

Australia: economic slowdown threatens to push up unemployment

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22 March 2005

Australian Treasurer Peter Costello has seized on another reduction in the official unemployment rate to try and dampen down concerns about stalling economic growth. Labor force figures just released by the Australian Bureau of Statistics (ABS) show that the unemployment rate remained at 5.1 percent in February, the same level as the previous month, and down from 5.2 percent in December.

On March 10, following the release of the figures, Costello told ABC radio's "World Today" program that the result demonstrated that there was still strength in the Australian economy. "There's still some oomph there because you're seeing it in relation to the creating of jobs—20,000 in the month of February," he insisted.

But as one leading economist pointed out, "[J]obs data is a lagging, not leading, indicator of activity". Other statistics released at the beginning of March revealed a ballooning current account deficit, record levels of debt and a slump in economic growth. The last quarter also saw the lowest growth rate in Australia for almost four years with the economy expanding only 0.3 percent.

With all these signs of an economic slowdown, the present downward trend in the unemployment rate could rapidly reverse in the coming months. Costello reluctantly conceded at the end of his interview: "I do believe, however, that demand is slowing, and I think the housing cycle is slowing as well. So you wouldn't expect in the next year the kind of job creation you've had in this year."

Adam Donaldson, a senior economist at UBS Australia, gave a more precise estimation of the job market, warning: "Employment will moderate in coming months with fewer jobs in labour intensive construction and retailing, which are two weak spots in the economy. Our view is that growth is in the process of slowing and that the labour market will eventually follow suit."

Signs of a slowdown in construction and retail—areas

that have provided much of the limited jobs growth over the last period—already emerged at the end of last year. Before the Christmas spending rush in December, retail sales in November rose by just 0.1 percent, after slumping 1 percent in October. Building approvals fell 0.3 percent in November to the lowest since 2001.

Job creation will be undermined by the Reserve Bank decision to increase interest rates by 0.25 percent interest rate this month and the prediction of a further increase for April. Even before the interest rate rise, a Westpac Bank's survey for March recorded a 16.6 percent slump in consumer confidence.

Costello's reference to job creation is deceptive on a number of fronts. The ABS figures for February showed that full-time employment grew by 37,000 and part-time jobs decreased by 17,900. However, job statistics for one month or even several months fail to provide a clear picture of the real employment situation.

The underlying trend over the past eight years has been towards the ever-greater casualisation of the workforce. Since the election of the Howard government in 1996, 40 percent of all new jobs have been casual. The most recent official figures show that 2.81 million people are employed on a part-time or casual basis. According to a recent report by the Australian Council of Trade Unions, Australia has the second highest proportion of casual workers of any developed country.

At the same time the official unemployment rate—while a useful indicator—tends to cloak the real levels of unemployment. Authoritative studies—such as one produced by the Australian Council of Social Service (ACOSS) in late 2003—show that when hidden unemployment is factored in, the real unemployment rate stands at around 12 percent.

Even as the Howard government heralds a decline in the unemployment rate as proof of a jobs recovery, several major companies have gone into receivership or revealed

plans for substantial downsizing.

In December, major automotive parts manufacturer **Ion** went into voluntary administration shedding 3,000 jobs in Australia, New Zealand and the US after being hit by a massive cost blowout in an expansion program. The company, which manufactures parts for Ford, Holden and Harley Davidson, had debts of over \$350 million, including \$135 million owed to National Australian Bank.

In a shock development in February, German-owned **Walter Construction Group**, Australia's 18th largest construction company, was put into administration with debts of over \$100 million. Over 500 workers in New South Wales and Queensland were retrenched with another 600 jobs under threat in the company's mining division. The company owes workers millions dollars in entitlements and hundreds of unpaid small sub-contractors are facing bankruptcy.

Also in February, **Bosnjak Holding Pty Limited** put its subsidiary **Westbus**, Sydney's largest bus company, into voluntary administration threatening the continued employment of over 800 workers. Westbus, which has debts of \$100 million, collapsed after failing to renegotiate loans with its major financier the National Bus Company. Even if a buyer is found in the months ahead, the operation will be restructured with possible heavy job cuts.

In the same month, the **National Australia Bank** announced that it was about to release details of an "efficiency review" of its Australian operations began last year. Financial circles are tipping a major restructure of the bank involving the destruction of about 2,000 jobs nationally.

Other failed companies and job losses include:

Giant milk producer **Parmalat Australia** shed 44 jobs in September. In October **Kodak Australia** finally closed its film and processing paper plant in Coburg, Melbourne axing over 600 jobs. In the same month clothing company **Fletcher Jones** closed its plants at Mount Gambier in South Australia and Warrnambool in Victoria with the total loss of 70 jobs. Most of the company's production has been relocated offshore.

In November the Commonwealth government announced the axing of 175 jobs from its Centrelink social security offices in Victoria's western region as part of a restructuring that could see the elimination of 3,000 jobs nationally. The future of hundreds of health jobs in New South Wales (NSW) also remains in doubt after the state Labor government in January officially slashed the number of area health services from 17 to 8. According to

the Health Services Union, about 625 jobs, mainly in administration, are expected to be cut.

In December, paint manufacturer **Wattyl** announced it was seriously considering closing its plant in the Sydney suburb of Blacktown, a move that will see 120 jobs axed. The company claimed it had suffered a 7 percent dip in profitability last year in its Australian operations. The last major job shedding by Wattyl was in 1999 when the company slashed its number of plants in Australia from six to three.

Also in December, furniture-company **BTH Industries** in Adelaide, South Australia, collapsed with the loss of 24 jobs and 65 jobs were shed when **Allied Engineering**, also in Adelaide, went into administration. The **Myrtleford Timber Mill** in NSW also slashed 59 jobs from its 350-strong workforce because of an anticipated slowdown in construction.

Another 200 jobs were axed when **State Electrical Contractors** in NSW was put into voluntary administration in December and 100 security jobs were lost following the collapse of **Events Security** that provided about 20 percent Sydney Airport's security requirements.

In January, **Lincraft**—one of Australia's oldest fabric retailers, operating 39 stores nationally—was placed in receivership threatening the destruction of 1,000 jobs. **Smorgon Steel** closed its tube-making mill in Sunshine, Victoria, in January with the loss of 70 jobs.

In February, **ABM Plastics**, with over \$13 million of debt, closed its production plant in Braeside, Victoria destroying 110 jobs. In the same month, **TI Automotive** in Kilburn axed 70 jobs after losing a contract to supply brake fluid and fuel delivery systems to General Motors. Another 50 jobs at the company remain at risk. About 300 jobs are threatened at **Coopers Standard Automotive** in Woodville North, South Australia, after the company lost contracts to supply auto parts for Ford and Holden. **Bundaberg Sugar** in Queensland also announced in February the closure of its sugar cane processing mill at Fairymead with the loss 75 jobs.



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