



**Technical Report 208**  
**Structural adjustment assistance  
in the Australian forest industry:  
A review of recent experience  
and recommendations for  
best practice design of  
future structural  
adjustment packages**

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## Executive summary

The Australian native forest industry has experienced, and continues to experience, significant structural change resulting from reduced access to publicly owned forest resources, as well as changes to markets. Recognising the potential economic and social impacts of structural change, state and federal governments have implemented a number of structural adjustment packages (SAPs) over the past two decades to help members of the forest industry and communities dependent on the industry to adapt. SAPs provide support through mechanisms such as skills training, business development, temporary welfare support, or assistance in leaving the industry. SAPs are often controversial, with concern raised about when and why it is justifiable to invest public funds to support adaptation to structural change. Given this ongoing debate, it is essential that SAPs are designed to make best use of available funds in an effective and equitable manner.

This report provides a comprehensive guide to the design and implementation of SAPs in the Australian native forest industry. It is based on the results of a study of the social impacts of changes in access to public native forests for timber production in two Regional Forest Agreement (RFA) regions (upper north-east NSW and south-west WA), and evaluation of available literature on SAPs previously implemented in Australian primary industries.

### *Socio-economic impacts of change*

SAPs aim to mitigate the negative socio-economic impacts of structural change, and to provide opportunities for positive impacts. They need to be informed by thorough assessment of the likely impacts of structural change, including health and social wellbeing, cultural, family and community, economic, and institutional impacts. Impacts will vary depending on the stage of structural change (see Section 3.1), the type of SAP measures and other adaptive responses implemented, and the social and historical context within which structural change takes place. Impact assessments should clearly identify who is likely to be impacted and in what ways, to assist targeting of SAP measures.

### *Who should SAPs target?*

Structural change in the native forest sector typically has impacts on workers, their families, businesses and communities who are dependent in some way on the industry. SAP measures should therefore consider assistance for all these groups. It is important to evaluate whether the measures used successfully reach all of those impacted by change, rather than assuming that assistance given to one group – for example, businesses or workers – flows on to others such as families and communities. Equally, it is essential to target measures to reach different sub-groups; for example, small businesses may need different types of support to large businesses.

### *Designing SAPs*

The design of a SAP is dependent on how individuals, businesses and communities will be impacted by structural change, and on the views of the government regarding the scope of assistance to be provided. SAPs should include a range of assistance measures, reflecting the interacting socio-economic impacts resulting from change, with support measures often more effective in combination than when implemented alone. In designing a SAP, the linkages between different types of assistance must be considered – for example, worker assistance may need to be delivered at the same time as business exit assistance, to support those made redundant as a result of businesses exiting the industry.

The choice of elements to include in a SAP should be based on assessment of the likely negative impacts and positive opportunities arising from structural change, the vulnerability of different groups to the proposed changes, and the capacity of these groups to adapt to these changes.

When designing a SAP it is important to consider what criteria will be used to determine eligibility for different types of assistance. These criteria will be shaped by the specific goals of the SAP (e.g. reducing negative impacts of lost resource access, shifting to a more efficient industry), and considerations such as the length of time over which support is to be provided, as well as consideration of equity, fairness and efficiency goals.

#### *Worker assistance*

Worker assistance refers to SAP measures targeted to workers impacted by structural change. It may include financial assistance (such as redundancy payments, mortgage or rental assistance, relocation funding and travel assistance), as well as measures aimed at helping workers find new employment (such as skills training, job application support and financial incentives for employers to take on displaced workers).

Designing effective worker assistance measures requires identifying the workers and families who need assistance, the impacts on them of structural change in the short and long term, and the resources they need to support them in finding new employment.

#### *Business assistance*

Business assistance aims to support adjustment to structural change through helping businesses develop new activities (within or outside the forest industry), or exit the industry. It is typically delivered through direct grants, with eligibility determined through competitive processes in which applications are assessed against pre-determined criteria by an independent panel. The type of assistance, and eligibility to receive it, need to be determined through assessing the goals of the SAP – for example, to support development of an efficient, productive industry through targeting less efficient businesses for exit assistance; or to provide support irrespective of economic performance.

#### *Financial counselling*

Financial counselling assists businesses and workers to assess their financial position and plan for the future, and is particularly beneficial when provided early in the structural change process. Financial counselling is often most effective when it is provided in conjunction with other support services such as legal advice and psychological counselling.

#### *Psychological counselling*

Friends, family and the broader community all provide crucial emotional support for people impacted by structural change, but often lack sufficient skills and resources to address problems of stress, anxiety and depression arising from this change. Professional counselling services are critical to address the mental health consequences of structural change, which otherwise are likely to significantly reduce the capacity of individuals to adapt. Mental health services may be provided through referrals to existing services, providing on-site counsellors in affected workplaces and through industry or community groups, and providing services together with financial counselling.

#### *Community assistance*

SAP measures targeting communities aim to support those impacted by the flow-on effects of structural change beyond the forest industry. Assistance provided to workers or businesses may not flow through to these communities. Migration of forest workers to other

communities to find work often results in loss of population, social capital and services in impacted communities, so it is important to provide specific assistance to these communities. SAP measures that aim to support the community include funding for development of alternative employment opportunities using mechanisms such as wage subsidies, the funding of specific projects, and financial grants. In addition, funding may be provided for broader community activities that improve community morale and general health such as community health programs, festivals or other events.

#### *Building and maintaining social and human capital*

Structural change affects the human and social capital available to impacted workers, families, businesses and communities. Human capital refers to the resources that help individuals adapt to change such as education, financial capability, and psychological outlook. Social capital refers to the social norms and networks that provide sources of support from friends, family and the broader community. Recognising people's ability to use human and social capital proactively provides a basis for designing assistance packages that help people to make best use of their existing capital when adapting to change. Social capital, and via it human capital, can be supported through measures including ensuring access to local health and welfare services; and supporting community groups, participation of stakeholders in SAP-related activities, and community events.

#### *Designing an effective SAP process*

The successful design and delivery of SAPs requires effective stakeholder involvement, well-targeted support, careful timing of assistance, clear and transparent communication, comprehensive guidelines detailing the application process and dispute resolution, and ongoing monitoring and evaluation programs. All aspects of SAP design and implementation need to be transparent to reduce uncertainty and misinformation, and increase trust in the process of delivering assistance.

#### *Stakeholder involvement*

It is important to provide opportunities for stakeholder involvement in the design and implementation of SAPs. Stakeholder involvement can help identify likely impacts of structural change, including who the change may affect and how. It can also help to avoid unintended negative outcomes of SAPs, and ensure the forms of assistance provided are optimally targeted. Stakeholders may include those impacted by structural change, representative groups such as industry organisations or community groups, and community or business groups that will be involved in implementing some SAP measures, such as financial counsellors, service and welfare groups.

#### *Well-targeted support*

In order to target SAPs effectively it is important to have a comprehensive understanding of the industry being assisted, the types of people and communities impacted by structural change, their capacity to adapt and other relevant issues such as the socio-economic context. This assessment needs to occur early in the process of designing SAPs, so it can inform their design.

### *Timing of SAP assistance*

Implementation of SAP measures needs to be timed appropriately, to ensure they mitigate impacts as early as possible, and continue long enough to ensure all eligible people and businesses have the opportunity to apply. This may involve implementing a series of measures targeted at different stages of structural change, with initial assistance for support networks and services when the nature of structural change is still in discussion, followed by more specific assistance as structural change occurs. An important equity consideration is the need to allow adequate time for people to prepare applications for funding. Once applications are submitted, they should be reviewed and decided on as rapidly as possible.

### *Communication and information transfer*

A comprehensive communication strategy is necessary for effective implementation of SAPs. All potential applicants must be provided with information about the SAP as soon as it becomes available. Ongoing communication is required throughout the SAP implementation process, as information needs continue and change beyond the initial period of structural change. Communication methods should include a variety of techniques, such as advertisements, brochures or newsletters, websites, public meetings, telephone services, or liaison staff employed to provide information about the SAP and assistance in completing applications. Using a mix of communication approaches helps overcome communication challenges such as poor literacy, lack of time to access information, and limited access to some information dissemination tools such as the internet.

### *The application process and dispute resolution*

An effective and transparent application process is essential to ensuring a SAP is implemented equitably and efficiently. SAP application documentation should be as clear and simple to complete as possible to ensure all potential applicants are able to apply for assistance. Forms that are overly complex and confusing may increase the cost of SAP implementation due to difficulty in assessing incomplete or inaccurately filled out forms.

An important consideration is who will evaluate and judge the eligibility of applications, and what method will be used. This process may involve government and independent industry representatives, independent financial experts, and use of evaluation models that help identify the applicants that best meet the eligibility criteria.

The implementation of the SAP must be adequately resourced and staffed: delays in delivering funding and inadequate resources for administering programs in previous SAPs have led to negative impacts for recipients of assistance. The mechanisms used to deliver funding need to work effectively, whether they involve putting in place on-ground staff or using existing agencies such as Centrelink.

Implementation processes need to be accompanied by clear grievance procedures that enable applicants to receive feedback on reasons for lack of success in applying for funding, appeal a decision they disagree with, and access appropriate mediation of disputes.

### *Monitoring and evaluating SAPs*

SAPs should be continuously monitored during design and implementation, and evaluated once they are completed. Evaluation can be used to improve the design and implementation of the SAP as it is implemented, and be used to improve future SAPs.



## *Conclusions*

There is a tendency for SAPs to focus on providing financial assistance to businesses and workers. We argue that more effective outcomes – in terms of minimising negative impacts, and ensuring equity and fairness, and efficiency of use of public funds – can be achieved through using a mix of measures in SAPs. A worker will use redundancy payments more effectively if provided with financial planning resources and skills training. Similarly, psychological counselling may help workers overcome stress or depression and hence be better able to take advantage of new opportunities. Communities need support to adapt to loss of population and to develop new business activities, to minimise the extent and duration of unemployment and the loss of services that may be experienced due to structural change. Perhaps most importantly, measures that support human and social capital enable those impacted by structural change to use their own initiative and capacity to implement creative and innovative responses to structural change beyond those supported by financial grants delivered through a SAP.

## 1. Introduction

The Australian native forest industry has experienced, and continues to experience, significant structural change resulting from changed access to publicly owned forest resources and markets. Decades of public concern over the harvesting of native forests have resulted in decisions to either cease or reduce harvesting levels in a number of regions across Australia (see for example Dargavel 1995; Ajani 2009). In addition, the past two years have seen some regions experience significant changes in market demand for products historically supplied by the native forest industry (Schirmer 2010). These changes have a range of economic and social impacts on those working in the industry, whose livelihoods are structured around continued access to native forests. In recognition of these potential impacts, state and federal governments have implemented a number of Structural Adjustment Packages (SAPs) over the past two decades, aimed at assisting members of the forest industry, and communities dependent on the industry, to adapt to structural change.

Structural adjustment is a term generally used to refer to processes that aim to substantially change the structure, size or make-up of an economy or industry, including changes to the distribution of activities and resources amongst industry actors and across regions (McCull & Young 2005). Structural adjustment is often undertaken in economies or industries where original structures are no longer sustainable or economically viable due to changes in market demands or social policies, or due to sustained exceptional circumstances such as prolonged drought (McCull & Young 2005). Adjustment mechanisms are varied, and include the removal of restrictions on markets (such as price supports or barriers to competition), and changes to regulations and policies concerning access to publicly owned natural resources. Accompanying these changes, SAPs are typically developed by government, and less often by industry and communities, to support those impacted by structural adjustment reforms. SAPs provide support mechanisms such as funding for skills development, business developments to adapt to the changes, temporary welfare support, or assistance in leaving the industry.

Providing assistance to impacted stakeholders is an established practice in Australia, where the development of SAPs has become a normal consideration when planning structural change in many industries including car manufacturing, textiles, fisheries and agriculture (Macintosh *et al.* 2010). SAPs are often accepted by government and general society based on a range of justifications including ethical obligations; financial pragmatism; increased community, commercial, and investor confidence; maintenance of good workforce attitudes and morale; and to ensure best practice (Chambers & Galloway & Associates 1998). A common rationale for the implementation of a SAP is when structural change is either imposed by government, or driven by a sudden and unforeseen policy, market or climatic event, to which an industry cannot 'self adjust' (see for example McCull & Young 2005; Macintosh *et al.* 2010). The use of SAPs in these situations is encouraged for a variety of reasons, including the pursuit of industry and resource efficiency, equity among stakeholders facing structural change, and social welfare considerations regarding the amelioration of financial and social hardship resulting from structural change (McCull & Young 2005; Macintosh *et al.* 2010). However debate continues among critics regarding the form and effectiveness of such programs, with continued accusations that SAPs are a form of welfare, propping up economically unsustainable businesses

or industries rather than genuinely assisting structural adjustment (see McColl & Young 2005; Wilkinson 2005). The critical debate surrounding SAPs, and the economic and social rationale underpinning them, highlight the importance of carefully considering how best to design adjustment packages that reach their intended recipients in an effective and equitable manner.

Issues concerning the management and best use of native forest resources continue to receive public attention and recent proposals for further changes, particularly in Tasmania, are again generating interest in how to best design SAPs<sup>1</sup>. In Tasmania, market changes between 2008 and 2010 resulted in significant and sudden decline in forest industry activity in both the native forest and plantation sectors (Schirmer 2010). These changes, together with proposals for significant reform in the near future that may significantly reduce access to publicly owned native forests for harvesting, have led impacted stakeholders to call for a government-funded SAP to be developed and implemented as a matter of urgency (Tasmanian Forests Statement of Principles 2010). The effectiveness of SAPs relies on the package being well designed and implemented. Evaluating previous SAPs can contribute important lessons to the design and implementation of effective and efficient packages that support the people for whom they are designed. However, there is relatively little published information available to assist those involved in the practical design and implementation of these packages.

In order to continue improving SAPs we need to identify and understand the factors that influence the effectiveness of assistance packages developed for forest industry workers and their families, and the broader communities that are impacted by structural change. This report reviews lessons learned from previous SAPs, in both the forest industry and other primary industries including fishing and agriculture, and provides recommendations for best practice design and implementation of future SAPs. It also draws on initial results from Australian case studies exploring the implementation of the Forest Industry Structural Adjustment Packages (FISAP)<sup>2</sup>. Two regions were studied: the upper north-east of New South Wales (NSW) where the FISAP was instigated during the Regional Forest Agreement (RFA) process, and south-west Western Australia (WA) where the FISAP implemented with the 1999 RFA was subsequently expanded to take account of the 2001 *Protecting Our Old Growth Forest* policy. The *Protecting Our Old Growth Forest* policy was introduced by the subsequent government at the time of its election, and ended 99 per cent of old growth harvesting in publicly owned native forests.

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<sup>1</sup> A series of media releases from the office of Hon Richard Colbeck provide a good example of the early interest in the design of SAPs to support members of the Tasmanian forest industry and Tasmanian communities adjust to change (e.g. Colbeck 2010a,b).

<sup>2</sup> The FISAP programs, jointly funded by the federal and state governments, included a number of measures to assist forest industry workers and businesses to adjust to changes in the availability of native forest resources. FISAP was generally available from 1995–96 to the mid 2000s, depending on the specific agreement between the federal government and relevant state government.

This report focuses on assistance for those impacted by structural change. It describes a range of SAP and other support measures that may be implemented to assist individuals and communities adapt to changed circumstances that are imposed. It does not examine the nature of regulatory reforms put in place, other than to note that the report focuses primarily on SAPs designed in response to changes in access to publicly owned native forests. That said, many of the recommendations could equally be applied in other forest industry and primary industry sectors or organisations facing impacts resulting from a rapid decline in market or resource access. While other reports, such as Macintosh et al., have separated the delivery of compensation ('assistance aimed at making up for harm or loss'), from assistance specifically dealing with structural adjustment ('assistance to help affected parties adjust to the new management arrangements') (2010, p. 581), this report includes both forms of assistance within the bounds of structural adjustment assistance.

The report is structured to give readers a comprehensive understanding of SAPs within the Australian native forest industry context. After briefly describing the methods used, Section 3 reviews the social and economic rationale underpinning SAPs, identifying potential impacts that structural change may have on different groups. A discussion of who SAPs should be targeted to is presented in Section 4, highlighting the difficult task faced by those charged with designing an adjustment package in placing boundaries on the package, and thus determining who receives assistance and who doesn't. Section 5 provides a detailed review and description of common, and potential, SAP measures, including various forms of community, worker and business assistance, financial and psychological counselling, and assistance aimed at developing and retaining social capital in local communities. Building on this knowledge, Section 6 provides a practical guide to designing SAPs, acknowledging that the successful design and delivery of SAPs involves several factors, including establishing clear and transparent guidelines and communication protocols, the appropriate involvement of stakeholders in the design of the package, consideration of the context of the structural change, the timing of SAP design and delivery, and ongoing monitoring and evaluation. The report concludes by highlighting key lessons and considerations in the design and implementation of SAPs for the Australian native forest industry.

## 2. Methods

This report is based on two data sources. The first is a study of the social impacts of changes in access to publicly owned native forests for timber production resulting from the Regional Forest Agreement (RFA) and other related processes. The second is a review of available literature on SAPs previously implemented in Australian primary industries.

The study of social impacts related to the RFA process included two case studies, the implementation of SAPs in the upper north-east NSW and south-west WA regions. These regions were selected as they represented two distinct, but typical, examples where policy changes resulted in reduced access to publicly owned native forest for timber production. One of the goals of the study was to explore how employees, business owners, families and communities experienced the joint federal and state governments FISAP measures. These measures were implemented to encourage positive restructuring within the industry, and help to mitigate or manage potential negative impacts arising from structural change processes and outcomes. While the broader study examined the social impacts of the RFAs and other policy changes implemented at the time, in this report we draw only on results related to the design and implementation of SAPs; other results of the study are being reported elsewhere.

Data was collected via semi-structured interviews with business owners, managers and employees of sawmill and other processing businesses, and harvest and haulage contractors. Community, industry and government representatives and family members were also interviewed, to ensure a broad range of participants who experienced the RFA process in a diversity of ways. There were 33 research participants in NSW, and 42 participants in WA. Interview participants were asked to talk about their experience of working in the industry and the key changes they had experienced including, but not limited to, changes caused by the RFA. Interviews were transcribed in full. For this report, interview data were analysed to examine the influence of the FISAP measures in assisting different groups to adjust to the changes implemented as part of the RFAs and similar policies such as the WA *Protecting Our Old Growth Forest* policy.

In addition, a review was conducted of available literature evaluating the implementation of previous SAPs in the forestry, fishing and agriculture industries. Key findings are synthesised throughout the report. Unless otherwise referenced, the content of this report is based on analysis of both the case studies and previous literature, and recommendations are based on this synthesis (see the References section for the literature reviewed). Where specific examples are given, or a particular issue was raised in only one source, a reference is provided.

### 3. Background: the role of structural adjustment packages in addressing social and economic impacts of change

SAPs are predominantly implemented in circumstances where (i) governments introduce resource access or market changes, (ii) adverse external events are occurring, and (iii) non-government induced changes to markets are occurring to which an industry cannot 'self-adjust' (McCull & Young 2005; Macintosh *et al.* 2010). The first circumstance, and focus of this report, occurs when the government has acted in a way that changes access to markets (e.g. removing price controls) or changes access to resources (e.g. through designating some forests, previously available for harvesting, as conservation reserves). As such, the government recognises an obligation to assist those stakeholders who had previously depended on those markets or resources, who may face financial and/or social hardship as a result of the changes. Examples of this include the SAPs implemented in the forest industry in response to the closure of logging in the Wet Tropics in the late 1980s (Lynch-Blosse *et al.* 1991), on Fraser Island in the early 1990s (McGuffog & Western 1995), and the implementation of the FISAP packages in response to reduction in access to publicly owned native forests occurring as a result of the RFA process (DAFF 2007).

The second form of SAP – responding to adverse external events – is implemented to assist primary producers cope with the impacts of external events or extreme circumstances, such as prolonged periods of drought, that create significant financial and social hardship (Wilkinson 2005).

The third is assistance provided in situations where there has been a significant change in markets, not necessarily driven by government policy, where the government believes an industry cannot adjust successfully without help. In some cases, concerns are raised that these market changes will increase pressure on available natural resources, providing further motivation to help restructure the industry. Examples include the 'Securing our Fishing Future' SAP in the 2000s (ANAO 2009a, b) and the 2010 Tasmanian Forest Contractors Exit Assistance Program (DAFF 2010).

SAPs aim to mitigate or manage socio-economic impacts that people experience as a result of these changes in access to markets or resources. The Interorganizational Committee on Principles and Guidelines for Social Impact Assessment (ICPGSIA) acknowledges economic impacts as part of social impacts, which it defines as:

the consequences to human populations of any public or private actions that alter the ways in which people live, work, play, relate to one another, organize to meet their needs and generally cope as members of society. The term also includes cultural impacts involving changes to the norms, values, and beliefs that guide and rationalize their cognition of themselves and their society. (ICPGSIA 2003, p. 231)

Understanding the role that SAPs can play in mitigating such impacts requires consideration of the nature of the socio-economic impacts that may arise from changes in access to markets or resources (henceforth referred to as 'structural change'). The following section provides a brief review of these impacts, focusing on how impacts change over time, the types of impacts and impact variables that occur, and opportunities for new activities that can emerge from structural change.

Identifying these impacts and their characteristics helps inform the design of SAPs, ensuring that such impacts are overcome either through mitigating the potential negative impacts, or providing new opportunities to help realise potential positive impacts.

### *3.1 Stages of socio-economic impact*

Structural change may have both negative and positive impacts that develop and change over time. Impacts will initially emerge during what we term the ‘anticipatory’ stage, before extending through the initial response and then long term impact stages, as structural change is implemented and affected stakeholders respond.

#### *3.1.1 Anticipatory stage*

Individuals, businesses and communities experience impacts from the time a potential change is proposed (Walker *et al.* 2000; Sloodweg *et al.* 2001). These impacts occur as people begin to anticipate the change and what it could mean for them and then react to the proposed change. A common, and highly significant, impact during the anticipatory stage is the feeling of stress or fear caused by uncertainty surrounding a proposed change, which may be greater than the impacts themselves (Vanclay 2002). In both the upper north-east NSW and south-west WA case studies, participants described experiencing a number of negative impacts during the period in which structural change had been proposed, but the nature and extent of the change was not yet known. During the anticipatory stage, businesses may choose not to invest in new capital or take on new staff, and employees may find it difficult to make decisions such as whether to purchase a house or make other significant investments, given the uncertainty of their future employment in the industry. The anticipatory stage can last a significant period of time, with processes such as the RFAs taking months or years to reach final agreement about the nature of the structural change to be implemented.

#### *3.1.2 Initial response stage*

Short term impacts are experienced during the initial implementation of structural change and the early stages of implementing the associated SAP. Impacts that are often experienced by forest workers in the short term include financial and personal stresses linked to job loss, and impacts on family and personal wellbeing as business owners make changes to adapt their business to the new conditions.

Results from the upper north-east NSW case study found that people’s initial responses often began prior to the RFA being finalised, partly due to the implementation of intermediate policies such as the January 1996 Deferred Forest Agreement (DFA). This agreement temporarily set aside areas for conservation and harvesting purposes, thus maximising the proportion of publicly owned native forests from which areas for the proposed RFA reserve system could be selected, while also providing access for the industry during the decision-making period. While the intermediate agreement provided temporary access to the native forest resource, and thus perhaps softened the impacts of proposed structural change, it also introduced other changes, for example the price of logs increased by 30 per cent and quota allocations were reduced to 70 per cent of 1995/96 volumes (Smith 1999). For forest industry workers interviewed as part of the upper north-east NSW case study, the DFA signalled the beginning of significant and permanent change to their industry, which they often felt little influence over. These results highlight the extended

temporal boundaries of structural adjustment; stakeholders may feel early stage impacts well before the final structural change is known, let alone implemented. Therefore SAPs need to be available for affected stakeholders at these early stages of change, assisting workers and communities to adapt to both the broader structural change and the interim policies developed to facilitate the change process. Such early assistance was made available in NSW, with FISAP funding available from 1995 onwards, although discussion and therefore concerns surrounding the likely changes to the native forest industry began before that.

### *3.1.3 Long term impacts*

Long term impacts refer to the extended implications, both negative and positive, experienced by people as a result of structural change and their responses to it. There is no set time when short term impacts give way to long term impacts. Results from the upper north-east NSW case study showed that short term financial and personal sacrifices often led to long term positive impacts such as a more stable business base and security of resource access, with the RFA remaining relatively stable over time. However, in south-west WA, business owners were more likely to discuss experiencing financial stress long after they had responded to change. Interviewed business owners felt that some of these long term difficulties resulted from negative market changes, but that the impacts of these changes were compounded by the 2001 *Protecting our old-growth forests* policy implemented soon after the RFA. This policy resulted in an immediate end to logging in old growth forests, with 99 per cent of remaining old growth forests in WA being placed in reserve. The volume of hardwood production in south-west WA declined rapidly as a result. Long term impacts therefore depend partly on the extent to which structural change decisions continue to occur, as well as the effectiveness of SAPs and other measures intended to assist businesses, workers and communities adjust to the changes.

### *3.1.4 Impacts of social context*

The way people experience change is influenced by the historical and social context, with factors such as existing levels of stress arising from previous policy decisions or market changes often shaping how people respond to new change and its impacts on them. For example, research participants in upper north-east NSW often referred to the earlier 1982 Rainforest Decision, which ended harvesting in rainforest areas, as an important influence in their response to, and experience of impacts from, the RFA. One of the key reasons for this was that this earlier process of structural change represented the first of several political processes that have restricted the timber industry in the region. Many stakeholders viewed both the 1982 Rainforest Decision and the RFA process as having cumulative affects leading to the industry being 'locked out' of forests, resulting in a strong psychological impact linked to a feeling of injustice. Their experiences of the earlier processes encouraged and enabled people to make the necessary responses and sacrifices to stay in the industry during the subsequent RFA process. Some industry members felt that if they did not attempt to continue operating through the RFA process, their previous efforts to adapt would be wasted.



More broadly, the results from both case studies suggest that stakeholders in small towns already experiencing stresses — such as changes to other key industries including the closure of processing plants or decline in employment — experience more difficulties in adjusting to a structural change. Similarly, other studies have found that communities with limited economic diversity, or experiencing existing stress, are more vulnerable to the negative impacts of structural change, and have more difficulty adapting to it, than others (e.g. McColl & Young 2005).

### 3.2 Typical socio-economic impacts

Structural change, and the SAPs accompanying it, can be associated with many types of socio-economic impacts. These impacts are classified in a diversity of ways (see Vanclay 2002; Burdge 2003; ICGPSIA 2003), however in general they include social, cultural, economic, health and environmental variables (Slootweg *et al.* 2001, p. 25). Social impacts experienced by individuals are subjective and context-dependent, varying according to the individual's personal circumstances (Slootweg *et al.* 2001, pp. 25–27). For example, reduced access to publicly owned native forests might result in loss of employment for several workers at a timber mill. The impacts of this loss of employment will vary for each worker, depending on their psychology, social circumstances and opportunities they subsequently access.

While not exhaustive, the following describes examples of social impacts that may result from structural change (based on Vanclay 2002, p. 201). It is focused on those impacts most relevant to the issue of changed access to publicly owned native forest resources, using results from the upper north-east NSW and south-west WA case studies to guide selection from the broader social and economic impact assessment literature.

#### 3.2.1 Health and social wellbeing

Changes in access to native forests may have a range of impacts on an individual's health and social wellbeing. These include increased levels of stress and depression arising from factors such as the uncertainty felt during the anticipation stage; impacts experienced as a result of the structural change itself (e.g. financial stress due to increased royalty prices) and responses to it (e.g. anxiety linked to job loss and loss of income); or reduction in an individual's feeling of independence or self reliance.

A common impact recorded in the south-west WA and upper north-east NSW case studies was a sense of injustice. Injustice was often associated with the long history of decisions that had reduced availability of native forest for commercial production. This feeling of injustice also has been observed in the fishing industry, where a reduction in access to resources lead fishers to feel that they had 'made significant financial sacrifice to make their industry sustainable' but that these efforts had not been duly recognised (Kelly, cited in Macintosh *et al.* 2010, p. 585).

Conversely, structural change may lead to positive impacts on health and social wellbeing that are associated with increased certainty about the future, particularly in cases where businesses receive long term resource security, or the opportunity to exit an industry without the risk of extreme financial hardship.

The nature of impacts depends on individual circumstances. If a worker loses their job but is able to find alternative employment in their local community relatively rapidly and receives a redundancy package, they are likely to experience fewer negative impacts on their wellbeing than a worker who loses their job, receives little assistance and has difficulty finding suitable employment in the local area.

### 3.2.2 *Quality of the living environment*

The case study research highlighted the potential for impacts associated with stakeholders' living environment. For example, in some towns in south-west WA, housing prices were believed to have fallen because the RFA and subsequent changes in access to native forests led many people dependent on the forest industry to leave rural communities, creating an oversupply of houses on the market. The reduction in house prices significantly impacted stakeholders who were already dealing with issues such as loss of employment and consequent financial and emotional strain. It restricted their ability to raise capital for investments aimed at helping their business adjust to change, or to relocate to another region with alternative opportunities. An alternative, positive, impact was felt by some participants in upper north-east NSW who had benefited from relocation assistance made available through the FISAP.

South-west WA case study participants also perceived that an increase in crime in some towns was due to a significant out-migration of long term residents as a result of structural change. Participants expressed concerns about the type of people shifting into what became cheap housing; they believed some new residents were more likely to commit crimes and did not integrate well into the community. While we have not verified these perceptions through examination of local crime statistics, fear of increased crime in itself has significant negative impacts. Others mentioned the need for more consideration of crime and fear when assessing impacts of changes in communities, as such perceptions are common and found across a number of industries (see Lockie *et al.* 2009; Glasson & Cozens 2011).

Structural change may also cause a reduction in community services if it leads to a significant out-migration of a town's residents or reduced employment levels. The risk is higher in communities considered vulnerable to change due to their restricted economic and employment base. These types of changes also often lead to significant reductions in local social capital: the social networks and norms that assist communities to adapt to changes and remain sustainable (Brooks 2010). McColl and Young (2005) describe the possibility that structural change and resulting SAPs offer talented people an opportunity to leave an industry and possibly the community, reducing the possibility of innovation within industry and vital leadership support within communities.

### 3.2.3 *Economic and material wellbeing*

Many of the economic impacts associated with structural change are well understood. For example, the potential for loss of income and reduced value of capital assets due to restricted access to resources are known. The latter is an important impact for forest industry businesses, which often have significant funds invested in harvesting and transport machinery: a decline in industry activity can lead to loss of capital value and difficulty selling equipment due to an oversupply in resale markets. Less acknowledged impacts include those felt during the anticipation and early implementation stages of structural change, when businesses may be unable to obtain

finance to cover new investment in capital equipment, resulting in deterioration of the capital base, and workers may choose to take new jobs that have more certainty and security attached to them rather than remain in a forest industry with an uncertain future (Schirmer 2010). As discussed previously, some stakeholders may be adversely impacted by the reduction in house prices if structural change leads to significantly reduced employment or population in a town or region. For those made redundant as a result of structural change, loss of income and of value of assets may be further compounded by a reduction in local employment opportunities, leading to socio-economic costs associated with shifting to another community to find work.

For some however, structural change can result in economic prosperity and increased business resilience. Where structural change improves resource security, reduces competition for resources and markets, or increases efficiency and productivity, it can provide greater certainty and increased returns for those businesses remaining in the native forest industry. This is an explicit goal of many structural change processes and associated SAPs, which aim to encourage the exit of inefficient businesses and support those that are efficient (McColl & Young 2005). In other cases, SAPs use equity-based principles applied differentially. This approach is often associated with concerns about whether inefficient businesses are supported to stay in an industry in preference to more innovative and productive businesses that may be more sustainable in the long term and thus provide greater benefit for local communities:

the provision of equity assistance applied differentially can disadvantage the most talented, be seen as unfair to those deemed ineligible who have made provision for, and/or taken management action to deal with, changing circumstances and ultimately impede autonomous adjustment (McColl & Young 2005, p. 14).

#### 3.2.4 Cultural

Workers in the native forest industry are often based in rural and regional Australia where many have a strong cultural bond to their community and rural lifestyle. Schirmer *et al.* (2008) found that forest industry workers in some locations demonstrate a strong 'attachment to place'. Structural change in the native forest industry typically involves restriction of access to native forests, and a resulting decrease in the production of wood products and employment (see for example Lynch-Blosse *et al.* 1991; McGuffog & Western 1995). Depending on the availability of alternative employment opportunities in local communities, forest industry workers made redundant during structural change may need to move to other towns to find suitable employment, as reported in the south-west WA and upper north-west NSW case studies. The impact of this transition is two-fold: affected stakeholders may lose their cultural identity and social networks (although they may also benefit from good social networks in their new home), and rural communities lose valued members of their community, reducing the richness and strength of local social networks and support structures, and in many cases reducing membership of groups such as sporting clubs and volunteer fire brigades. If a rural community loses a large number of residents, loss of services may occur, as discussed earlier.

Changes resulting from structural adjustment can include a change in the predominant industries in a region. In the case of reduced access to native forests for timber harvest, this can lead to the encouragement of tourism focused on native forests, and can be associated with an influx of new residents into a community and an associated change in community culture. Research in south-west WA found that in some

situations the forest industry had already been working in tandem with the tourism industry for an extended time. In this case, the impacts of increased emphasis on tourism were both positive and negative, depending on factors such as the integration of new residents into the community, perceived differences in worldview and the development of a shared vision for the community's future.

### *3.2.5 Family and community*

It is important to consider the impact of structural change on stakeholders' families and the broader community. These impacts are varied and depend partly on direct impacts felt by forest industry workers. For example, structural change may result in increased workloads for some business managers (see for example Schirmer 2010). Longer work hours not only affect an individual's health and wellbeing, but also their family and broader community, as their ability to participate in family or community activities may be reduced. Conversely, participants in the upper north-east NSW case study who chose to downsize their business or leave the industry often reported positive impacts resulting from reduced stress levels and having more time to spend with their family.

Families' responses to structural change determine both how that change affects them, and how these impacts flow to other members of the community. The anticipatory stage can be one of great uncertainty. A common issue discussed in the upper north-east NSW case study was that families were not able to make long term commitments, such as buying a house, during this time because they were concerned about long term job security. There were some indications that children also felt the uncertainty, with reported increases in school fights and truancy, and an increased need for school counsellors discussed by some research participants in south-west WA.

The actions taken by families in response to structural change have a range of impacts, which vary depending on the type of actions involved, and how the family copes with them. For example, deciding to move to a town with better job opportunities may lead to benefits such as better education opportunities for children and increased social networks if family members are able to integrate into the new community easily; or to negative impacts associated with the disruption and costs of moving to a larger town or regional centre, or moving away from friends and/or family.

In communities significantly impacted by structural change, for example through loss of population or employment opportunities, impacts may include a loss of sense of community, the disruption of social networks in the community, or reduced community cohesion arising from shifts in the demographic structure of the community. These impacts were reported by participants in the south-west WA case study, who had observed a decline in local social networks as people moved to other locations or reduced their participation in community or sporting events; changes in demographic structure of the community as the low cost of housing encouraged new residents to move in; and decreased social cohesion as alternative industries such as wineries were established, encouraging in-migration of 'sea changers' who held values that conflicted with those of longer-term residents, particularly about the acceptability of the forest industry. The community's responses to change, and factors such as whether new opportunities are developed in a community, will influence whether these changes are felt in the long term (i.e. more than a decade, or

indefinitely), or if, as in some small regional centres in south-west WA, negative impacts are felt for several years before the community begins to reinvigorate itself again.

One challenge in considering community scale impacts is that of the multiple factors that will influence change in a community at any given point in time. Policy makers considering structural change will naturally be concerned with its impacts on a community, but need to consider how other influences will interact with the structural change. For example, many rural communities in Australia have experienced ongoing decline in rural population levels, which is likely to continue irrespective of structural change (Hugo 2005). There is a risk that members of communities will attribute all negative social changes in their community to structural change when, in fact, it is a consequence of a broader range of influences.

#### *3.2.6 Institutional, legal, political and equity*

Structural change takes place within a political structure, and as such, can have a range of institutional, legal, political and equity impacts (Vanclay 2002). These impacts may affect those employed in government and non-government agencies, particularly through increased workloads that create stress for workers, and reduce their ability to perform tasks effectively. Government employees interviewed in south-west WA and upper north-east NSW had experienced significant increase in workloads during the development of their respective state's RFAs. In some cases this may lead employees to leave the agency, leading to a loss of experienced staff. At the same time, their workloads also showed their level of commitment to the process, and they felt it was important to make a positive contribution to it.

Impacts also may occur at the individual level. Common equity issues identified in upper north-east NSW were characterised by perceptions of being 'locked out' of the resource and having limited opportunities to participate in RFA decision-making processes, which is considered critical to procedural fairness, although other participants were happy with their level of participation (Macintosh *et al.* 2010). In both the upper north-east NSW and south-west WA case studies, several forest industry workers interviewed felt they had inadequate opportunities to participate in the RFA discussions, or that different stakeholders were provided differing opportunities to participate. For those stakeholders who did participate in decision-making, the resources required in terms of time, cost and energy often led to high stress levels and reduced wellbeing during the negotiation process. At the time, participants were happy to make these sacrifices because they were highly committed to the industry and felt that it was important to represent their industry in the negotiations.

### *3.3 New opportunities*

It is well recognised that with any change in access to resources there is the potential for negative impacts. However it is equally important to recognise that with change comes new opportunities. Studies carried out to assess negative impacts should also identify positive impacts and the measures that can assist people to maximise such benefits (O'Faircheallaigh 2009). For example, structural change in the native forest industry often results in the creation of increased areas of conservation reserves, where some argue the potential exists for benefits associated with further development of the tourism industry. While adapting to new employment

opportunities can be a stressful process that may result in significant hardship, SAPs need to support displaced workers to identify alternative livelihoods, whether within or outside the forest industry. This requires assessment of whether and what types of alternative jobs are available in the localities where workers are displaced, as well as assistance for those seeking to develop new opportunities (e.g. through skills training and business planning assistance).

#### 4. Who should SAPs target?

Structural change can affect workers and their families, businesses and communities; therefore we recommend that SAPs should include measures that assist all these groups. In the forest industry it is essential to provide targeted assistance to both businesses and workers, with workers including administration staff and managers as well as staff working in industry-specific activities. Many forest industry businesses employ relatively large workforces, unlike other industries such as the farming sector where farm managers often employ relatively few workers. The adjustment needs of displaced workers will often be quite different to those of business owners impacted by changes in resource access. Previous SAPs in the Australian forest industry have generally included multiple programs that targeted businesses and employees separately. Some have targeted one group in preference to another, for example, the Fraser Island SAP largely targeted displaced employees rather than businesses (Lynch-Blosse *et al.* 1991; McGuffog & Western 1995; Tisdell 1997; Chambers & Galloway & Associates 1998; ANAO 2008). Community assistance packages have also been a feature of many SAPs, including in the forest industry (eg Lynch-Blosse *et al.* 1991; McGuffog & Western 1995) and the fishing industry (ANAO 2009b; Macintosh *et al.* 2010).

##### 4.1 Workers and their families

The term ‘worker’ is used here to refer to any person working in a business that operates in the forest industry, or in upstream and downstream industries that depend on the forest industry. A SAP may target some or all of these workers, depending on the scope of business activities that are included within the SAP eligibility criteria. Workers therefore include those working in the forest, in processing facilities, or in administrative and management roles. In some cases, particularly independent contracting firms, a worker may be someone who both manages and works in their own business; in others it may refer to an employee working within a larger organisation.

It is often assumed that measures put in place to assist workers will also assist their family. This assumption may not always be valid, and specific consideration of family impacts should be made in addition to considering impacts on workers. We found relatively little attention given to family impacts in previous SAP programs, beyond access to information and support services, and the provision of financial assistance to workers to help cover household expenses in the short term after a change in resource access has occurred. In addition to needing support, family members play an important role in successfully responding to structural change.

## 4.2 Businesses

Businesses dependent on publicly owned native forests are those businesses involved in the harvest, hauling or processing of native forest timber resources and upstream and downstream businesses that provide key services and products to the native forest industry, and use its outputs. The NSW Business Exit Assistance guidelines designed during the RFA process required a business to have been directly involved in the industry or to 'be directly dependent' on the industry and 'be able to demonstrate that more than 50 per cent of its income is, or was, derived from the direct supply of goods or services to the NSW native hardwood timber industry' in order to be eligible for assistance (Department of Information Technology and Management 2001a).

Forest industry businesses are diverse, both in terms of the activities they undertake, and their size and structure. Recognising these differences is important when designing SAPs as small, medium, and large businesses may require different types of support due to their differing abilities to remain informed of changes, and provide support to their staff, among other factors. For example, the upper north-east NSW case study results suggest that larger businesses received more support and attention at the time of business closure while some smaller businesses missed out on critical information, highlighting a significant communication gap in the implementation of the FISAP package in this region.

## 4.3 Dependent communities

Communities may be dependent on the publicly owned native forest industry in a number of ways: they may depend on forest industry businesses located in the community, or upstream/downstream businesses; they may have a significant number of resident forest industry worker households; or they may be the recipient of large volumes of spending by either forest industry related businesses or workers. In this context, communities are generally defined as a place of residence or business. In previous studies, geographic communities have been defined using administrative boundaries such as local government areas (Schirmer 2010) or a population centre such as a town or regional centre (Coakes *et al.* 1999; Fenton & Marshall 2000). It is reasonably common for SAPs to include some elements designed specifically to assist communities, although the assistance provided has often focused on creating job opportunities for displaced workers rather than supporting the broader community through more direct means.

## 4.4 Others

In addition to the above, research in south-west WA and upper north-east NSW RFA regions highlighted that government agency staff (including forestry and other agencies) and forest industry representatives, or forest managers, also experience impacts as a result of policy change and the process through which policy change is designed and implemented. Such impacts are felt either through their involvement in the negotiation process, through efforts to provide support to industry members, daily social interactions in the community, or due to increased levels of stress caused by a feeling of responsibility for the industry's future. These representatives are not generally eligible for SAPs, although it is important to note that they may require support through the structural change process, just as others in the industry do.

## 5. Approaches to designing SAPs

SAPs commonly include a range of measures. The design of the package depends on predictions of how individuals, businesses and communities will be impacted by structural change; and on the views of the government regarding the scope of assistance to be provided.

The diversity of measures discussed in this section of the report reflect ‘the inextricable links between economic, social and psychological issues’ (McGuffog & Western 1995, p. 238), which mean that a combination of strategies targeting each of these issues may be more effective than strategies targeting only one dimension. The choice of elements to include in a SAP should be based on assessment of the likely negative impacts and positive opportunities arising from structural change, the vulnerability of different groups to the proposed changes, and the capacity of these groups to adapt to these changes. This assessment can be done via social impact assessments or using other appropriate methodologies.

This section describes potential elements of SAPs including worker assistance, business assistance, community assistance, and broader forms of assistance such as those aimed at building and maintaining social capital in communities, financial counselling and psychological counselling. In some cases, these measures are interrelated – for example, measures aimed at building and maintaining social capital may assist workers, businesses, and communities.

For each measure, information is provided about:

- the type of assistance provided and why it may be needed
- the types of information needed to support development of this element of a SAP
- the specific measures commonly used, or recommended based on research
- considerations for setting and evaluating eligibility criteria, i.e. what considerations need to be made when identifying and evaluating who will be eligible for assistance.

Section 6 then discusses issues relating to implementation of SAPs.

### 5.1 Worker assistance

Worker assistance refers to assistance provided to workers employed in businesses dependent in some way on publicly owned native forests. These workers include, but are not limited to, employees<sup>3</sup> of sawmills and processing centres, contracting businesses, and upstream and downstream businesses involved in product and service delivery. Worker assistance aims to support individuals who are made redundant, and

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<sup>3</sup> The term ‘employee’ as used here refers both to those employed within a business, and in some cases to those who own and work in their business, for example the owners of small sole operator contracting businesses, or managers of larger businesses.



through this support to also assist their families (AGWA 2005)<sup>4</sup>. It does not only refer to operational, or field-based workers, but also to administrative staff, field supervisors and managers. For example, the Victorian Workers Assistance Package included the directors and principals of sawmills (VAGO 2003). In both the upper north-east NSW and south-west WA case studies, some business owners (usually contracting businesses) had elected to apply for worker assistance in cases where it provided more money than business assistance, or where they did not have a formal contract and were therefore ineligible for business assistance.

Most forms of worker assistance aim to help employees find new job opportunities, although past SAPs have also included support for workers to retire (Tisdell 1997). Worker assistance can involve multiple measures, including providing short-term assistance in the form of redundancy payments and other direct financial assistance (discussed in Section 5.1.1), and longer-term measures to assist employees to find new employment (discussed in Sections 5.1.2).

#### *5.1.1 Redundancy and financial assistance*

Financial assistance refers to measures to support redundant workers and their families financially in order to reduce the pressure of unemployment. Measures can be general, such as redundancy payments, or more specific such as rental or mortgage assistance.

#### *Forms of financial assistance to support workers*

In previous SAPs, typical forms of financial assistance have included:

- Redundancy top ups, offered as a supplementary payment to employees in addition to the redundancy payments made by their employers. For example, the NSW FISAP provided payment based on the number of years an employee had worked in the industry. We suggest that redundancy payments be provided in partnership with financial counselling to assist employees and their families to plan for the future.
- Specific financial assistance, including assistance to pay mortgage or rental payments. This may be particularly important if workers and their families had previously lived in subsidised housing.
- Relocation funding to assist workers and their families who need to move house in cases where they are offered employment in a location other to where they currently live.
- Travel assistance to help offset the costs associated with travelling to job interviews or training programs.
- Early retirement benefits to assist workers to leave the industry earlier than anticipated (see Tisdell 1997; Lynch-Blosse *et al.* 1991).

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<sup>4</sup> In addition to assistance for workers made redundant, some SAPs provide assistance to retrain workers to use new technology or shift to new jobs with their existing employer. These measures are discussed in the ‘business assistance’ section.

It is recommended that financial assistance be accompanied by financial and psychological counselling (discussed in Section 5.3 and 5.4), as previous research suggests a need to assist workers plan for their future, both in terms of managing what are often relatively large one-off financial payments and identifying future employment opportunities.

#### *Information needed to inform design*

A number of questions need to be answered when designing financial measures that aim to reduce the financial stress associated with redundancy. Assessing these issues informs SAP design, including the forms it will take, and the length of time assistance measures such as rental or mortgage assistance will be provided. Broad questions that must be assessed for any SAP include the overall goals of the SAP, whether its principles are based primarily on efficiency, equity and/or welfare, and the timeframe over which support is to be provided. In addition, specific information relevant to designing worker assistance includes:

- What types of workers and families is the SAP targeting?
  - What are the demographic characteristics of the workers and families likely to be affected by the structural change (e.g. age, education, skills, family size)?
  - Where are these workers located? Rural and urban residents may need different forms of assistance (e.g. travel assistance to attend training programs).
- How financially secure are workers currently, and therefore what immediate pressures will they face due to a loss of income? Immediate pressures may include day-to-day living expenses (food, housing costs, utilities), and expenses associated with seeking new work (transport, retraining, etc).

#### *Considerations for setting and evaluating assessment criteria*

When designing any form of assistance it is important to consider what criteria will be used to determine recipient eligibility, that is, who will receive assistance through the SAP and who will not. In addition, criteria regarding the level, duration, and conditions of assistance need to be considered. Given the high level of public scrutiny of such criteria, and potential for unintended adverse impacts if the criteria are inappropriate, it is important that stakeholders are engaged in the process of setting criteria, and that the evaluation of recipients' applications is transparent and robust.

Issues relating to equity are critical to the long term success of SAPs. It is crucial to consider questions regarding the most equitable way of allocating assistance including clearly determining the relative roles and responsibilities of government and businesses in supporting employees. For example, will businesses be responsible for all redundancy payments for their workers, or should the SAP provide additional assistance to cover or top-up redundancy obligations? In some SAPs such as the 2010 Tasmanian Forest Contractors Exit Assistance Program (DAFF 2010), businesses applying for exit are responsible for providing redundancy payments to their employees, while in others, such as the various FISAP programs, the SAP has provided redundancy top ups separate from normal redundancy payment processes to ensure a minimum standard of redundancy for all workers (Department of Infrastructure Planning and Natural Resources 2004).

More specific considerations for setting criteria include:

- How long must a person have been employed in the forest industry in order to be eligible for assistance? For example, the NSW Worker Assistance Program guidelines required that workers be employed in the industry for nine of the past 18 months, and be employed in the industry at the time of business closure or downsizing (Department of Infrastructure Planning and Natural Resources 2004). In the case of workers who have changed employers during the period of eligibility or worked simultaneously in both the native forestry and other industries, the criteria may need to specify a minimum period or proportion of work in the forest industry to be eligible for assistance.
- How dependent on the industry should a worker's employer be to deem them eligible for assistance? For example, the NSW Worker Assistance Program provided assistance to workers if they were 'an employee of a business approved for Business Exit Assistance under the NSW FISAP' (Department of Infrastructure Planning and Natural Resources 2004 p. 3). As such, workers at a business that was 'able to demonstrate that more than 50% of its income is, or was, derived from the direct supply of goods or services to the NSW native hardwood timber industry' were eligible for worker assistance (Department of Information Technology and Management 2001a, p. 4).

Other considerations relate to the broader design and implementation of the SAP measures. For example:

- How will responsibility for supporting workers be divided between their place of work and the government? For example, should workers be supported through provision of business assistance that requires business owners to implement some worker assistance measures, or through direct assistance measures provided by the government?
- For how long will assistance be available? This needs to consider over what period redundancies may occur in response to structural change, with some businesses likely to respond early, while others 'hang on' for some time before implementing redundancies. The timing of SAP eligibility needs to consider the diversity of ways a business may respond to change.
- In cases of mortgage or rental assistance, what criteria should be used to assess whether someone is eligible? Eligibility may be broad or more specific: examples of specific requirements include proof of financial hardship or proof that the proportion of income spent on housing costs is above a specified threshold.
- What conditions will be placed on redundancy top-up payments, and will they be available together with other forms of assistance such as retraining assistance? For example, will workers have to undertake training programs in order to be eligible for financial assistance? Placing conditions on the eligibility of recipients may help to focus the assistance on achieving key goals (e.g. assisting workers gain suitable employment).

### 5.1.2. Assistance to find new work

A number of factors can hinder redundant workers' ability to find new employment, whether in the forest industry or other industries. Previous SAP measures have provided assistance to help overcome key challenges redundant workers may experience in finding new employment. These include a lack, or perceived lack, of skills and experience required for alternative employment, a shortage of appropriate jobs in the local area, unfamiliarity with job application processes, difficulty relocating for work, or other difficulties that prevent people from successfully applying for work.

#### *Forms of assistance to support workers to find new employment*

A range of measures have been developed to assist people to find new work, including:

- training assistance
- help with the job application process
- incentives for new employees through wage subsidies
- priority employment
- relocation assistance, taking into account that this has impacts on the whole family.

Training assistance refers to training programs offered to redundant workers to gain skills that will assist them in obtaining new employment. For example, FISAP provided up to 52 weeks of vocational training, or up to a total of 78 weeks if the worker also required preparatory training to improve skills such as literacy, numeracy or English (DAFF 2007). In NSW, the Timber and Related Allied Industries NSW Group Training Scheme Company Ltd (TRAIN) was established with government assistance to run training, and workers at mills often received group training at the mill. One participant in upper north-east NSW recalled that he had initially been unwilling to do computer training, but subsequently found it very useful in his new job at the NSW National Parks and Wildlife Service. Others received training through other organisations such as TAFE. Results from the upper north-east NSW and south-west WA case studies suggest that the benefits of training may be more extensive than the skills the participants develop. Training was an important time for colleagues to provide peer support to one another, and discuss their ideas about what they would do next.

Redundant workers have previously received financial and other assistance to apply for jobs. FISAP provided assistance to pay for fares and training (DAFF 2007), and in NSW, forest liaison workers assisted workers to write resumes and job application forms and practice for job interviews (Department of Infrastructure Planning and Natural Resources 2004). Similar assistance was provided through the Wet Tropics SAP and Fraser Island SAP (Lynch-Blosse *et al.* 1991; McGuffog & Western 1995). Participants in the upper north-east NSW case study who had gained new employment in a sector other than the forest industry reported that practical support such as interview practice had been highly beneficial, as many had never formally applied for a job before.

As well as helping workers impacted by structural change to apply for new work, some SAPs have included measures that encourage employers to employ redundant workers (see for example DAFF 2007 and AGWA 2005). In the case of the FISAP, a wage subsidy was provided for new employers for 16 weeks (DAFF 2007); similar measures formed part of the Wet Tropics and Fraser Island SAPs (Lynch-Blosse *et al.* 1991; McGuffog & Western 1995). Results from the case studies conducted in upper north-east NSW and south-west WA suggest that this type of assistance has to be managed carefully for several reasons. While wage subsidies may provide an incentive for employers, it is necessary to assess the assumptions that underpin wage subsidy measures. Some employers are keen to employ workers made redundant from the forest industry because they are regarded as very hard workers. For example, during the RFA process in upper north-east NSW and south-west WA employers at local mills purposely employed redundant workers due to their skills and experience. Conversely, employers may be willing to employ trainees, but find it difficult without a long term, and high enough, wage subsidy. For example, some members of the furniture industry in south-west WA indicated that wage subsidies offered to train apprentices did not cover enough of their costs to act as a true incentive. It is important to carefully assess whether there are existing industries or businesses keen to employ redundant workers, in which case this type of assistance may be unnecessary, or if additional incentives are needed to reduce unemployment.

'Priority employment' involves prioritising redundant workers for employment where job vacancies exist. It usually caters for specific jobs in the public sector where such prioritisation is possible. For example, in NSW the RFA included a National Parks and Wildlife Service job opportunity package which provided training and a two year contract with the Service for forestry workers made redundant as part of the RFA (Rush Social Research Agency 1998). Successful applicants were also entitled to relocation assistance. While the application process in this instance was competitive, priority employment measures can raise equity issues. To help overcome such concerns, in this case successful applicants were required to officially apply for a permanent position at the end of their two year contract. While this created another layer of uncertainty in terms of job security, especially as many of the workers had to relocate for their new jobs, participants felt that they had a good chance of being successful in the competitive application process because of the experience they had gained in the position during the two year contract.

Relocation assistance is designed to help employees and their families meet relocation costs if they gain new employment that requires them to move to a new town. The NSW FISAP Relocation Assistance, part of the Worker Assistance Package, provided up to \$20,000 in relocation assistance in cases where a redundant worker had found permanent, full-time employment that required them to relocate. Relocation assistance was available to meet or contribute to a number of costs, ranging from purchasing a house (particularly important if an employer had moved from an area where house prices were low) to smaller items such as new school uniforms (Department of Infrastructure Planning and Natural Resources 2004). While this financial assistance did assist workers to take up new job opportunities, results in upper north-east NSW suggested that there is a greater need to support the family as a whole to move to a new community. The process was considered to be stressful, particularly if people moved away from family or to a larger regional centre, and there was evidence that this placed strain on marriages and led to stress for family members, even if there

were longer term benefits. This suggests that relocation assistance should ideally be accompanied by other forms of assistance such as community-based support to build social networks, and financial and psychological counselling. Another issue is that providing relocation assistance can encourage people to move, potentially leading to negative impacts on the population, economy and social capital of the town they leave, particularly if large numbers of workers relocate.

In some previous SAPs, liaison officers have been employed to assist workers to take advantage of the various types of assistance available to them. Liaison officers work within industry groups or government departments to provide one on one support to potential, and successful, SAP applicants. For example, in south-west WA, the Department of Productivity and Labour Relations (and later the Department of Education and Training) employed Forest Liaison Officers and staff to support workers who were likely to become redundant, and to case manage each worker for two years after they were made redundant (AGWA 2005).

#### *Information needed to inform design*

Designing measures that assist workers to find new employment requires:

- detailed understanding of workers' skills and other characteristics that may help or hinder them from finding new employment. This includes recognising their existing, sometimes unacknowledged, skills, and assessing the transferability of these skills to new jobs.
- information on the availability of alternative employment opportunities in the industry or community, along with workers' abilities to undertake this work — including the skills they need, the desirability of available employment, and issues such as the need to relocate. This is particularly important in communities that have a high number of recently redundant workers, either from the forestry industry or other industries in the community.
- realistic assessment of likely creation of jobs in industries such as tourism that may result from actions such as the declaration of national parks. In both the upper north-east NSW and south-west WA case studies, study participants reported that there had been an over-optimistic perception that declaration of forest reserves would create new jobs in management of these reserves or in tourism.

#### *Considerations for setting and evaluating assessment criteria*

Many of the considerations for setting and evaluating assessment criteria for assistance that aims to help redundant workers find new employment are similar to those discussed in Section 5.1.1. Additional considerations may include:

- the need to define the types of training and other support to be included in the package, and the extent to which workers will be included in decisions regarding the types of training they will undertake. There may be some skills that are considered critical to employment even if they do not match workers' interests (e.g. computer skills).
- the length of time that assistance will be offered, for example, how long after initial redundancy opportunities such as training and relocation assistance will be made available. Some forms of assistance should begin as soon as possible

after job loss, and many remain open for the duration of the SAP. Previous SAPs such as the NSW Worker Assistance Program have required redundant workers to apply for assistance within 12 months of their redundancy (Department of Infrastructure Planning and Natural Resources 2004), and liaison officers have been available to assist workers for the full duration of the SAP.

- specific guidelines and eligibility criteria needed for some forms of assistance. For example, access to priority employment may require that successful applicants participate in specific training so that key skills are learnt during a trial period.

## 5.2 Business assistance

Business assistance is a key component of many structural adjustment packages. It can have many purposes; careful design is required to ensure that the measures used target the overall goals of the SAP. Four forms of assistance are described here, including commonly used approaches and those recommended in response to key issues raised in previous structural adjustment processes:

- business development assistance to support businesses that intend to remain in the industry (Section 5.2.1)
- assistance to create new business opportunities outside the industry (Section 5.2.2)
- assistance to downsize businesses (Section 5.2.3)
- exit assistance (Section 5.2.4).

For each of these forms of assistance, funding is typically provided via competitive application rounds, in which businesses are required to submit an application that sets out the purpose and amount of assistance requested<sup>5</sup>. The application is then assessed against pre-determined criteria, typically by an independent panel of people with appropriate expertise. Each type of assistance is discussed below.

When considering any type of business assistance, but particularly downsizing or exit assistance, it is crucial to identify appropriate linkages between business and worker assistance. For example in the FISAP process, businesses planning to relocate or exit the industry could access 'pre-retrenchment assistance', which included assistance for employees who would be made redundant, such as training; financial, vocational and psychological counselling; and help in resume writing and networking to seek new employment (DAFF 2007). The timing of such assistance is crucial for workers, and hence must be appropriately coordinated with business assistance.

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<sup>5</sup> It should be noted that some SAPs do not require this, but rather provide payments to businesses based on the extent to which they are impacted by structural change, without specifying the uses to which the funding should be put. For example, under the Dairy Industry Adjustment Package, dairy farmers were provided with payments on a quarterly basis over eight years, with a broad goal of assisting the dairy farming business to adjust to the impacts of deregulation (ANAO 2004). However, in the forest industry, business assistance has usually been more defined, with specific business restructuring goals used to judge eligibility for assistance.

### *5.2.1 Business development assistance*

Broadly speaking, business development assistance refers to any form of structural adjustment aimed at helping businesses to maintain, develop or reorient their activities within the industry. The goal is generally to help businesses adapt to changes in the availability, quality or price of resources arising from structural change. In the various FISAP packages, assistance was aimed specifically at businesses who could demonstrate ‘a need to restructure in order to utilise a different forest resource base’ or who were ‘willing and able to move to new value adding opportunities within the same sector or elsewhere in the forest industries’ (DAFF 2007).

#### *Forms of assistance to support business development*

In previous programs, particularly the FISAP programs, business development assistance has included the following mechanisms:

- assistance to invest in new equipment or technology to reorient the business
- financial counselling or access to advice from business consultants to assist in planning for change in the business
- assistance aimed at ‘value adding’ to business activities or otherwise targeting specific business goals
- worker retraining assistance
- assistance to continue existing business activities.

Assistance to invest in new equipment or technology is a common SAP measure, enabling businesses to harvest, haul, process, or otherwise target the forest resources likely to be available after structural change is implemented. This might mean investing in machinery that can process smaller logs present in regrowth native forests (when a shift from logging in older native forests to younger regrowth is part of the change); equipment to operate in plantations rather than native forests; or processing technology enabling value adding activities that help maintain the viability of a processing business despite decreased volumes of available mill inputs. These have been funded through either direct grants (usually with a requirement for the business to commit a certain proportion of the costs, such as 50 per cent or up to 80 per cent in some cases), and/or interest rate subsidies (see for example VAGO 2002). This form of assistance has been a part of all FISAP packages, as well as the earlier Wet Tropics SAP and Fraser Island SAP. Achieving these business changes may require re-skilling workers to use new types of equipment or take on new roles. In light of this, some SAPs have provided retraining assistance for workers employed at businesses that are restructuring, where the workers would otherwise be at risk of retrenchment (DAFF 2007).

A less common component of SAPs has been funding to cover costs of hiring financial or business counsellors to help develop future business plans and implement subsequent management changes, as included in the Victorian FISAP (VAGO 2002). Such assistance helps business managers, many of whom have operated under considerable stress during the anticipation phase of structural change and hence have committed few resources to future planning, to adapt creatively to their changed future.



In many cases businesses are required to demonstrate that they are meeting a particular goal when redeveloping their business. In the upper north-east NSW and south-west WA case studies assistance was provided to ‘value-add’ unprocessed timber resources. This goal is only effective if there is a viable market for the value added product – value adding is not beneficial in and of itself if it involves supplying a flooded market, or over-capitalising businesses that could develop more profitable production involving less value adding. This issue emerged in both the upper north-east NSW and south-west WA case studies, with business managers reporting that value-adding was not always the most profitable option for adjusting to change. In the Victorian FISAP, the specified goal of industry grants was to encourage forest industry exports, rather than value-adding (VAGO 2002).

A more controversial form of assistance has been funding aimed at supporting existing business activities. A key example of this is the provision of temporary ‘hauling assistance’, in which funding is provided to cover the additional costs of hauling logs from long distances (beyond those normally considered economically feasible) in order to enable a processing facility to continue operation despite a reduction in local resource supply as a consequence of structural change (DAFF 2007). This usually has been implemented to enable governments to meet commitments made in long term supply contracts to mills, but has the potential to simply ‘put off the inevitable’ if not accompanied by a plan for transitioning to a future business structure that enables economically sustainable production without a haulage subsidy. It may also negatively affect those mills located closer to the resource; in the upper north-east NSW case study some participants referred to feelings of injustice and disadvantage because local mills and contractors had lost work, while local timber resources were transported considerable distances to alternative mills.

Another measure that aimed at supporting existing industry under the FISAP was ‘rescheduling assistance’. This helped to cover the costs of roadwork required to commence harvesting of native forest coupes that became part of the planned harvest schedule at short notice when access to other areas intended for harvest was restricted (DAFF 2007).

In upper north-east NSW and south-west WA, some interviewees suggested that business support should be provided, in part, to maintain the existing flow-on effects of business activities in the local economy. In some instances, debate has emerged over the ‘fairness’ of particular business practices and use of business assistance. For instance, in the south-west WA case study, processors who used funding to develop new value adding processes that required some work to be undertaken overseas were criticised by some participants who felt that this reduced the flow-on benefits of assistance to local communities. Others, however, pointed out that if the goal is to ensure economically sustainable businesses into the future, stipulations requiring local spending may be overly restrictive, unfairly forcing businesses to rely on high cost local suppliers of goods and services and thus reducing their ability to maintain a profitable business.

### *Information needed to inform design*

Designing business development assistance packages requires:

- detailed information on the nature of existing businesses and how their current operations are likely to be affected by structural change, to ensure the package can be appropriately budgeted and targeted.
- information on availability of alternative opportunities within the forest industry, to evaluate proposals to reorient and develop businesses to target different activities in the industry. For example, it is important to have an understanding of key markets, and whether supporting a number of businesses to shift to new markets presents a risk of oversupply in these newly targeted markets.
- ideally, understanding of the potential flow-on impacts of forest industry activities, so that the broader socio-economic benefits of the proposed support measure can be considered.

### *Setting and evaluating assessment criteria*

Using the information described above, the questions to be considered when setting and evaluating assessment criteria for business development assistance include:

- What types of activities will be supported, and which will not?
- How much will businesses be expected to contribute from their own resources?
- What businesses will be considered eligible to participate?
- What criteria will be used to make decisions about who receives assistance, and how will the benefits of proposals submitted by businesses be evaluated?

What business assistance will be considered and what will not? For example, will assistance that is needed over a long period be supported? Or is there a preference for business development that is demonstrably economically sustainable without the need for further assistance after a specified point in the future? Will any type of proposal for assistance be considered, or will clear parameters be set specifying the types of business development considered eligible or ineligible?

In many cases, to be eligible for assistance, businesses may be required to contribute a certain proportion of the funds needed for redeveloping their business. For example, some FISAP packages and the Tasmanian Community Forest Agreement SAP (DAFF 2007, ANAO 2008) required businesses to make a significant contribution towards the cost of the proposed development (ranging from 25 per cent to 80 per cent of the investment required). If businesses are expected to contribute significant funds, or receive funds via subsidisation of interest costs on loans as occurred under some FISAP packages (DAFF 2007), they will typically need a guaranteed resource supply into the future to be able to obtain financing, with financial institutions generally unwilling to loan funds without this security.

One key difference between previous SAPs is the scope of the package, in terms of the types of businesses considered eligible for assistance. Will assistance be made available only to those in specific sectors of the forest industry, or to any business able to demonstrate that its activities have been negatively affected above a set threshold (e.g. 50 per cent of business activity)? Some SAPs provided assistance only to those undertaking particular types of activities within an industry, such as harvest and haulage contracting businesses (DAFF 2010); others to any business that could demonstrate that its activities had been reduced due to the structural change, whether it operated directly in the industry or in upstream or downstream activities (Lynch-Blosse *et al.* 1991; Tisdell 1997; Macintosh *et al.* 2010).

In general, our research suggests that it is best if the criteria for eligibility provide opportunities for creativity and innovation by businesses, rather than being overly proscriptive. In the south-west WA case study, many interviewees emphasised that the goal of business development assistance should be about adding value to the business and the forest resources it uses, rather than ‘cost adding’. Ideally criteria should specify the outcomes to be achieved, rather than limiting the means by which they should be achieved. For example, applications for business assistance may be evaluated based on whether the proposed changes are likely to achieve a self-sustaining business based on the new level and type of resource access available after structural change has been implemented, without the need for ongoing government assistance.

Given the success of financial counselling as a strategy to adapt to change under a variety of conditions (see Alston & Kent 2004; Livingstone *et al.* 2008), it is appropriate to consider making business development assistance contingent on the applicant participating in financial counselling or other formal business planning processes that help them develop and implement their proposed development activities, although this typically has not been a requirement of previous SAPs.

As with other types of assistance, the criteria used to make decisions about who receives business assistance must be carefully designed and clearly communicated to applicants at the start of the process. These criteria may include (among others):

- estimated value to local and regional communities (including assessment of opportunity cost if assistance isn’t provided)
- estimated value for investment in terms of return from assistance provided
- feasibility of proposed development activities
- whether the assistance will contribute to development of further, self-sustaining business activity that does not require further or ongoing assistance in future
- assessment of the financial soundness and competency of management of the business, to ensure only viable businesses receive funding and not those which are likely to ‘go under’ even if assistance is given (see for example VAGO 2002).

A critical consideration when designing criteria is whether the assistance ‘props up’ unsustainable businesses rather than assists them to transition to a new business plan that is sustainable without further government assistance. There is concern that providing support for non-sustainable businesses can lead to a situation of ongoing calls for support for economically unviable businesses, when assisting businesses to exit may be more appropriate. The Rural Adjustment Scheme provided to Australian farmers, for example, ‘was only available to farmers who had “good prospects for long term profitability”’ in an attempt to avoid supporting businesses that were, in effect, unviable (Botterill 2003 p. 67, citing Crean 1992). According to Alston and Kent (2004) this created ‘major difficulties’ in designing assistance measures: ‘How could assistance be provided to farming families in poverty without propping up struggling farm businesses?’ (p. 8). Despite these concerns, the general design of most SAPs is consistent with the goal of supporting businesses to maintain profitability, or to become independently and sustainably profitable.

#### *5.2.2 Assistance to create new business activities*

In some cases, business assistance may be aimed at helping businesses to retarget their activities outside the forest industry, rather than to redevelop within the forest industry. This type of assistance may also be offered to workers made redundant, helping them develop independent businesses rather than find work with an employer (see for example Lynch-Blosse *et al.* 1991). While similar to business development assistance, and having many of the same considerations, this presents a different set of issues; it may combine elements of exit assistance, as businesses shift away from existing activities, with business development assistance, through development of new business activities. The goal of this type of assistance is typically to help create jobs in local communities impacted by structural change, thereby supporting the local economy.

#### *Forms of assistance to support the creation of new businesses*

Assistance to create new businesses is usually given in the form of funding towards business start-up costs such as equipment, business supplies, marketing, and initial running costs. In many cases, the business is required to co-invest a defined minimum ratio of funding to be eligible for assistance. Other forms of support may include:

- training and capacity building to ensure business owners and redundant workers gain the skills needed to transition to a new industry
- assistance to support the initial development of proposals through financial counselling and planning services that encourage innovation
- ongoing access to business and financial planning and support as funding is implemented over time
- peer support through interaction with other people making a similar transition out of the forest industry.

#### *Information needed to inform design*

In addition to the types of information described for business development assistance (Section 5.2.1), it is helpful to assess the business opportunities likely to be available in local communities in order to develop advice for businesses considering shifting out of the forest industry. Necessary information may include an understanding of

current economic activities within the region and current and emerging market opportunities, supply chains and gaps in production systems.

#### *Considerations for setting and evaluating assessment criteria*

When businesses are proposing new business plans, assessment criteria may need to be quite broad to encompass the wide range of proposals put forward. Rather than specifying the types of activities considered acceptable, typical assessment criteria may focus on the cost effectiveness of different proposals, and/or their proposed employment of workers otherwise likely to lose employment as a result of structural change. Assessment of the feasibility of the proposed business plans may also form part of the criteria – for example, if a business proposes to shift into the tourism industry, the proposed plan should be evaluated based on expert knowledge of current tourism markets and the likely viability of the proposal.

#### *5.2.3 Downsizing assistance*

‘Downsizing’ or partial exit assistance is not something typically considered in SAPs, nor specifically implemented in previous SAPs we reviewed for this project. It is important to note however that there are some examples of partial exit assistance; in the WA FISAP there was scope for businesses to ‘be compensated for the expected loss on sale of only those assets used in their native forest timber industry operations’ (AGWA 2005 p. 17); and partial exit assistance has been offered in the fishing industry (see Macintosh *et al.* 2010). We consider downsizing assistance to be a specific type of business assistance as it has arisen as a critical issue in the Tasmanian forest industry in 2010, and in the upper north-east NSW and south-west WA case studies several business managers described downsizing as an important part of their response to changes in access to forest resources.

A significant downturn occurred in Tasmania’s forest industry between 2008 and 2010. Schirmer (2010) found that many contracting businesses sought to downsize during this downturn as a response to reduced opportunities in the forest industry, but were unable to do so. While many could shed employees relatively easily (although others were unable to cover the costs of redundancy payment requirements), downsizing often involved more than reducing employee numbers. In particular, it often required divesting the business of capital equipment. The key difficulty for many business owners was an inability to sell capital equipment (e.g. excavators, forwarders, etc), the financing of which often represents a large part of a business’s ongoing financial commitments. Sale of equipment is difficult or impossible in a market that, due to reduced demand, is already flooded with surplus capital equipment. As a result, equipment can typically be sold for only a fraction of its true value, or no buyer can be found at all. Often, the price received is insufficient to repay the outstanding finance owed on machinery. As a result, businesses find themselves forced to continue working to finance equipment, and in the Tasmanian example many reported ongoing repayments for equipment that had not been used for several months or even longer.

While reduced forest industry activity in Tasmania in 2010 was largely a result of a significant market downturn, a similar situation can easily arise when resource access is reduced due to structural change. This is particularly the case in the forest industry, where equipment may be specialised to particular types of native forest, and not easily transferable to uses in other sectors of the forest industry (such as the plantation

sector), let alone suitable for uses outside the industry. In other industries, such as fishing, capital assets such as boats may have more potential to be refitted and used outside the industry, although even in these situations a reduction in fishing activity has similar potential to create a 'flood' of capital equipment in markets in which demand has dropped due to restrictions on resource access. The Australian 'Securing our Fishing Future' package included a provision for payment to businesses that were willing to scrap their boats instead of selling them (Minnegal & Dwyer 2008), to reduce the potential for oversupply of capital equipment.

The upper north-east NSW and south-west WA case studies provide further evidence that downsizing is a common strategy implemented by businesses in response to changes in access to native forest resources. In the upper north-east NSW case study, several harvest and haulage contractors exited the publicly owned native forest industry, downsized their business, and shifted to working in privately owned native forests and plantations. In south-west WA some processors, such as furniture manufacturers and sawmills, reported downsizing and reducing capacity as a response to reduced resource access.

In Tasmania, the assistance package announced on 23 November 2010 (DAFF 2010) to support native forest harvest and haulage contractors struggling in the face of a substantial industry downturn only included exit assistance, and did not provide for downsizing assistance (a subsequent business assistance package, proposed but not released at the time of writing, may include some provisions for this). It is worth considering whether downsizing assistance should be provided in such circumstances. In particular, downsizing assistance may be useful in cases where there is the potential for future expansion of the industry, as there may be less disruption if businesses are assisted to downsize for a period, while maintaining the potential to expand in the future. This may be particularly useful to consider where structural change has been responsible for shifts in markets, making it more difficult for businesses to sell capital equipment. It may be less costly than a full exit program, while resulting in greater flexibility for the industry, and encouraging the retention of skilled workers. It may also create less stress for some businesses, compared to attempting to completely restructure and develop their business to meet criteria for business assistance funding. However, downsizing assistance has negative impacts on local economies, as it generally results in the loss of jobs as businesses shed employees and reduced demand for goods and services. Therefore downsizing assistance should be implemented in conjunction with appropriate forms of worker and/or community assistance.

#### *Forms of assistance to support the downsizing of businesses*

No examples of specific downsizing packages are currently available to guide ideas about the form such assistance might take, other than those SAPs that have included an allowance for partial exit within more general business exit assistance. In general, it may take the form of financial assistance to reduce debts and fixed financial obligations. Some exit assistance measures (described in the next section) may be adapted for use to assist downsizing, with businesses needing to demonstrate a reduction in capacity that they commit to for a certain period before being permitted to expand their business again.

### *Information needed to inform design*

Similar information is needed to that described for business development assistance. In addition, it is important to understand the extent to which downsizing may be a desired or economically sustainable response to changes in resource access. For example, do some forest industry contractors, particularly those who are older, prefer to reduce their business size and operate at a smaller capacity for some years before retiring? Would this enable them to operate profitably and without further government assistance? Has the structural change been a direct influence that has reduced the ability of businesses to downsize independently (i.e. without government assistance), creating an arguable justification for business assistance?

### *Considerations for setting and evaluating assessment criteria*

Similar eligibility issues should be considered to those listed in the section on business development assistance. In addition, eligibility criteria may include specifying:

- which businesses will be prioritised to receive funding – for example, those that request less assistance, or those who represent the greatest value for money in terms of excess capacity removed from the industry?
- the length of time businesses must downsize before being permitted to re-expand their operations?

### *5.2.4 Exit assistance*

Business exit assistance refers to assistance packages designed to reduce the number of businesses operating in the forest industry, or in particular sectors of it. It has formed a component of many SAPs, including the FISAP packages, earlier forestry SAPs in the Wet Tropics and Fraser Island, the Dairy Industry Adjustment Package, and the 2010 Tasmanian Forest Contractors Exit Assistance Program (see Lynch-Blosse *et al.* 1991; McGuffog & Western 1995; ANAO 2004; DAFF 2007; DAFF 2010).

Exit assistance typically has the relatively simple goal of reducing excess capacity in industries where structural change has reduced the availability of resources on which the industry previously relied. As exit assistance is inevitably associated with job loss, it should be accompanied by assistance for workers who exit the industry and for communities impacted by loss of business and worker spending, to help them adapt to the consequences of the structural change (Lynch-Blosse *et al.* 1991).

### *Forms of exit assistance*

Exit assistance often takes the form of funds that enable a business to meet its financial obligations in order to close. These obligations may include debts to creditors and banks, payment of outstanding wages and any staff redundancy obligations, and costs associated with decommissioning of plant or equipment. Other exit costs may include losses incurred on sale of assets, the cost of the government buying back licences or contracts, payments based on the value of the business<sup>6</sup>, site

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<sup>6</sup> Valuation of the business needs to be done in a transparent manner, with the methods used clearly explained to businesses before they make the decision to apply for assistance. For example, in the Victorian FISAP, the value of the business prior to impacts of the RFA was based on ‘the average earnings of the business before interest costs but after tax over the last 3 years. This balance was then

rehabilitation and accounting fees (see for example VAGO 2002). In the case of the Tasmanian Forest Contractors Exit Assistance Program, businesses were required to provide evidence of having fulfilled two criteria in order to receive their full payment: (i) 'proof of payment of all employees' entitlements', and (ii) 'proof of sale or demonstration that the business machinery will not be used by the applicant in the Tasmanian native forest harvest and haulage contracting sector' (DAFF 2010 p. 1).

Similar to other types of business assistance, businesses are typically required to submit an application for funding that is assessed in a competitive round.

Consideration needs to be given to the timing of payments when implementing exit assistance. A common format is to provide the majority of assistance up-front, to enable businesses to meet obligations such as staff redundancy payments and loan and debt repayments, with a final payment contingent on proof of having met all legal obligations in closing their business. For example, the 2010 Tasmanian Forest Contractors Exit Assistance Program provided 75 per cent of the funds up-front, and the remaining 25 per cent once the business had fulfilled the criteria outlined above.

In the upper north-east NSW case study, considerable debate emerged about the perceived fairness of exit money received by different businesses. In many cases the amount of FISAP exit money that businesses received did not reflect the owners' perceptions of how much their business was worth. Often the amount was based on the value of the business's capital equipment and other physical assets, while business owners felt that their long term efforts, the networks they had built over time and their experience were not valued. The issue of the perception of fairness needs to be addressed, particularly when considering the psychological impacts of exiting a business that an owner may have spent years or decades building. While well accepted calculations are used to value a business, and this is usually done by an independent accountancy firm, it is important to ensure the process is as transparent as possible, with clear communication of the calculations and their rationale and provisions to appeal a decision.

In addition to the concerns reported above in the upper-north east NSW and south-west WA case studies, Minnegal and Dwyer (2008) found that in the fishing sector, fishers felt the exit package application process for the Securing Australia's Fishing Future SAP was 'a lottery' (p. 1066): some people who received funding to exit had barely used their fishing licence, and so received 'money for nothing', while others received less than they felt their business was worth. In one fishery, many fishers were not successful in applying for exit assistance as they were told their tenders did not represent 'value for money' – but they argued that the government assessed the value of their businesses after they had been negatively impacted by government decisions, rather than prior to this when businesses had been more viable (p. 1067). This highlights the importance of setting, and consistently implementing, clear eligibility criteria.

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multiplied by a capitalisation rate to determine the gross business valuation. From this amount was deducted the net realisable value of the tangible assets to determine a net business evaluation' (VAGO 2002, p. 7).



Similar to other types of business assistance, consideration should be given to the provision of appropriate support post-exit, including financial and psychological counselling, to assist business owners and their workers to find new opportunities beyond the forest industry. While offering exit assistance may reduce excess industry capacity, and provide financial assistance to businesses exiting the industry, it does not address longer term issues of the future of the workers and business owners who are displaced from the industry.

#### *Information needed to inform design*

Like other types of business assistance, designing an effective exit assistance package requires having a detailed understanding of the current structure of the forest industry, the numbers of businesses likely to be negatively impacted by structural change and seeking to exit the industry, and the typical nature of the debt and obligations these businesses have. To design accompanying worker and community assistance, it is essential to examine the flow-on effects of exit on workers, their families, and the communities they live and work in.

In addition, it is important to evaluate the factors that affect the willingness of businesses to exit the industry including the current economic viability of the business. The level of cultural, historical and social attachment business managers have to being a part of the industry may lead them to operate a business on marginal or even negative returns, often using income earned outside the industry to support their household. Such factors have led to the failure of some exit packages in other industries in the past. A prominent example occurred under the Rural Adjustment Scheme between 1989 and 1997, in which Australian farmers were offered exit assistance. The program achieved a much lower uptake than expected as many farmers living in poverty chose to continue farming at an economic loss or marginal return for non-economic reasons (Lawrence 1992; Botterill 2000).

#### *Considerations for setting and evaluating assessment criteria*

When developing criteria for eligibility, the following should be considered and carefully defined:

- the minimum period of exit, and restricted activities during this period
- whether the target is removing latent or active capacity, or both
- the period during which a business must have operated to be eligible for assistance
- what types of businesses will be eligible
- what types of businesses will be given priority for receiving assistance.

The SAP criteria should specify the minimum period of time for which a business must exit the industry in order to be eligible for assistance, ensuring businesses cannot profit inappropriately from exit assistance, and that the assistance achieves its goal of reducing excess industry capacity. In previous packages, a minimum timeframe of three or five years has been used (see for example Department of Information Technology and Management 2001a; DAFF 2010). In addition, the type of activities that are restricted during the period of exit should be clearly specified. For example, in the 2010 Tasmanian Forest Contractors Exit Assistance Program, businesses that

receive exit funding are restricted from operating in the native forest contracting sector for five years (DAFF 2010). In NSW the FISAP implemented in 1995 restricted re-entry into publicly owned native forest harvesting, but not private native forests or plantations, for three years after exit (Department of Information Technology & Management 2001a).

Another issue is whether the program aims to remove actual or potential capacity, or resource users, from the system. For example, in the fishing industry some programs have targeted buying both active and 'latent' licences, the latter referring to those fishing licences which are currently underutilised but could be enacted if other fishers vacated the fishery (Holland *et al.* 1999). The need to remove 'latent effort' arises due to concerns that removing active operators may encourage people who are holding a licence, but not using it, to enter the market, thus preventing achievement of SAP outcomes if the goal of the SAP is to reduce excess capacity in an industry. An equivalent scenario also exists in the forest industry, in cases where the owners of log quotas, allocations, or contracts receive financial assistance for their full allocation, even if they were not fully using it (for example, a contractor may only have harvested 50 per cent of the quota specified in their contract). While there is a rationale for this decision, targeting latent effort can result in concerns over the fairness of payouts made to people who were not actually operating their rights to earn a livelihood rather than targeting those who are actively operating in the industry.

Concerns related to these issues of fairness may be addressed in several ways. One measure is for the eligibility criteria to clearly state over what period a business must have been in operation to be eligible for assistance. For example, the Tasmanian Forest Contractors Exit Assistance Program requires contractors to have 'been operating as a harvest and/or haulage business for the period 1 January 2009 to 30 June 2010 and had a contract (operative or inoperative), quota or delivery arrangement' (DAFF 2010 p. 2). However in some cases, consideration should be given to providing exit assistance to businesses that have not operated in the recent past but hold entitlements allowing them to operate in future. This is partly to address the issue of 'latent effort', but it is also important to ensure that those who have not operated in the recent past due to a lack of available work, and who may be under considerable financial hardship as a result, are eligible for assistance. This group may be in need of exit assistance due to having little or no available work in the recent past.

As with other business assistance mechanisms, the types of businesses that are eligible to apply for exit assistance need to be specified. If this is restricted to a particular sector, such as contractors or processors, consideration needs to be given to how upstream and downstream businesses will be impacted by the exit of businesses from this sector, and what support if any they will be provided. Hence it is essential to consider appropriate broader business, worker and community assistance, as noted earlier. In NSW, business exit assistance was provided to businesses that were:

either directly involved in the native forest based industry sector ... or directly dependent on the native forest industry, and can demonstrate that greater than 50 per cent of their income is, or was, from the direct supply of goods or services to the forest industry, and that they have been rendered financially unviable as a result of Commonwealth decisions' (Department of Information Technology & Management 2001a, p. 4).

Finally, criteria should be set regarding how to prioritise which businesses receive exit assistance. Criteria may include a business's level of debt, its demonstrated viability (or lack of it), the amount of funding the business applies for, or the size of the existing contracts or quotas held by the business. In previous packages in the forest industry a mix of these criteria has been used (e.g. DAFF 2010). Prioritising businesses with greater debt, or lower business viability, for exit assistance can raise equity concerns, such as whether businesses with poor business management practices are assisted ahead of those that have more economically sustainable business practices, with the latter often perceiving that directing funding to the 'worst' businesses is unfair (see McColl & Young 2005).

### *5.3 Financial counselling*

Financial counselling assistance refers to the provision of professional financial advisors to help SAP recipients manage their personal and/or business finances, including worker or business assistance funds, and improve business management practices. Financial counselling has been identified as a crucial element of SAPs, highlighted by Alston and Kent (2004) who found that financial counselling was one of the most valuable assistance services provided to farm families struggling with ongoing drought. Research in south-west WA found that while providing financial support via redundancy top-ups and business exit funds was important, recipients often needed financial counselling to help them plan the most effective use of the money received via the SAP. The wide use of rural financial counselling services in Australia for the agricultural sector, as well as for some previous SAPs in the fishing sector (see FERM 2007, Minnegal & Dwyer 2008, ANAO 2009b), means there is an established infrastructure that can potentially be used as part of forest industry SAPs, although some potential limitations are noted below.

#### *Forms of financial counselling*

Financial counselling typically takes the form of an expert assisting a business manager or worker to examine their financial position and plan for their future family and/or business needs.

Like SAP measures in general, financial counselling needs to be made available early to ensure maximum benefits are realised. Livingstone et al. (2008), in a review of financial counselling service models, found that 'the earlier the contact with a FC [financial counselling] service, the more likely it is that that person will be able to negotiate a satisfactory solution to their financial difficulties' (p. 9). This suggests that making financial counselling services available early in the adjustment process, ideally as soon as decisions about resource access change are made and before they are implemented, will increase the ability of workers and businesses to plan and manage change. Unfortunately, the same study also identified a chronic shortage of available financial counselling services in many Australian regions. This limitation may be reduced by the early identification of financial counselling needs, allowing sufficient time for the appropriate recruitment and training of suitable personnel, and therefore ensuring that counselling services are available as soon as possible.

Financial counselling is only one of several support services required to help people adjust to structural change. Livingstone et al. (2008) found that it is common for people to need legal as well as financial services, and that people often used financial

counselling as a ‘quasi-psychological’ counselling service, which financial counsellors are not equipped to provide. This suggests a need to link financial counselling with legal and psychological counselling services (discussed in the following section). Community-based centres, such as ‘one stop shops’ that act as a central support service and develop networks with a variety of other service providers, may help to ensure that clients receive the full suite of services they need.

#### *Information needed to inform design*

When designing financial counselling services, several questions need to be addressed:

- What financial counselling services are already available, where are they located, and are they equipped to deal with the proposed structural change and the likely number of clients?
- In cases where financial counsellors exist, but not necessarily in key locations or with specific industry knowledge, what resources are required to make these counsellors available in the required locations, and what additional knowledge or skills do counsellors need?
- How can legal, psychological and financial counsellors work together efficiently and effectively to provide sensitive, confidential and effective assistance?
- In what format should financial counselling be provided? Which formats are most easily accessed by the intended recipients, some of whom may be reluctant to access these services?
- What is the best way of incorporating financial counselling services into broader SAP measures? In particular, will the provision of financial support be linked to financial counselling services, either voluntarily or as a requirement of receiving financial support?

#### *Considerations for setting and evaluating assessment criteria*

Financial counselling services are not delivered through processes such as competitive tender, and as such there is not the same need for considering assessment criteria as for many other forms of assistance. However, some criteria for eligibility need to be set, such as being able to show demonstrable impact arising from the structural change the SAP is addressing.

Ideally, financial counselling services should be available to all people who can demonstrate financial impact from the proposed structural change. Participation in financial counselling should be made a requirement of receiving funding via the SAP; or at the very least, be made easily available, and recommended to all recipients of financial assistance. This is particularly important for recipients of business exit assistance or redundancy payments, who often receive a set amount of money but may not have a longer term source of income once this runs out.

#### 5.4 Psychological counselling

Changes in access to resources, or major events such as drought which reduce the ability to use resources, often have significant negative impacts on the mental health of business managers and workers, their families, and the communities that depend on the resources (Alston & Kent 2004).

In the forest industry, the negative psychological impacts of structural change have been documented for timber workers and business owners. When logging in the Wet Tropics of Queensland ceased as a result of the World Heritage Listing of the area, Lynch-Blosse *et al.* (1999) found that the psychological impacts stemming from the loss of business and livelihood were particularly acute for independent forestry contractors, who ‘had invested large amounts of financial and emotional capital into their businesses’ and for whom:

employment in the timber industry over many years had established ... a sense of ‘self’ and pride in their occupation: the work-ethic was indelibly etched into the consciousness of many long-term independent timber workers. (p. 74)

These workers found short-term employment opportunities provided under the SAP to be dissatisfying, particularly as they often involved working as an employee in a business, when the ex-contractors were used to having greater independence and control over how they structured their livelihood. Many also viewed the SAP as ‘welfare in disguise’, which impacted them negatively given their strong ethics related to self-reliance and hard work. The results in the earlier study by Lynch-Blosse *et al.* (1999) were partly reflected in findings from upper north-east NSW, where ex-contractors who had moved into new employment in the National Parks and Wildlife Service did not feel like recipients of welfare, but did emphasise that they had worked hard to prove their competency, and in doing so, proved their value in the workplace and gained independence over their work, like they had felt as a contractor.

While social networks of friends, family and the broader community provide crucial emotional support for those impacted by structural change (Kenkel 1986), formal counselling services are often highly beneficial. As noted above, financial counsellors often identify and have to address mental health issues their clients are experiencing as a result of structural change or other stresses before they are able to effectively address their financial planning needs. For example, Fuller and Broadbent (2006) found that Australian rural financial counsellors reported that about 20 per cent of their clients require emotional and stress-related assistance, and they often refer these clients to ‘GPs, mental health teams, personal counselling and health and welfare organisations’ (p. 79). This professional psychological counselling is important, as stress-related issues must be addressed in order for financial counselling to be effective, and to address the broader impacts of mental health problems such as stress and depression.

Counselling has been included in government support programs for drought affected families in recent years. Counselling services have been delivered through Centrelink, and a ‘Just Ask’ mental health phone hotline (Alston & Kent 2004), and were made available to all those affected by drought including farmers, their families, communities and businesses. Some counselling has been made available as part of forestry SAPs, such as the Fraser Island SAP (McGuffog & Western 1995).

There is a clear need for trained psychologists or other counsellors to be available to help people work through and discuss the negative impacts of structural adjustment on their lives.

#### *Forms of assistance providing psychological counselling*

Mental health services can be provided in a number of ways:

- referring people to existing services (which may be expanded using SAP funding)
- providing onsite counsellors in workplaces where redundancies are occurring
- providing mental health counselling in conjunction with financial counselling
- providing counselling services via industry or community groups.

The timing of providing psychological counselling is an important consideration. A large body of evidence over several decades has established that early intervention can substantially reduce negative psychological impacts resulting from stressful events in rural and regional communities (see for example Kenkel 1986). For structural adjustment processes, this means that psychological counselling will be most effective if provided early, ideally from the anticipation stage onwards. The upper north-east NSW and south-west WA case studies both highlighted that some of the greatest stress associated with structural adjustment occurred at the stage when resource access change had been proposed, but its exact nature was not yet known. Counselling services may also be needed for a significant length of time; some participants in the upper north-east NSW and south-west WA case studies experienced unresolved stress arising from their concerns about the equity and fairness of the RFA and similar policy changes, and the SAPs, up to a decade after the adjustment changes were first implemented. Early provision of counselling coordinated by an on-ground team was a key part of the Fraser Island SAP, which was evaluated as having provided successful support for a majority of forestry workers (McGuffog & Western 1995).

One of the biggest challenges to providing counselling services is the reluctance of many forest industry workers and community members to use them. In rural communities, avoidance of mental health services is well documented, with a stigma often attached to the idea of counselling (Kenkel 1986). For this reason, making counsellors available at workplaces or community events may be useful to advertise the presence of the services, but may not in itself achieve high uptake. Given the likely unwillingness of many to voluntarily seek counselling even if referred, it may be important to provide support staff – such as the coordination team staff involved in the Fraser Island SAP – who actively encourage people to access these services. Support can be provided via a phone service, making it easy and quick to access. Another possibility is to make attendance at psychological counselling sessions a condition of receiving some types of assistance such as financial counselling, or redundancy or business exit payments, although no examples were found in the SAPs reviewed.

Another concern is the inadequate provision of services, with a chronic lack of mental health services common in rural and regional areas (Alston & Kent 2004). Fuller and Broadbent (2006) found that rural financial counsellors had to develop effective

networks with mental health professionals to be able to successfully and easily refer clients to them. This highlights the importance of developing appropriate networks within affected communities, and ensuring that all support staff and counselling professionals know how to assist their clients to access the full range of necessary services. SAP funding may be required to help develop adequate services.

#### *Information needed to inform design*

Designing and delivering effective mental health support requires assessment of the likely nature of mental health impacts, how they differ for different groups, and the level of willingness and preferences these groups have for accessing mental health support. Assessment should continue during and after the implementation of structural change to monitor mental health impacts. This is especially important as the structural change process, SAP, and external factors affecting a community may all trigger particular types of stress not initially predicted.

#### *Considerations for setting and evaluating assessment criteria*

Like financial counselling, psychological counselling services are not delivered through processes such as competitive tender, and hence assessment criteria are not needed.

There is, however, a need to carefully consider who should be eligible for mental health support services provided as part of the SAP, and to design services to be accessible to intended users. This may mean ensuring that workers' families, including children who are often negatively affected by the stress and uncertainty faced by their parents, are also able to access services. It also requires considering the extent to which those not directly dependent on the industry or on upstream and downstream businesses should have access, as many members of communities experience stress related to structural change, particularly where it leads to significant out-migration.

### *5.5 Community assistance*

Community assistance, also labelled 'regional adjustment' or similar, is aimed at assisting local and regional communities adapt to the consequences of changes in resource access. Providing assistance directly to impacted communities is important for a number of reasons. Forest businesses and workers may migrate to new regions as a result of structural change, with potential for a range of negative impacts in the communities they leave, including loss of population, social capital, services and economic activity. If SAP assistance is targeted to businesses and workers but not communities, these impacts may not be effectively addressed. In the upper north-east NSW and south-west WA case studies, many participants raised concerns about the impact of the loss of community members as redundant workers left in search of work, highlighting the importance of providing assistance directly to communities.

Community assistance typically aims to support the development of alternative employment opportunities in the local region to reduce the need for displaced workers to seek work outside the community, and to create new economic activity that might attract new residents. For example, the Dairy Industry Adjustment Package included a regional assistance program that provided 'funding for business projects that lead to

on-going employment and address issues of social dislocation that may arise as a result of structural change' (ANAO 2004, p. 26).

### *Forms of community assistance*

Mechanisms for community assistance funding may include (i) wage subsidies encouraging employers outside the forest industry to take on forest workers, (ii) the funding of specific projects such as tree planting projects or local council projects where councils apply for project funding where they intend to employ displaced workers, and (iii) financial grants to individuals and businesses who have proposals to either develop new business ventures, or to change or expand their existing business in ways that would employ displaced timber workers (Lynch-Blosse *et al.* 1991; DAFF 2007). In the forest industry, these types of assistance have been provided in both the Wet Tropics SAP and the Fraser Island SAP, and some via the FISAP (Tisdell 1997).

A commonality across these different mechanisms is that they typically aim to assist regional economic development, based on the idea that creation of new economic opportunities can compensate for opportunities lost as a result of structural change. For example, the Wet Tropics SAP had a goal of generating alternative employment for displaced forest industry workers, and did this partly through providing 'subsidies to the private sector to foster employment in the local regions affected' (Tisdell 1997, p 2). Local councils, community groups and other organisations could apply for funding to undertake projects aimed to 'generate employment for retrenched timber workers and contribute to the development of the local economy' (Lynch-Blosse *et al.* 1991, p. 60).

In some cases funding for community assistance is delivered through existing regional development programs, rather than via a specific package developed to target impacts of structural change. Under the broad structure of the FISAP, 'regional adjustment' assistance was delivered by increasing funding to existing government programs that had well established networks, with the aim of developing new regional employment and business opportunities (DAFF 2007). For example, in WA the FISAP provided additional funding to existing family and community development programs run by the Department for Community Development and the South West Development Commission (AGWA 2005).

While community assistance programs typically focus on developing new business opportunities, a broader range of activities can and should be considered. In Burnie, Tasmania, an industry-funded adjustment process implemented in the 1980s included funding for a range of community projects, including community health programs to reduce the incidence of heart disease, redevelopment of civic facilities to improve the visual appearance of the city and enhance civic pride, and improvement of access to forest and lake areas for fishing and recreation (Chambers & Galloway & Associates 1998).

Involving the community in the design of SAP measures, and in discussions about their future, was identified as important to achieving positive community outcomes in several case studies of adjustment processes reviewed by Chambers & Galloway & Associates (1998). They argued that there is a need to improve the two-way flow of information between community members and decision makers involved in SAP



design and implementation, and suggested the formation of collaborative advisory groups to assist in achieving this.

There is a need to consider appropriate community engagement strategies when designing and implementing community assistance programs (and SAPs more generally, as discussed in Section 6). The literature on encouraging community engagement is broad, and highlights several issues that can limit effective community involvement. These include both logistical and psychological considerations, including the time and place that meetings are held, the level of engagement offered to stakeholders (e.g. will they simply be informed of outcomes or have an active role in decision-making?), and making sure meetings are facilitated well to ensure equitable input and treatment.

There are a number of factors to consider regarding the time and location of community engagement measures. Meetings held during business hours may be difficult for forest workers and many community members to attend but often suit government representatives. If there is no option but to hold such meetings during this time, it is important to offer to reimburse stakeholders for their time (for lost wages) and travel costs. If holding meetings at night, consideration should be given to providing food and childcare options, to enable families to attend, and to whether shift workers are able to attend.

Going beyond these logistical issues, it is important that all participants are made to feel welcome and respected. Issues of power and trust are important to consider. Stakeholders' level of decision-making power must be clearly and openly communicated, reducing the potential for participants to develop unrealistic expectations, which can lead to mistrust and disillusionment. For example, impacted forest workers, often already under stress, may feel unable to participate effectively in discussions with other stakeholders they view as having more power and influence than they do. Meetings need to be carefully facilitated to ensure that all participants are encouraged to participate in a respectful environment. (For more information on designing appropriate and effective community engagement strategies see Johnson 2004; AccountAbility 2005; Community Engagement Network 2005; Creighton 2005; Dare *et al.* 2008.)

#### *Information needed to inform design*

When designing community assistance measures it is important to carry out a thorough assessment of the likely impacts of the structural change on communities, including socio-economic impacts. For example, an assessment of likely impacts from the cessation of logging in the Wet Tropics highlighted that some communities would be impacted significantly more than others (Lynch-Blosse 1991). This information enabled improved targeting of subsequent community assistance funding.

Assessment of socio-economic impacts should examine the ways different groups are likely to be impacted by change and their capacity and interest in taking part in community engagement activities and in the development and implementation of the SAP. Together with community members, participatory impact assessments also typically work to identify potential community activities that could assist in mitigating negative impacts of structural change. One example is the use of forest workers' labour, skills and machinery to help in the development of public open

spaces that provide long term benefits to the whole of the community, including recreational facilities and amenity services.

*Considerations for setting and evaluating assessment criteria*

The first consideration in the development and evaluation of community assistance measures is identifying the goal of the overall assistance package. Does the SAP aim to provide new economic opportunities for the community, income support for existing businesses, or broader forms of assistance aimed at supporting whole communities impacted by structural change? Depending on the goals of community assistance, assessment criteria may need to be quite broad, encompassing the diversity of potential SAP applications. Where community assistance is delivered through project funding, criteria for assessing applications for funding may include:

- whether the proposal will provide benefits and be accessible to groups impacted by structural change (for example, forest industry workers) or deliver an overall benefit to the community, and the longevity of potential benefits
- whether the proposal will lead to self-supporting activities after initial funding is provided
- consistency of the proposal with the broader strategic goals of the community
- cost effectiveness and feasibility of proposed activities
- requirement for a minimum financial or in-kind contribution by the applicant.

Previous community assistance programs have typically involved competitive application rounds, with a specific amount of funds available for projects. It is therefore important that proposals are assessed against robust and transparent criteria that may include judgments of the cost effectiveness of a proposal. For example: Will a larger number of people benefit from the proposal or a select few? Will this benefit be felt in the long term, or is a short term benefit anticipated? It is important to note that short term activities may be as important as proposals that specifically provide long term benefits. For example, providing funds for a community fair or sporting occasion may only bring one day of activity to a community, but that activity provides an opportunity for people to meet and talk, an outing for families who may be suffering financial and emotional hardship and, by giving communities something to look forward to, boosts community morale, which may have longer term benefits.

It is important to consider the extent to which a community or business should be required to contribute their own funding in order to be provided with SAP funding. A SAP that does not provide a high enough proportion of the total funds may lead to a low take-up of the assistance, and to perceptions that the SAP was not developed in good faith. Rather than setting a specific financial or in-kind contribution requirement, requirements may vary depending on the capacity of those applying for assistance to contribute.

## 5.6 Assistance to develop or maintain social and human capital

When designing and implementing a SAP, the role of local human and social capital should be considered in addition to specific forms of assistance to workers, businesses and communities. A SAP that enables enhancement and best use of local social capital can produce greater benefit than a package that provides funding with no consideration of how it can leverage and build local capacity to adapt to change.

Research in the fields of human adaptive capacity, social resilience and vulnerability to change suggests that many factors influence the ability of individuals and communities to adapt to change (Turton 1999; Yohe & Tol 2002; Brooks & Adger 2004; Adger & Vincent 2005; Armitage 2005; Smit & Wandel 2006). These are categorised as:

- **Social capital:** Often referred to as social networks and norms of trust and reciprocity ‘that create the glue that holds a community together’ (Alston & Kent 2004, p. 98), social capital connects individuals and groups of people within and across communities through trust, reciprocity and social relationships (Putnam 1995).
- **Human capital:** an individual’s education, skills and expertise, personal security, literacy, health and resources to manage and innovate. This includes a person’s intellectual capital – the knowledge they have built up over their lifetime and their ability to learn from past events and manage risk.
- **Financial/economic capital:** the diversity of the economic base on which workers depend, individual and family income levels, and economic wellbeing all influence ability to adapt to change.
- **Natural and physical capital:** the availability and distribution of resources, both natural and man-made.

Assessment of the nature and role of all these ‘capitals’ can assist design of SAPs; we focus here on discussing social and human capital, as we argue that they are particularly important considerations. Structural change can negatively impact on social capital: Alston and Kent (2004) noted that in areas where families and communities are negatively impacted by drought, one consequence has been a reduction in social capital and community participation, reducing a vital source of support for those under stress. Changes in the publicly owned native forest timber industry have also been recognised as having significant potential to reduce social capital. For example, the NSW Draft Interim Forestry Assessment Report (Resource and Conservation Assessment Council 1996) acknowledged that:

Long term uncertainty is erosive. Communities only thrive where there are individuals with resources who make commitments of time and energy and, frequently, money and who take risks. A community that is not investing in itself is unlikely to thrive.

While the concepts of human and social capital may seem a somewhat academic topic that offers limited benefit to a practical guide to designing SAPs, understanding their critical role in influencing an individual’s or community’s capacity to adapt or adjust to structural change can enable the targeting of cost effective and efficient assistance measures that support and enhance existing capacity within the community. In particular, social capital is critical because a person’s social networks provide them with sources of ongoing emotional support, as well as practical assistance from

friends, family and the broader community. Recognising people's ability to use human and social capital to respond proactively to change provides a basis for designing assistance packages that complement existing capacities, and encourage people to make best use of those capacities, in adapting to change.

Results from the upper north-east NSW and south-west WA case studies found that existing social capital was an important factor that helped forest industry workers and communities adapt to changes in access to publicly owned native forests for log harvest. Strong social and peer networks in the communities involved provided emotional and practical support for those impacted by structural change, as well as an informal means of spreading information about the SAPs and future opportunities. Opportunities for social interaction related to the RFAs sometimes helped to strengthen the bonds provided by social capital: study participants reported that participating in rallies and protests during the RFA process strengthened the networks through which impacted workers and communities found ongoing social support and resources. The challenge is to encourage and sustain the development of supportive social networks that assist people to adapt to change, and which help reduce stress and improve the psychological wellbeing of those affected by structural change.

#### *Forms of assistance aimed to develop or maintain social capital*

While the production of positive social capital is a natural, rather than imposed, process, it can be supported through formal measures such as ensuring access to local health and welfare services, supporting community groups and events, and supporting participation of stakeholders in SAP related activities. SAP measures that are put in place with the aim of maintaining or increasing social capital may be administered through funds for which different groups apply, or via direct administration of resources to key groups. The latter may be appropriate for providing additional resources to existing government and non-government welfare agencies to provide specific services related to the SAP, while the former is useful to encourage creative ideas for community events or other activities.

The 'provision of adequate and accessible services' (Alston & Kent 2004, p. 104) within a community such as health and welfare services assists the maintenance of both human and social capital through providing support for people during times of stress. These services are typically accessed more frequently in times of higher financial and psychological anxiety. While discussing impacts of drought, Alston and Kent (2004) highlighted the use of health, welfare, financial counselling and social work services, in addition to specific drought assistance services. These diverse forms of assistance interact and work best when all are made available. While they are highly formal compared to the often informal social networks that people rely on in their community, they provide a critical adjunct that can prevent social networks from failing under the pressure of ongoing stresses relating to structural change.

Community groups are often important meeting places where both formal and informal social and peer support are provided in times of stress. Supporting community groups 'through paid administrative help, adequate resourcing and support' (Alston and Kent 2004, p. 104) can ensure they have the capacity to play a positive role in assisting those impacted by structural change, and can help to maintain existing social capital that could otherwise be lost. This type of assistance can enable community groups to better assist people affected by structural change

through means such as the organisation of social opportunities, counselling, facilitating sporting activities or children's playgroups, or simply allowing for previous services to be maintained when groups may be facing loss of resources and volunteers due to forestry workers being made redundant or shifting away from the area.

Another approach to maintaining and developing social capital is providing resources to assist stakeholders to participate in working groups, negotiation processes, or other discussions occurring as part of structural change or SAP implementation. This may be through financial assistance that helps to pay for travel and other associated costs, or direct assistance such as childcare while meetings are held. It may include supporting industry and non-industry representative groups to provide networking and support for their members during the structural change process, a period when these groups often experience decline in membership fees and resources as members exit the industry, but when their members often need the greatest support. This type of support can ensure continued access to existing industry networks, facilitating communication and discussions related to the SAP.

Finally, social capital can be supported through providing funding for community events, or facilitating local groups to sponsor them. These events might include festivals, sporting events or other activities that provide a focal point for people to come together and a positive activity for the community during a period of stress.

Some of the measures discussed in the previous sections on employee, business and community assistance play an important role in maintaining social networks and providing peer support. In the upper north-east NSW and south-west WA case studies, one of the most important benefits that redundant workers received from training programs was the opportunity to spend time with their friends and colleagues, to discuss their concerns and their ideas for the future. This often was described as being as beneficial as the skills obtained via training.

With any of the measures described above, social capital is best supported by providing resources such as funding which can be accessed by the individuals and groups that play a crucial role in social networks and support in the community, such as non-governmental organisations, industry representative groups, festival organisers, or government or non-government welfare agencies. This can be done either through establishing a fund to which any of these groups can apply for assistance, or through directly targeting key groups. The former approach, if adequately promoted and communicated, may be better in terms of ensuring groups that are less visible have opportunities to apply for resourcing.

Similar to other measures, the use of community consultation and participatory processes can help to improve the design and implementation of measures that assist in the development and maintenance of social capital (see Section 6).

#### *Information needed to inform design*

The design of SAP measures that are intended to enhance or support the use of existing human and social capital should be informed by an understanding of key formal and informal social networks and norms in the community, how structural change may impact these, and the capacities and opportunities for adaptation that can be used via these networks. This type of analysis can reveal unexpected sources of

human and social capital. For example, an evaluation of measures used in NSW to reduce negative impacts associated with structural change in native forests in the late 1990s found that workplaces were an important source of social capital: social clubs and other work-related social opportunities supported the development of strong social ties among workers and their families (Rush Social Research Agency 1998).

The assessment should clearly identify the types of stress structural adjustment may place on existing social capital (including both formal and informal community and industry groups and networks, volunteering in the community, and community services and clubs), and what types of assistances may help support maintenance of social capital, or the development of new types of peer and community support that specifically assist adaptation to structural change.

*Considerations for setting and evaluating assessment criteria*

Criteria for evaluating applications for funding to support social capital need to be broad enough to encompass the diversity of existing formal and informal social networks that may need support, as well as creation of new support networks and linkages across groups (e.g. several groups may seek to work together and request funding for a jointly employed administrative assistant to coordinate their joint activities). The length of time over which support will be provided needs to be considered. If the goal of the assistance is to maintain and support social and human capital during the structural change process, it can be expected that at some point, support will no longer be needed. At the same time, it is important to acknowledge that this may take some time, particularly in cases where the structural reform process involves several years of negotiations before the final agreements are made.

## 6. Designing an effective process: design and delivery of SAPs

The successful design and delivery of SAPs requires several factors including:

- involvement of affected and interested stakeholders
- assistance measures that are well targeted, based on a good understanding of the social, economic and historical context
- careful timing of design and delivery
- clear and transparent communication through the whole process, from the early design stage through to the final evaluation of the SAP's efficacy
- comprehensive guidelines on how the SAP process will work, including clear eligibility criteria and dispute processes
- good implementation processes
- both ongoing and final monitoring and evaluation.

Careful consideration of these factors is important to provide effective support and to help ensure that stakeholders consider the process and its outcomes to be fair (McGuffog & Western 1995; Minnegal & Dwyer 2008), although perceptions about the fairness of the SAP will be influenced by the perceived fairness of the structural change itself (McGuffog & Western 1995). The importance of a good implementation process is highlighted by Lynch-Blosse et al. (1991) in their evaluation of the Wet Tropics SAP. They found that inadequate resourcing led to delays in implementation of the package and that this had a range of negative impacts on those affected by the structural change. They argued that:

To a significant degree, adjustment packages “stand or fall” on the basis of their implementation procedures. An effectively delivered, albeit conceptually flawed package may well be of greater utility than a poorly delivered package with a more well (sic.) developed rationale (1991, p. iv).

As discussed frequently through this report, it is essential that the process of structural change, the design of the SAP (including eligibility criteria) and the SAP implementation process are made clear, and that decision-making processes are transparent. This helps stakeholders to understand how the structural process was developed, how their concerns were considered, and how they can best apply for assistance. Such clarity also helps to generate trust in the process, and subsequently trust in the government representatives implementing the SAP, thus reducing uncertainty and opportunities for misinformation. Trust is important in these situations because applicants often find the structural change process to be complex and emotional. Ensuring clarity and transparency is important for each of the issues discussed in the following sections.

### 6.1 Stakeholder involvement in SAP design

While the use of participatory processes in the development of agreements such as the RFAs has become common, it is relatively rare for stakeholders to be directly involved in the design of SAPs. Macintosh et al. suggest that

Affected stakeholders should be given an opportunity to participate in the decision-making processes concerning the structure of the program in order to improve outcomes and increase community acceptance of the results. (2010, p. 586)

It is relatively common for stakeholders to be represented on the committees reviewing SAP applications. For example, industry representatives in south-west WA sat on the Timber Industry Assistance Review Committee, which reviewed applications in cases where a decision could not be made during the initial round of the review process, and on the Worker Assistance Advisory Committee, which oversaw the management and administration of the Worker Assistance Program (AGWA 2005). Given that this type of representation in the administration of SAPs is considered appropriate, it makes sense to ensure stakeholders have opportunity for input to the design of SAPs.

This type of stakeholder involvement, together with the use of independent experts, is likely to assist in identifying unintended negative outcomes of SAPs and ensuring assistance is optimally targeted. The stakeholders to be involved may include those likely to be impacted by structural change, either directly or via representatives, and the groups who will be involved in implementing different SAP measures, such as financial counsellors and locally based service or welfare groups.

### 6.2 Well-targeted support

Effective and efficient SAP measures are required that target assistance to those who need it the most, via situation-appropriate support mechanisms. It is therefore essential for those designing and implementing SAPs to have a comprehensive understanding of the industry being assisted, the types of people seeking assistance and their likely needs, and the communities likely to be affected by structural change. Knowledge of the social, economic and historical context of the structural change can help to determine the likely capacity of impacted stakeholders to adapt to proposed changes. As discussed previously, such information can be obtained through social impact assessments undertaken prior to finalising the SAP design, or using other appropriate methodologies.

### 6.3 Timing of SAP assistance

SAPs should be implemented as early as possible, and continue long enough to ensure that all people who are eligible for the program have the opportunity to apply. Early implementation is important because, as discussed earlier, structural change has social and economic impacts from the anticipation phase onwards, as seen in the south-west WA and upper north-east NSW case studies (see also Walker *et al.* 2000). For example, businesses may begin to downsize by reducing their number of employees before the government enacts final decisions, highlighting the need for SAP eligibility criteria to reflect the length of time stakeholders have been impacted by structural change, including the time prior to formal decisions regarding structural change.



While immediate support is encouraged, it is limited by the practicalities of the SAP design and approval process. Therefore intermediate forms of support may be required. In south-west WA for example, a 'one stop shop' was set up by the South West Development Commission with state government and community support in 2010 to provide information and assistance to workers and members of the community in response to the proposed closure of a large sawmill. Some participants involved in the coordination of the 'one stop shop' felt that this anticipatory response may be seen as an over-reaction to what was a proposed closure only at that stage, but felt that it was better to respond too early, rather than too late, which could be the case if they waited until the business closed. A second means of providing intermediate support, available through the RFA FISAPs, was the use of 'pre-retrenchment assistance' that provided training and counselling prior to the closure of the business, with the aim of helping workers move quickly into new employment (DAFF 2007).

Once the SAP is approved, calls for applications should be made promptly. It is important to allow adequate time for potential recipients of funding to put together their application, particularly as they often take time to complete. Submitted applications should be reviewed promptly so that support funds and other support measures are made available within a time frame that allows the recipient to adapt to structural change effectively. Previous SAP evaluations have found that there is a limited time frame in which to make funding available before additional negative socio-economic impacts are felt. In their evaluation of the Wet Tropics SAP, Lynch-Blosse et al. (1991, p. ii) found that administrative and payment delays 'made it very difficult for a number of recipients to either establish new operations or expand existing businesses' leading to further social and financial difficulties. Similar findings were noted by VAGO (2002) regarding the Victorian FISAP. At the individual and family level, some forms of financial assistance such as mortgage or rental assistance, or funding to travel to job interviews, may be required rapidly to have the greatest positive effect.

Assistance funds are often released to the recipient over a period of time, and may be dependant on specific milestones being met. For example, the Tasmanian Forest Contractors Exit Assistance Program provided businesses with 75 per cent of funds immediately, but in order to receive the final 25 per cent, businesses were required to show they had met all employee entitlements and either sold their machinery, or ceased use of machinery in the native forest industry (DAFF 2010). The aim of this mechanism was to provide businesses with the funds they needed to close, while also providing incentives for them to follow the SAP guidelines. It is common for redundancy payments to be provided as a one-off payment. For example, the 2010 NSW River Red Gum SAP provided redundant workers with a one-off ex-gratia redundancy payment of just over \$80,000 (NSW Department of Industry and Investment 2010). There may also be scope to provide redundancy payments on a weekly to monthly basis until a set amount has been provided. This mechanism could help families to manage their household expenses, and provide a regular income source.

SAP programs need to be open for period that adequately reflects the time over which impacts of the structural change may occur. It can take time for businesses and families to decide how they will respond given their commitment to the industry, their employees, and the businesses they have established over a period of many years. Similarly, workers also feel commitment to the industry and their work, and may be concerned that they have few opportunities for other employment.

#### *6.4 Communication and information transfer*

It is important to inform all potential applicants about the SAP's availability and guidelines. Effective communication helps people to decide how they will respond and increases the program's transparency. Robinson et al. (1981) found that a lack of adequate communication about both the existence and nature of SAPs to potential applicants was a critical factor in the failure or lack of uptake of some previous programs. Similarly, interviews conducted in upper north-east NSW and south-west WA case studies indicated that some participants had responded to structural change based on an incorrect understanding of the SAP. In these cases, they either did not realise they were eligible for assistance, or misunderstood the guidelines they were required to follow. In the south-west WA case study, poor communication about SAPs to impacted stakeholders resulted in some believing the program was not designed or implemented in good faith.

Communication needs to be well planned, preferably using a variety of techniques to target the diversity of information sources preferred by different stakeholders. For example, the WA FISAP program developed a communication plan and prepared 'information kits, briefing programs and newspaper inserts to ensure a positive consistent message is delivered promptly and accurately' (AGWA 2005, p. 8).

Common communication methods used to provide information about SAPs include:

- advertising via the public media (newspapers, radio, television)
- printed or electronic brochures and newsletters sent to potential SAP participants. These may continue during the implementation of the SAP
- distribution of information via industry networks, including industry representative organisations and business networks
- posting information on websites
- public meetings
- a toll-free telephone information service. Ideally, the service should be available after normal working hours, to enable people working long hours to access the service

- on-ground liaison staff, providing information at ‘one stop shops’ and attending key industry and community events to ensure information about the SAP is delivered<sup>7</sup>
- delivering information via service providers and community facilities such as charities, churches, and government departments such as Centrelink (which may need to increase staff numbers to ensure they can provide advice on the SAP).

In addition, a lot of informal communication will occur about SAPs through social networks in the community. This needs to be partnered with good communication from government to ensure that accurate information is available to those who hear about the SAP ‘through the grapevine’, as otherwise there is high potential for misinformation about the SAP to be communicated via informal networks.

Several factors may hinder effective communication, including:

- low literacy levels
- the time required for people to remain informed of the structural adjustment process and SAPs. Many forestry workers work long hours in the field, restricting their ability to access standard forms of media or attend meetings. In addition, many forest contractors operate small businesses that have few administrative support staff available to keep up with such information
- difficulty in identifying all businesses, workers and other potential applicants. This is particularly the case for small businesses who may not be a member of formal industry organisations and have fewer links with industry networks
- limited participation in the consultation processes, either because an individual feels they are represented by their industry organisation or they do not have the time or resources to participate. This can result in people failing to actively ‘keep up’ with the latest news regarding SAPs
- limited access to the internet if this is heavily relied upon for communication and application processes.

These various challenges can be overcome by using a mixture of the communication strategies outlined above, and designing these strategies well so that information reaches the diversity of people potentially affected by structural change. It is important for the government to encourage people to stay informed while also working to inform potential applicants about the SAP.

There must be continuing communication about the SAP over its lifetime. It is important not to restrict advertising and applicant support to the initial period of structural change. In particular, if changes are made to the eligibility criteria or other guidelines these need to be communicated widely to stakeholders to ensure the process remains transparent and that potential applicants are aware of changes. For

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<sup>7</sup> Liaison officers may also provide continued support through follow up telephone calls or personal visits over several months. Experiences in south-west WA indicated that trust in these support staff is a crucial element, suggesting that support staff who have already had a presence in the local or industry community should be used where possible.

example, changes were made to the Worker Assistance Package in south-west WA during the life of the SAP. While updates were made to presentations and brochures, and information delivered via interviews and phone after these changes were made, revised guidelines were not published or provided to applicants, leading to concerns about transparency and equity (AGWA 2005).

It is essential that those responsible for providing information about the SAP are able to effectively answer stakeholders' questions about the assistance package. For example, it is essential that the recipients of SAP funding are provided with clear advice on any resulting taxation implications; previous SAP evaluations have highlighted concerns that government representatives were unable to provide such advice (see EPA 2008; Minnegal & Dwyer 2008). Minnegal and Dwyer reported that, while government officers undertook visits to ports to explain to fishers the nature of the 'Securing our Fishing Future' package, most fishermen felt the meetings had been 'unsatisfactory because the government officers were unable to provide information concerning matters that were ambiguous or not covered in the original document' (2008, p. 1064).

### 6.5 Application process

An effective and transparent application process is essential to ensuring a SAP is implemented equitably and efficiently. Key issues to consider include (i) the need for clearly designed application forms, (ii) who will evaluate and judge the eligibility of applications, and (iii) the time required to evaluate and verify claims about business activity.

SAP application documentation should be as clear and simple to complete as possible, to ensure all potential applicants are able to apply for assistance. Evaluations of previous SAPs often have found that application forms were overly complex, confusing or otherwise difficult to accurately complete (see Robinson *et al.* 1981; Alston and Kent 2004; ANAO 2004; Minnegal & Dwyer 2008). This means applicants need to invest considerable time in interpreting forms, and particularly disadvantages those with limited literacy. It may also increase the cost of SAP implementation due to the complexity of assessing forms that have been completed incorrectly. For example, an evaluation of the Dairy Industry Adjustment Package found that 86 per cent of claims required further investigation beyond the application form, due to errors in the application as well as issues matching data in the application with that in existing databases (ANAO 2004). These problems may lead to questions about the equity and fairness of the process, and use up valuable resources that could be targeted elsewhere. For example, if financial counsellors assist people in making applications, the time devoted to interpreting complex forms may reduce their ability to assist in planning for business adjustments.

Preventing potential issues in the application process requires careful design of forms, and ideally testing draft versions with end users to identify problems before developing the final version (see for example ANAO 2004). There also may be scope to provide financial support for applicants to seek professional help from accountants or consultants in completing the application, to ensure they provide the correct data. The NSW FISAP guidelines stated that 'funding may be available to a maximum of 50 per cent of the total cost, to the maximum level of \$30,000, exclusive of GST' to assist an applicant to prepare a business plan, required in applications for Industry

Development Assistance (Department of Information Technology and Management 2001b, p. 7).

An important consideration is that of who will evaluate and judge the eligibility of applications. In most cases a panel including government and independent industry representatives has been established to review applications for assistance (see for example DAFF 2010). In the Wet Tropics SAP, an independent accounting firm was brought in to assess the amount of funding payable to businesses after a government panel determined whether the business was eligible for compensation (Lynch-Blosse *et al.* 1991; Tisdell 1997). In other processes, the decision on eligibility has been aided by development of evaluation models or algorithms aimed at identifying the applicants that best meet the eligibility criteria, or support organisations that should be awarded funding, followed by a panel making the final judgement on who will be awarded funding. These models and algorithms aim to achieve maximum gain in terms of the allocation of funds<sup>8</sup>. As discussed previously, the method by which applications are assessed must be clearly communicated when setting out the criteria and process for evaluating eligibility to ensure that applicants have full information about the process (ANAO 2009a).

Finally, the resources needed to administer the SAP must be thoroughly evaluated early in the process to ensure they are adequately provided for. As noted earlier in Section 6, inadequate resourcing of SAP implementation can lead to failure of the SAP to deliver outcomes. In previous SAPs, the costs of implementing the program have often been underestimated, with consequent difficulties in implementation, particularly in early stages. Previous examples include the WA SAP (AGWA 2005), the Great Barrier Reef Marine Protected Area (GBRMPA) SAP (Macintosh *et al.* 2010), and the Victorian FISAP, where initial funding of \$27.6 million was later increased to \$42.6 million (VAGO 2002). The mechanisms needed for implementation are also important. Will on-ground staff be put in place, or services delivered via existing agencies such as Centrelink? A review of the Fraser Island SAP found that use of a two-tiered implementation system – with one tier a management and administration body responsible for delivering funding and judging eligibility, and a second tier that worked ‘on the ground’, ensuring effective implementation and directing people to appropriate support services such as counselling – was very effective (McGuffog and Western 1995).

### 6.6 Decision-making processes and dispute resolution

Decision-making processes for a SAP need to be clear, transparent and consistently applied. They also must be accompanied by clear grievance procedures that enable applicants to receive feedback on reasons why their application for funding was unsuccessful, to appeal a decision they disagree with and to seek appropriate mediation of disputes. An evaluation of the WA SAP found that ‘no separate criteria or guidance was established for use by the [Timber Industry Assistance Review] Committee in assessing the merit of appeals’, and that in some cases, the outcome of appeals ‘were not considered consistent with Program Guidelines and resulted in

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<sup>8</sup> Most notably under the ‘Securing our Fishing Future’ SAP, although the ANAO (2009a) criticised the development and evaluation of the algorithm and its outputs in this case.

applicants not being treated equitably' (AGWA 2005, p. 20). This type of situation should be avoided through development and application of clear criteria for both initial decisions and review of appeals against decisions made regarding applications for assistance.

### *6.7 Monitoring and evaluation*

All SAPs should be continuously monitored during design and implementation, and evaluated once they are completed. Monitoring is important to ensure that the SAP measures are fulfilling their goals, to assess whether additional measures are required, and to allow changes to be made if necessary. Evaluation can be used to improve the future design and implementation of SAPs.

It is common for SAPs to be audited independently during and after implementation (see for example Rush Social Research Agency 1998; ANAO 2004; AGWA 2005; ANAO 2008; ANAO 2009a, 2009b). Monitoring will be most effective if the results can be used to make changes to the design and implementation process if necessary. For example, early and thorough monitoring of the delivery of a SAP can prevent problems related to inadequate resourcing that would otherwise limit the SAP's implementation (ANAO 2004). However, any changes that are made must be clearly communicated to potential applicants, as previously highlighted in the above discussion on communication.

SAPs must be designed in a way that ensures they can be adequately monitored, evaluated and audited, particularly given the large amounts of government funds often allocated to SAPs. This can lead to a tendency to select relatively simple forms of financial and business assistance, such as exit or business development assistance, rather than providing support that is considered to have less tangible outcomes and be harder to measure, such as psychological counselling or support for community events and networking. However, the latter can be monitored and evaluated; for example Lynch-Blosse et al. (1991) and McGuffog and Western (1995) both evaluate less tangible aspects of SAPs. Alternative forms of assistance should not be dismissed because of concerns about evaluation and auditing requirements.

In addition to monitoring and adjustment during implementation, SAPs should be evaluated after completion. This evaluation may focus on whether the SAP has achieved its goals. For example, Vieira et al. (2010) evaluated whether the 'Securing our Fishing Future' package achieved its goal of improving profitability in Commonwealth managed fisheries after the removal of excess capacity. Evaluation may also focus on the efficiency, transparency and appropriateness of the implementation process and governance (for example ANAO 2004, 2009a, 2009b).

## 7. Discussion and conclusion

Structural change affecting access to resources or markets has implications for those whose livelihoods draws on these resources and markets. The goal of SAPs is to assist workers, families, businesses and communities adapt to structural change by providing support and opportunities for positive change in order to minimise negative impacts, although there are a variety of perspectives as to which types of impacts should be targeted. While common, SAPs remain controversial and are often associated with debate about when and why it is justifiable to use taxpayer funding to assist private business operators dependent on a publicly owned resource and assist the communities who depend in part on the activities of these businesses (see McColl & Young 2005). In addition, the design and implementation of SAPs is in itself often controversial. Common issues include cost over-runs (VAGO 2002, AGWA 2005, Macintosh *et al.* 2010) and concerns about administrative delays (Lynch-Blosse *et al.* 1991).

While this report does not discuss the issue of when structural adjustment assistance may or may not be justified, it highlights some of the reasons for their use as noted in the literature. Many argue there are important moral and ethical reasons to support those who are impacted by changes in access to the resources their livelihood depends on (Chambers & Galloway & Associates 1998), particularly where there has been a previous expectation of continued access, and where this expectation has formed the basis of ongoing investment decisions. Social welfare is also a reason for assistance in the case of extreme events such as ongoing drought (Wilkinson 2005), despite this not being a case where deliberate structural change is being implemented.

While ethical and moral drivers are often used to justify the use of SAPs, arguments about economic efficiency have been more dominant over the past decade, with a focus on the argument that SAPs can help to achieve a competitive, productive industry in a fair and just manner (McColl & Young 2005). The majority of SAPs reviewed here draw on neo-liberal perspectives, the legacy of which is seen in examples of SAPs that have an explicit focus on improving efficiency and productivity through encouraging self-reliance (Botterill 2003; Rees & McGovern 2004). While encouraging measures that support individuals and groups to make their own decisions and actions, we have identified two key limitations in current approaches to SAPs that affect their ability to achieve their goals (whether these relate to improving social wellbeing or productivity and efficiency). The first is that a focus on delivering financial assistance in itself, without providing complementary measures to build capacity and other (non-financial) support, is often not enough to meet a SAP's goals. The second is that assumptions that money provided to one group will flow to the broader community are not always correct.

At the same time, there are economic justifications for providing structural adjustment assistance measures to deliver non-economic outcomes such as supporting and building mental health, human capital and social capital in impacted communities. These types of assistance can facilitate the transition to new employment and business activities, and arguably therefore help reduce the amount and duration of unemployment associated with structural change, consequently reducing taxpayer costs associated with social welfare payments. No thorough cost-benefit assessments have been undertaken in Australia to assess the net benefits of SAPs in reducing the amount and duration of unemployment, with more work needed to identify when, and

under what circumstances, SAP assistance is cost effective in terms of ‘avoided welfare’. Moreover, despite an overt shift in recent decades to improving business productivity and economic sustainability, debate continues as to whether, and under what conditions, SAPs reduce reliance on welfare. For example, Cockfield and Botterill (2006) argue that agricultural assistance programs still deliver ‘welfare’ outputs.

While there is debate about the philosophical goals of SAPs, we argue that irrespective of whether the goal is to achieve social justice, reduce welfare dependence resulting from structural change or facilitate a transition to a more economically efficient industry, it is essential to ensure SAPs include well targeted measures that recognise and respond to the social issues arising from structural change. Irrespective of the position taken on the ultimate drivers for SAPs, one of the central justifications for their implementation is their potential to minimise unemployment, with the assumption that minimising job losses and encouraging employment opportunities will provide a variety of social and economic benefits, or at least minimise negative impacts, for individuals, families and communities. We argue that specific attention to families and communities, in addition to a focus on businesses and workers, is crucial because this assumption does not necessarily hold: financial assistance to businesses and workers does not always or necessarily flow on to reduce the negative impacts of structure change on workers, their families, or communities.

Previous studies show that assistance in the form of grants or payments to businesses and workers is more effective if accompanied by appropriate support to mitigate the social impacts of structural change, such as financial and psychological counselling. Lynch-Blosse et al. (1991) found that the effectiveness of the Wet Tropics SAP was restricted by its exclusive focus on economic support. With their evaluation finding that ‘for many people, the social and psychological dimensions of forced industry contractions are at least as tangible and disruptive as the economic dimensions’ (p. 3), they argued that providing social support would have significantly improved the efficiency of the SAP in achieving its economic goals, through reducing the social disruption caused by the cessation of logging. We believe this is a common issue. For example, at the community scale supporting social capital, which is essential to the development of new creative economic and social opportunities, can help local residents to best use their existing capabilities and skills to imagine and realise new futures for their community. The measures that are chosen should therefore not rely solely on the provision of financial grants, but should also include on-ground forms of support that build human and social capital, such as financial and psychological counselling. This is not to say that financial assistance is unimportant; it is often critical, but its effectiveness in mitigating the negative social and economic consequences of structural change can be significantly improved if it is accompanied by measures that support and build people’s capacity to adapt to change, such as counselling or assistance for community groups providing critical support services.

There are financial and practical limits to the scope of SAPs. It is therefore important that they are designed and implemented cost effectively, and that they have sustainable long term outcomes, even if some measures focus on immediate outcomes. A common challenge is that of cost over-runs, which occurred regularly in the SAPs reviewed for this report. Perhaps the most prominent example in recent years is the Great Barrier Marine Park SAP, which was initially estimated to require a



total of \$10.2 million; after multiple changes and extensions it cost approximately \$250 million (Macintosh *et al.* 2010). Avoiding this problem requires careful design and implementation of SAPs, including completion of a thorough socio-economic impact assessment that clearly identifies the likely nature and distribution of impacts of structural change (both positive and negative), using an understanding of both the nature of the change and of the vulnerabilities and adaptive capacity of the different groups affected by change. These assessments need to be able to identify where and how to best target SAP measures to reduce negative impacts, and the types of support mechanisms that should be prioritised. The implementation of the subsequent SAP then needs to be efficient, transparent and well communicated, with clear opportunities for stakeholder participation as appropriate. SAPs should be implemented in a timely manner and include ongoing monitoring to provide as many benefits with the resources available, and to allow continued learning and improvement. These measures can reduce the risk of issues such as cost over-runs, and failure to meet SAP objectives.

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