

Australia: Fears of job losses grow amid signs of slowing economy

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The Australian Bureau of Statistics (ABS) national labour market figures for March, released last week, show that despite 17 years of economic growth and the biggest resources boom in 50 years, unemployment remained at 4.1 percent, meaning that 453,000 people were officially without work. These statistics disguise the real level of joblessness which is estimated to be twice as high.

According to the ABS, there was only a slight rise in employment, 2,500 jobs, in the resource-rich areas of Western Australia (WA), Queensland and the Northern Territory despite the continuing minerals boom. The creation of 35,000 jobs in New South Wales (NSW), due to a small upturn in the building industry and new investment, was accompanied by the loss of 20,000 jobs in the most industrialised state, Victoria, which now has an unemployment rate of 4.3 percent, up from the previous 4.1 percent.

For over a decade, Australia has experienced what economic commentators have dubbed a two-speed economy. The economies of WA and Queensland have expanded due to the increasing global demand for their mineral and energy resources. At the same time, NSW, Victoria and South Australia, which rely heavily on agriculture, manufacturing and financial services, have suffered as a result of a combination of factors, including a long drought, reduced manufacturing tariffs and slowdowns in construction.

Increasing numbers of farm workers have been forced to seek alternative employment while thousands of jobs have been destroyed in auto, whitegoods and the garment and textile industries which are unable to compete with cheaper imports. Manufacturers have either scaled back production or relocated to cheap-labour zones overseas.

Falling unemployment figures over the past 12

months have cloaked the real situation. The high demand for labour in the mineral and energy industries, and associated construction projects, compensated for job losses in other areas. Most of the jobs created in retail and the hospitality industries were casual or part-time. Consumer spending remained high, but on the basis of soaring levels of household debt.

There are now clear signs of an economic slowdown resulting from a 12-year high in interest rates, the global financial crisis and a gathering recession in the US. The ANZ bank is forecasting that annual growth will slow from around 4 percent to 2.5 percent by the middle of next year. Unemployment could rise quickly in the period ahead.

Senior economist at investment bank ABN Amro Australia, Felicity Emmett, warned this week: "Several indicators suggest the economy is rapidly cooling in response to higher interest rates. Confidence (consumer and business) has collapsed, auction clearance rates have slumped, retail trade has softened, job ads are declining and business hiring intentions have come off the highs."

Chief executive of book retailer Dymocks, Don Grover, said the latest Reserve Bank interest rate hike in March produced an "instantaneous" drop in sales. While his company had not yet reduced staffing levels, it could do so swiftly. "In retail you tend to look at [staffing] as a variable expense that's capable of being changed immediately. We all have a relatively strong casual labour force," he declared.

The retail industry employs 1.6 million workers, 15 percent of the national workforce. Over 50 percent, or 800,000, are casual employees, mostly women and youth.

Particularly vulnerable to an economic downturn are households with high debt. By the end of 2007, the

ratio of household debt to disposable income hit a record 160 percent, up from 78 percent in 1997. Increasing numbers of people are losing their homes through mortgage defaults. In NSW, writs for repossession more than doubled between 2003 and 2006, rising from 1,170 to 3,642. A further 2,196 applications were issued up to November 2007. The worst-hit area was Sydney, with a 495 percent increase in its inner western suburbs since 2003.

The greatest fear for working families struggling to meet mortgage payments and facing rising food and fuel prices is that a member of the household loses a job or suffers a reduction in working hours. Recent job losses demonstrate how tenuous life has become for many thousands of workers.

This week, whitegoods manufacturer **Fisher & Paykel** announced it would close its refrigerator factory in Brisbane, Queensland and relocate to Thailand at the cost of more than 300 jobs. To slash its labour costs, the company will also close its cooking range and dishwasher plant in Dunedin, New Zealand.

Also this month, carpet-maker Brintons in Geelong, Victoria said it would close its Breakwater factory, destroying 100 jobs. Troubled telco **Commander Communications** axed 600 jobs from its 2,000-strong workforce.

In March, carmaker **Mitsubishi Australia** closed its Tonsley Park plant, the company's last remaining production facility in South Australia, shedding 930 jobs. The flow-on loss of jobs in car-component suppliers, dealerships, transport and services, was predicted to be in the ratio of seven to one.

Also in March, 65 jobs were destroyed when **SEP Sprint** closed its Mount Waverley plant in Melbourne, while glass manufacturer **ACI** closed its Box Hill plant with the loss of 70 jobs. An ACI spokesperson said the plant was uncompetitive. **Qantas** axed the jobs of 170 parking valets when they refused to transfer to a new employer on contracts with substantial pay cuts.

In the same month, the **Australian Broadcasting Corporation** announced it would cut or outsource a number of television and news programs, resulting in most of the 900 jobs in those services being lost, including producers, directors, camera operators, editors, switchers, production assistants, general studio crew and riggers.

Under the Rudd government's austerity plans, the

federal government social security employment agency **Centrelink** will shed 2,000 jobs while another 1,000 are slated to go from other government departments, including the Taxation Office, the ABS and the Department of Foreign Affairs and Trade. The **Queensland Ambulance Service** will cut 40 jobs as part of a cost-cutting exercise by the state Labor government aimed at slashing \$4 million from the budget.

Other job losses since the beginning of the year include:

National Automotive parts distributor announced the shedding of 300 jobs after it was declared insolvent in February. Steel maker **OneSteel** closed its steel bar plant in Newcastle and its plant at Martin Bright in Somerton, cutting over 300 jobs. **SPC Ardmona**, a subsidiary of Coca-Cola Amatil, axed 50 jobs at its fruit processing plant in Victoria, with management blaming the drought and competition from imported products.



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