

Australia: Unemployment rate climbs as major companies resume layoffs

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Following a recent lull in the wave of company collapses and downsizing across Australia, several major industries have begun large-scale layoffs and cutbacks. Indications are that another major round of job shedding is underway. April began with retrenchments by the Australian airline Qantas, the closure of an oil refinery in South Australia and further job cuts by the country's main communications carrier, Telstra.

The Australian Bureau of Statistics (ABS) monthly labour force survey for March showed, for the first time in three months, a rise in the unemployment rate, from 6 percent to 6.2 percent. The rise punctured government predictions at the end of last year that the rate would fall below 6 percent in the opening months of 2003.

Rather than the forecast jobs growth, the ABS figures revealed that 64,800 full-time jobs were destroyed during March. Unlike previous months, these job losses were not offset by any increase in part-time jobs, which grew by only 21,900. Macquarie Bank's chief economist Richard Gibbs warned: "Job vacancies and broader activity data suggests that further upward pressure on the unemployment rate should be expected in the coming months."

Attempting to dismiss the statistics, Prime Minister John Howard declared: "The employment situation in Australia is still very strong." Employment Minister Tony Abbott was more cautious, noting: "The prospects of getting unemployment down further aren't looking quite as bright now as they were a few months ago."

Abbott's admission is all the more remarkable in the light of the government's constant crowing that Australia's economy remained strong in defiance of international trends. Heralding a percentage point drop in the unemployment rate in January, federal Treasurer

Peter Costello claimed that despite a "weak" international economy there remained "underlying strength in the Australian economy".

By early February, however, the Reserve Bank of Australia was already estimating that economic growth would slow by a full percentage point in 2003, down from 3.8 percent last year to 2.75 percent because of a prolonged drought and uncertainty about the strength of global recovery. On April 15, a National Australia Bank survey of 900 companies reported that business confidence had crashed to its lowest level since September 11, 2001.

The ABS also reported a sharp decline in exports, producing a \$1.9 billion blowout in February's trade balance. Exports in February dropped 6.2 percent with an \$819 million, or 10 percent fall in non-rural products. February's result was the 15th deficit in a row.

According to the ABS, the plunge in exports resulted from the prolonged drought and weakening world economic growth. Commonwealth Bank Chief economist Michael Blythe predicted continuing trade deficits in the order of \$1 billion or \$2 billion "for some time". "The sticky mix of drought and weak global demand... are cooking up large trade deficits."

The building boom that fueled jobs growth in construction and home-products sales has petered out. In February building approvals dropped by 4 percent, following a 2.1 percent fall in January. Building approvals were 3.1 percent below the figure for the same time last year.

The March employment figures confirm the long-term destruction of full-time jobs, forcing people into part-time, casual and temporary work. Since the Howard government took office in March 1996, part-time employment has accounted for 56.3 percent of the

1,118,500 jobs created, even though more than three-quarters of the unemployed are looking for full-time work. According to an ABS survey released April 15, 37 percent of people who commenced work in the year to July 2002 worked part-time and over one-third (39 percent) of them would have liked to work more hours.

Travel and tourism have been hard hit by fears over the Bali bombing and now the US invasion of Iraq, compounded by concerns over the SARS outbreak. **Qantas** announced in April that it would shed 1,700 jobs. Another 3,500 employees have been forced to take accrued holiday leave. Qantas has now trimmed its 35,000-strong workforce by 5,200 since 2001.

The layoffs shocked the airline's employees, who accepted an 18-month pay freeze in 2001 to guarantee future employment. Qantas gained an unprecedented share of Australia's domestic market after the collapse of rival carrier Ansett in 2001, generating a \$631 million pre-tax profit last year. The Ansett collapse cost 16,000 jobs.

Australia's part-privatised communications carrier **Telstra** plans to shed another 1,000 jobs nationally, mainly from its National Network Solutions and Infrastructure and Services divisions. Those affected will be technicians, call centre staff and workers involved in the upkeep of the national telephone network. Layoffs began last week as the company moved to cut costs by \$280 million by the end of June.

Telstra slashed 4,700 jobs last year. Since 1997, the company has axed tens of thousands of jobs and outsourced many of its operations to prepare for the sale of the 50.1 percent of shares still in government hands.

Mobil Australia announced it would close its Port Stanvac Refinery in Adelaide, South Australia, destroying 400 jobs at the plant and another 800 jobs indirectly. The closure comes despite the workforce accepting job cuts and delivering enormous increases in productivity, and the state Labor government granting Mobil lucrative tax subsidies and other concessions from local councils. The closure is expected to further depress the state's economy, which lags behind the national average in key indicators.

George Western Foods announced it would close its biscuit and cake plant in the Sydney suburb of Marrickville at the cost of 200 jobs. A \$2.4 billion takeover of **Goodman Fielder** by Burns Philp

announced at the beginning of the year is to go ahead, resulting in the loss of 500 jobs. Goodman Fielder manufactures Uncle Toby products.

Fosters Group announced the closure of its brewing plant in Sydney within the next two years, eliminating 300 jobs directly. The company will begin winding down its operation from May.

Ricegrowers Cooperative is planning to cut 200 jobs in New South Wales and Victoria, blaming the drought. **Candy Shoe Company**, a subsidiary of Pacific Brands Holdings, will close its production facility in Geelong, Victoria in early May with the loss of 105 jobs. The company is relocating offshore.

Nardell Coal Corporation at Singleton in the Hunter Valley north of Newcastle was been placed in receivership in March with the loss of 100 mining jobs and debts of up to \$4 million. **Ralston Purina Australia** will close its pet food factory near Dubbo, west of Sydney, in April sacking its 94-strong workforce. Nestlé bought out the business.

Pacific National announced in March that it will sack 54 workers at its Lithgow rail maintenance depot and work would cease in April. The job losses are a direct outcome of the privatisation of freight services by the NSW Labor government. The company guaranteed all workers' jobs for three years after privatisation but reneged on the agreement. **Green Communications** in Sydney was placed in voluntary administration and acquired by Telecorp. The new owner said about 35 job losses would result.



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