Unemployment in Australia at 12-year high

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Australian Bureau of Statistics (ABS) figures released last week show the official unemployment rate in January reached the highest level in more than 12 years, with nearly 800,000 people looking for work. This is a sharp indication of the growing social crisis impacting on the lives of the working class and all young people.

January's unemployment rate leapt to 6.4 percent in seasonally adjusted terms, up from 6.1 percent the previous month. In all, 12,200 jobs were wiped out, with the loss of 28,000 full-time positions partly offset by a 15,900 increase in part-time employment. This continues a decades-long trend of growing numbers of people being forced into low-paid and precarious casual employment.

Officially, the number of jobless workers now stands at 795,000, due to the job destruction that has occurred under Liberal-National and Labor governments alike at both the federal and state levels. Forecasts produced by successive governments have proven false. Treasury predicted before the 2013 federal election that unemployment would peak at 6.25 percent in mid-2014 then stabilise before dropping to 5 percent in 2015–16.

Young people are bearing the brunt of the worsening situation. Over the past 12 months, while the total unemployment rate has risen 0.5 percentage points from 5.9 to 6.4 percent, the unemployment rate for 15 to 19 year-olds has skyrocketed 3.8 percentage points, from 16.5 to 20.3 percent. Among those aged 15 to 24, joblessness rose from 13.1 to 14.2 percent between December and January—the highest level since April 1998.

Unemployment increased significantly in most states, driven by a deepening economic downturn, collapsing mining export prices and ruthless restructuring by major employers.

In South Australia, where downsizing is continuing throughout the car industry, the unemployment rate leapt from 6.6 to 7.3 percent. In Victoria, where thousands of manufacturing jobs have been eliminated in recent years, the figure jumped from 5.6 to 6.6 percent. In Queensland, where thousands of coal mining jobs have been axed over the past 18 months, the rate rose from 6.2 to 6.5 percent. In New South Wales, Australia's most populous state, unemployment increased from 6.0 to 6.3 percent

In an effort at damage control, Prime Minister Tony Abbott declared that while the January jobs figures were "disappointing," his government was "serious about creating jobs." Ludicrously, he claimed that "the outlook on employment is the most positive it has been for 10 years."

The latest figures underscore the fraudulent character of Abbott's 2013 election pledge that his government would create a million new jobs within five years. The data also puts paid to any residual claims that Australia, because of its vast mineral and gas deposits, could avoid the worst effects of the 2008 global economic crisis. In fact, official unemployment in Australia is now higher than in the US (5.6 percent), the UK (5.9 percent) and New Zealand (5.6 percent).

However, as damning as they are, the ABS figures cloak the real depth of the jobs crisis. The ABS data excludes anyone who has worked one hour or more per week, and those who are not actively seeking work on a daily basis.

A more accurate picture can be gleaned from Roy Morgan surveys, which estimate that unemployment stood at 9.8 percent in January. Under-employment—those looking for extra working hours—was estimated at 8.2 percent, giving a total of 18.1 percent unemployed or under-employed.

Economic analysts are now forecasting further sharp increases in joblessness. Deutsche Bank senior economist Phil O'Donaghoe predicted that unemployment would rise to 6.75 percent by mid next year. JP Morgan economist Tom Kennedy said the

ABS results were a "shocking report all round," saying unemployment could shortly reach 6.5 percent.

Such estimates are conservative in the face of the marked economic slowdown in China, and the ongoing slumps in Japan and Europe, which are helping fuel precipitous falls in the prices for Australia's main export commodities—iron ore, coal and liquefied natural gas (LNG).

The unravelling of the two-decade resources boom has already resulted in massive layoffs, mine closures and the shelving of investment across the country, including in mining-associated industries such as mine services and mining equipment.

Late last month, BHP Billiton revealed plans to slash 300 jobs at its South Australian Olympic Dam operations, adding to 580 job losses announced a week earlier at iron ore miner Arrium's Peculiar Knob mine near Cooper Pedy, also in South Australia. Iron ore prices have fallen to around $US62 per tonne from more than $US100 per tonne 12 months ago.

In the same week, the South Australian Labor government reached a $10 million incentive agreement with OZ Minerals to move its 45-job head office to Adelaide, despite the gold and copper miner cutting 80 contractor positions last month.

This month, mining giant Rio Tinto outlined plans for another round of cost cutting, including more job losses across its iron ore operations.

In the former mining boom state of Queensland, the prospects of an upturn when LNG exports commence have been dashed. Arrow Energy this month shelved its multibillion-dollar LNG project and QGC's parent company, BG Group, reduced the value of its LNG operation by $5 billion. Santos will cut $50 million from spending on its coal seam gas to LNG project, and Origin is believed to be shedding hundreds of jobs.

This week rail haulage company Aurizon warned it is likely to suspend investment in the construction of a rail line in Western Australia's Pilbara mining region, as well as rail and port infrastructure in Queensland's Galilee Basin, because thermal coal prices are forecast to drop 8.9 percent to $64 a tonne, the lowest level since 2006. Aurizon has cut thousands of jobs over the past few years and now employs 6,977 workers, compared to 9,390 in June 2010 after it was privatised by the previous state Labor government in Queensland.

More job cuts are looming in the auto industry, with the three remaining manufacturers—Ford, GM Holden and Toyota—planning to shut down all production by 2017. Collapsing sales of Ford's Falcon model have placed intensified pressure on the company to close its plants before next year's scheduled date.