generation company or (2) are running their own business or (3) are still unemployed or retired.

Attempts to approach the offices of several power generation companies were unhelpful. Displaying notices in local GPs’ surgeries in the Latrobe Valley was a little more successful. Notices in the local paper, the Latrobe Valley Express, also yielded some responses. An advertisement through a local radio interview program brought no response. Once we had several contacts, the most effective method was snow-balling, which involved participants requesting permission of other potential participants to be contacted by researchers, within the ethics guidelines of Monash University. Many regarded the interview as an opportunity to voice out or share their experiences of becoming unemployed and/or reemployed. The names used are pseudonyms.

3.2 Life history method

The life history method of interviewing (N=50) provides a means of understanding multi-dimensional aspects of individuals, including critical stages and periods in their lives (Rosie 1993; Taylor and Tilley 1998). In-depth interviews have enabled the researchers to gain some understanding of many key issues in participants’ lives with reference to working for the SEC.

3.3 Demographics and basic characteristics of participants

The following table illustrates the ages of the interviewees at present. Former SEC workers were predominantly men. Of the 50 study participants, there were four women.

Table 1: Age distribution of participants at the time of the interview
The period of time since taking the package is spread across the years from 1988 to 2002. Seven of the group had been unemployed for ten years or more and a further six, according to their own description, had been under-employed for at least ten years. Only two business ventures from a group of six were successful.

**Table 2: Reported levels of current quality of life and satisfaction in comparison with their time of employment at the SEC**

<table>
<thead>
<tr>
<th>Reported Quality of Life</th>
<th>Current Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much Worse</td>
<td>0</td>
</tr>
<tr>
<td>A Little Worse</td>
<td>12</td>
</tr>
<tr>
<td>About the Same</td>
<td>9</td>
</tr>
<tr>
<td>Better</td>
<td>17</td>
</tr>
<tr>
<td>Much Improved</td>
<td>12</td>
</tr>
<tr>
<td>In Total</td>
<td>50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reported Quality of Life</th>
<th>Current Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much Worse</td>
<td>5</td>
</tr>
<tr>
<td>A Little Worse</td>
<td>6</td>
</tr>
<tr>
<td>About the Same</td>
<td>15</td>
</tr>
<tr>
<td>Better</td>
<td>24</td>
</tr>
<tr>
<td>Much Improved</td>
<td>50</td>
</tr>
</tbody>
</table>

Perhaps some of the capacity for readjustment must be attributed to the current marital status of the participants. There is much anecdotal evidence to suggest that there are many others whose marriages failed to survive the changes and these did not perhaps volunteer to be interviewed. While the current level of satisfaction is relatively high, this does not show the difficulties that the participants went through the process of taking up the VDP.

**Table 3: Marital status of participants**

<table>
<thead>
<tr>
<th>Married</th>
<th>Separated</th>
<th>Divorced</th>
<th>De Facto</th>
<th>Single</th>
<th>In Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>50</td>
</tr>
</tbody>
</table>

4 RESULTS

4.1 Preparation for sale

Government discussions preceding the sale of the Commission included plans to increase the monetary value of the asset to the state of Victoria. This involved attempts to bring the business into line with standard business practice in private companies. Undoubtedly, the impact this privatisation had on the lives of the workers has far exceeded expectations. As a way of revealing the impact, it is worth noting the popularity of the SEC employment.

**Table 4: Number of years between leaving the School and commencing work at the SEC**

<table>
<thead>
<tr>
<th>Years b/w School and SEC</th>
<th>0</th>
<th>1-4</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>In Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>24</td>
<td>4</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>47</td>
</tr>
</tbody>
</table>

* 3 participants didn’t fill the form

Once employed the bulk of study participants spent at least one decade or longer at the SEC because it promised to provide them with secure employment for their lifetime.
Table 5: Number of years spent working at the SEC

<table>
<thead>
<tr>
<th>No of years at the SEC</th>
<th>1-4</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25-29</th>
<th>30-34</th>
<th>35-40</th>
<th>In Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>1</td>
<td>2</td>
<td>15</td>
<td>9</td>
<td>8</td>
<td>9</td>
<td>4</td>
<td>2</td>
<td>50</td>
</tr>
</tbody>
</table>

Often, the workers entered the SEC immediately after leaving school. They stayed until they were forced out by downsizing. Many reported their intention had been to spend their entire working life at the SEC, as did their fathers before them. The positive contribution of this expectation to the work ethic and the cultural environment of the workplace was enormous.

One disparaging rumour circulating in the community for decades was that the letters SEC stood for Slow, Easy and Comfortable. Many of the interviewees spoke of this. Tales abound about workers taking along deck chairs and finding a quiet spot to wait out their shift in comfort. However, this is not the generally reported attitude of the men interviewed. Most of them described themselves as working hard and as having been very conscientious. The SEC was seen as a parent:

Do right by this parent and it will do the right thing by you. You will never be fired. You will receive excellent training. The team work is essential. The bosses know what they are doing, at least those immediate bosses such as the foreman and the leading hand (Fred, age 49, Administrator at SEC and now, employed).

4.2 General pattern of life after voluntary retirement

4.2.1 Re-employment:
Those who were able to retrain themselves successfully in a new area lead a relatively satisfying life. They are often better connected throughout their life and able to utilise their networks for further opportunities. If they were skilled workers or had tertiary training they seemed more prepared to train in another profession with opportunities available. They often utilised well the money from the package and then immediately after taking up the package, they looked for new possibilities. A good capacity for negotiation with spouses also seems important.

Yes as soon as the packages were offered I was out of there. I wanted a way out and I think it reflected both – the opportunity was there – it was the right timing because I wasn’t very happy with the work (Ken, 41, draftsman, now academic).

Another example of taking advantage of the VDP:

[My brother in-law] had been working with [his father] since he was fifteen and at that stage he was about 44 or so, so thirty odd years they had been working together. Anyway we all talked to the father and he agreed to let his part of the partnership go as long we would take over. He called us idiots because I had no experience at all in dairy farming, I didn’t know how a litre of milk was achieved but my wife who had grown up on the farm wasn’t pushing, she left the decision to me but she said it would be a great move for the family to bring up a family on the dairy farm.

So obviously the change was a gratifying.

She loved it and still does. Now I reckon within three months seeing farm consultants, banks etc, I decided to take the package. Initially when I first put in I was told I couldn’t
have the package even though they were giving packages to basically anybody that asked (Stan, age 43, electrical fitter/farmer – shares farm with in-laws).

4.2.2 Unemployment:
The pressure of searching for work was gruelling for more than a third of the participants. Job search and its attendant processes and anxieties were very high on the list of triggers for stress, depression, high blood pressure and anxiety. Most participants were raised in an environment where work seemed secure. Work at the SEC in many cases had been well suited to their capabilities but this also meant that their skills were not always suited to other work environments. Many tasks at the SEC were not well duplicated in other industries or the training was not recognised outside of the SEC. Ross, a migrant with twenty-nine years experience as a fitter and turner, is now working as a volunteer for a 'work for the dole' program. He described his own job search as a slow dismantling of his identity. The final blow came when, following hundreds of rejected job applications, he saw his old job advertised. His hopeful application was returned with the statement ‘You haven’t had enough experience for the position.’

Many have looked for the continuity they had at the SEC with similar employment of their skills, and found no employment, or work not always leading to a satisfying employment life, e.g., teaching a fork lifter at a technical college one day per week (Eddie, 56, unemployed).

4.2.3 Retirement:
Even though some of the past SEC workers were offered positions in a privatised power generation company, some experienced workers were put into trainee positions. Older ones in particular could not tolerate this and decided to leave.

When I was at Loy Yang I had 100 guys and when I went to Hazelwood I only had 7 … and they were supposed to be more responsible and they were in a training role which meant that life wasn’t so hard after all but it wasn’t what I was trained to do and it wasn’t particularly inviting and it wasn’t challenging … It’s about the time I decided I was out of this place altogether. It was about the same time as the packages came out which was coincidental (Trevor, age 66, tradesman, retired).

Others wanted to retire since they loved where they lived.

We will stay with Stawell, yes. In the end three gentlemen came in to tell us the sad news that our office was going to close and we had a choice of going to work elsewhere or else we could take a redundancy package and as I was 57 at the time, I planned to get out at 60. I didn’t want to leave Stawell because I had been there over twenty years and enjoying the town and I didn’t want to uproot, well the two youngest ones were still at home (Robert, 71, administrative).

4.2.4 The process of departing the SEC (participants)
The workers had a close affinity to the work and community, and found it difficult to remove themselves from their work.

All the way through you had a feeling of achievement. That’s what we were there for to do a job but you’ve got a feeling of achievement; you got a feeling of ownership of the particular equipment you were repairing and at about the end they decided they took the ownership off most of us and said you are working for the company, you don’t own it, you’ve got to change your ideas and it caused a lot of people a lot of grief (Trevor, 66, tradesman, retired)
Those who were taking up the package wished to be able to control the process of leaving the job, but found it difficult.

Yes, I said that is not the way it is going to be done, we know that already. They said, oh yes but that hasn’t been decided yet. I said, we know this isn’t happening don’t we. Oh no, well at the moment that is the policy. No let’s get to where we are, we know it won’t happen. Yes, OK well I’m not saying, well you have to. I said, no, no way known, if you want to say it you say it and I said, when we get to the end of the thing I will set my beeper off so that I can go so that nobody can ask me questions about it, they can ask you because I said, if they ask me I will tell them that I don’t believe it will happen. So that put me off side so about ten days after that (Shane, 61, managerial).

4.2.5 The process of removing the workers – ‘vegie patch’

Nearly all the fifty participants spoke about the ‘vegie patch’. This was the name given by the men themselves to a technique of downsizing that was extraordinarily effective and at the same time significantly damaging psychologically for those affected. Everyone thought it was atrocious.

Those who could least afford to leave were getting forced out, like the concept of sitting a few blokes in a room and saying, “you’re going to rot there”. [That] was the tactic they used (Carl, 43, engineer, happily reemployed).

Dan (52) a union representative, told researchers: ‘I suggested that they give him a job where he was not operating heavy machinery... but they refused to accept that... they just sat him in a shed for seven or eight months …’

The vegie patch was another name for the re-deployment group. It appears that there was one at every site. This simply meant that the group had nothing to do after re-deployment. They were allocated to a tin shed in a section of the power station away from the bulk of the activity. There they had to exist without activity of any sort until they gave in and took the package.

I took the package because it was a re-deployment group. Basically it was the veggie patch and you would go down there and take your newspaper and your crayons and you colour in the newspaper for the day and that was as close as anybody would come. They would come around and make sure that you’d fronted and then that was the last you would see of them. You could go in at 7.30 and by 8.00 when they’d been around to check on you, if you wandered home I don’t think anybody particularly cared (Paul, age 48, unemployed).

4.3 Stress resulting from the process of downsizing

The most frequently reported impact on health was found to result from the process of downsizing itself. It was during this period that almost all participants suffered from stress, many losing weeks or even months of work time. Some took the VDP although their original intention had been to continue in employment for another decade or more. They did this because they could no longer cope with the changed working environment. Many thought it was the worst decision they had ever made. There was an incorrect assumption present in some cases that there had actually been a choice; that is, had they decided to stay on they could have avoided retrenchment.

A retired tradesman, Trevor, aged 66, spoke of the stress of feeling forced to submit to doing sub-standard work due to cut-backs and financial squeezes imposed on him as a supervisor. He described shortness of breath,
headaches from high blood pressure and finally the development of angina attacks. This period was followed by heart bypass surgery. Until this point Trevor had had a healthy and very consistent working life, if a little over-zealous. He had been heading towards retirement plans. His philosophy towards work had always been to contribute at a high standard and produce the best possible results.

During the downsizing process the SEC attempted to change its processes with a view to making it more on a par with a saleable and competitive modern business. This required group leaders and middle managers to budget work differently. These men had previously been operating on the principle of ‘we all share.’ Although many of the workers understood the reasons for the change they disagreed that it had any real benefits and argued that it caused the atmosphere at work to shift towards being unfriendly, competitive and withholding.

Most of these study participants took the VDP as well as accepting employment with the privatised power company. It appeared to constitute a significant gain for them, i.e. a win/win situation. However, even for these employees there were many tales of the stress and difficult work environment at the time of the downsizing.

It was the manner in which the SEC removed unwanted labour that did the most damage, leaving the deepest wounds in those affected adversely but also in those who went on to gain further employment. It was described as a slow process of ‘chipping away’ until ‘everyone had had enough and more or less left.’ ‘If we don’t need you, you can find your own way’, was the attitude experienced by Ace (45) who is now working successfully at the local council. Another observation:

I’ll tell you how many people have committed suicide in our industry for the year. It is now the eighth month, there has been 51 deaths (Daniel, age 60, tradesman at SEC, privatised power com. supervisor).

5 DISCUSSION

This study investigates the effects of selective early retirement, proposed by management to workers, as a relatively uncontroversial method of cutting the work force. It turned out to be highly controversial for most of the workers, even those who happily moved on to other employment still with the power industry, the disruption of reducing workforces led to serious health concerns for many.

Researchers found themselves examining the particular ways in which downsizing as a process has a damaging effect on employee’s health. Participants reported feeling cheated by management who presented each offer of financial incentives as the final one. The support offered by the SEC was largely undervalued and under-utilised by those who accepted packages, which meant that large budgets supposedly allocated to reduce the ill effects of downsizing did nothing to address the real issues facing the workers. This experience contrasted to a history of economic and employment security expected to last for life in the rural community. Workers had developed skills that were not easily transferable outside of the power industry and this led to major difficulties with presenting for jobs. Illiteracy, hidden within the family
structure of the SEC, became apparent. Workers who decided to use the redundancy packages to start a small business found themselves ill-equipped to do so and the results for many families and for the communities in general, were catastrophic. At the time of downsizing workers appeared to be quite out of touch with the realities of life outside the SEC. Supports could and should have addressed these issues more effectively.

Impacts of the VDP affected people differently. Many welcomed the chance to change lifestyles and environments, tasks and challenges. Others viewed the changes as threatening and reacted by feeling powerless. Some fought the management, usually with limited effectiveness. Researchers query whether this is related to skills development and training or spousal support, as all these, to varying degrees, appeared to be important elements at interview. Another possibility is that it is a combination of personal characteristics and environmental factors and that it is possible to devise programs to alleviate the effects of this with further research.

The stress of uncertainty is undoubtedly a key health issue. Job search can lead to increases in depression and suicide, and is reported as dehumanising. But the greatest disgrace of the entire process was the use of the ‘vegie patch’ to weed out unwanted workers.

5 ACKNOWLEDGEMENT
The project was funded by VicHealth.

6 REFERENCES


Fordism advocates for ‘everyone’s participation in collective work, and shares the benefits among all.’ Post-Fordism is criticised as ‘abandoning the rights that labour had gained under Fordism’ (Lipietz 1998: 230-231).