Western Australian government announces further public sector job cuts

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14 October 2014

Western Australia's Liberal state government last week announced plans to axe another 1,500 public sector jobs through "voluntary redundancies," alongside a raft of spending cuts, adding to those already unveiled in May's state budget.

Premier Colin Barnett and Treasurer Mike Nahan said even further job cuts and austerity measures would be implemented in the mid-year budget review, due in December, and the next state budget, to be handed down next May.

Barnett told reporters: "People in the public sector will have to work harder. We are asking the public service to do more with less." Nahan commented: "[E]ven with restraint in public sector wages and government job cuts, more has to be done."

The latest austerity measures seek to save $2 billion over the next four years to overcome a deepening budget crisis. The former mining "boom state" has been hit by a sharp decline in commodity prices, particularly for iron ore. This is driven by the downturn in global economic growth, including in China, the major export destination for Australian mineral resources.

All government departments, except education, will suffer job losses. Last August, 350 education assistants' jobs and 150 education department administrative positions were cut, along with a hiring freeze on teachers.

Another one percent "efficiency dividend" will be extracted from all government agencies, on top of the two percent annual cost-cutting over the past several years. Road maintenance spending will be reduced by 15 percent, as will procurement budgets across all sectors for consumables, stationery, communications, travel, administration and consultants.

There will be a 10 percent reduction in subsidy payments to gas and water utilities, a 10 percent reduction to Landcorp, which develops housing projects and a five percent cut in agency spending on capital works.

The Western Australian (WA) government relies on mining royalties for no less than a fifth of its revenue. The government's May budget optimistically predicted that iron ore would trade at around $US122 a tonne during 2014-15, but prices have slumped to below $80. Every US dollar reduction per tonne reduces government income by $A50 million. This year's budget already faces a revenue hole of $1.5 billion to $2 billion.

The latest cuts follow the slashing of 1,200 jobs last August, after Standard & Poor's downgraded the state' credit rating from AAA to AA+ for the first time in a decade, intensifying the pressure of the global financial markets.

The WA Chamber of Commerce and Industry praised the deeper cuts, saying they laid "the foundation for reform to be carried into the mid-year review with a clear focus on restoring the AAA credit rating."

Similarly, the Labor Party opposition endorsed the austerity measures, accusing the Barnett government of "reckless spending." Shadow treasurer Ben Wyatt told reporters: "I have been warning for years and years that there would have to be a consequence for the way Mr Barnett has spent."

Community and Public Sector Union secretary Toni Walkington told the media the public service had already been reduced by 7,500 workers since 2010, and salaries as a share of total government expenses had fallen. Yet this is an indictment of the trade unions, which have blocked any struggle against the cuts and instead collaborated with the government in imposing them, via so-called voluntary redundancies.

Thousands more jobs are set to be destroyed in the mining sector during the next few months. Junior miner Atlas Iron recently announced the axing of 75 jobs at its Pilbara operations in WA's northwest.

Mining giant BHP Billiton has unveiled plans for cost-cutting measures aimed at reducing iron ore production costs by 25 percent to $20 per tonne. Mining analysts estimate that 1,000 to 3,000 jobs will be eliminated.

This move, which will have to be matched by other mining conglomerates like Rio Tinto and Brazil's Vale, is designed to drive higher cost producers such as Fortescue Metals Group (FMG) and other smaller ventures to the wall, as well as competitors in India, China and elsewhere.

Premier Barnett protested against this process in comments reported by the *West Australian* newspaper in an article headlined: "WA budget pain sparks rebuke for Rio, BHP."

Barnett stated: "This seeming strategy of the two major producers to flood the market and force the price down, I mean ... That's hurting Western Australia. Their strategy is flawed. To manage the price of a world commodity, when anyone who has tried to do that, whether it's a mineral or agriculture, it usually ends in tears. Right now, there are tears within the WA government."

The premier urged BHP Billiton and Rio Tinto to remember "who your landlord is." He threatened to increase the mining royalties rate, a response that would certainly provoke retaliation by the mining giants and the banks that finance them.

The mining boom has created intense social polarisation. A handful of billionaires have accumulated enormous fortunes, and a layer of the upper-middle class benefitted from the rising share and property prices. Iron ore heiress Gina Rinehart was named "the world's richest woman" in 2012, with a personal fortune exceeding $20 billion.

For the working class, however, the mining boom generated steep increases in the costs of housing, utilities and other basic necessities. Now, with the boom's reversal, what is developing is a rapid descent toward mass unemployment and permanent social austerity, with both the Liberal government and the Labor opposition agreed that the working class must pay the price for the collapse.