Australia: Major companies continue layoffs as economy slows

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Australian Treasurer Peter Costello recently seized on the Australian Bureau of Statistics (ABS) labour force figures for November showing a 0.1 percent fall in the unemployment rate to claim “better was to come”. “Prospects for jobs creation continuing into the future are strong,” he glowingly declared.

In November, the unemployment rate fell from 5.2 percent for the previous month to 5.1 percent. Full-time jobs increased by 48,000, while part-time jobs declined by 20,000.

Leading economic analysts, however, present a more sombre estimate. ANZ Bank economist Amber Rabinov characterised the November jobs increase as a “statistical payback” for the loss of 62,900 jobs over the previous two months. The ABS figures show that despite the latest drop in unemployment, employment growth slowed to 2.3 percent for the year to November compared to 4.2 percent for the year to August 2005.

Westpac bank economist Anthony Thompson warned that the November’s job figures were a “statistical bounce” and unemployment was likely to increase next year. “Despite the jobs rebound, the underlying trends in employment continue to deteriorate, and leading indictors point to a slowing jobs growth,” he said.

One indicator is the ANZ’s survey of job advertisements in major newspapers, which in November climbed to their highest level since April. However, despite rising by a seasonally adjusted 0.4 percent to an average of 21,006 a week, the figure was 6.3 percent lower than last year. ANZ economist Tony Pearson declared that job ads “have been pointing to a downturn in employment growth since early 2005”.

Costello also turned a blind eye to other signs of an economic slowdown that is already impacting on jobs in key industrial sectors. The most recent ABS figures showed national economic growth of just 0.2 percent in the September quarter and only 2.6 percent for the year. The low growth is despite the highest export prices in 31 years.

Moreover, the present slow economic expansion is dependent on a resources boom fuelled by China’s demand for coal, minerals and iron ore. The resources sector, however, is capital rather than labour intensive and is confronting infrastructure problems.

A report this month in the *Australian Financial Review* highlighted rail and port bottlenecks, rising construction costs and skilled labour shortages that are already impacting on several key projects. As a result, Alcoa has postponed a $1.5 billion expansion of its Wagerup alumina refinery in Western Australia, while an extension to Rio Tinto’s new alumina refinery in Queensland has been put on indefinite hold.

There are also growing signs of a downturn in those sectors that have been primarily responsible for jobs growth in the past, including retail, manufacturing and construction.

Macquarie Bank chief economist Richard Gibbs warned that retailers face a pronounced spending “deadzone from mid-January into February”. Household consumption has fallen over the past year due to rising fuel prices and an interest rate hike. Retailers increased their inventories by just 3 percent in the three months to September, after a consumer spending downturn left them overstocked, despite widespread discounting.

The latest survey by the Master Builders of Australia showed a fall in construction activity which has been a major area of jobs growth. MBA chief economist Peter Jones said although there was still a large amount of work on the books of construction companies, “it is starting to slow”.

Major manufacturers, particularly in the car industry, have either begun layoffs or have announced substantial future job cuts. The Australian Manufacturing Workers Union reported last month that on average 1,200 jobs a week have been lost in the manufacturing sector since 1996, with 50,000 jobs destroyed over the last 12 months.

In early December, **Ford Australia** announced a cutback in production and 500 jobs from the 6,000-strong workforce at its Campbellfield plant in Victoria. The layoffs are part of a global restructuring by Ford that includes the axing of 7,500 jobs and plant closures in the US.

The job losses at Ford, coming just weeks after **GM Holden** announced the slashing of 1,400 jobs at its plant in South Australia, are symptomatic of huge overcapacity in the car industry internationally. According to a recent report, heavy discounting and other incentive-to-buy schemes by Ford and other Australian producers failed to lift new car sales in November. The figure was down 0.9 percent on the same period last year and was the second monthly fall.

Mitsubishi Australia confirmed last week that it could not match competitor discounts and was preparing to scale back production on its new “make or break” 380 model sedan. Just last year Mitsubishi slashed 1,000 jobs and closed a production plant in Adelaide in an effort to cut costs and boost its market position.

The $10 billion a year auto-parts industry is also facing hard times. At its peak, the industry employed 27,000 people but numbers have fallen drastically. Over the past 18 months alone, more than 4,000 auto-component jobs have been shed and further layoffs are in the pipeline.

In late November, British-owned automotive trim, hinges and brackets manufacturer **Silcraft** announced that over the next two years 500 workers would be laid off from its Mount Waverley factory and the plant eventually closed. Car component firm **Dana** intends to axe 100 jobs at its Adelaide plant following the loss of Holden contracts. Brake maker **PBR** is relocating production to China to cut costs and maintain its supply deals with Toyota, Holden, Ford and Mitsubishi in Australia.

Other major layoffs include the destruction of 12,000 jobs at Australia’s largest communications provider **Telstra**. The sackings are part of a major restructure announced in November after the Howard government pushed through legislation allowing the sale of its remaining 51.8 percent share in the company.

Australian airline **Qantas** is presently reviewing its operations with the view of slashing costs by $1.5 billion over two years. The airline signaled in October it is considering a “substantial restructure” of its engineering and maintenance operations that could lead to the loss of up to 3,000 jobs unless it gets substantial concessions out of its workforce.

Job losses are also likely in the gold mining industry despite global prices reaching a 15-year high. The latest Australian Gold Council and Deloitee annual survey predicts that the workforce will be cut by 2,000 to 15,291 jobs in 2005-2006. The survey pointed to “chronic under-investment” in exploration. Australia’s share of global exploration spending has plummetted by 44 percent over ten years.

Job losses are also looming in the banking industry adding to the tens of thousands axed since 2003. Last month, the **ANZ Bank** imposed a freeze on hiring and announced it would shift “back office” jobs to Bangalore in India swelling its workforce there from 650 to over 1,000.

In November, the **National Australia Bank**, Australia’s largest, increased the number of job cuts in its three-year global restructuring program from 4,200 to 4,500. The bank also announced a $4.13 billion annual net profit.

Westpac, confirmed this month that it would slash 50 to 100 jobs at its Concord service centre in Sydney together with about 35 IT jobs. An article in the *Australian* on December 5 citing “close observers of Westpac” put potential job losses over the next 12 months from the bank’s back office, IT and other services at 2,000.

The **Commonwealth Scientific and Industrial Research Organisation** (CSIRO) confirmed it would axe 200 from its 6,000-strong workforce. CSIRO chief finance officer Mike Whelan also revealed last month that a review of 780 jobs was currently in progress with the aim of cutting costs by 20 to 25 percent, or about $5 billion.

The **Manildra Group** announced this month it would cut 50 jobs, or about a quarter of its workforce, from its flour mill in central-western New South Wales. **Kelmax Plastics** closed its operation in Adelaide, South Australia destroying 80 jobs.

Publisher **Fairfax** announce this month it would eliminate 60 journalist positions at the *Age*and *Sydney Morning Herald* newspapers. The job cuts include senior editorial staff. TV broadcaster **Channel Nine** confirmed it would axe 72 jobs by early next year.