



AUSTRALIAN MINES & METALS ASSOCIATION

Redundancy Report

March 2009

Introduction

AMMA is the national employers' group for the resources sector in Australia. All Australia's major mining of oil and gas companies are AMMA members.

Plummeting commodity prices, the global credit crunch and a myriad of international and domestic factors have resulted in AMMA members dramatically reviewing and adjusting their operational requirements.

Employers in the resources sector have already cut job numbers, and the results of this survey highlight a bleak outlook for 2009.

The magnitude of the changes is evidenced by the following:

- Just over twelve months ago, the sector accounted for more than 8 percent of Australia's gross domestic product and was forecast to contribute \$159 billion in minerals and energy exports in 2008-09, 37 percent higher than the previous year. (Source: ABS, ABARE December 2008)
- Less than 9 months ago the mining industry alone was intending to employ a further 86,000 workers. (Source: National Institute of Labour Studies, June 2008).
- In the past quarter over 12,500 jobs have been cut by resources sector employers
- More than 55 per cent of AMMA members are planning further job cuts in 2009. (Source: AMMA redundancy survey, March 2009).
- Only 15 per cent indicated that further job cuts were unlikely in 2009. (Source: AMMA Redundancy Survey, March 2009)

Due to confidentiality reasons the companies who have responded to the survey are not referred to by their name, area or commodity. They are, however, distinguished on the basis of how many employees they are currently employing.

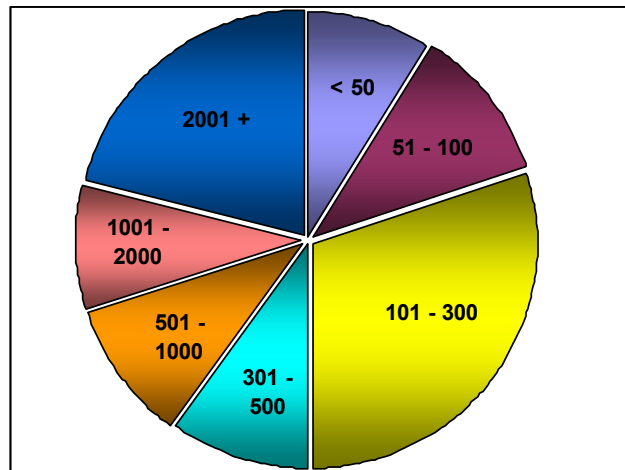
If you would like advice on the results of this survey or making employees redundant please contact an AMMA consultant in your State.

Survey Participants

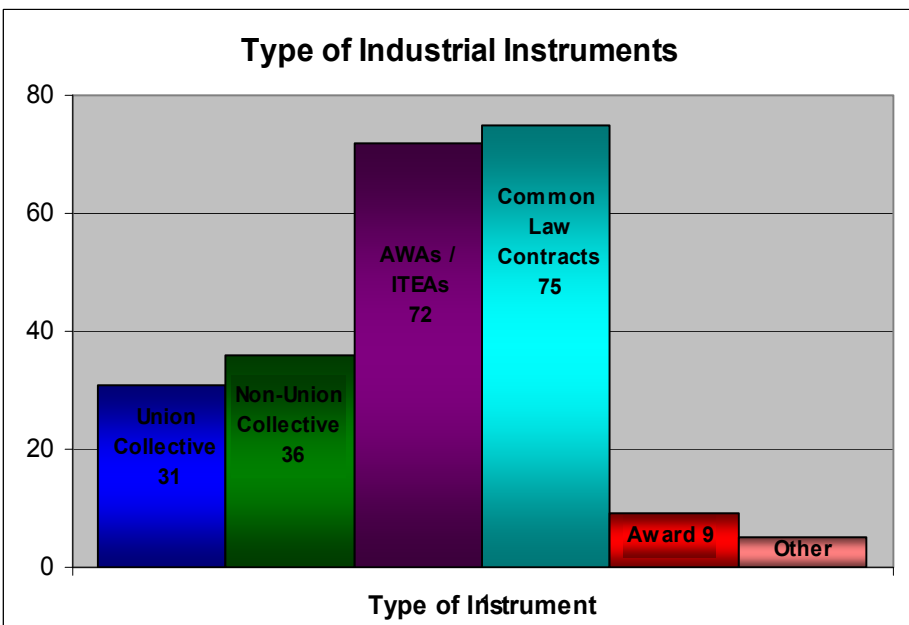
The survey was completed by 134 member companies. Due to confidentiality reasons, these members will not be identified throughout the report but rather, they will be classified according the number of employees they currently employ.

Of the member constituents who participated;

- 8 per cent employed less than 50 employees;
- 12 per cent employed between 51 and 100 employees;
- 30 per cent employed between 101 and 300 employees;
- 10 per cent employed between 301 and 500 employees;
- 11 per cent employed between 501 and 1000 employees;
- 9 per cent employed 1001 to 2000 employees; and
- 20 per cent employed more than 2000 employees.



Type of Industrial Instruments



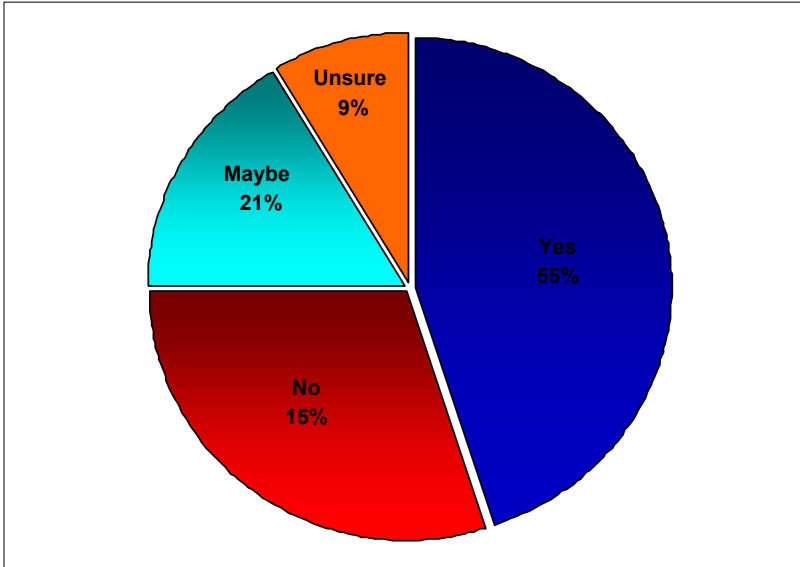
These members adopt a variety of industrial instruments to govern the employment relationship between themselves and their employees. In many circumstances multiple instruments were used to cover different classes of employees. The most common were:

- common law contracts, with 75 of the 134 members having at least one employee covered;
- AWAs or ITEAs, whereby 72 of the 134 participants currently employing at least one employee under these agreements;
- 31 had a union collective agreement in place;
- non-union collective agreements used by 36 of the 134 participants;
- 9 relied on the award; and
- 5 used some other form of industrial instrument such as an exclusive contract or a greenfields agreement

Forecasting the next 12 months

We asked our members whether the current economic downturn would likely result in a reduction of employees over the next 12 months.

A staggering 55 per cent said they were likely to cut their numbers, with a further 21 per cent indicating that it was a possibility. Fifteen per cent suggested they weren't likely to let go of any employees over the next 12 months and the remaining 9 per cent were unsure.



Members likely to reduce employee numbers in the next 12 months	
Yes	55%
Maybe	21%
No	15%
Unsure	9%

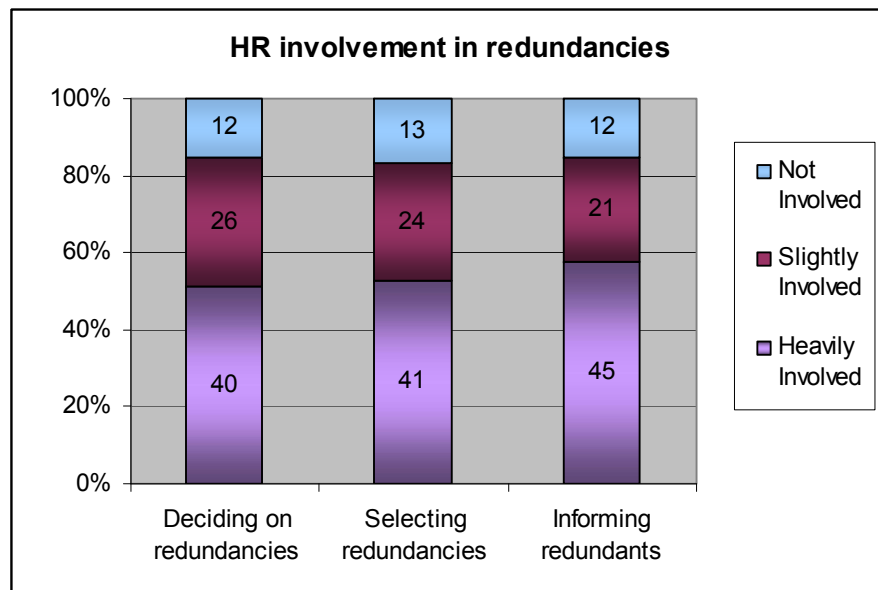
HR Involvement

Most employees value secure employment. Losing a job could potentially be a very traumatising experience for an employee and this can create a negative bearing on workplace morale and commitment amongst other employees.

How a company progresses from making the decision to cut back employee numbers to actually telling the employee their position no longer exists will have a great impact on the company’s credibility, reputation and ultimately impact on whether any legal action will follow.

The graph demonstrates how involved the HR personnel are in determining which positions will be made redundant, selecting the employee’s who will lose their job, and then advising the employee that their position no longer exists.

In all these cases over 50 per cent would be heavily involved in determining the processes to follow. In a further 30 per cent the HR team would be slightly involved. This means that in less than 20 per cent of all these cases the HR team were not involved in any of these processes. Generally in these cases the role would be left to the line managers or supervisors (particularly if the organisation does not have a HR team).

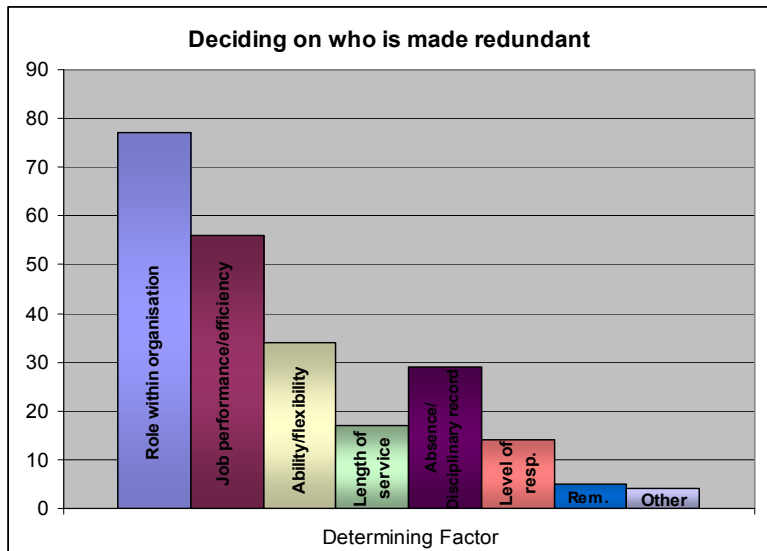


The Selection Process

AMMA asked its members to describe the selection process used when employees are to be made redundant. Most respondents started at the same place – assessing the needs of the business unit/organisation to determine what positions would be required in order to achieve the organisation’s goals. When this process was completed some members used a selection scoring system based on business-specific criteria along with a score for performance and experience, while others based decisions on experience, performance and the efficiency of the employee.

When deciding who would be made redundant;

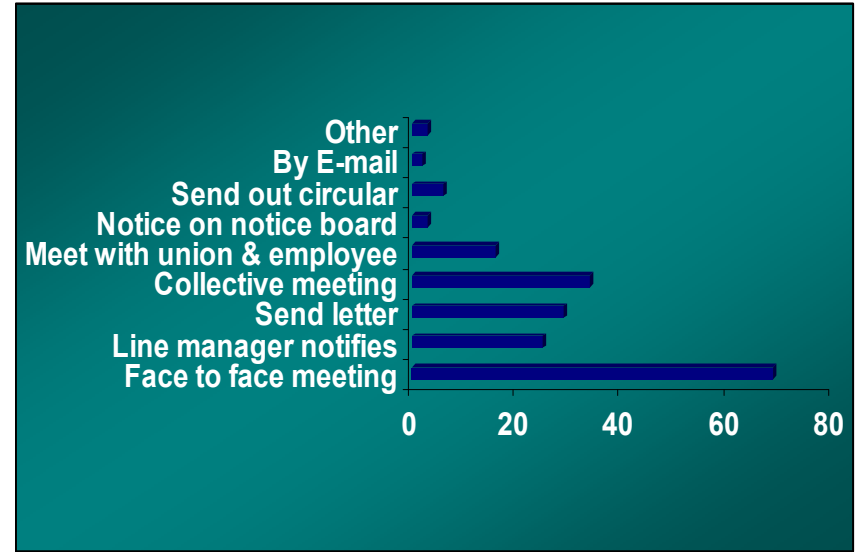
- 96 per cent of the respondents said they based the decision on the employee’s role within the organisation;
- 70 per cent based it on job performance/efficiency of the employee;
- 42 per cent consider the ability and flexibility of the employee;
- 21 per cent said they consider the employee’s absence and disciplinary records;
- 36 per cent consider the employee’s length of service;
- 18 per cent consider the level of responsibility; and
- 6 per cent mentioned that they consider the employee’s remuneration



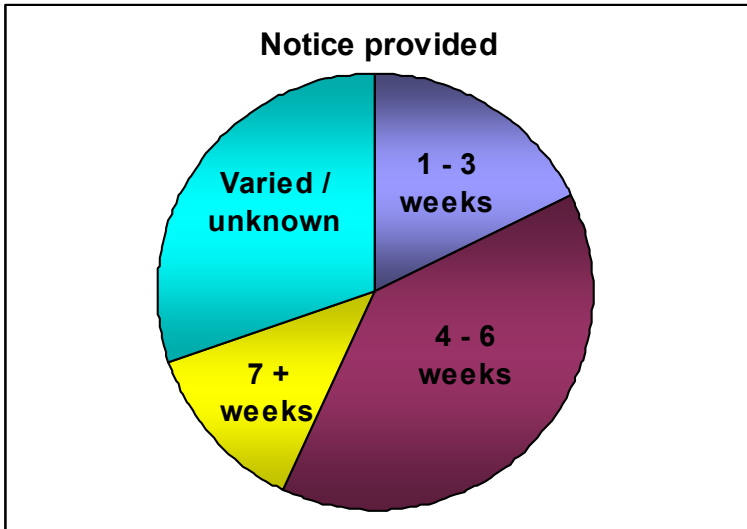
Consulting with employees made redundant

To inform employees they were made redundant:

- 86 per cent said they have a face to face meeting with the employee;
- 43 per cent said they have a collective meeting with those made redundant;
- 36 per cent send the employee a letter advising of the redundancy;
- 31 per cent ask the line manager to notify the employee;
- 20 per cent meet with trade union representatives; and
- a minor amount of respondents suggest they advise their employees by email, place a notice on a bulletin board, send out a circular or do it over the phone (due in part to remote locations, extended off duty rostering features).



Notice provided to employees made redundant



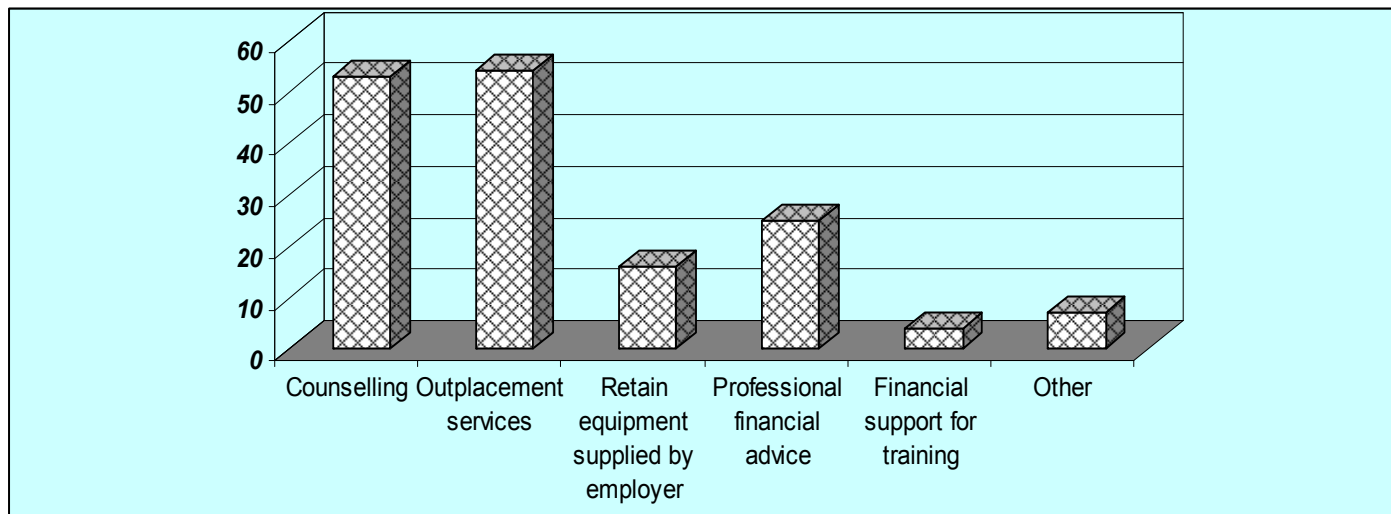
Notice provided	
1 - 3 weeks	14
4 - 6 weeks	31
7 + weeks	10
Varied / Unknown	25

- The majority of the respondents (39 per cent) indicated they provided on average 4 – 6 weeks notice to employees made redundant.
- 18 per cent indicated they offered between 1 – 3 weeks of notice.
- 12 per cent offered greater than 7 weeks notice.
- The remaining 31 per cent either offered no notice, or suggested it varied or they didn't know.

Assistance offered to employees made redundant

Eighty-five per cent of the respondents indicated they offer some form of support to an employee made redundant. Of these respondents:

- 78 per cent offered some form of counselling;
- 79 per cent assisted by offering access to specialist outplacement agency/consultancy;
- 37 per cent offered professional financial advice;
- 24 per cent provided the opportunity to retain company supplied equipment;
- 6 per cent offered financial support for training; and
- 10 per cent offered other services to assist employees made redundant such as reasonable relocation costs.

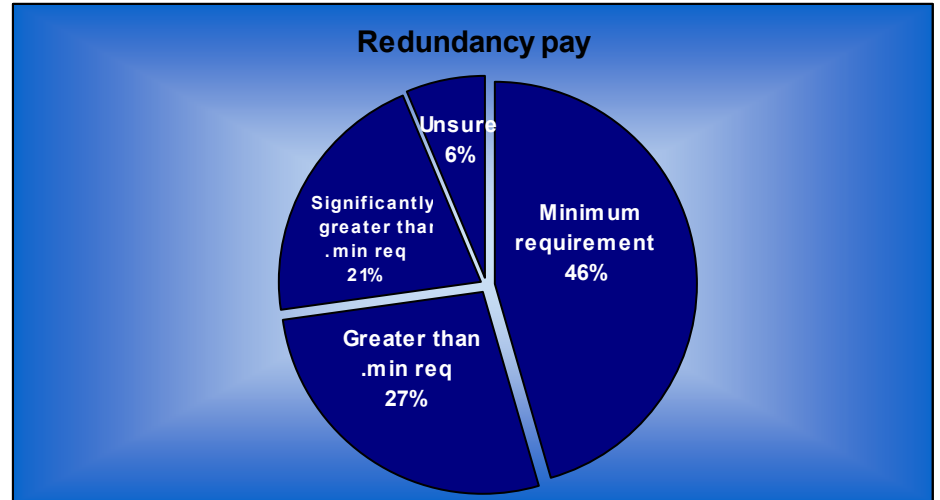


Counselling	53
Outplacement services	54
Retain equipment supplied by employer	16
Professional financial advice	25
Financial support for training	4
Other	7

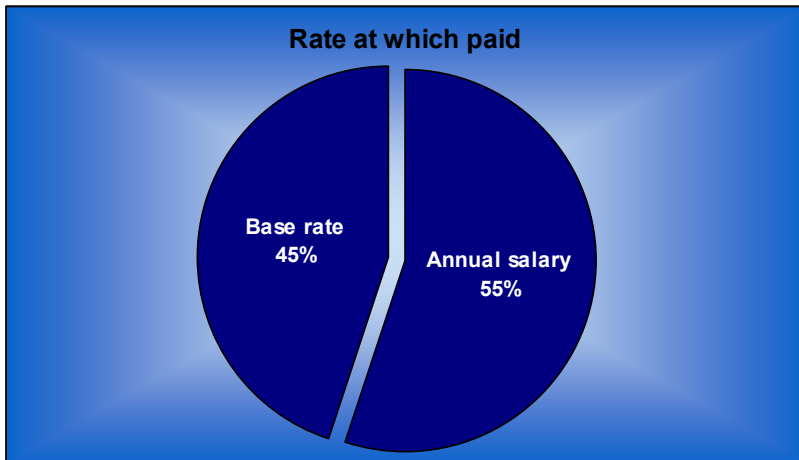
Redundancy pay

We asked our members about the amount of redundancy pay they offered employees made redundant:

- 46 per cent of the members who responded offered the minimum statutory requirement or there about;
- 27 per cent paid employees greater than the minimum standards; and
- 21 per cent offered substantially higher than the minimum standards. In some of these cases employers were paying 3 months in lieu of notice, 8 weeks severance pay and then 2 weeks for every year of service, and others offered 4 weeks for every year of service. This is more than double the minimum standards.



Rate at which paid

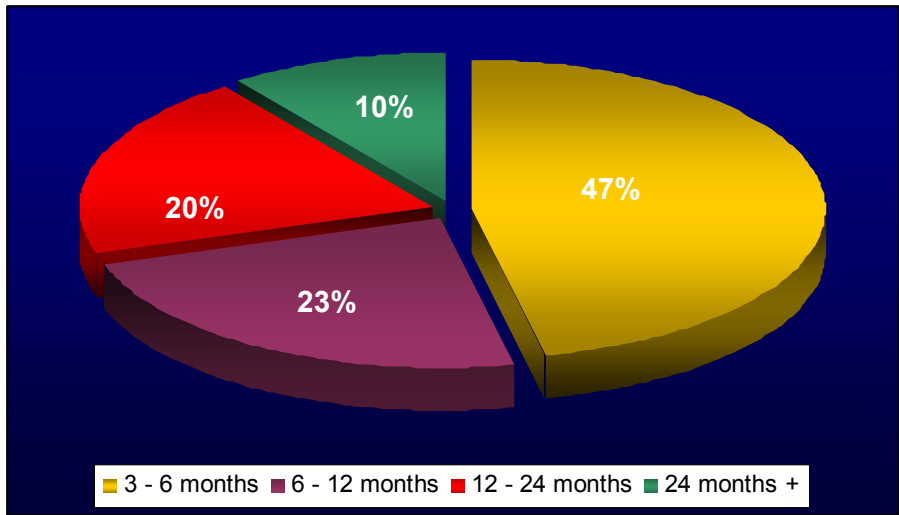
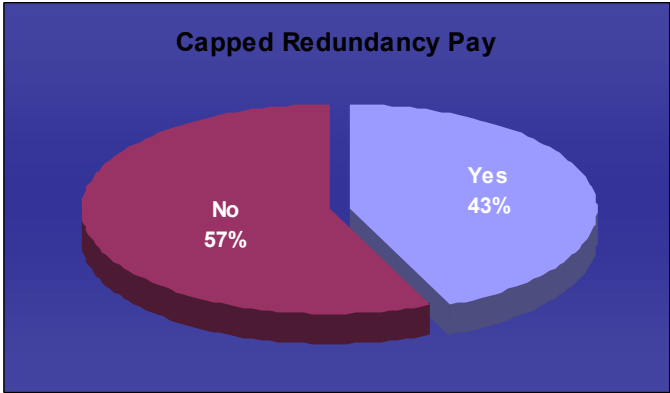


Fifty-five per cent of the respondents calculated redundancy pay at the annual salary rate where as 45 per cent based it on the employee’s base rate.

Capped amount of redundancy pay?

We asked our members whether there was a maximum amount of redundancy pay they provided their employees.

Thirty-three of the respondents said they applied a cap on the amount of redundancy pay offered, and 43 said they had no cap.



Of the respondents that capped the amount of redundancy pay offered, 47 per cent capped it between 3-6 months, 23 per cent capped the amount between 6 – 12 months, 20 per cent capped the amount between 12 – 24 months and 10 per cent capped the amount in excess of 24 months.

Pay Outs

We asked our members whether they pay out sick leave to those made redundant: 14 per cent said they would/do.

When we asked whether they pay out long service leave, 70 per cent suggested they do where the employee qualifies for the entitlement. Generally this would be provided on a pro rata basis once the employee had completed 3 years of service, but in other cases it was on a pro rata basis once 5 or 7 years service had been completed.

