Australia: Mounting job losses in basic industry

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News that Australia lost 50,000 manufacturing jobs in the past six months has again punctured claims by the Labor government of Prime Minister Julia Gillard that the national economy has defied the global downturn. Outside of mining, which only covers a 1.7 percent of employees, the economy is stagnating or in sharp decline, with the Treasury conceding that non-mining growth would be limited to 1 percent or less for the next several years. This is not enough to absorb workforce growth, meaning that unemployment will inevitably rise.

According to the Australian Bureau of Statistics, more than 30,000 of the lost manufacturing jobs disappeared in the past three months. These numbers are consistent with research by consulting firm Dun & Bradstreet showing that business failures in manufacturing increased 60 percent in the past three years. Almost 300 manufacturing firms collapsed in the first six months of this year and just 14 new manufacturers were started up in their place. By way of contrast, in 2008, before the full impact of the global financial crisis, 974 new manufacturers commenced and 392 closed down.

Jobs in the farm sector have also declined from 380,000 to 315,000 since May of last year, with 20,600 cut since June. More than 107,000 skilled trade jobs, 49,000 labouring jobs and 33,000 professional positions have gone in the same 16-month period.

The effects of the global restructuring processes are perhaps most dramatic in the car industry—once a key plank of Australian manufacturing. Total production has fallen to its lowest point since 1957. Between 2008 and 2010, the number of cars produced fell from 324,000 to 243,000.

These declines are the product not only of the relatively high Australian dollar, which makes exports more expensive, but also the worsening international economic situation. An interim global assessment by the Organisation for Economic Co-operation and Development (OECD) stated last week: “[T]he recovery almost came to a halt during the last quarter in many OECD countries.” The OECD said world trade was flat and there was no sign of improvement in the global labour market. Consumer and business confidence were in decline in almost every developed nation. These concerns were confirmed by this week’s International Monetary Fund report, which cut its global growth forecasts and warned that the world had entered a “dangerous new phase”.

Despite the Labor government’s claims that the national economy is little-affected by the international financial turmoil and is propelled by a China-fuelled mining boom, it is precisely those global processes that are playing themselves out in Australia. The OECD and IMF reports throw new doubt on the viability of China’s continued rapid growth, because of its dependence on exports to Europe and the US. Any reversal in China, the largest market for Australian minerals, will dramatically compound these pressures on the Australian economy.

On official statistics, Australia’s gross domestic product (GDP) grew by 1.2 percent in June quarter, meaning a year-on-year increase of 1.4 percent. Australian Treasurer Wayne Swan seized on these figures, even though they do not cover the period since June, to claim they were proof of Australia’s economic resilience.

“They’re impressive figures … encouraging figures,” he said, “especially when you consider the challenges we see abroad. [They] send a really powerful message that even the biggest natural disasters in our history and the worst global downturn in 50 years, can’t knock us off course…. We have an economy with strong investment, rising incomes, sustainable consumption and low unemployment and these are the building blocks of a strong economy."

As Swan, Labor and the rest of the political establishment well know, the "building blocks" are unstable, to say the least.

Of the June quarter's 1.2 percent GDP growth, about 0.8 percent (i.e., three quarters) was explained by a jump in inventories, that is, an increase in the goods stockpiled and unsold. In other words, the growth was not the result of consumer demand, but rather *of consumer demand being less than expected*. A likely result of expanded inventories is the scaling-back of production in the ensuing period. The last time Australia had an increase of inventories on such a scale was in the September 2008 quarter, a build-up directly followed by a quarter of GDP contraction.

The build-up in inventories appears, on the surface at least, inconsistent with an apparently 'healthy' 1 percent growth rate in consumer spending in the June quarter—Swan's "sustainable consumption". But closer analysis of the figures shows that the bulk of consumer growth was in imports, which rose 4.3 percent in the quarter and 10.5 percent across the year. Those figures reflect the high relative price of the Australian dollar and thus the relative cheapness of imported goods. Across the year, imports accounted for three quarters of the increase in effective demand. Such demand adds little to local production.

As for "strong investment," housing construction was at its lowest level in two and a half years, the result of 15 straight months of sectoral decline. Similarly, and despite the mining sector's billions in profits, non-residential construction was flat in the June quarter. There is no automatic link between the currently soaring mining sector profits and any inflow of investment into the economy more broadly.

Already, the lack of a 'trickle-down' from the mining boom into the wider economy is clear from the unemployment figures. The 5.3 percent official rate is lower than those in the US and Europe, but joblessness in Australia is rising rapidly, especially among youth and older workers. The unemployment rate was 4.9 percent only six months ago and is widely predicted to hit 5.5 percent by the end of the year. Moreover, because the official statistics record workers as employed even where they work an hour a week, those figures hide socially crippling levels of underemployment, that is, the numbers of people forced to work part-time or as casuals. The underemployment trend continued in August, when full-time employment fell by 9,700 jobs, partly offset by the adding of 2,900 part-time jobs.

In truth, the mining boom, the global recession and the high dollar are being used by Labor, big business and other arms of government (including the Reserve Bank) to effect a vast restructuring—toward a low-wage, high-profit resource-based economy. Growing unemployment is an important part of this agenda—joblessness increases competition between workers and inevitably places downward pressure on wages.

Such matters are openly admitted by those who speak directly for business. In Rupert Murdoch's *Australian* newspaper, economics editor Michael Stutchbury wrote last week that "the Reserve Bank is not cutting its 4.75 percent cash rate because it is more focused in putting a lid on [what it calls] a 'significant pick-up in Labor costs growth'… By not reacting to the weaker-than-forecast job market, the central bank is putting the pressure on businesses, particularly in manufacturing exposed to the high dollar, to squeeze productivity gains, to let go of workers 'hoarded' during the financial crisis and to stand up to union wage demands."