Australia: jobs decline amid signs of economic downturn

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Australian Bureau of Statistics (ABS) labour force figures for September showed the official unemployment rate climbed for the first time in five months to 5.1 percent, up from 5.0 percent in August. Significantly, the data also revealed a loss of jobs—25,900 full-time and 16,500 part-time. The total number of people in work fell by 42,300 to 10.022 million, with the largest drop of 25,600 in Victoria.

The rise in unemployment would have been higher except for a decline in the number of people officially looking for work. The participation rate fell to 64.5 percent from 64.8 percent in August. In all, the September result was the first loss of jobs for 13 months and the largest since March 2003.

Westpac senior economist Anthony Thompson said "the yawning gap between jobs growth and the rest of the economy has finally narrowed". He predicted further job losses in the months ahead.

Prime Minister John Howard attempted to play down the statistics. He has continually claimed that the declining unemployment rate over previous months was proof of his government's good economic management. Speaking to the media on October 12, he declared: "Employment always seesaws a bit. I don't think it's the beginning of a trend."

The fall in jobs, however, coincides with other signs of an economic slowdown, including downturns in those sectors previously responsible for jobs growth, such as manufacturing, construction and retail.

An ABS report showed that job vacancies in the August quarter declined by a seasonally adjusted 3.9 percent, totaling 137,700 compared to 143,300 in the previous quarter. The decline was driven by a 4.7 percent drop in private sector vacancies, including in construction, property services, utilities, wholesale trade, transport and storage, and communications services.

RBC Capital Markets senior economist Michael Every said the data was a strong indicator that employment was set to decline. He pointed out that job vacancies had fallen by 6.5 percent over the past two quarters.

The latest survey by the Australian Industry Group (AIG) and PricewaterhouseCoopers revealed a sharp decline in manufacturing activity. Their index of seasonally adjusted production fell to minus 2 percent in the September quarter as compared to 7 percent for the March quarter. The AIG declared this was the worst outcome since 1992.

Blaming a strong Australian dollar and the rising cost of raw materials, AIG chief executive Helen Ridout confirmed that 50,000 manufacturing jobs, out of a total of 1.1 million, had been destroyed over the previous 12 months.

The survey came as thousands of jobs were axed at major vehicle producers and car component manufacturers, forcing federal industry minister Ian Mcfarlane to acknowledge that the sector, one of the country's major jobs providers, had hit a "low water mark".

Construction, another major factor in jobs growth, has been slowing since the Reserve Bank raised interest rates in March to 5.50 percent, the highest in four years.

The latest ABS figures show that total building approvals in August fell 8 percent, the third straight monthly decline. In September, approvals to build private houses fell 3.5 percent, while approvals for apartments or renovations plunged 19 percent. The number of housing loans dropped 0.2 percent in August, including a 4.5 percent or $5.1 billion drop in loans for investment housing.

Boral chief executive Rod Pearse forecast that housing starts would decline by between 5 and 10 percent in the year ending June 30, 2006, after falling 11 percent in the previous fiscal year. Consolidated Properties general manager Don O'Rouke confirmed that confidence in building had plummeted, saying: "We are at levels now that are about 50 percent of what we were building last year."

Rising petrol prices are impacting on the retail trade. Woolworths chief executive Roger Corbett noted that discretionary spending had slowed abruptly in September. The company's Big W outlets were expected to deliver a 7 percent quarterly sales increase, but sales dropped off sharply in the last month of the quarter. "In those weeks you could almost see [demand] switch off," Corbett said.

Highlighting the precarious state of the Australian economy, Access Economics director Chris Richardson said growth was now dependent to an ever-larger degree on a commodity price boom, driven mainly by escalating demand for coal and iron ore from China.

Speaking on ABC radio last week, Richardson explained that Australia had gone straight from a housing boom to a commodity price boom. “We had two artificial boosts in a row—first housing, now commodities. If both fall by the wayside then the economy loses a big driver, and that would be a risk”. As far as jobs are concerned, the mining sector is heavily capital-intensive and does not employ a large workforce.

Major jobs losses continue to be announced. Last week **Qantas** chief executive Geoff Dixon confirmed the airline was considering a “substantial restructure” of its engineering and maintenance operations within three to four months.

He warned that 3,000 maintenance jobs in Australia could be cut and relocated overseas to take advantage of lower wage rates. The trade unions responded by offering to assist in cost cutting and changes to work practices. The airline recently axed 300 jobs after losing a maintenance contract for Singapore Airlines.

National Australia Bank, the country’s largest bank, confirmed last month that it had completed cutting the 1,000 jobs announced in May as part of a three-year plan to restructure. Another 1,000 jobs will be axed over the next two years. The bank has already launched a pilot scheme, outsourcing 23 office jobs to Bangalore in India in September.

Telstra, the formerly government-owned telecommunications carrier, could shed up to 9,000 jobs in a major restructuring after legislation cleared parliament last month for its full privatisation. Chief executive Sol Trujillo warned in August that despite a record $4.4 billion profit for the 2004-2005 financial year, earnings were set to fall and cost cutting was inevitable.

A recent review has targetted 1,000 managerial staff jobs and set aside $100 million to fund the redundancies. The company has also closed directory assistance call centres in the rural Queensland town of Roma and in Goulburn, NSW, with the loss of 14 and 18 jobs respectively.

Also slated for possible closure are Telstra’s 101 high-street retail shops with at least one in western Sydney already gone. Telstra’s directories and search engine business **Sensis** announced at the end of last month it would slash 230 jobs from its 3,500 strong workforce as part of a “strategic review”.

Following an announcement in September by **General Motors Holden** that it would slash 1,400 jobs and cut back production at its Elizabeth, South Australia, plant, nearly 800 jobs have been shed across three car component manufacturers, **Ion Automotive, Autoliv** and **Trico**. A further 280 jobs are under threat at **Silcraft** and **Calsonic** after Holden failed to renew contracts.

In September, electrical and electronic fittings manufacturer **Clipsal** announced it would close its plant in Murray Bridge, South Australia, destroying 127 permanent positions and 45 contracting jobs. Also in September, metal recycling company **Non-Ferral** said it would close its Keon Park plant in Melbourne at the cost of 52 jobs.

Australia’s largest carpet maker **Feltex** will shut its yarn plant in Melbourne, destroying 205 jobs. The company will axe another 30 jobs at its Christchurch operations in New Zealand. This brings the total number of jobs cut since July to 281, slashing costs by $11 million a year. Kitchen appliances manufacturer **Electrolux** will shed 40 jobs from its Dudley Park plant in South Australia, blaming a “cooling of the housing market”.

Last month**, Nestle** shut down its milk products plant at Tongola in northern central Victoria, cutting 150 jobs, while food products manufacturer **Sara Lee** will cut 170 jobs, mostly from its production plant, warehouse and administration centre in Carlton South, Victoria.

Also last month, timber company **Carter Holt Harvey** announced it would shed 150 jobs across its three sawmills in South Australia and western Victoria. Freight hauler **Pacific National** will restructure its container rail freight services in Tasmania, destroying up to 160 jobs.

Bluestone Tin suspended mining at its Renison Bell tin mine near Zeehan, Tasmania retrenching 200 people, citing falling tin prices. Since last year, tin prices have fallen from $13,000 a tonne to a low of $8,400 a tonne to September, or 33 percent in Australian dollar terms.

Pacific National will axe its container rail freight service in Tasmania at the cost of 160 jobs, claiming the service was “unviable”. The closure will affect other industries in the region. The **Norske Skog** newsprint mill at Boyer, which relies on the freight service to deliver logs, has indicated that 400 jobs are at risk.

The New South Wales Labor government has announced it will restructure **CountryLink** long-distance train services, cutting 100 jobs and closing booking offices across the state. The government blames low patronage, resulting in a loss of $150 million last financial year.