

The collapse of a myth

BHP share crash hits steelworkers

Peter Stavropoulos (SEP candidate for Throsby)
22 September 1998

Having already suffered the loss of thousands of jobs and the destruction of working conditions, BHP steelworkers now stand to lose millions of dollars because of the collapse of the company's share price.

For more than a decade, management and the trade unions encouraged workers to purchase BHP shares with interest-free loans supplied by the company. Workers were led to believe that the share scheme was an easy way to make money.

Since the shares could be paid off slowly through dividend payments, no immediate cash was required, yet workers would end up owning a bundle of 'blue chip' shares. It appeared to be a limitless money tree. Nearly 80 percent of BHP's workforce joined the plan.

The *Australian Financial Review* has reported that in 1993 external consultants warned BHP its plan presented serious risks to its employees in the event of a share price downturn. Management ignored the warning. Now, five years on, the share price has plunged from a high of almost \$23 to around \$12.15, leaving tens of thousands of workers facing potential disaster.

Once workers leave the company--or are retrenched--they are liable to pay the full amount of their loans immediately. As a result, thousands of workers who have been retrenched, or are about to be retrenched, as in Newcastle, could lose their life savings.

Altogether, BHP workers confront losses of almost \$118 million on the 65.7 million shares issued since 1994. Moreover, having borrowed the funds from BHP to buy the shares, they owe the company nearly \$1 billion.

BHP has actually sold \$786 million of this debt to the Deutsche Bank. But with these loans now looming as a major bad debt problem (BHP still has \$190 million

outstanding) management is cynically professing concern for the plight of retrenched workers. In its just-released 1998 report to shareholders, BHP speaks of the 'hardship' forced on workers 'particularly where termination of employment is not voluntary and occurs with little warning, such as in the case of compulsory redundancies, or a sale of a subsidiary'. BHP will seek shareholder approval to amend the plan at its forthcoming annual general meeting. It will offer departing employees 'one of more' extensions of time to pay back their loans. Its real concern is not the workers, who still face massive losses, but the parlous health of its own balance sheet. In essence, management is asking shareholders for permission to carry hundreds of millions of dollars in non-performing loans for an indefinite period.

BHP workers are not the only ones facing ruin. Hundreds of thousands of workers in other blue-chip companies enrolled in similar plans. These companies include Telstra, the National Australia Bank, MIM, Amcor, MMI, Woodside Petroleum, Normandy Mining, North Ltd, Mirvac, and Orica. The NAB implemented a fresh loan plan just one year ago, with 21,600 employees purchasing 5.5 million shares at \$20.71.

Other companies heeded the 1993 consultants' warning and modified their share plans to abandon the loan aspect. Yet they still urged their employees to bank their financial futures on helping to drive up the companies' share prices. They included Qantas, Commonwealth Bank, Westpac, David Jones, Rural Press, Crane Group and FH Faulding. Thousands of workers still face heavy losses in these firms. In David Jones, for example, 40 percent of the staff bought shares in November 1995 at \$2 a share. Between them they now owe \$6 million. DJ's shares have fallen to

\$1.49. Managements found such schemes to be so financially beneficial and helpful in driving up productivity that 85 percent of the country's largest 350 companies have similar plans, with nearly 23 percent of these being loan plans.

The result presents not only a financial disaster but a political impasse. The companies and the unions had considerable success in pushing share plans under conditions where, after many bitter betrayals by the unions, workers increasingly lost confidence in the prospect of any collective struggle. The liquidation of the Soviet Union in 1991 added to the prevailing glorification of the market, including the share market.

Many workers turned inwards, looking for individual means to secure their future. By purchasing, in some cases, tens of thousands of dollars worth of shares and contributing a good portion of their pay to superannuation funds, many workers thought they had a 'nest egg' to fall back on.

The unions encourage workers to think they are 'part of the company,' sharing in the profits. Steelworkers often half jokingly berate fellow workers if there is a delay in production. 'My shares are going down in value, let's get rolling again,' they jest.

And shares increased in value as the attacks on jobs and conditions intensified. For a period, the more jobs that BHP destroyed, the higher its shares would rise. Many workers appeared to financially benefit from this process, further undermining solidarity. The union bureaucrats fostered this atmosphere by signing enterprise agreements to tie wages and conditions to ever-greater output.

Of course, even at the height of the share schemes, workers remained insignificant shareholders compared to the billions of dollars held by corporate institutions. Now, even bigger disaster looms as superannuation funds begin to buckle under the weight of share market crashes.

This is the end of a myth: that benefits trickle down to workers if only they help boost corporate profit. A basic truth has reasserted itself. The interests of the working class and the capitalist class are fundamentally incompatible.

The Socialist Equality Party stands for genuine and democratic workers' control over the tremendous social wealth produced through the collective labour of the working class. That can only be established by

abolishing the private profit system and placing the corporate giants like BHP under social ownership.

See Also:

Australia: Growing nervousness over economic crisis
[19 September 1998]

Why all are silent on the waterfront deal
[19 September 1998]

See the Election Campaign '98 web site of the Socialist Equality Party



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact