

More job losses, plant closures and company failures loom in Australia

Terry Cook
4 November 2008

Further job losses, plant closures and company failures are on the agenda in Australia as world economic growth stalls and recessionary trends take hold throughout the United States, Europe and Asia. Slowing economic growth in China and Japan, both major destinations for Australian mineral exports, is forcing media and government pundits alike to abandon nostrums that Australia could ride out the global economy storm on the back of commodities sales.

Leading economic analysts now admit that slowing economic growth in China—down to 9 percent in the third quarter from 11 percent just one year earlier—could produce a downturn in the Australian mining sector that will impact across other key economic sectors causing companies to restructure and shed jobs.

Last week, Access Economics director Chris Richardson warned on ABC Radio “as markets fall, share markets, property values fall in China and its construction weakens off, that’s weakening the demand for steel. Australia’s risk is that we sell the inputs that become Chinese steel, coking coal and the iron ore.

“I suspect that the next step is that as commodity prices fall, profits in Australia will fall, not just for the miners, but across a number of sectors. Eventually, engineering and construction demand will weaken and this will hurt the federal budget,” Richardson said.

Last week, investment bank JPMorgan’s chief economist Stephen Walters made the stark warning that the global crisis would see economic growth in Australia slowing to just 1.4 percent by 2010, pushing unemployment up to 9 percent, more than twice the current official rate of 4.3 percent, translating to an official unemployment level of one million people.

“One lesson from previous downturns is that the jobless rate rises quickly,” Goldman’s chief economist Tim Toohey warned. “It’s quite likely that by the time

Christmas rolls around, Australia will be in its first recession since this expansion began 17 years ago.”

The dire predictions spell disaster for the thousands of working class families already living on an economic knife-edge, struggling from week to week to meet escalating food and fuel costs and higher mortgage payments or rents. Inflation in Australia accelerated in the third quarter to its fastest pace since 2001, rising 5 percent from a year earlier and to its highest level in more than a decade.

Reserve Bank deputy governor Ric Battellino declared last week that it was “reasonable to assume” that income growth for households would be “noticeably below average over the next year or two”. He warned: “Unemployment is now rising and prices for coal, iron ore and Australia’s other mineral resources are falling. The economy cannot always grow above average and it certainly cannot maintain the pace of the past five years.”

ABN Amro chief economist Kieran Davies predicted job shedding across most sectors, led by losses in the finance sector that would be hard hit. “We’re already seeing job losses among non-banks and mortgage brokers and retail has been shedding jobs for a while,” Davies declared.

One of Australia’s biggest financiers, GE Money, announced a few days ago that it would scale back its Australian operations and cease offering third-party mortgages, motor finance and small business finance. The move will see 335 jobs slashed from the company’s 4,500-strong workforce over the next 12 months.

Westpac, one of Australia’s four major banks, has begun a round of downsizing, slashing 300 administrative staff at its BT Financial Group wealth management operations and another 150 in its banking business. Warning of more cuts to come, Westpac’s chief financial officer Phil Coffey said the company “would adapt its cost base for tougher global markets”.

At the same time ANZ, another of the country's "big four" banks, announced it would revise a previous restructuring plan to slash 500 middle management, indicating twice this number may be targeted. The announcement came as the bank reported a 21 percent loss in its annual profit, attributing the shock result to ongoing fallout from the global credit crisis.

The latest downsizings come despite the Rudd government's measures to prop up the banks and financial elite, guaranteeing finance house deposits and overseas borrowings to the tune of more than \$2 trillion. Doubts have also been cast on the effect of the government's \$10 billion stimulus package that increased the first homebuyers grant and gave pensioners and sections of welfare recipients one-off payments in an effort to boost consumer spending ahead of Christmas.

National Australia Bank (NAB) chief economist Alan Oster said that a mounting fear of job losses would impact on consumer spending: "I think Christmas [retail] is going to be a lot slower and weaker and then it will continue getting weaker into next year."

Last week the NAB forecast an economic growth rate of just 1.25 percent, predicting that "consumer spending will essentially stall". The NAB's business conditions index, a quarterly survey of 900 companies measuring hiring, sales and profits for the four weeks ending on September 11, fell 11 points to negative 4, the lowest level since June 2001.

Tighter credit and the rising cost of building materials are threatening a round of job shedding throughout the country's construction industry, a major employer in most Australian states. Reed Construction Data, a leading building industry analyst, warned last week of impending job losses as projects are deferred and development applications drop.

The agency claims construction deferrals have increased nationally by 500 percent over the last four months compared to the same period last year. Reed managing director Rob Wild warned the economic climate was impacting heavily on small to medium developers because "they cannot raise the finance required to proceed with projects once the approval is through".

Last week, paintmaker Wattyl announced it would expand its cost-cutting program, axing an unspecified number of jobs from its current 1,400 workforce, in a bid to offset falling revenue. The company's sales revenue was down by 5.5 percent for the first quarter. A Wattyl spokesman described prospects for the new housing sector as "pessimistic with no improvements predicted for the

current financial year". Housing starts in the September quarter were down by 10,000 on an annualised basis.

Job cuts are also emerging in gold mining as companies look to take over weaker operations or merge. Ian Smith, the chief executive Ian Smith Newcrest Mining, Australia's biggest gold company, said he believed the "global financial turmoil" would enhance merger and acquisition opportunities. "We think there is a whole range of opportunities in M&A (merger and acquisitions) and [this] will probably get better over the upcoming six to 12 months." The company has announced plans to slash 400 jobs from its 1,000-strong Telfer goldmine workforce by Christmas.

Layoffs are also beginning in manufacturing, maintenance and telecommunications. Boeing Australia announced it would axe 130 jobs at its maintenance facility at the Williamstown air base in NSW; Boart Longyear will axe 55 jobs from its manufacturing and production sectors in South Australia; and valve maker John Valves stood down its 130-strong workforce at Ballarat in Victoria, after being put into administration.

Optus, Australia's second largest telco provider, has announced it will slash 115 jobs from its engineering and technical divisions, while media reports predict the number could increase to around 400. eTeleTech, which operates call centres for communication giant Telstra, has unveiled plans to relocate some of its call centres to the Philippines, resulting in the loss of 500 jobs by March next year. Telstra, Australia's largest telco provider, has said it will slash another 800 senior management, middle management and professional services jobs nationwide.



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact