

## **“How the Cookie Crumbled”**

### ***UNEMPLOYMENT IN AUSTRALIA AND THE IMPACT OF GLOBALISATION***

Ray Pierides and his wife Terri stood crying outside Arnott's biscuit factory in Melbourne after learning in May that they and 600 other workers will be sacked. The couple, both aged 40, are long-term workers at the factory and they want to know how they are going to feed their two young children when the factory shuts.

“I feel sick in the stomach about it” Ray Pierides said. “How am I going to put food on the table now?” he asked.

Mr Pierides, an Arnott's worker for 12 years, said he had no money in the bank to keep his young family going. “We're just living from wage to wage. We take it week by week and struggle through like most families do these days”, he said.

Another tearful worker said: “They say business is going very well. So why do they close down?”

Terri Pierides said: “For young families like us, it's really bad. We all have mortgages on our homes. We thought Arnott's was a company that would back us up all the way. It won't be easy to find a job. They've shafted a whole community”, she said. “They don't care. As far as they're concerned, we're just factory workers. We're the lowest on Arnott's chain”.

State Finance Minister, John Brumby, warned that if the company did not reconsider its decision, the Government would offer to help its rivals. “Here we have an American multi-national company with plants around Australia with a great brand name, thumbing its nose at Victorian families and Victorian workers”.

“We need to meet the American directors who are the faceless men who made this decision to put 600 workers out of a job”, he said.

Arnott's, which delivered profits of \$64.9 million last year to its U.S. owned Campbell Soup Company on sales of \$788.8 million, said the Melbourne plant would close in September. Industrial real estate experts believe the 12 hectare site will earn close to \$20 million.

Arnott's managing director John Doumani said the Burwood factory, which was built about 50 years ago by the Brockhoff Biscuit Company, was being closed because its age and location made it uneconomic, despite continuing capital investment.

“It's been a very tough decision for us to make”, he said.

While the company will implement a \$100 million upgrade interstate, only 160 new jobs will be created in Sydney and Brisbane.

“In slashing the workforce, the United States-based Campbell Soup Company, owner of Arnott's, put its bottom line before its employees. Employees, like Ray and Terri Pierides, were assessed in the context of the Asia-Pacific food market, and how the profitability of the company's Australian operations could be enhanced”, John Brumby said.

## **Case Study Analysis:**

Labour markets have never been static in Organisation for Economic Cooperation and Development (OECD) countries like Australia, but in recent years they have undergone significant change as the economy becomes more global.

Investors can now move capital freely throughout the world, searching for more profitable ventures and locations with lower labour costs.

Freer trade, common market agreements, and new information technologies have edged some industries and workers out of the market, but have allowed others to prosper.

Manufacturing jobs that were previously unionised have lost their union protection and shifted outside the borders of western economies to less developed nations. At the same time, service sectors have expanded, providing more part-time than full-time jobs, even in the more prosperous nations such as Australia.

In Australia, employment opportunities have changed for workers. Many workers have been forced to retrain, to become self-employed, or to take early retirement.

The jobs available to new labour market entrants and those seeking re-entry in particular have been altered. Some new entrants are fortunate enough to find stable and long-term employment, but many others can obtain only part-time or temporary jobs that lack union protection, regular working hours, and employment benefits.

While both men and women have been affected by these labour market changes, the employment patterns of men increasingly resemble those that had been more typical of women in the Australian workforce.

One impact is that a life-time career with one employer is becoming more elusive, and the time between jobs is lengthening for the unemployed.

Labour markets are becoming polarised into “good jobs” and “bad jobs”, which has the consequence of augmenting income and wealth disparities. For many this results in a relative decline in real income against inflation and taxes.

More and more Australian families need two incomes in order to meet what they regard as their necessities. Poverty and social welfare costs have been raised by higher unemployment and job insecurity. While the Federal Government has responded by restricting access to social benefits and creating welfare-to-work or employability programs that require more and more beneficiaries to retrain and search for paid work or forfeit a portion of the social security benefit.

A few generations ago in Australia, most workers started out in low-paid positions and worked their way up as they gained job experience. Now the growing casualisation of low-wage work means that although considerable competition exists for these jobs, there is little career advancement possible.

With a flood of new entrants to the lower end of the job market, wages are depressed and employers can easily retain some employees on short-term contracts or part-time hours, while making others redundant. Many low paid jobs are being made more “flexible”, typically to the

advantage of employers and the disadvantage of employees. As a result the “working poor” are a growing phenomenon in Australia.

### **Unemployment Levels:**

Before the late 1980’s, unemployment rates were much lower in Australia and New Zealand than in many other OECD countries. Rates are now comparable.

One reason is that Australia maintained tight government controls over production, imports and exports, and was able to continue with this policy for so many years because of its isolation from markets and the strong liaison between labour governments and trade unions.

Australia also restricted non-white immigration to prevent the influx of low-wage workers and competition for local employees.

### **Unemployment Rates in Australia:**

- 1964            1.6%
- 1970            1.6%
- 1984            8.9%
- 1987            8.1%
- 1992            10.1%
- 1996            8.5%
- 1998            8.4%
- 2001            7.4%

In Australia, unemployment rates are high specific categories of people, such as indigenous people, and young people and immigrants with little formal schooling. In the mid-1990s, about 30% of 15 – 19 year olds were unemployed.

Despite higher rates of unemployment in recent years, the Australian government has tightened eligibility requirements for unemployment benefits and other forms of social assistance. This has also applied to Sole Parent Pensions. Welfare to work programs have been introduced and those participating in these programs are removed from the official unemployment statistics.

### **Lower Wages:**

Another reason for labour market poverty is low wages. In Australia, “fair wages” were established at the turn of last century through trade union negotiations and were generalised to all similar workers throughout the country. Wages only rise when governments choose to increase them, yet employers’ groups continually lobby to keep wages low.

A direct correlation exists between union membership and higher wages. Australian employees used to have much higher rates of union protection in earlier years. Trade union membership has fallen in Australia from 58% in 1975 to less than 31% in 1996.

Freer trade and loss of government subsidies in vulnerable industries also encouraged low wages.

### **Time Outside the Labour Force:**

Labour market poverty is also perpetuated by time spent outside the labour force. Traditional assumptions about the gendered division of labour within the family, including who assumes primary responsibility for caring for children and other dependents, shape the choice of women to care or not to care.

Consequently, women's engagement with paid work in the past has been more variable than men's in Australia, as women have moved in and out of the job market for marriage, childbearing, childrearing, caring for disabled family members, and accommodating their husband's career changes.

In 1995, of the total number of employed persons in Australia, 11.1% were part-time male workers, whereas 42.7% were part-time female workers.

Re-entry into the workforce after maternity and child-raising continues to be a problem for mothers, with the growing competitiveness of job markets and the rapid obsolescence of skills and experience in the global economy.

### **Reducing Poverty in Australia in the Global Economy:**

Conservative Australian governments, politicians and economists often argue that keeping inflation low and the dollar value high is more important than reducing unemployment. Their assumption is that if the business environment is favourable, foreign and national investors will establish new enterprises or expand existing ones, and thereby create more jobs.

Yet many foreign owned companies that take over national firms in Australia downsize and export their profits and sometimes many of their jobs outside the country.

Governments in Australia could alleviate unemployment by reducing the work-week, legislating against overtime work, and requiring employers to provide longer holidays and more paid and unpaid leave.

Australia's current pay advantage can be explained by its past government control over production and imports, its restrictive (and racist) immigration policies, previous high rates of unionisation, the centralised wage bargaining system.

Yet globalisation, technological change, and freer trade agreements have changed much of this and have polarised the labour force.

Some women have benefited from these trends, including women with tertiary degrees who are childfree and geographically mobile. Other women, especially low-income mothers and certain cultural minorities, remain disproportionately represented among low-wage workers.

Solutions to employment poverty in Australia are available. They include more government intervention and spending in the economy, education and labour market. At the present time, considerable political will is now required to counteract the strong lobby from the political right who argue for less government intervention.

## **Conclusions:**

In Australia, there is growing concern in the community about the way in which globalisation is controlled in the interests of the large corporations. The effects of the processes of de-regulation, removal of controls on the movement of capital, privatisation and free trade are becoming very clear. They include:

- greater inequality both within and between countries
- pressure to lower labour, environmental and social standards
- reduced social services
- inequitable access to basic services as contracting out spreads
- inequitable taxation arrangements favouring the wealthy
- a decline in job security and increase in temporary/contract work
- an abuse of human and labour rights, and
- a decline in economic independence with a manufacturing industry faced with a declining domestic base and unfair competition.

The international institutions which should be instruments to build fairness and justice have been high-jacked by the narrow interests of big businesses, particularly through the World Trade Organisation and the International Monetary Fund.

Workers like Ray and Terri Pierides at the Arnott's biscuit factory in Melbourne need better treatment and consideration.

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