

# Corporate job-shedding continues in Australia

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Corporate job destruction is gathering pace in Australia, giving the lie to efforts by the Howard government to claim that the local economy will somehow prove to be an exception to the global recession.

Employment and Workplace Relations Minister Tony Abbott yesterday claimed that Australian Bureau of Statistics (ABS) employment statistics for November were a reason for people to feel “pretty optimistic” for Christmas. Yet, the data showed that 32,000 gave up looking for work during the month, causing a drop in the workforce participation rate, and this was the primary cause for a dip in the official jobless rate from 7.1 to 6.7 percent.

While total employment rose 4,000, the rise was restricted to the housing and retail sectors, which have been artificially inflated by the government’s doubling of the first-home buyers’ grant to \$14,000. The grant is to be reduced in January and phased out by June next year. The ABS report also emphasised that thousands of workers had been taken on temporarily for the November federal election. “It would be a mistake to presume that the deterioration in the labour market is over,” commented BT Financial Services chief economist Chris Caton.

The continuing fall in hiring was reflected in the ANZ Bank’s November job vacancy advertisement survey, which registered a 0.8 percent drop, to 18,948 jobs. It was the lowest level since March 1997, and followed a 2.2 percent decline in October and a 1.6 percent fall in September. ANZ chief economist Saul Eslake said the figures indicated that the demand for labour “would remain soft”.

Government ministers hailed figures showing growth in the construction and retail sectors, but this growth is likely to be short lived. Following two months of flat sales, retail spending rose by 1.3 percent in October. However, Retail Traders Association chief executive Phil Naylor warned on December 4: “If unemployment is going to increase, it will have an impact on consumer confidence and that is likely to translate into retail sales.”

Like the growth figures, the retail uplift is confined to housing-related items. Moreover, it is fueled largely by a huge rise in credit card spending, which is already producing a mountain of bad debt. According to debt recovery agent Dun and Bradstreet, personal bankruptcy figures rose by almost 30 percent over the past 12 months. These problems will be compounded once interest rates rise again.

Reserve Bank of Australia governor Ian Macfarlane last week issued a sombre warning about the global downturn, for the first

time calling it a recession and predicting no recovery before the second half of 2002. To underscore its concern, the bank announced yet another interest rate cut—the sixth this year. The quarter of a percentage point cut took the official rate to 4.25 percent—the lowest level since 1973. Since February, interest rates have been cut by 2 percentage points from 6.25 percent, without any appreciable impact on corporate job destruction.

Macfarlane sounded an alarm, warning that the global slump would have a “significant contractionary effect” on the Australian economy. In an extraordinary appeal, he called on major companies to stop trying to “please investors” and “prop up” their share price by slashing jobs whenever they announced lower earnings. This practice threatened to “exacerbate the downturn in the economy” by dampening consumption demand, Macfarlane said last week.

He even suggested that company chiefs should set aside individual profit considerations for longer-term benefit. “While the practice [of job shedding] may help one company when viewed in isolation, it is a serious error to think that companies in general can protect their earnings in this way,” he commented.

Business leaders gave his remarks short shrift. Australian Chamber of Commerce and Industry chief economist Steven Kates described them as “absurd”. Australian Industry Group deputy chief executive Heather Ridout said companies had little choice but to dismiss staff. A Business Council of Australia spokesman dismissively remarked that “wholesale downsizing is not one of the things CEOs enter into lightly”.

Business surveys confirmed that corporate chiefs have no intention of displeasing the financial markets by softening the jobs axe. The latest Westpac Bank business confidence survey for the three months to December found that only 15 percent of companies expected an improvement in business over the next six months, as opposed to 34 percent the previous quarter. A National Australia Bank survey reported an upswing in business expectations, but not enough to take on new workers.

Economic expansion through increased government spending was also ruled out this month. Federal Treasurer Peter Costello announced he would embark on a post-election round of spending cuts to maintain a narrow budget surplus. After months of claiming that Australia’s economic fundamentals were sound, Costello admitted on the Nine network’s *Business Sunday* program on December 2 that “world developments will take a toll”.

The IT and communications industry, once held up as the jobs

growth sector of the future, continues to shed thousands more jobs, on top of the 13,000 plus axed in this sector in the past 12 months.

Telstra, Australia's largest communication carrier, has led the way by cutting an estimated 8,687 jobs since June 2000, followed by One.Tel, which left 1,600 people without work after its collapse this year. The Public Sector Union predicted last month that the trend to downsizing in IT would continue until next June at least.

In late November, Telstra subsidiary Network Design and Construction announced that it would shed 800 jobs nationally, including 480 in New South Wales. It blamed the sharp downturn in the telecommunications industry globally. Telstra will also close its international directory call centre in Canberra affecting 115 jobs. On December 4, Pacific Access, another Telstra subsidiary, laid off 60 permanent workers and 30 contractors nationally following a staff review. The company produces directories for Telstra.

Electronic component manufacturing Solelectron announced last month that it would close its plant in Liverpool, Sydney within three months with the loss of 490 jobs. The company manufactures equipment for Compaq, Cisco and Hewlett-Packard.

Austar United Communication will shed 400 jobs in a restructuring of its pay-television company and Southern Cross announced in November it will axe 55 job from its Channel Ten television stations in Townsville, Canberra and Cairns. Accenture Australia, the country's largest group of IT consultants, employing some 2,500 people, cut its workforce by 200 last month. Of the 400 university graduates hired by the group this year, 176 have been stood down and placed on "flex leave".

In late November, broadband network operator PowerTel shed 32 jobs from its workforce, the company's second round of job cuts this year. The future of the 1,700 workers at Optus mobile phone continues to be uncertain, with the company announcing that it will close its business division for three weeks from December 24, forcing workers to take annual leave. The company has already cut over 400 jobs.

Telecom Corp of New Zealand, which operates ISP Connect and mobile resale unit Cellular One in Australia, announced in November that it was looking to slash costs due to falling profit margins. The TCNZ statement pointed to job cuts in Australia, saying it would use "shared service initiatives to cut duplications".

Cuts are continuing in the airline industry, on top of the 2,000 jobs shed by Qantas and the collapse of Ansett in September. Ansett's purchasers, Lindsay Fox and Solomon Lew, announced that they would only hire 3,000 of the 17,000 Ansett workers.

On December 6, administrators of the former Ansett subsidiary Kendall Airlines, one of the largest regional carriers in Australia, sacked 300 workers, a third of its workforce. The remaining jobs remain under threat unless a buyer is found.

More than 220 workers at the Ansett call centre in Victoria lost their jobs after the Fox-Lew syndicate decided to locate its main call centre in Tasmania to take advantage of state government concessions.

Last month Traveland, another former Ansett subsidiary, was placed in voluntary administration for the second time in two months after a potential new owner failed to raise needed capital. The development will affect up to 553 workers employed in more

than 100 outlets nationally. The company previously shed some 200 jobs.

Layoffs are continuing in the meat industry. Blue Ribbon sacked 430 workers from its meat processing plants in Launceston and Smithton in Tasmania this month. The company went into voluntary liquidation early this year owing \$13 million, including \$2 million in workers' pay and entitlements. Mackay Meats announced the sacking of 140 workers from its plants in Queensland.

Despite the upturn in retail sales, jobs are still being eliminated in the industry. Myer Direct will axe nearly 330 jobs after the on-line shopping operation was sold to a New Zealand company. The new owner will only employ 20 staff. Over the previous two months, Coles Myer destroyed more than 1,000 retail jobs.

Job losses continue in manufacturing and services. Hannanprint announced this month the closure of its plant in the New South Wales country town of Dubbo, destroying 200 jobs. The company cited the loss of printing contracts and tough competitive conditions.

In November, Mitsubishi Motors announced the layoff of 200 temporary workers by the end of December. This month, the company put a question mark over the future of 3,000 workers at its two plants in Adelaide. It asked the Howard government for \$140 million in assistance to retool its operations, on top of \$200 million that the government has already pledged. Mitsubishi executives reportedly stated that they could not decide the Adelaide operation's fate until the "issue of assistance is sorted out".

BHP Billiton announced it would close its underground mine at Catherine Hill Bay, south of Newcastle, by March with the loss of 80 jobs. The closure was originally due to take place at Christmas. The company is currently demanding a forced redundancy clause in a new work agreement covering its steelworkers, as well as the outsourcing of all maintenance work.

At the end of last month the Community and Public Sector Union said 1,400 jobs would be lost in the Northern Territory's public sector following an announcement by the territory's new Labor government that it will use natural attrition to reduce staff numbers and cut costs by \$35 million over the next 12 months.



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