Job losses in Australia continue despite claims of recovery

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At the beginning of June, Australian Treasurer Peter Costello seized on national account figures showing a 1.1 percent GDP growth for the March quarter as evidence that the "economy had roared back". "It [the report] has put paid to all the recession talk from some gloomy surveys," he proclaimed.

To put Costello's hype in context: if the figure been in the negative then, together with the 0.6 percent contraction for the December quarter, it would have placed Australia officially in recession.

Big business commentators were far more cautious. BT Funds Management chief economist Dr Chris Caton remarked that it was "difficult to believe that the Australian economy was really as robust in the quarter as a literal interpretation of the figures suggest."

A closer examination reveals the reasons for the caution. The small increase was fuelled in the main by a 2.2 percent rise in household spending much of it on credit card transactions. Credit card spending in January increased a massive 45 percent compared to the previous year, with the total debt rising to $18 billion—a record high. At the same time household saving plunged to a record low, falling to just 70 cents in every $100 compared to $5 in every $100 in 1996.

Housing and business investment were described as "weak," growing by just 0.8 percent and 1.8 percent respectively, despite the Howard government's pre-election budget which increased overall spending and included a $14,000 First Home Buyers Grant. Manufacturing output recorded its third consecutive quarterly decline, dropping to 3.9 percent.

Australian Bureau of Statistics (ABS) figures released this week confirmed a sharp downturn in home building during the March quarter. Housing starts dropped 2.7 percent to 27,603 dwellings—down nearly 40 percent compared to last year. It was the fourth straight quarterly fall for housing starts, which declined 1.9 percent in the December quarter and 32 percent in the September quarter.

Costello's claim that the economy was on the mend offered no comfort to those already out of work or who lost their jobs in the last three months. Figures released at the beginning of June showed that the jobless rate jumped from 6.4 percent in March to 6.9 percent in May—the highest level since September 1999.

The fragility of the Australian economy has been underscored by three major corporate collapses which have destroyed thousands of jobs in associated industries and suppliers.

The collapse of HIH, Australia's second largest insurance company, at the beginning of March, with debts of between $4 and $5 billion, is still reverberating with thousands of small and large-scale builders left without insurance coverage.

According to the Newcastle Master Builders Association, on the NSW Central Coast alone large building projects worth more than $100 million, as well as 343 residential building projects worth $47.3 million, remain on hold, affecting a total of 450 jobs.

The HIH failure has also impacted on other areas. Last month the Nagambie Private Hospital in Victoria had to close its acute service section as a result of insurance problems, sacking 15 workers and transferring the 50 remaining staff to other health services.

The collapse of Impulse Airlines in May, Australia's third largest domestic carrier, and its takeover by Qantas Airlines cost more than 200 jobs immediately. The future of the company's remaining 800 staff is still uncertain, but 120 jobs at Impulse's call centre in Newcastle will be axed.

A broader rationalisation is underway in the highly competitive airline industry. Last week the regional passenger carrier Flight West suddenly went into voluntary liquidation, ending services on 34 routes in Queensland and the Northern Territory and laying off over 400 staff. The sacked workers will have to wait for more than two months for severance pay.

The latest corporate crash, One.Tel, Australia's fourth largest communications company, resulted in the axing of 1,600 jobs with workers still owed entitlements totalling $19 million. Hundreds of small creditors have been affected and will be forced to cut jobs in the coming months. Open Telecommunication, a fast-growing software group, which is owed $500,000 by One.Tel, sacked 120 workers this month.

The One.Tel failure is bound up with the international decline in the high-tech and communications industries. A job vacancy index published by the Department of Employment, Workplace Relations and Small Business showed that vacancies in information and communication technology in Australia fell by 10 percent over the four weeks to mid-June.

Over 220 jobs will be axed by computer manufacturer Selectron Corporation at its plant at Wangaratta, as part of the company's worldwide cutbacks of more than 20,000 jobs. Compaq Australia will cut 20 jobs from its 1,400-strong workforce as part of a global downsizing of 5,000 jobs.

On June 5 Internet company OzEmail retrenched 50 workers from its Media Network, including web and content developers employed in the company's high profile SportsWatch and StockWatch.

Job cuts are expected in Australia as a result of plans by Canadian-owned Nortel Network to slash 10,000 jobs worldwide. The company employs 1,200 workers in Australia.

This week, a leaked internal document from Telstra, Australia's largest communications provider, revealed that the company will axe 602 jobs from its National Network Solutions unit starting in the next financial year.

Other layoffs over the last two months include:

* Western Australian shipbuilder Austral reduced its workforce by 200, to bring the total number of jobs lost over the past few months to 1,300. The workers were given only 10 minutes to pack their belongings and leave the premises. Management claims that the layoffs were caused by a sharp downturn in orders for new ferries. Only 12 months ago the company was named the Australian Exporter of the Year.

* Incat in Tasmania, another of Australia's showcase boat builders, announced in May that it was facing financial problems due to a downturn in the world market. The company introduced a four-day working week and cut its staff by 190 jobs. The decision will have a sharp impact on Tasmania, which has an unemployment rate of 8.2 percent—one of the highest in Australia.

* Printing company, Champion Forms, closed its operations in Sydney and Melbourne with a combined loss of almost 100 jobs. Again, outstanding entitlements, such as holiday and sick pay, remain unpaid.

* Shoe manufacturer, Windsor Smith, which has been gradually cutting back its workforce in Melbourne, announced last month that it will shed a further 25 jobs.

* Transport company Brambles laid off 20 workers from its Newcastle depot and TV broadcaster Prime sacked 37 people after closing down the local Hunter Valley news service last month.

* More than 70 workers from Greyhound McCafferty coach company lost their jobs at the beginning of this month when the company announced the closure of its Brisbane-based call centre.

* This week, the recently merged mineral company BHP-Billiton said that 200 of the 800 staff at its Melbourne head office will lose their jobs in the next few weeks. There is already speculation, however, that the actual figure could be as high as 300.