A new round of job cutting in New Zealand

A correspondent
8 June 1999

A fresh round of sackings and closures is underway in New Zealand, as the effects of the Asian financial crisis continue to flow through the country's economy. Industries as diverse as meat processing, mining, steelworks, library services and education are affected. Hundreds of job losses are occurring in urban centres and rural areas alike.

The renewed restructuring programs come as statistics show weakening exports and poor trade figures for the early months of the year. In February, a trade balance of just $NZ9 million was posted, compared with the usual surplus of $100 million for the period. In the three months to the end of February, exports were down 2 percent on the same quarter for the previous year.

Economic commentators claim that merchandise exports are now the weakest they have been since the Asian crisis hit two years ago. Meat sales are down by 11 percent, wool by 22 percent and paper and paperboard by 41 percent. The country's strongest export industry, dairy products, took a 3 percent loss, following a deterioration in butter and cheese exports to Russia.

The official unemployment rate is 7.2 percent, showing little change since March 1998. This compares with an average for the OECD of 7 percent. However, Statistics NZ, the government statistics department, recently released different figures that include workers without a job but not registered for unemployment benefits. These show the level of joblessness exceeding 11.3 percent.

Current and impending job losses include:

The North-Island based meat processing company, Richmond, closed its Otaki meat plant in May, with the loss of almost 100 jobs. The closure followed a $2.3 million loss on the company's half-year operations to March, and comes only seven months after a previous round of sackings and closures by Richmond and its main competitor, Affco.

The plant was one of the last significant employers in Otaki, a rural town just north of the capital city of Wellington. A quarry owned by Winstones, currently making concrete for a new sports stadium in Wellington, is also nearing the end of its contract and will then be shut down. The meatworks closure brings the number of unemployed in the town to 500 out of a total population of 7,500 people.

The losses currently hitting the meat industry, which once provided the backbone of the country's agricultural exports, are a product of falling world commodity prices. The crisis in farm production has seen national sheep numbers decline from a high of 73 million in 1984 to 48 million. Meat companies are being hit by lower margins, declining stock numbers and erratic flows of animals sent for slaughtering.

Richmond sustained losses despite an increase in revenue of $450 million, up 60 percent on the same period the previous year. This increase came after an earlier round of industry rationalisation in which Richmond took over a rival meat company, Lowe Walker. For the same period Affco also produced a worse than expected loss of $5 million, following total losses of $73 million for 1998.

Richmond chief executive John Loughlin warned last week that although his own company had no immediate plans to close any more of its own plants, there were still too many processing plants in the country's North Island for available stock numbers, and further closures were inevitable.

Similar predictions were made simultaneously by the principal South Island processing company, the Alliance Group. Chief executive Owen Poole said that within the next 14 months several more plant closures would be carried through and shift work would be imposed in the remaining Alliance operations. Round-the-clock operations have long been fought by the country's meat workers as a major attack on their conditions of work.

After 14 years of non-stop restructuring and job losses, the meat processing industry continues to decline. Since the mid-1980s, the international downturn in prices has coincided with the development of new technology in the freezing industry and cut-throat competition between meat processing companies. Over the past 15 years more than 14,000 freezing workers' jobs have been destroyed, with the shutdown of Otaki bringing the total number of plant closures to more than 30.

International competition in the meat industry is intensifying. In Europe a fortnight ago, New Zealand Trade Minister Lockwood Smith joined his Australian counterpart Tim Fisher in a joint approach to US trade representative Charlene Barshefsky over an impending decision by the American government to impose trade barriers against Australian and New Zealand lamb imports.

The decision, expected to be made this week by President Clinton, follows calls by American farming organisations for trade protection to halt the decline of the US meat industry. The lamb trade between Australia-NZ and the US was worth $NZ258.5 million last year, with New Zealand accounting for $139 million of this. Two years ago, New Zealand lamb shipments to the US were valued at $75 million. Without the US market absorbing much of the produce that had previously gone to Asia, the NZ industry would have been in a far worse condition.

Last week some 200 farmers held protests against the impending trade restrictions in front of the US embassy in Wellington and outside the US consulate office in Auckland. A delegation of three mayors from Southland said their region would lose about $10 million and would struggle to survive if the US tariffs went ahead.

Solid Energy, the corporatised state coal mining company, has announced plans to sack 120 workers, a quarter of its workforce, by the end of the year. The sackings will include 68 miners from the West Coast and Waikato regions and 53 general staff. The company's offices in Auckland, Wellington and Huntly will be shut down.

The announcement comes after substantial losses by the company over the past two years, largely a product of a 20 percent slump in coal prices since 1997, and also because of the depressed state of the domestic and international steel industry, one of the main customers for coal. Company chairman Tim Saunders claimed that without the restructuring, â€œthe company would not be able to existâ€•.

Prior to the present crisis, Solid Energy was being prepared for sale by the government, following 10 years of profitability after its formation into a state-owned enterprise in 1987. Major expansion plans had been put into place, with the aim of doubling exports to 3 million tonnes within four years.

After 1997, however, a new chief executive, former Brierley boss Jon

Hartley, was installed to implement a harsh cost-cutting regime. When the government tried to sell the company last year the bids were only a fraction of the $120 million book value, forcing the proposed sale to be put on hold.

For the six months ending last December the company made an $11 million operating loss, but foreign exchange losses on export sales contracts contributed a further $23 million to half-year losses. These losses are expected to balloon to $78 million in the coming period.

One of the hardest hit of the company's operations will be at Mount Davy on the West Coast of the South Island. Mining is to be scaled back because of unsafe working conditions there. Three workers were killed at the mine last year.

The Australian multinational BHP will make a decision this month about the future of its Glenbrook Steel mill, south of Auckland, which currently employs 1,200 workers. On a recent visit to New Zealand, BHP managing director Paul Anderson said he was â€œunder pressureâ€• to restructure the company's worldwide group of subsidiaries by the end of the financial year in June.

Glenbrook has been in financial trouble for several years, after initially being sold off by the Labour government, on the eve of the 1987 stockmarket crash, to the corporate raider Equiticorp. BHP bought the mill in 1991 when Equiticorp went under. Since then, Glenbrook has consistently failed to meet BHP's target of a 10 percent return on assets, which in turn is less than the owner's usual target for its subsidiary companies of 15 percent.

Reports in the financial press indicate that current returns from assets at Glenbrook are as low as 5 percent. The plant has already experienced a $50 million cost-cutting exercise, carried out in conjunction with BHP's 1997 cuts to its Australian steel-making operations, which reduced the Glenbrook workforce by 400.

Even if BHP decides not to close Glenbrook immediately, as a small, â€œunderperformingâ€• plant competing against worldwide steel producers beset by falling commodity prices and international overcapacity, Glenbrook has no long-term future. BHP has said that the steelmaking facilities at Glenbrook will not be replaced at the end of their working life, estimated at less than 10 years.

The country's most important library, the Wellington-based National Library, has announced a $1.9 million cost-cutting program that will place some of its most important collections under threat and slash 60 jobs from the library's 400-strong workforce.

The proposals have brought an outcry from academics, schools and musicians, all of whom depend on access to the collections and lending services offered by the library.

A complete review of the collection policy is planned, and is linked to a more nationalist emphasis designed to reflect a concentration on a â€œNew Zealand and Pacific focusâ€•. All non-New Zealand collections are up for review, along with the art collection and general collections such as fiction, medical, motor manuals and the business section. The library's shop will be shut and specialist services such as copying and microfilming are to be reviewed.

The musical library, which holds 12,000 music books, 100,000 scores, 12,000 CDs, 15,000 78-rpm albums and 6,000 LP's is under threat. Paul Roussell, a Wellington chorister, said he had been told the library was to get rid of its international music collection because it was â€œnot relevant to New Zealand and its bicultural statusâ€•. The contracts of music room staff end in July, putting a cloud over a service depended on by thousands of singers and orchestral musicians nationwide.

Schools are also alarmed that the cutbacks could mean an end to the school lending service, which currently provides the principal national research base for school students.

The Correspondence School, responsible for providing distance education for thousands of primary and secondary students throughout the country, has begun cutting staff in order to shave 6 percent off its annual salary bill.

The school, which employs 560, including 140 full-time staff in Wellington, provides correspondence courses for 20,000 students. Many of these students are from rural locations, but over half are among the increasing numbers who have been suspended or expelled from normal schooling or who have psychological or other special needs.

The school's $35 million budget operates under the government's â€œbulk fundingâ€• system, which means that its finances, including teacher salaries, are completely devolved to the institution's governing board. The school must make an invidious choice between staff numbers and the provision of education to students as the Ministry of Education changes its funding system away from one based on enrolment numbers.

In a report to the board, the school's director Errol Jaquiery claims that it is inadequately resourced for the number of its students. The report indicates that students will suffer as staff numbers are reduced and those remaining â€œwill have performance pressures applied never before experiencedâ€•.

Even further rationalisations are being prepared by a working party established to examine the feasibility of amalgamating the Correspondence School with the national distance education institution in the tertiary sector, The Open Polytechnic.

At the same time, the major trade training institution in the lower North Island, Hutt Valley Polytechnic, is also preparing to lay off staff. In this case, there has been a huge shortfall in student numbers this yearâ€”the result of a severe underfunding of the student allowance system. Many working class students can no longer afford to undertake tertiary study and new rules prevent young immigrants from receiving any allowance until after two years of residency.

The polytechnic's 211 workers have been given a copy of a staffing review prepared by a team of outside consultants. The chief executive responsible for implementing the cuts, Linda Sissons, has for many years had a close involvement with the trade union bureaucracy. She worked in the early 1980s as a personal assistant to NZ Council of Trade Unions president Ken Douglas. Between 1986 and 1991 she was the director of the government-funded Trade Union Education Authority, and is regarded in union circles as the country's leading expert in â€œworker educationâ€•.