As Australian mining boom ends, new push for wage cuts

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The Labor government and corporate media have responded to fresh evidence of the collapse of Australia's mining boom by launching a campaign to demand further restructuring and cost cutting, especially to wages and conditions, in mining and throughout other industries.

Resources Minister Martin Ferguson told a national resources and energy conference in Canberra on September 18 that "the phase of high prices associated with the mining boom is over." Ferguson said that, in order to safeguard a "pipeline" of $230 billion in planned mining investment, "we need to ensure our cost structures remain competitive and our productivity rises." He added: "There is no room for fat in the system if Australia is to be competitive."

Ferguson, a former Australian Council of Trade Unions president, called on the unions to assist in lowering workers' wages because of the drop in commodities prices over the past year. "I might say to the union movement, the demands on wages—you've got to think about it," he said.

Ferguson signalled Labor's support for growing calls by the mining companies and media for cost-cutting and "productivity" increases in the mining industry. The *Australian Financial Review* hailed his remarks, as did the Murdoch newspapers.

The unions immediately declared their willingness to oblige. Construction, Forestry, Mining and Engineering Union (CFMEU) national president Tony Maher said the union would revise its wage claims to maintain international "competitiveness." "We always do that," he said. "We have never let mines close for the sake of wage claims. It has never happened and it never will."

For the past three decades, the CFMEU and other mining unions have met every demand of the mining giants for the abolition of hard-won conditions. This has included 12-hour shifts, the widespread use of casual and contract labour, and "fly-in fly-out" agreements—where workers spend long periods away from their families.

Despite all these concessions, enforced by the unions in the name of "saving jobs," mining workers have always been highly exposed to every downturn in the world capitalist economy. In 2008-09, during the initial phase of the global financial crisis, the mining giants quickly shut down their less profitable operations, destroying 12,000 jobs.

Now the mining corporations have begun a new wave of job destruction. During the past six months, at least 3,500 jobs have been eliminated as the major companies, including Rio Tinto, BHP Billiton, Xstrata and Fortescue, have closed mines or mothballed projects.

As in 2008-2009, the mining unions and the Labor government have worked closely with management to prevent any struggle by mine workers to defend their jobs and conditions, with devastating consequences for local communities that depend on mining.

Far from the Australian economy being shielded from the global economic breakdown by the mining boom, as the Labor government and the unions maintain, its reliance on commodity exports makes it extremely vulnerable.

Prices of iron ore and coal—Australia's two largest exports—have dropped by 35 percent and 25 percent respectively since June, largely due to slowing growth in China, which itself depends heavily on exports to Europe and America. The regime in Beijing, confronting mounting economic imbalances, is unable to repeat the massive stimulus measures that it used to boost growth in 2009.

The Bureau of Resources and Energy Economics recently slashed its estimates for mining export values for 2012-2013 by $20 billion to $189 billion—down 10 percent from its last report just three months earlier.

As a result of this sharp shift, mine workers' wages are now being derided as an intolerable burden on mining profits. Mining magnate Gina Rinehart this month denounced Australia's capital and labour costs, declaring that African miners were willing to work for less than $2 per day.

On September 17, the Minerals Council of Australia (MCA) issued a report titled "Opportunity at risk: regaining our competitive edge in minerals resources." While written from the standpoint of the corporate elite, the report provides some indication of the tenuous character of the mining industry.

Of the $93 billion growth in the value of Australian mineral exports between 2006 and 2011, $44 billion—or 47 percent—was the result of record-high commodities prices, the report estimates.

The MCA report also details the emergence of new competitors, aided by the development of cost-cutting technologies. These countries include Mongolia, Mozambique, and the Democratic Republic of Congo, as well as Brazil and Kazakhstan. China, the MCA notes with concern, "now view[s] Africa as the preferred destination for iron ore investment."

The report claims that between 2007 and 2011, the cost per tonne of new capacity constructed for thermal coal and iron ore in Australia rose from being on par with the world average, to being 30 and 66 percent higher. The MCA blames high wages, attributing 35 to 50 percent of project costs to labour expenses.

Among its demands, the MCA calls on the Labor government to amend its Fair Work Australia (FWA) industrial relations laws, which are currently under review, to allow even greater access to temporary and contract labour, expand the scope of Individual Flexibility Agreements and further restrict industrial action—already illegal under Labor's FWA laws except during limited enterprise bargaining periods.

There is no doubt that the government, backed by the unions, is determined to satisfy the requirements of the mining conglomerates. The Labor government has long worked to remove any impediments to mining profits. One of Prime Minister Julia Gillard's first acts after she ousted her predecessor Kevin Rudd in mid-2010 was to strike an agreement with the three biggest companies—BHP, Xstrata and Rio Tinto—to replace a proposed mining super-tax with a much-reduced resource rent tax.