

Australian companies slash jobs to protect profits

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Throughout the five week-long election campaign in Australia, the ongoing destruction of jobs barely rated a mention. Yet, major airlines, banks, IT companies and other employers continued to axe jobs right up to polling day on November 10, and the job losses have escalated since.

Clearly the Liberal-National Party government, which just 12 months ago predicted that its economic policies would soon produce an unemployment rate below 6 percent, was anxious to deflect attention from what was taking place. The Labor opposition did not make job-shedding an election issue because it is equally devoid of any policies to create jobs or stem the corporate downsizing.

By their silence, both parties also conveyed to big business that, if elected, they would not oppose further restructuring. A report in *Australian Financial Review* last week pointed to layoffs becoming a deliberate strategy to shore up profit margins in the face of a world economic downturn. “Australian businesses will rely on mass job cuts to inoculate them from faltering global economies in the months ahead, with recent aviation, telecommunications and financial services redundancies set to be repeated across most industries.”

Just before the election, on November 5, the ANZ Bank released its October job vacancy survey, showing that job vacancies in metropolitan newspapers fell by 2.2 percent compared to the previous month and were 24.2 percent down from one year earlier. It was the lowest level of recorded vacancies for four and a half years. Internet-advertised job vacancies fell for the eighth consecutive month.

Two days before polling day, the Australian Bureau of Statistics (ABS) reported the official unemployment rate had increased from 6.8 percent in September to 7.1 percent in October—a two-and-a-half-year high. A sharp increase in people seeking work pushed up the number of unemployed to 697,000. In the state of Victoria, which has been hit by a wave of manufacturing job losses, the rate jumped by almost 1 percentage point to 7 percent. A similar result was recorded in Tasmania, where the jobless rate rose to 8.5 per

cent.

The ABS report also revealed that the decades-long trend towards the casualisation of the workforce continued unabated, with the creation of 74,700 part-time jobs during October, while more than 56,000 full-time jobs were destroyed.

Commonwealth Bank of Australia chief economist Michael Blithe predicted that “future economic growth is unlikely to be strong enough to prevent Australia’s unemployment rate increasing to 7.5 percent”. ANZ bank chief economist Saul Eslake forecast a rate of 7.25 percent early in the New Year.

Small businesses are also retrenching. Council of Small Business Organisations chief executive Rob Bastian said small business confidence had declined for three months and global recession could only worsen employment prospects in the sector. “Despite the confidence of the government, I don’t think anyone really believes we are divorced from the American situation.”

Having barely referred to the job losses throughout the election campaign, the *Australian Financial Review* published an election eve editorial entitled “Unemployment must return to the agenda”. Its main theme was that the incoming government would need to “liberalise” the labour market and “encourage” people off welfare to deal with the problem. In other words, wages, conditions and welfare entitlements had to be reduced.

As soon as the election was out of the way, some of the country’s biggest companies unveiled sweeping job cuts. On November 15, Qantas—Australia’s largest airline—announced plans to axe 2,000 jobs from its 35,000-strong workforce. This was despite confirming a \$1.5 billion expansion of its fleet, having increased its share of the domestic market from 55 percent to about 80 percent following the demise of domestic carrier Ansett in September.

The Qantas cuts will swell huge job losses in aviation. Before the election, the Ansett administrators revealed that even if a buyer could be found for the revamped budget carrier, over 8,500 jobs would be lost. They called for

redundancies throughout the workforce and closed the company's two call centres in Sydney and in Brisbane, eliminating 500 jobs.

Two of Australia's four major banks announced major cost cutting programs. The National Australia Bank (NAB) will carry out a restructure in the New Year, shedding more than 5,000 jobs. The NAB's profits fell from \$4.02 billion to \$2.08 billion in 2000-2001, its first profit decline in eight years. The result sprang from rising bad debts, exposure to the Ansett collapse estimated at between \$150 million and \$200 million, and a \$4.4 billion write-down from NAB's US subsidiary mortgage originator HomeSide—the largest write-down in Australian corporate history.

The Commonwealth Bank of Australian (CBA) indicated it planned to axe an undisclosed number of jobs, tipped to be in the thousands, by 2002. CBA's profits fell 11 percent to \$2.398 billion, following a 24 percent rise in bad debts. During November, the bank cut 35 jobs in its retail brokering section, Commonwealth Securities, and announced it would sell the business due to a slump in investor trading.

The remaining two major banks, ANZ and Westpac, also faced with falling profits and rising bad debts, are likely to match the NAB and CBA cuts. Between them, the four banks announced profits of \$8.3 billion, down from last year's \$9.1 billion. Westpac has already slashed 300 jobs this year.

The downturn in air travel following the September 11 attacks in the US, combined with growing global recession, is having a severe impact on Australia's tourism and hospitality industry. The Australian Bureau of Statistics figures for overseas arrivals last month revealed a 12 percent decline from the same period last year.

Five major hotels have closed and seven more are expected to shut before the end of the year. In Sydney, the Landmark Hotel will close in December with the loss of 450 jobs and the Gazebo Hotel has already shut down. The Australian Hotels Association said occupancy rates in four and five-star hotels had halved since September 11 and the Ansett collapse.

Jobs continue to disappear in the communication and IT sectors, once predicted to be a major growth area. The local communications industry is estimated to have shed over 12,000 jobs this year.

Vodafone Australia, a branch of the world's largest mobile communication corporation, announced this month that it plans to chop 1,100 jobs from its workforce of 2,400 in order to halve operating costs. **Optus Mobile** announced in late October that it would shed 900 jobs, due to a takeover by Sintel and the economic downturn.

On November 14, **Telstra**, Australia's largest

communications carrier, sold its \$100 million-a-year PABX telephone system maintenance and service business to telecom service provider Damovo, which plans to strip 600 part-time jobs and run the operation with a little over 200 full-time staff. Telstra later confirmed that it would shed 95 customer field officers, after slashing 28 field supervisors' jobs in September.

French-owned communications group **Alcatel** informed its staff this month it would eliminate 400 jobs from its Australian operations. **Commander Communications**, which provides phone systems to small business, will slash 110 jobs, including 30 service technicians and 70 middle managers. **Hutchison Telecom** announced that it would axe 500 jobs.

Corning International, the world's largest manufacturer of optical fibre, will shed 40 jobs at its Victorian plant in Noble Park near Melbourne as part of a global restructuring plan that will see 4,000 jobs destroyed worldwide. The company has already abolished 8,000 jobs internationally this year.

Job losses continued across the manufacturing sector. **Orica**, Australia's leading chemical and explosives manufacturer, this month revealed that it will shed 800 jobs, despite recording a \$125 million profit this year.

Kodak will axe 300 jobs from its 1,300-strong Australian workforce. Most will go from its plant in Coburg, Melbourne. Eastman Kodak is eliminating 7,500 jobs worldwide, following a drastic profit decline last year.

More than 300 meat industry workers have lost their jobs following the closure of the **Kilcoy Meat Works** in Queensland this month. The management claimed that the company had been losing \$150,000 to \$200,000 a week amid poor trading.



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