

Australian companies axe thousands of jobs amid signs of downturn

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The onset of an economic downturn in the United States will increase pressure on Australian-based companies, particularly those in manufacturing and export, to scale back activity, cut costs and further downsize their workforces.

On February 2, Reserve Bank of Australia assistant governor Glen Stevens said the US downturn was threatening a global slump and would be a “serious problem for Australia—as it would be for all exporting countries”.

Stevens' statement is a sharp reversal of the bank's position of just two months ago, when it predicted smooth sailing for the Australian economy and rejected accusations that it was ignoring signs of an economic slowdown.

Indicators of a downturn were present even before the threat of a slump in the US emerged. A Dun and Bradstreet survey last November showed businesses expectations for profits, sales and employment were at their lowest ebb since the 1991 recession.

Sales expectations fell 10 points to minus 5 percent and employment expectations fell three points to minus 1 percent—the first negative results on these indexes for a decade. Profit expectations fell eight points to a 10-year low of 2 percent. Capital investment expectations dropped seven points to 7 percent—the weakest since 1994—and the inventory outlook fell three points to zero percent.

National Institute of Economic Research head Peter Brain also warned that low corporate sector borrowings in December were a sign that the sector “isn't as strong as people think”. Brain said the scale of borrowing, \$US11.33 billion in all, reflected the inability of many companies to pass on to customers the full impact of the recently introduced 10 percent Goods and Services Tax, as well as fuel and other cost increases.

The Howard government claims that the official unemployment rate, which rose to 6.7 percent in January, up from 6.3 percent in November, is due to fall in the first months of this year. Figures released by the Australian Bureau of Statistics in January painted a different picture, however.

Over the last six months the number of jobs has dropped by 35,000 as compared to a 215,000 increase in the previous six months. Moreover, the losses have been mainly in full-time jobs, which declined in number by 44,100 in January—the fourth successive monthly decline. The fall in full-time jobs was partially masked by a rise of 40,500 in the number of part-time jobs, resulting in an overall decline of 3,500 jobs.

The Master Builders Association, representing major construction companies, predicted last month job losses of between 70,000 and 100,000 nationally by the third quarter of this year as major building projects end. More than 5,000 of the job cuts will be in South Australia.

Australian Industry Group executive director Heather Ridout said last month that manufacturers hit by higher costs would “review their sales prices and trim operating costs” in the first part of this year. “The most likely responses of the sector will be to cut overtime and make inroads into their employment levels. After that, investment and expenditure on capital will be deferred,” she said.

Job losses

* Thousands of manufacturing jobs have gone over the past four months, suggesting that a slump is already underway.

In October, Tenix Defence Systems sacked 250 workers from its Williamstown shipyard in Melbourne. Another 2,000 jobs will go if the company closes the shipyard and locates all its operations in South

Australia.

A further 2,000 jobs were destroyed across Victoria during November. These included 640 from white goods manufacturer Email, 500 from South Pacific Tyres (Pacific Dunlop), 200 from General Motors Holden, 90 from automotive parts producer Preslite Australia and 120 from Qenos petrochemicals.

In December, soft drink manufacturer Bonlac announced it would shut its Victorian bottling plant and sack 170 workers. The company had already closed four manufacturing plants last year, axing 350 jobs. Oil giant Shell Australia announced it would shed 350 jobs over the next 18 months from its administration and commercial marketing divisions.

Hundreds of jobs have disappeared in New South Wales, including 40 from engineering company Electruck, 150 from Steel Tank and Pipe and 70 from E. Smith Engineering.

Highland Pine Products sacked 59 permanent workers plus a number of casuals from its Oberon sawmill, Defense Integrated Distribution Systems (DIDS) at Moorebank in Sydney announced it would lay off 450 and cosmetics firm Estee Lauder said it would sack 76 from its Rosebery plant.

At the end of last year BHP Steel confirmed it intended to outsource maintenance, security and the ambulance service at its Port Kembla steelworks at the cost of 900 jobs.

* Downsizing continues in the coal industry. Coal and Allied (C&A), a subsidiary of mining giant Rio Tinto, said it would cut 67 jobs at its Upper Hunter Lemington open cut mine in NSW by the end of March. Mining contractor Colrok on the NSW central coast sacked 250 workers, including 160 miners at the Southland underground mine in Cessnock.

BHP Coal announced 200 layoffs from its two mines at Blackwater, in the Queensland Bowen Basin, as well as 22 jobs from its three mines on the NSW south coast. Over the last two years, the company has cut its national coal mining workforce by 38.4 percent, destroying 2,143 jobs.

* The communications and information technology (IT) sector, once billed as the industry that would absorb unemployment and provide jobs for the future, is also shedding labour.

Telstra, Australia's main communications carrier announced last week it would eliminate 3,000 jobs

from its 6,000-strong Network Design and Construction division after eliminating 450 jobs from the section in November. This is on top of the 10,000-job reduction plan announced by Telstra last year, to be completed by mid-2002.

Online liquor retailer Wine Planet sacked 40 staff in November. The company also cut staff at its recently established UK office from 22 to eight. Computer Sciences Corporation, the holder of a \$160 million contract to deliver IT services to several federal government departments, sacked 230 staff. In December, call centre company Primus sacked 60 workers, including 32 casuals from its Melbourne operations.

News Corp's online arm, News Active, announced in January that it would slash its workforce by a third, from 150 to 100, on top of 20 jobs axed earlier last year. The company has already reduced staff in its US and British operations. Internet company LookSmart announced it would shed 172 jobs, 31 percent of its total staff. Fairfax's f2 Internet division froze staff recruitment last year enabling it to cut 200 jobs over seven months through attrition.

* Banking and public sector jobs continue to disappear. In November, the National Australia Bank and ANZ announced wholesale branch closures and restructuring, threatening nearly 6,000 jobs. In the nine years from 1991, Australia's four largest banks have eliminated 40,000 jobs.

More than 600 jobs will be axed when the federal government privatises National Rail this year and hundreds more jobs are threatened when the NSW government sells off FreightCorp. State-owned NSW energy provider Pacific Power laid off 100 workers employed on projects associated with the Eraring Power station in southern Lake Macquarie. In January, the federal Environment and Heritage Department announced it would outsource its corporate services section in Canberra, eliminating 150 positions by the end of the month.



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