Australia: Job cuts mount amid signs of stalling growth

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2 November 2012

Amid signs of rapidly stalling economic growth and emerging recessionary trends, companies across every sector of the Australian economy are restructuring operations to slash costs, destroying hundreds of jobs in the process.

In September, the Gillard government was forced to revise its gross domestic product (GDP) forecast for 2012-13 and 2013-14 to 3 percent, a downgrade of one quarter of percentage point on its May budget predictions. JP Morgan has predicted that growth will decline to 2.7 percent next year.

Testifying to the worsening jobs crisis, the Australian Bureau of Statistics labour force figures for September revealed that the unemployment rate rose to 5.4 percent up from 5.1 percent in August. Leading economists are predicting that the rate could climb to over 6 percent by mid-2013.

This week **Vodafone,** the country's third largest telecommunications provider, flagged a major restructure to eliminate around 500 or 10 percent of its 5,000-strong workforce. Plagued with ongoing network problems and facing increasing competition, the company lost 178,000 customers in the six months to June and posted a $131.3 million loss.

The Vodafone cut is the latest in mounting job losses across the communications sector. In August Telstra axed 650 jobs, adding to the 3,000 slashed by the company over the last 18 months. Rival telecommunications provider Optus announced that it was eliminating 750 positions.

Hit by collapsing mining export prices and falling demand from China, Korea and Japan, Australian mining companies continue to shed jobs. Commodity prices have fallen to a 20-month low, driven mainly by a 35 percent fall in iron ore prices and a 25 percent fall in coal prices between mid-July and September. In September the World Bank cut its growth outlook for Asia to 7.2 percent this year, down from its May forecast of 7.6 percent. This would be the slowest growth rate for the region since 2001 and lower than 2009, the leading edge of the global financial crisis.

Japanese-owned **Ensham Coal Mine** in Queensland's Bowen Basin announced in September that it would eliminate another 250 jobs, on top of the 150 jobs it axed in August. Global mining giant **Rio Tinto** flagged the closure of its Queensland **Blair Athol Mine** before the end of the year at the cost of 170 jobs, while **Whitehaven Coal** closed its **Sunnyside** pit near Gunnedah in New South Wales cutting 37 jobs.

These announcements bring the total number of coal mining jobs cut in the past six months to almost 4,000 and include a total of 900 mining positions destroyed by Australia's two largest coal producers, **Xstrata** and **BHP-Billiton**.

Job cuts continue in the iron ore sector driven by a slump in ore prices. In February 2011 iron ore was $190 a metric tonne, it is now just over $100. According to Andy Xie, a former Morgan Stanley chief Asia-Pacific economist, however, it could drop as low as $50 a metric tonne before the middle of next year.

Last month 300 jobs were axed by two iron ore companies to drastically cut costs. **Mount Gibson Iron** eliminated 270 jobs to save $150 million while **Atlas**

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Iron shed 30 positions, after announcing it would borrow $230 million to fund operations—the first time the company has used debt for this purpose. These cuts follow announcements in August by the country's third largest iron ore miner, **Fortescue Metals Group**, that it would slash 1,000 jobs.

Other mining jobs are also being eliminated: **BHP-Billiton** announced that it will cut 100 office jobs from its **Nickel West** operations in Western Australia, after shedding 155 earlier this year. The company said nickel prices had fallen "to levels not seen since mid-2009." **Alacer Gold** also axed 301 jobs at its mine in South Kalgoorlie.

The mounting mining job losses make clear that Australia mining boom, the only high growth area of the economy since the global financial crisis began in 2008, is rapidly unravelling. This gives the lie to the Labor government's claim that the boom would continue and counter massive job losses in manufacturing, retail and other sectors.

The assertion that mining would provide a jobs harvest was always myth. While the fastest growing sector, it remained a small contributor to jobs growth employing just 1.8 percent of Australia's workforce. Even this small contribution is well on the way to being wiped out.

Declining commodity export prices are now beginning to hit royalties and tax revenue both for federal and state governments. This, in turn, will lead to further reductions in government spending and further public sector job cuts on top of the 40,000 already announced by the state and federal governments so far this year. These include 14,000 in Queensland, 15,000 New South Wales, 4,200 Victoria, 5,000 South Australia, 1,800 Tasmania and over 4,000 federal public sector positions.

Last month Queensland state-owned regional power retailer **Ergon** announced that it will shed 500 jobs. This is on top of a total of 1,100 job losses at two more power suppliers **Energex** and **Stanwell Corporation** since June.

Manufacturing employment continues to fall, with the sector contracting for an eighth consecutive month, according to the Australian Industry Group (AIG), which released its performance of manufacturing index (PMI) yesterday. While the index rose marginally to 45.2 in October from 44.1 the previous month, readings below 50 are an indication of a contraction.

AIG chief executive Innes Willcox said manufacturers "continue to find the going very tough in the face of the strong dollar, weaker demand in export markets and flat conditions across the non-mining sectors of the domestic economy."

Over 106,000 jobs have been destroyed in manufacturing since 2008. Last year, **BlueScope Steel**, **One Steel** and **Qantas** shed over 2,500 jobs between them.

In September **RPG Australia**, the country's biggest producer of wind turbine towers and steel structures, collapsed with the loss of over 300 jobs. **Queensland Alumina** confirmed that it would slash 90 jobs at its alumina refinery in Gladstone while train manufacturer **Downer Edi** will cut up to 60 jobs at its Maryborough plant in Queensland.

Cement manufacturer **Holcim Australia** will lay off 150 workers and close 30 plants, 10 percent of its production sites, citing "softening markets" in the construction sector for the decision.

Broadcaster **Channel Ten** also announced last month it plans to slash jobs to cut costs after revealing a $12.9 million loss for the year ending August 31. An estimated 100 jobs are expected to be cut nationally. Advertising revenue reportedly dropped by almost 15 percent.

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