

Danish Design and Australian Jobs

Industrial transition in Denmark and
opportunities for Australia

*Danish wind energy company Vestas is operating at
the old Ford car factory site in Geelong, Victoria.
This represents not just a change of industry, but an
opportunity to improve the way Australian regions
manage industrial transition.*

Rob Salter

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Preface

Globalisation has played a role in the decline of the car industry in Geelong and in the arrival of renewable energy assembly. Globalisation brings downsides, upsides and usually a degree of social and economic disruption.

Much of what is called globalisation is really referring to the global movement of capital, such as the departure of Ford and the arrival of Danish wind company, Vestas. In many ways, the globalisation of ideas lags far behind the movement of capital. The aim of the Nordic Policy Centre, a collaboration between The Australia Institute and Deakin University, is to facilitate the globalisation of good policy ideas that have been successful in Nordic countries.

In Denmark, the term ‘Flexicurity’ describes the flexibility that firms and workers have to adjust to changing conditions, underpinned by the financial security the state provides that minimises economic, social and personal disruption for workers and communities. More detail is provided in this briefing note.

In Australia, the closest thing we have to Flexicurity is the idea of ‘just transition’. The Australia Institute’s Centre for Future Work, in particular Dr Jim Stanford, has done considerable work on ‘just transition’ – or, as he describes it, a multidimensional full-employment strategy with a focus on regional development and job-creation. Jim’s work emphasises the need for strong work-or-income guarantees for displaced workers, and for reskilling with financial support.

Jim’s research also identifies how, although Australia’s overall labour market is not held back by a general lack of skills, there are occupations for which the supply of qualified labour is inadequate. Upgrading workers’ general capacities with language, Science, Technology, Engineering and Mathematics (STEM) skills enhances overall productivity; and workers with especially challenging job search prospects can benefit hugely from targeted job-relevant training. To achieve this, governments must stop the privatisation of the Technical and Further Education (TAFE) system, restore funding for quality public Vocational Education and Training (VET) programs, and restore the integrity of the national apprenticeship system.

Jim has also argued that any employment policy must recognise the need for environmental sustainability. If well planned, a commitment to sustainability can bring

opportunities for good jobs. Such a strategy must also plan for labour market impacts arising from environmental measures – supporting affected workers.¹

Nordic examples can inform Australia’s pursuit of such policies. I would like to thank Dr Rob Salter, former Senior Lecturer in Sustainable Development at Curtin University, for writing this briefing note, explaining the Danish concept of ‘Flexicurity’ and how this could inform further policy steps in Australian regions affected by economic transition and job losses. It is exciting to see this in action with Danish wind turbine company Vestas at the former Ford car manufacturing plant in Geelong, Victoria.²

The Nordic Policy Centre is delighted to launch this briefing note with leaders from both partner organisations: from Deakin University and The Australia Institute's Deputy Director Ebony Bennett. It is also exciting to join a senior Vestas company executive on Deakin’s Geelong Waurin Ponds campus. We look forward to generating ideas and seeing action on energy transition, just transition, and the applied research to tackle inequality which has been identified now as a priority for Deakin University.

Ben Oquist

Executive Director

The Australia Institute

¹ Jim Stanford (2018) *The Future of Work Is What We Make It*, The Australia Institute, p 13, 30-31, 32.

² Cole Latimer and Nick Toscano (2019) *Back to the future: Old Ford factory to be recast as renewable energy hub*, <https://www.smh.com.au/business/the-economy/back-to-the-future-old-ford-factory-to-be-recast-as-renewable-energy-hub-20190214-p50xoz.html>.

Introduction

In October 2016, the Ford car factory closed in Geelong, Victoria, ending 600 jobs.³

In February 2019, Danish energy company Vestas signed a deal to establish a wind turbine assembly and testing centre in the old Ford car factory site. Beyond simply a change in industry, this represents an opportunity to change the way Australia does industrial transition and the role of government in such transitions. In particular, there is the potential to learn from Denmark's experience with 'Flexicurity'.

While Vestas is a giant in wind energy, having installed more wind power than any other company in the world, over 66 000 wind turbines in more than 80 countries,⁴ Denmark is a small country in terms of population and physical size.

As a small nation in a competitive global economy, Denmark recognises that it is unrealistic to guarantee employees one job in perpetuity. Circumstances and opportunities change, and firms must be able to respond to these changes if they are to remain competitive – to expand, to contract, to shift locations, to change technology, and to change what they produce. When such changes arise, the Danish Government makes every effort to ensure that workers can find a job that is appropriate for them. During this transition process, workers have an adequate, steady income and can access the necessary retraining. Further support is provided for practical and personal issues that arise.

In Denmark, this is referred to as 'Flexicurity'. Denmark spends nearly eight times as much as Australia does on active labour market programs, and workers there maintain an income of up to 93% of their previous income during the transition between jobs.⁵ In Australia, by contrast, unemployment benefits are meagre and redundancy payments, though mandated under Federal law, are for a maximum of 16 weeks (for nine years of service). Temporary or casual workers receive even less support. This means Denmark has the capacity to do things well, to guide and fund education and training that properly prepare workers for major career shifts, for example, a shift from shipbuilding to working in care for the elderly.⁶

³ Cathy Jacobs (2016) *Ford closes its Australian factories after more than 90 years of car-making*, <https://www.abc.net.au/news/2016-10-07/ford-closes-its-australian-factories-after-more-than-90-years/7909836>

⁴ Vestas (2019) *Vestas becomes the first company to install 100 GW of wind turbines*, <https://www.vestas.com/en/media/company-news?n=1868272#!NewsView>.

⁵ Andrew Scott (2014) *Northern Lights: The Positive Policy Example of Sweden, Finland, Denmark and Norway*, Monash University Publishing, p 141, 136.

⁶ Scott (2014) *Northern Lights*, p 137.

Industry transition in Denmark

Denmark provides substantial government support for localities where major industries have closed down. Such closures may happen for a range of environmental, technological or commercial reasons, but whatever the reason it is always imperative to replace these departing industries and to support workers and whole communities through this transition.

For example, in 2012 the Maersk company's Lindø shipyard in Odense was closed, ending 8,000 jobs. In response, the Danish Government allocated 37 million kroner (\$AUD 6.9 million) for the establishment of the Lindø Renewable Energy Centre.⁷

The initial funding came from the national government's Business Innovation Fund and aimed to provide start-up incubation facilities, a test centre and other means to support the greening of business in the region. Further collaboration came from the national government, three municipalities, the unemployment benefit insurance funds, private initiatives, and the European Globalisation Adjustment Fund.

The Odense region now has a substantial focus on wind turbine production and operation. Many former Lindø shipyard employees were well-suited to work in the new enterprises. Vestas has made a major contribution to the creation of jobs and skills training opportunities in Odense.

In the 1980s a major shipyard closed in Nakskov, in the south-east of Denmark. This transition saw a similar collaboration between the government, social funds and the European Union to set up new industries in place of shipbuilding. In this case, the transition was not to renewable energy, which was not so developed at that time, but to food processing, electronics and metal product industries.

In both these transitions, support from the Danish Government and the European Union was explicitly intended to counter regional and local economic inequality. As a result of this approach, Denmark, as of 2012, had the OECD's lowest income inequalities across (intra-country) regions.⁸

Danish trade unions play a significant part in these transition processes, negotiating redundancy arrangements and other matters. This reflects the central place that unions have in Danish workplace deliberations, a place that is accepted by government

⁷ Scott (2014) *Northern Lights: The Positive Policy Example of Sweden, Finland, Denmark and Norway*, Monash University Publishing, p 156-157.

⁸ Scott (2014) *Northern Lights*, p 133.

and employers and is in part made possible by the high level of union membership in the workforce.

The challenge for Australia is to enable retrenched workers to transition to jobs that may be similar to their previous employment, but also to jobs that may be quite different.

Such retraining could be funded by the employer which closed down the enterprise, as occurred when Toyota closed its car plant in Altona North, Victoria, in 2017. Toyota gave workers five years' notice of the plant's closure and committed to support and fully fund the workers to train for the career change of their choice. Workers chose to be educated or retrained in occupations as diverse as nursing, aged care, construction, logistics, engineering, law, aircraft piloting, landscape gardening, truck driving, forklift operations and small business management, and this was on top of redundancy payments of up to \$200 000 under the award.⁹ This experience built on Toyota's global reputation for treating its employees well, with the company bearing significant financial expense in taking on this socially responsible role.

⁹ Discussion with Professor Danny Samson, University of Melbourne, who researched this retrenchment process. See also: Samson (2017) *Why Toyota's retrenched workers still love the company*, <https://www.afr.com/work-and-careers/management/why-toyotas-retrenched-workers-still-love-the-company-20170317-gv0kkf>.

New industry transition in Victoria

Industrial transition in Australia, including in Victoria, has rarely been as well supported as those in Denmark. The arrival of Vestas represents an opportunity to not only increase the state's role in supplying its wind energy needs, but also to learn from similar experiences in Denmark.

Vestas' operations in Geelong are based on an agreement to supply the turbines for two wind farms at Dundonnell and Berrybank in Victoria's Western District, in partnership with local company Marand Precision Engineering. A logistics and maintenance centre to house wind turbine components, and service support for the windfarms is also planned.¹⁰

In promising signs that Danish experience is spreading to Victoria, beyond supply and logistics, Vestas has formed two significant partnerships in the region. Firstly, a research partnership with Carbon Nexus, a Deakin University research initiative to improve carbon fibre technology. Worldwide, wind turbine blades use more carbon fibre than any other product.¹¹ Secondly, wind turbine technicians will be trained under a Memorandum of Understanding with Federation University in Ballarat.

The new ventures by Vestas in Victoria have, to a significant extent, been made possible by Victorian Government policy. The Victorian Renewable Energy Target (VRET) attracted the investment and has significant local content requirements – 64% local content, 90% local operations and 90% Australian steel.¹² Most importantly the VRET uses a reverse auction to purchase renewable power at the cheapest price, a price that, when power is sold in the national energy market, is guaranteed to generators by the state government by a 'contract-for-difference' mechanism.

This mechanism was pioneered by the ACT and is also used in Queensland.¹³ It means that renewable energy generators bid to supply power at the lowest price, and this

¹⁰ Sophie Vorrath (2019) *Vestas brings winds of change to Victoria economy, with turbine plant in Geelong*, <https://reneweconomy.com.au/vestas-brings-winds-of-change-to-victoria-manufacturing-with-turbine-plant-in-geelong-12702/>; Victorian Government (2018) *New wind farm developments bring jobs to Geelong*, <https://www.premier.vic.gov.au/new-wind-farm-developments-bring-jobs-to-geelong/>.

¹¹ Discussion with Peter Cowling, Vestas Country Head, Australia New Zealand, 30 May 2019.

¹² Victorian Government (2017) *VRET 2017 Reverse Auction Outcomes Question and Answers*, https://www.energy.vic.gov.au/__data/assets/pdf_file/0023/391172/VRET-auction-frequently-asked-questions.pdf.

¹³ Dan Cass (2019) *Class ACT: how the Australian Capital Territory became a global energy leader*, <https://www.tai.org.au/content/class-act-how-australian-capital-territory-became-global-energy-leader>.

price is guaranteed to the winning bidders by the state government. If the price they receive in the national energy market is less than the guaranteed price, the government makes up the difference. If, on the other hand, the market price is higher than the guaranteed price, then the generator pays the difference to the government. As a result of this policy and others, the ACT is on track to meeting all its energy needs from renewables by 2020.¹⁴

Together, these policies have greatly expanded the market for renewable power generation and ensured that a proportion of the goods and services necessary for this generation are locally sourced. The ventures have also benefited from cooperation with local research and education institutions such as Deakin University, as well as with local firms. The fact that manufacturing, assembly and maintenance jobs in renewables industries are being created locally increases the chances of work in these industries for ex-Ford employees in Geelong, as it does for retrenched workers from other local industries that have closed in recent times, such as the Alcoa aluminium smelter at Point Henry and the Shell oil refinery.

Part of the success of Vestas can be attributed to the substantial demand for renewables in its home market. In 2017, wind power provided 43 per cent of Denmark's electricity.¹⁵ Wind power cooperatives, which gained much of their support from the country's anti-nuclear movement, were an early driver of the development of wind power in Denmark, being responsible for 40 per cent of the country's turbines in 2002.¹⁶ When you add to this other emissions-reducing policies such as high building efficiency standards, district heating, cogeneration and a price on carbon, it is not surprising that Denmark's carbon emissions per capita are very low by developed country standards. While Australia produces on average 16.5 tonnes of CO₂ a year per capita, for Denmark the figure is 5.9 tonnes.¹⁷

¹⁴ The point was also made by Adam Wieladek, National Research and Planning Officer for the Australian Manufacturing Workers' Union (AMWU), that the Clean Energy Finance Corporation could arrange reverse auctions at the national level as well, and that these could include requirements for local content and apprenticeship training (personal communication, August 2019).

¹⁵ State of Green (2019) *2018 was a great year for Danish wind energy*, <https://stateofgreen.com/en/partners/state-of-green/news/2018-was-a-great-year-for-danish-wind-energy/>.

¹⁶ August Wierling et al (2018) *Statistical evidence for the role of energy cooperatives for the energy transition in European countries*, <https://www.mdpi.com/2071-1050/10/9/3339>.

¹⁷ EU Science Hub (2018) *Fossil CO₂ emissions of all world countries – 2018 Report*, <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/fossil-co2-emissions-all-world-countries-2018-report>.

Conclusion: Challenges and opportunities

While industrial transitions throw up huge challenges, there are solutions that are fair and that ensure individuals and communities can continue to thrive. It is the responsibility of both governments and industries to ensure transitions are managed in a supportive way.

In terms of how governments can assist in establishing new industries, the Danish precedents show the importance of measures such as extending funds to start-ups, providing vocational and management training, improving local infrastructure and the physical environment, and providing business incubation and renewable energy development facilities.

Governments should ensure that relevant parties are brought together, such as businesses, unions, educational institutions, sources of finance, community organisations and local councils. Such wide collaboration is required to generate ideas for new enterprises and how these different parties might be able to contribute to them. It can publicise opportunities that may not be widely recognised, such as emerging markets, products or technologies, or sources of finance. Different levels of government, as appropriate, can ensure that there are the necessary education and training institutions, courses, physical infrastructure, land and appropriate planning permits.

Meeting the needs of communities in transition also requires that the income and other needs of workers be properly attended to during and beyond the transition process. Retrenched workers are not responsible for the circumstances that lead to business closures. A fair deal for them must include support during the transition to future employment with an adequate income, appropriate retraining, and help with any practical or personal issues they may face during what is often a very difficult, even traumatic, process.

There are significant challenges. Many jobs in fossil fuel-based industries pay high wages that may not be matched in renewable industries. Other regional industries such as tourism and agriculture also pay less than mining and unionised heavy industries. For example, jobs installing panels in solar farms are largely unregulated, with many workers, some of them backpackers, being supplied by labour hire firms. Such solar sector workers are very vulnerable to exploitation and breaches of

Occupational Health and Safety laws, so governments need to ensure that workers' rights are safeguarded.

The costs of employment transitions should not be borne disproportionately and unfairly by retrenched workers and communities in the localities of these transitions. Here in Australia it is up to all of us collectively, through our governments, to draw on evidence from home and abroad – from Denmark and elsewhere – to ensure that this better future encompasses everyone, including those communities at the centre of the transitions.