

# Australia: Unemployment rises as major companies axe jobs

## Car giants lead job cuts

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Australia's latest quarterly national accounts, released on September 3, point to worsening unemployment as companies begin to impose substantial job cuts and plant closures to slash costs and defend profit margins.

The official statistics indicate that the economy barely grew in the three months to June, with Gross Domestic Product up by just 0.3 percent for the quarter, even though the mining boom was creating record profits. Household spending fell by 0.1 percent, the first decline since 1993, as families were hit by the loss of jobs or working hours, as well as high interest rates and spiralling prices.

The results indicate that for ordinary working people, a recession is already well underway, lowering their living standards, even before an expected sharp rise in unemployment over the next two years.

Figures released by Australian Industry Group/PricewaterhouseCoopers revealed that manufacturing activity declined for a third straight month in August as firms faced falling demand and higher costs. The group's performance indicator fell 0.1 index points to 46.9 in July, well below the 50-point level that separates expansion from contraction.

The Australian Bureau of Statistics (ABS) job market figures for July recorded a national unemployment rate of 4.3 percent, already up from a low of 3.9 percent in February. However, the National Australia Bank's (NAB) head of economics Jeff Oughton said the labour market was "a lagging indicator" of the downturn and warned, "It's getting worse and it's going to get worse". Oughton said companies now "realised there was likely to be a sustained downturn and were adjusting their labour requirements accordingly".

NAB forecast that unemployment would rise over the next two years to 5.75 percent. That would mean the elimination of about 200,000 jobs over 24 months. Even that figure disguises the deeper impact of the loss of casual, part-time and temporary work, and reductions in working hours. If the

mining boom falters, and there are already indications of that, unemployment and under-employment will grow much faster.

There are early signs of a quicker pace of job destruction. The *Australian Financial Review* (AFR) reported on September 2 that high profile companies across various sectors, including aviation, media, manufacturing, finance, retail and insurance, had announced plans over the past six months to axe more than 5,000 jobs. Outplacement company C-F-S, which finds jobs for displaced managerial and senior staff, said its business had experienced a 50 percent increase in demand since September.

According to the AFR, retailers, responding to a sharp downturn in sales, cut a net 20,000 jobs between November 2007 and May this year. ABS figures show that the state of Victoria lost 12,000 manufacturing jobs in June. A Sensus Business Index report released last week revealed that four out of every ten businesses had downsized their workforce since May due to deteriorating economic conditions.

Far from taking any action to stem job losses, the federal Labor government based its May budget calculations on rising unemployment. In parliament last week, Prime Minister Kevin Rudd defended the government's position, saying it "was upfront in its Budget forecast this year that unemployment in the year ahead would rise to 4.75 percent". The budget has in fact helped to boost unemployment by slashing public spending and cutting 3,000 jobs from the public service.

Industry Minister Kim Carr has warned of further job losses in the car industry, saying one-third of parts suppliers were in "a state of distress". Carr stated: "We know that the industry is facing these acute challenges and I can't say with any certainty there won't be further announcements in regard to job losses."

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The destruction of car industry jobs was heralded in March by the closure of **Mitsubishi Motors'** last remaining Australian assembly plant, in South Australia, at the cost of nearly 1,000 positions, followed in June by the closure of **General Motors Holden's** Family II engine plant at Fishermans Bend in Melbourne, with the elimination of 513 jobs.

Next came Goodyear's closure of **South Pacific Tyres** in the northern suburbs of Melbourne at the direct cost of 600 jobs. Car unions predicted that the closure would see 2,000 more jobs go at 130 supply companies. Then, in August, **Ford Australia** announced it would reduce production by 20 to 25 percent and slash 350 jobs at its Geelong and Broadmeadows plants in Victoria. The retrenchments were on top of 600 jobs already targeted to go by 2010 at Geelong and the axing of 400 jobs at Broadmeadows in 2006.

Also in August, car brake supplier **PBR Bosch** announced it would axe 80 jobs at its East Bentleigh plant in Melbourne and component supplier **Unidrive** slashed 40 jobs at its Victorian facility. Tyre products manufacturer and distributor **Motorway Tyres** laid off 34 workers and closed its facility in Stawell after being placed in receivership. **Kenworth Trucks** said it would eliminate 80 jobs at its Melbourne plant, citing falling demand.

Aviation is also affected. In July, **Qantas** announced it would shed 1,200 jobs across its Australian operations and a further 300 overseas as part of a cost-cutting restructuring. **Boeing Australia** will retrench 300 from its Fishermans Bend plant in Melbourne by the end of the year.

Food and beverage industries have joined the job shedding. **Constellation Wines Australia**, formerly the Hardy Wine Company, will cut 350 jobs as it sells vineyards and wine-making facilities and consolidates its bottling operations to cut costs. Fruit processing company **SPC Ardmona** announced the axing of 60 jobs in Victoria's Goulburn Valley. Coca-Cola Amatil acquired the company in 2005.

At the end of July, food producer **Don Smallgoods**, owned by George Weston Foods, said it would close its factory at Altona in Victoria and its Spearwood plant in Western Australia, destroying 640 jobs. Also at the end of July, **Starbucks Coffee International** moved to close 61 of its 84 stores nationally, cutting around 1,000 jobs as part of a global restructure that saw the company axe 12,000 jobs in the United States.

In August, **Cadbury Schweppes** announced it would eliminate 185 jobs from its plants in Tasmania and Victoria, as well as 145 jobs at Dunedin in New Zealand.

Media proprietors have retrenched staff as well. Last month, **Fairfax Media** announced it would cull 550 positions, including 165 editorial staff, from its newspapers to cut costs by \$50 million a year. The move came a month after the company closed the *Advocate* newspaper's Harris printing centre in Burnie, Tasmania, destroying 30 permanent jobs and between 20 and 30 casual positions.

In textiles, **Godfrey Hirst** closed its Feltex mill at Foxton in Victoria last month, axing 80 jobs just five months after shutting its plant at Fielding with the loss of 80 jobs.

Investment company **Babcock and Brown**, which controls the regional rail provider Westnet Rail and the gas utility Alinta, announced last month it would slash 400 jobs from its 1,600 workforce. The company's shares have lost more than 90 percent of their value over the past 15 months.

Last month also, insurer **Suncorp Metway** said it would reduce staff but has not released specific numbers, while troubled asset manager **Alco Finance Group** said it would halve its 300-strong workforce and sell assets to reduce debt by more than half from \$1.04 billion. The company had employed 480 staff at the end of June.

This month, another troubled firm, childcare operator **ABC Learning**, announced the elimination of more than 1,000 casual jobs. The company, whose shares had been suspended from trading, had employed 1,600 casuals and 16,000 permanent workers in Australia and New Zealand.

Lay-offs are increasing in the mining industry. At the beginning of August, **CBH Resources** said it would slash 151 jobs at the Endeavour silver, lead and zinc mine at Cobar in western New South Wales, after cutting 220 positions in June. Last month, **Minara Resources** retrenched 200 workers at its Murrin Murrin nickel operation in Western Australia, and **Perilya** sacked more than 450 employees or almost two-thirds of the workforce, at the lead, zinc and silver mine in Broken Hill.

State Labor governments are shedding jobs as well. The **Victorian Department of Primary Industries** announced in August that it would close five work sites by the middle of next year—Toolangi, Kyabram, Walpeup, Stawell and Rainbow—at the cost of up to 70 jobs. The state-run **Queensland Fire and Rescue Service** will trim around 20 jobs to cut costs by \$5.5 million.



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