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The Recession, Technological and Social Change in a Regional Economy: The Steel Industry in Wollongong, New South Wales, Australia

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THE RECESSION, TECHNOLOGICAL AND SOCIAL CHANGE
IN A REGIONAL ECONOMY: THE STEEL INDUSTRY IN
WOLLONGONG, NEW SOUTH WALES, AUSTRALIA

by

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THE RECESSION, TECHNOLOGICAL AND SOCIAL CHANGE

IN A REGIONAL ECONOMY: THE STEEL INDUSTRY IN

WOLLONGONG, NEW SOUTH WALES, AUSTRALIA

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United Nations Educational Scientific and Cultural Organisation.
Meeting of Experts on Social Assessment of Technologies in a number of
Developing Countries.

The international crisis impacted Australia's major steel producer, Broken Hill Proprietary Ltd. (BHP) rather less dramatically than it did other capitalist steel producers. In 1982 crude steel utilisation rates in the EEC were reported by the OECD to be 61 percent, in U.S.A. an average of 57 percent was reported but in Australia and New Zealand the utilisation rate was 85 percent, 18 percent higher than the average for the capitalist world.¹

This effect is a result of the monopoly position BHP enjoys, its very high vertical integration and its tariff protection. BHP is the steel industry in Australia; in 1979 it supplied between 85 and 95 percent of the domestic market. It controls large reserves of its main raw materials, iron ore and coal, and owns or has an interest in the companies which supply the other raw materials connected with steel making, including ferro alloys, limestone, dolomite, manganese, refractories, tin, zinc and cement. The company also sells about 60 percent of its domestic product to companies which it owns or in which it has a major interest.²

The Wollongong region is characterised by a mature manufacturing industrial base. Coal deposits, a deep water harbour and proximity to the major city of Sydney provided the impetus for the establishment there of the steel industry and associated and dependent manufacturing. Suburbanisation and automobilisation were two aspects of the post-war long boom that fuelled the growth of the heavy industries located in Wollongong, and throughout this period the iron and steel industry grew by 10 percent each year. The population of the Wollongong Statistical District trebled between 1947 and 1981, rising from just over 70,000 to 226,000 largely because of the massive migration programme which provided labour for the rapidly expanding manufacturing sector. In 1981 those born overseas comprised 28 percent
of the population of the City of Wollongong and a further 23 percent had at least one parent not born in Australia.

In 1981, 34 percent of the workforce were employed in the manufacturing sector, compared with 17 percent nationally. Within the manufacturing sector, Wollongong is the most concentrated heavy industrial region in Australia, with in 1976, 79 percent of the manufacturing workers making basic metal products. The second highest employment category within the manufacturing sector, fabricated metals, employed 3.5 percent of the manufacturing workforce.

The concentration of the workforce within the manufacturing sector is a result of the extreme concentration of industrial capital within the region. BHP claimed that its subsidiary Australian Iron and Steel Pty. Ltd. (AIS) directly employed 28 percent of the workforce in Wollongong in 1980-81. AIS Port Kembla produced 60 percent of Australia's steel. In addition, of the 13 establishments within the region that employ more than 200 workers, six are BHP affiliates or subsidiaries.

A similar concentration occurs in the mining industry. At the 1976 census, when mining employed 1.3 percent of the Australian workforce, it was the fourth largest employer in the region, employing 6.2 percent of the workforce. Nearly all of the 8,000 coalminers employed in the Southern fields were employed by BHP, CRA, Shell or British Petroleum affiliates or subsidiaries.

But even this degree of concentration and control under-represents the power of monopoly and multinational capital in the region. BHP claimed
that it indirectly employed 44 percent of the workers in Wollongong, making a total directly and indirectly employed of 72 percent in 1980-81. Over 350 local companies supplied goods and services to the BHP in 1982. All but two supplied goods and services in excess of $50,000 and thirty-six, $1 million or more.³ Fifty-eight of these companies were surveyed by economists from the University of Wollongong and one-third of them reported that they depended on AIS for the bulk of their incomes.⁴ Apart from the major basic industries, few others are involved in any significant trade not only outside the country, but also outside the region.⁵

Nonetheless, a combination of a crisis of over-production of steel internationally, declining domestic demand and intensive modernisation and rationalisation within the industry enabled AIS to reduce the workforce at Port Kembla from 23,000 to 14,000 over a period of less than two years. And yet, this only represents part of an even greater loss of jobs in the region, as subsidiary and dependent companies amplify the effect of the steel job losses. Mangan, Guest and Harrington suggest that at a conservative estimate, for every job lost in the steel industry, one other job is lost in the region.⁶ Expenditure by AIS has decreased by about $40m per annum. In 1983, the spending power of the 300,000 people in the region had fallen by $72m within the year.⁷

After the workforce had been reduced to 14,000 BHP negotiated a Steel Industry agreement with the incoming (Social Democratic) Labor Government which guaranteed it massive subsidies and 85 percent of the domestic market. Steel productivity has risen 36 percent in the last three years,⁸ and despite a commitment by the company not to sack, job loss continues through 'natural wastage' and the workforce currently stands at 12,900.
The consumption of coal by the steel industry also continued to decline, perhaps as a result of improved energy conserving technologies. In New South Wales the amount of coal used yearly by the steel industry fell steadily from 7.5m tonnes to 5.2m tonnes between 1981-82 and 1984-85. The declining demand for coking coal by the steel industry coupled with new technologies in the underground pits on the South Coast, particularly the increased use of longwall mining units, meant that employment in the Southern Coalfields dominated by AIS mines, fell from 6,339 in 1981-82 to 4,263 in 1984-85, a drop of one third.

Technical change in the steel industry has meant that the amount of maintenance work performed not only by AIS maintenance workers but also undertaken by engineering shops in the region has declined dramatically. The closure of maintenance intensive plant such as the No. 1 and 2 open hearth furnaces, Nos. 1, 2, 3 blast furnaces and some of the rolling mills plus the fact that a very large proportion of the new plant is imported, has meant that metal and engineering shops laid off 4,000 workers in 1983 and 1984 and maintenance work let by AIS fell from $35m to $5m per annum.

SOCIAL EFFECTS OF MONOPOLY RESTRUCTURING

The most obvious manifestation of the crisis in the region is the level of unemployment, with the number of dole recipients rising 235 percent between June 1981 and May 1983 to reach a district average of 14 percent. Since then the unemployment level rose further and, under the impact of short-term government job creation schemes, has now fallen back to 14 percent, but remains about twice the national average.
Unemployment is not evenly spread throughout the district, with 40 percent of the workforce receiving the dole in the small northern suburb of Coledale and 27 percent in much larger Berkeley. Official statistics under-represent the real levels of unemployment by about half, and so it is probable that in heavily working class and migrant Cringila, Warrawong, Warilla and Berkeley, unemployment is about one in three.

BHP propaganda about the high cost of steelworkers' labour has obscured the fact that the 'big money' that some steelworkers pulled down in exchange for destroying their bodies, was only as big as overtime permitted. The rate of increase in average weekly earnings between 1966 and 1977 was lower in the Australian steel industry than in the Japanese. By 1977, the average weekly earnings in the steel industry were the same for Japanese and BHP steelworkers. According to the census already in 1981, 19 percent of the households in the region received less than $154 per week. In Port Kembla and Berkeley, one in four households were in this situation.

As the steel crisis began to break, it was estimated that 17 percent of the population in the region were living below the poverty line, and that in some suburbs the figure was 25 percent. Government relief agencies, such as the Department of Youth and Community Services, reported toward the end of 1983 that they were 'tightening up' guidelines for cash assistance. Currently, this emergency cash assistance has been curtailed almost entirely as it has become a political football in a struggle between the New South Wales Labor and Federal Labor Governments. This has increased the burden placed on the already over-strained non-government welfare agencies.
In November 1982, the Wollongong Smith Family announced that it was no longer able to provide food, and that it was having to turn away people in need. People on unemployment benefits were the largest group depending on Smith Family assistance, with only 3 percent of the clients being in full-time employment. The number of those seeking help who were receiving single-parent benefits increased by more than 500 percent between 1976 and 1982. In terms of occupational categories, 90 percent of those seeking assistance were categorised as unskilled, pensioners or engaged in home duties. In terms of cash assistance, the Smith Family outlayed $1,200 in 1976. In 1982 this had risen to $53,000 - an amount described as 'a pitiful sum when averaged out'. It seems that the region itself is having difficulty supporting the poor, since for 1982, the value of items donated to the Smith Family was below that given in 1981, and in particular the clothing that was received was of a poorer quality. In August 1984 the Smith Family reported that it was not unusual to have 1,000 people seeking assistance in a month, about 40 percent of whom were young. For this, it budgets $5,000 per month but in the week since the State Government's $6m emergency relief fund cuts, the number of people seeking help had risen sharply, doubling on some days.

Further effects of the reduction in disposable income were evident from payment and use of state and local government services. The Illawarra County Council reported that disconnections of electricity for non-payment of bills had increased by 10 percent from 1981 to 1982, and the State Rail Authority reported that weekly train ticket sales had dropped 13 percent in the region over the same period.

The crisis is exacting a heavy toll in personal suffering with the Wollongong Women's Centre reporting a rise in the number of domestic
violence cases that it handles, 50 percent of all of which are attributable it says, to lack of money.21 Lifeline, too, has reported a steady increase in the number of calls it is handling, not only about specifically economic matters, but also in what it calls 'marital problems' and 'depression'.22 Both Careforce and the Marriage and Family Centre noted increasing family tensions, child maltreatment and domestic violence. In the first half of 1984 and the second half of 1983, the Wollongong Marriage and Family Centre conducted more than 3,000 interviews.23 Kembla House, an institution for drug and alcohol rehabilitation, reported a substantial increase in suicides and alcohol and drug addiction.24 In April 1983, Lifeline reported that the percentage of calls listed in the 'suicide' category was significantly higher in the Illawarra than in most other Lifeline centres, and that the number of calls was up 'by about half as much again compared with other centres'.25

THE RESPONSE OF THE TRADE UNION MOVEMENT26

Politically active members of the working class in Wollongong have responded to these events in two specific ways; in the first case, the labour movement has strenuously attempted to resist sackings; and in the second instance, labour and community activists have attempted to develop a broad coalition around unemployment and job creation comprising representatives of the trade union movement, local government and small business. Both of these initiatives have at least had the effect of raising regional awareness of the issue of unemployment, and of ensuring that it was firmly placed on the national political agenda.

The BHP closed the books at Australian Iron and Steel in September 1981. Workers retiring or resigning from industry were not replaced, and apart
from some sporadic and unco-ordinated action on the job to defend employment levels, the unions were unable to stop the steady erosion of jobs through 'natural wastage', at that time running at about 10 percent per annum.

With the retrenchment of 400 steelworkers at its operation in Western Australia, the BHP introduced the Voluntary Retirement Scheme, an action resisted by trade union officials in Wollongong. Amalgamated Metal Workers Union organiser, Steve Quinn, said 'We hold our jobs in trust for future generations, and no worker has the right to sell that job'. Nonetheless, workers took the offer and unions at the State level began arguing before the Industrial Commission, largely unsuccessfully, for better redundancy terms.

While the BHP continued its natural wasting and voluntary retirement in the steel industry, destroying 2814 jobs by September 1982, it attempted its first sackings in the mines that supply the steelworks. Two hundred jobs had already been 'wasted' in the AIS pits, when toward the end of September 1982, the BHP announced that it would sack 434 miners, 206 of them from Kemira Colliery. It further indicated that it would sack 800 steelworkers in November.27

On 13 October, 1982, 31 miners from Kemira Colliery entered the pit and established themselves five kilometres underground; the Kemira stay-in strike had begun and it was to last 16 days. The fight against the sackings quickly gained widespread support throughout the district. Butchers, fruiterers, launderers, clothing and sports good retailers, furniture sellers, hotels, workers' and sports clubs, musicians and actors all supported the stay-in miners. Trade unions, rank and file groups and
working class political party branches throughout the South Coast and Australia contributed moral and financial support. In those 16 days, $50,000 was raised for the Kemira struggle.28

Eight days after the miners had gone underground, the management committees of the steel and coal unions met jointly for the first time ever and resolved to call together a joint meeting of steel and mining job delegates. The delegates for their part decided to convene a mass meeting of rank and file workers in the two industries, leading to one of the largest meetings Wollongong has ever seen, at which over 10,000 workers cheered the wives and families of the occupying miners at Kemira. They resolved to start a campaign of lightning stoppages in the steel industry under the direction of job delegates.

At the end of the meeting, the Miners Federation National President moved that since the (Conservative) Liberal Prime Minister, Malcolm Fraser, had refused to meet a union delegation the workers should go en masse to Canberra to confront the government. On Tuesday 26 October, over 1,000 workers packed on two special trains supplied by the New South Wales State Labor Government to go to the National Parliament. They marched on Parliament House and broke open the doors occupying the entrance ways, they forced the Prime Minister to meet the unions' delegation and placed the issue of the retrenchments firmly before the nation.

Meanwhile, action started on the job. Producing steel is a complex integrated process which requires a high level of worker co-operation. Small scale actions instituted by the delegates at strategic moments can have devastating effects on production while costing the workers little in lost time. The 'Rock and Roll' tactic was a success for in two weeks over 80 different bans and stoppages had taken place in the steelworks.
On Monday 15 November, the steelworkers still united with the miners, convened another mass meeting. The meeting heard that the campaign had saved 270 of the 800 jobs the company had threatened, and it resolved to keep up the pressure in the hope of winning further concessions. By 3 November, 877 jobs had disappeared from AIS since the books had closed in September 1981. Nearly half had gone through the VRS, 36 percent through retrenchments, dismissals and people leaving the industry and the remainder through early retirement.

The meeting also looked at the position of the Wran Government which, having set up an inquiry on the industry under Judge Fisher, had declared its neutrality on the issue. The meeting resolved to organise a march from Wollongong to Sydney to pressure the State Government to do more for the workers they were supposed to represent.

On Tuesday 30 November about thirty workers, employed and unemployed, set out for the Long March to Sydney. They arrived on Friday to be greeted by 12,000 unionists who formed one of the most impressive demonstrations for the Right to Work that Australia has ever seen.

There can be no doubt that the events in Canberra and Sydney led to greater mass awareness of unemployment, burying once and for all the myth of the 'dole bludger' and contributing to the eventual downfall of the Liberal Government. But BHP weren't prepared to back off just because they were embarrassing the Government. Having first moved against production ironworkers, moulders and apprentices coming out of their time, they now began to move against the maintenance unions.
Five hundred and twenty steelworkers (196 from the Amalgamated Metal Workers Union) received notice of retrenchment in mid-December. In January the unions called off-shift mass meetings — itself a sign of weakness — and the only resolution put was to change the roster system to abolish an overtime shift traditionally worked by some shifts. A resolution to drop this 'long roster' (and save 108 jobs) was lost. This was the low point in the campaign. The blood shed in the 'Rock and Roll' campaign, the Christmas break and constant fear of being the 'next to go' had taken their toll. Eventually the 'long roster' was abolished on an order from Judge Fisher, and 104 retrenched workers got back their jobs.

Perhaps BHP was growing confident by this stage. It moved in March to attack a basic trade union principle — last in first out. It was on again — 270 retrenchments with 165 of them tradespeople. By this time the unions were pressing for workers in the last couple of years of their working lives to be offered VRS as they got relatively good benefits and lost the least. The attack on seniority raised the political temperature and the delegates resolved to call a mass meeting for Thursday 7 April. The meeting decided to reimpose the rolling stoppages campaign in protest at the retrenchments and to take action to ban all overtime.

It also drew attention to the pre-election promise made by the incoming Labor Prime Minister, Mr. Hawke, to 'maintain the jobs of those currently employed' in the steel industry. This promise had been made to the National Council of the Ironworkers and repeated at a rally on the South Coast two days before the election.
A union delegation went to Canberra and talked to the new Labor Commerce and Industry Minister Button, obtaining a vague promise that something would be done for Wollongong and the information that Mr. Hawke's pre-election promise would not be honoured. On 6 May, BHP announced there would be no more retrenchments and the workforce in Port Kembla would be stabilised at 13,270, 670 jobs above the level the company had planned for.\footnote{29}

The campaign for jobs had been a battle on two fronts, political and industrial. Politically the actions helped bring down the Fraser Liberal Government. Industrially, the retrenchments probably happened at a slower rate than the company wanted, so hundreds of workers got a few more weeks wages before joining the dole queues and importantly the principle of seniority was defended. On the debit side, the workers have still suffered savage defeats and most of the jobs lost have not and will not ever return.

One very significant working class gain from those three months of intense struggle, was the formation of the Wollongong Out-of-Workers' Union which has now about 600 members and the backing of the trade union movement. Young retrenched steelworkers involved in the Canberra rally and the Sydney march formed the nucleus of the organisation along with young never employed activists who had been working with the Communist Party for some time.

BUILDING A REGIONAL ALLIANCE

Interestingly, it was the traditionally most militant sections of the organised working class in the region which first realised the need for
a different strategy in the struggle for jobs. The Port Kembla branch of the Waterside Workers' Federation had been badly hit by technological change through containerisation in the 1960s, and well understood that the traditional methods of on-the-job struggle, while still necessary, were no longer sufficient.

In July 1980, the Wollongong Workers' Research Centre completed a report for the Port Kembla Branch of the Waterside Workers' Federation on the bypassing of Port Kembla. General cargo tonnages to the Port have been declining rapidly over the last decade, and with them the jobs of waterside workers. The report detailed this decline and in June 1980 was launched at a public meeting from which a Port Task Force was established, an event important for two reasons: firstly, the regional and working class nature of the appeal to reverse the degeneration of Port Kembla, and secondly, the class composition of the alliance constituting the Task Force itself.

In the first instance, the WWF commented that work was not only being lost for port workers, but for transport workers, and that business was being lost for 'small capitalists in the district' who were being 'hit several ways'. The WWF concluded by saying:

The Port Kembla Branch of the WWF obviously as a direct vested interest in the prosperity or otherwise of the Port. But with this comes a responsibility to ensure that what is one of the greatest assets of the region, paid for largely by the working people of the Illawarra, is protected an enhanced. The bypassing of Port Kembla, affects the people of the Illawarra as a whole, and must be confronted by us all together.
Constituting the Task Force were representatives from the waterfront unions, the Foreman Stevedores Association, two local transport firms, three stevedoring companies, the Wollongong and Port Kembla Chambers of Commerce, and the Maritime Services Board and the Wollongong City Council. Notably absent from the Task Force are those who hold real economic power and whose decisions shape the future and nature of the district. BHP, the major user of the waterfront is absent despite invitation, as are the other major users: the coal multinationals, BP, Shell and CRA. The Port Kembla Task Force, then, resembles a coalition containing representatives of sections of the working class, and representatives of factions of the petty bourgeoisie. Their main target is the state at both Federal and State levels.

The Task Force has been attempting to win new cargoes to the Port, and to decentralise decision making within the Maritime Services Board, a State Government instrumentality which runs Port Kembla. In response to Task Force demands that the Port be run by port users, port workers and community representatives, the State Government set up a new management structure, appointing a manager with the ability to make executive decisions on the spot. Previously this authority rested with executives in Sydney. Although this was not what the Task Force demanded, it has come some way to meeting that need for greater local control. At the same time, the Task Force has succeeded in winning a new $100m grain loader for the Port, and is busy seeking rice and wool cargoes also.

In August, 1982, in the face of the mounting unemployment in the Wollongong region, community workers from the City Council and the Wollongong Workers' Research Centre convened a meeting which established the Committee on
Employment (COE) covering Wollongong, Shellharbour and Kiama. The first meeting of COE was attended by sixty people representing thirty community organisations including local welfare organisations, church groups, environmental groups, Aboriginal representatives, the Communist Party of Australia and various charitable organisations.

The major impetus behind the committee was a proposal from the Wollongong City Council to establish a local development corporation to generate work in the region. Community and labor movement activists, while realizing the potential of such an organisation, were concerned that it be not dominated by local big business interests. The Illawarra Corporation for Redevelopment and Employment (CORE) was formally established on 10 September 1982. A board of about twenty was set up: 40 percent from industry and commerce, 20 percent from the trade union movement, 20 percent from COE and 20 percent from the three local governments.

COE has continued to function holding regular forums which determine policy for COE itself. COE produces a regular newsletter around the issues of unemployment and job generation, and obtained funding to employ full time organisers and develop community job creation schemes.

CORE, with the slogan 'To preserve and create jobs' has acted principally as a regional lobbying organisation particularly with the state and federal governments. Its influence is particularly related to its ability to project itself as representing a genuine regional consensus, one that is increasingly falling apart as business people in CORE have begun to pursue an 'Enterprise Zone' strategy based on 'Enterprise Zones' developed in
Margaret Thatcher's Britain. Within these zones, planning regulations are minimised and local tax exemptions have been granted to existing and incoming companies. Employment protection and health and safety legislation have also been eroded.

The 'Enterprise Zone' strategy has gained the support of the New South Wales State Liberal Party, and the Liberal parliamentary leader, whose electorate is partly encompassed by the region. He recently likened the 'Enterprise Zone' proposal to South East Asian Free Trade Zones, saying, "The 'Enterprise Zone' concept is based upon the success of the free trade zones which have grown up throughout Asia. They offer private enterprise a combination of reduced labour overhead costs, tax holidays and exemptions from government regulations. They have been islands of thriving enterprise and innovation, and the Liberal Party has undertaken to create such an enterprise zone in the Illawarra region."31

As I write this, the first company is due to relocate to the region from Sydney, sacking there 40 non-unionised largely married migrant women.

CONCLUSION: THIRD WORLD/FIRST WORLD

V.S. Naipaul, one of the most sensitive and incisive post-war writers of the 'third world' died in August. Shortly before he died, he wrote an essay entitled 'The Myth of the Third World'. Naipaul said 'the Third World as such does not exist ... it has no consistent and collective identity except in the newspapers and amid the pomp and splendour of international conferences'. He tried to show that in order to understand
the world, we must understand people as they exist in specific ways and in specific realities. And yet Naipaul says that we can recognise the 'Third World' denizen, as one who lives a hand-to-mouth existence and is indifferent to the power struggles of the mighty; as one who inhabits a fantastical world in which the divergences have become so great, have been so magnified, that there seems no possibility of bridging the abyss.

In the 'Third-World' I once knew, I saw people struggling to build development corporations, workers and producers co-operatives, trade unions; working to create some power at the level of the local state with which to protect themselves from the ravages of monopoly and multinational capital. I see the same thing happening now in the district in which I live and I understand that the 'Third World' is no longer constrained by national boundaries; that Sydney or New York is as far from or as close to Port Moresby as to Wollongong or Nairobi; and I sense the same desperation as we struggle to hold the ground that is being ripped out from under our feet.
NOTES:

2. Ibid., p.33.
4. Ibid., p.4.
10. Ibid.
11. P. Ginnane, 'Steel Aid Won't Relieve All Iills', Illawarra Mercury, 7 August, 1984, p.2; P. Ginnane, 'Govt. Must Offer Metal Trade Relief', Illawarra Mercury, 6 December, 1984, p.5.
15. Ibid., p.6.


17. CORE, op.cit., p.7.


22. CORE, op.cit., p.9.


28. Ibid., pp.10,11.

29. John Clarke, Manager at AIS, spoke of 12,600 at a seminar at the University of Wollongong early in 1982. Currently the workforce is only 300 above that figure.

30. Wollongong Workers' Research Centre, 'The By-Passing of Port Kembla and Some of Its Implications for the Regional Economy', Report Number 6, Wollongong Workers' Research Centre, 1980, p.15.