Unemployment in the Illawarra Region: Understanding its Historical Trajectory and Legacy

Scott Burrows
University of Wollongong, sburrows@uow.edu.au

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This journal article is available in Illawarra Unity - Journal of the Illawarra Branch of the Australian Society for the Study of Labour History: https://ro.uow.edu.au/unity/vol11/iss1/4
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Introduction

The incidence of high levels of unemployment in regional Australia is well documented and the Illawarra is no exception (Castle and Mangan 1984; Hodgkinson et al. 1993; Howard 1999; Bell 2000; Howard and Buultjens 2004; IRIS Research 2008). The region’s industrial history has become synonymous with unemployment and joblessness has been a core macro-economic problem in the Illawarra region for over one hundred years. In this article, I explore the patterns, trends and broader implications of regional industrial change to highlight how local and national economic factors have impacted the Illawarra labour force.
The effects of regional and market changes have been particularly stark when the region has experienced economic crises with above average rates of unemployment, and much longer and entrenched extremes in recession and recovery compared to state and national averages. An exploration of the relationship between these changes offers avenues for understanding aggregate employment levels while providing a greater appreciation of regional unemployment disparities.

While studies of the dimensions of unemployment in the region are well documented over many years (see Larcombe and Blakely 1983; Mangan and Guest 1983; Castle and Mangan 1984; Schultz 1985; Rittau 2001; Tonkin 2002; Robinson 2010) this article attempts to weave a trajectory that serves to provide a better understanding of a changing region. The article therefore contributes to an understanding of the historical composition of regional unemployment, as a response to and as part of the downturns in industry. A number of important questions have arisen that warrant consideration when looking at both the existing studies and the available historical record. These include: how has the composition of unemployment changed in relation to changes in industry? What have been the effects of economic crisis towards unemployment? What lessons can be learnt in dealing with contemporary manifestations of unemployment?

Throughout the article, an overview of industry provides the contextual basis to situate employment levels in the region. This is undertaken from the early part of the last century to the recent impacts of the global financial crisis and ongoing economic crisis. By doing so highlights the correlations between industry and employment. Finally, some assessment is made to the future, providing some insight into the possibilities of change, and locating these trajectories and shifts in the broader economic and industrial composition of the region.

**History of Industry in the Illawarra and its Employment Composition**

In the 1870s, Sydney capitalists acquired thousands of acres of land to establish a mine at Coalcliff, and by 1889 eleven mines and over 2000 men produced over 700,000 tonnes of coal in total production. At Port Kembla,
mining manufacturing was also established, expanding the region’s coal production. In 1908, the furnaces of the Electrolytic Refining and Smelting Company (ERS) commenced at Port Kembla. This led to a significant increase in production, particularly in the mining, coke making, metal manufacturing, and dairying industries and by 1911, totalled almost two million pounds, to which dairying contributed barely 5 per cent (Lee 2001: 13).

Further coal mining settlements were established in the ensuing years in Helensburgh, Clifton and Bulli and by the 1920s more than half the Illawarra district’s population resided in these areas. As the expansion and transportation of coal in the region increased, the northern districts became heavily dependent on the coal industry with over fifty per cent of workers employed both in and around the mines (Richardson 1984: 3-4).

During the First World War, coal-mining began to decline as demand decreased from importing countries such as South Africa, The East Indies, India and China. It also declined from inter-state trade with Victoria, who began to develop their own resources and industries. With the onset of World War One, Australia’s trade with Britain and Europe was severed and as the loss of coal markets became more serious, local mines had surplus coal output, as well as workers (Lee 2001: 18). As Richardson notes, the 1920s were lean years on the coal fields:

Australia, like other coal-producing countries was drawn into a ‘world war in coal’. The difficulties stemmed directly from the loss of markets during the First World War and the failure to regain them. The Australian export trade which between 1900 and 1913 had accounted for approximately thirty per cent of total output, had by 1927 fallen to thirteen per cent (1984: 4).

Had the presence of a viable proposal to establish steel making in the region not existed, the collapse of the coal industry would have been catastrophic for the region. Luckily, manufacturing and electricity generation provided the life support the coal industry needed. This was enhanced when initial construction of Port Kembla harbour was completed in 1903. This was viewed as a useful site, providing a coastal channel where it could take advantage of reduced
transport costs for its market in ore coming from within Australia or overseas (Rittau 2001: 72).

In 1926, the Hoskins steelworks relocated their company from Lithgow to Port Kembla. In 1927, Hoskins commenced construction of a blast furnace but ran into difficulty providing enough capital to complete its project. In 1928, an amalgamated company, Australian Iron and Steel Ltd. (AIS), was formed from Hoskins Ltd and Dorman Long and Baldwins Ltd, two English companies, and Howard Smith Ltd, an Australian shipping and coal mining company. As it continued operation, it employed some 1500 workers in 1928 with only 500 workers employed in 1932 (Rittau 2001: 73).

While unemployment had been part of the Illawarra economy many years before the onset of the Great Depression, declining iron and steel demand escalated job losses, and by the end of 1930, unemployment reached unprecedented levels not experienced previously. Of the various companies, ERS’s workforce declined by 350 by 1929, Metal Manufactures dropped to 211 while AIS had dismissed over 1000 men by 1932 (Lee 2001: 61). The implications of such job losses were the extreme conditions experienced by local workers including inadequate housing, poverty and lack of food.
Table 1: Unemployment Males Aged 15-64 Years, Wollongong Region Local Government Areas 1933

<table>
<thead>
<tr>
<th>Wollongong Region Local Government Areas</th>
<th>Unemployed No.</th>
<th>Labour Force %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulli Shire</td>
<td>1778</td>
<td>34.2</td>
</tr>
<tr>
<td>North Illawarra</td>
<td>1058</td>
<td>39.5</td>
</tr>
<tr>
<td>Wollongong</td>
<td>905</td>
<td>22.9</td>
</tr>
<tr>
<td>Central Illawarra</td>
<td>767</td>
<td>21.5</td>
</tr>
<tr>
<td>Shellharbour</td>
<td>160</td>
<td>24.1</td>
</tr>
<tr>
<td>Jamberoo</td>
<td>20</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td>4688</td>
<td>28.5</td>
</tr>
</tbody>
</table>


By 1935, Australian Iron and Steel Ltd. (AIS) merged with Broken Hill Propriety Ltd. and the new company was named BHP/AIS. Under this arrangement, AIS became a whole subsidiary of BHP, with the former acquiring a twenty-per cent shareholding in BHP. It bought coalmines and expanded into shipping, employing 3700 workers in Port Kembla in 1936. Commencing with World War Two in 1939, Port Kembla with its industries accounted for the employment of over 60 percent of the men in the region (Lee 1997: 59-62, Markey and Wells 1997: 87-88;Rittau 2001: 73-74). Commencing with World War Two in 1939, Port Kembla with its industries accounted for the employment of over 60 percent of the men in the region (Lee 2001: 22-23).

As the Illawarra economy expanded, it had a relatively narrow, industrial base and an almost exclusive dependence on the coal and steel industries for employment. These industries generated much of the region’s employment
growth through the 1960s and 1970s. The peak of manufacturing employment was in 1966 when 44 per cent of the Wollongong Statistical District’s workforce was directly employed in manufacturing. During the 1960’s, the Steelworks had expanded to become the largest in Australia (Guest and Mangan 1983: 12; Rittau 2001: 71).

Table 2: Manufacturing Workforce and Total Workforce 1954-1976 Wollongong Statistical District (W.S.D.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
<td>15162</td>
<td>2445</td>
<td>17607</td>
</tr>
<tr>
<td>1961</td>
<td>24069</td>
<td>2984</td>
<td>27053</td>
</tr>
<tr>
<td>1966</td>
<td>28027</td>
<td>3760</td>
<td>31787</td>
</tr>
<tr>
<td>1971</td>
<td>27467</td>
<td>4567</td>
<td>32034</td>
</tr>
<tr>
<td>1976</td>
<td>26941</td>
<td>4293</td>
<td>31234</td>
</tr>
</tbody>
</table>

Source: IRIS Research (Various Years) Employment Profile, IRIS Research, Wollongong.

The expansion of employment based programs centred on immigration also became central to the development and rapid growth of the region’s economy, providing a pool of workers to supply labour shortages. By 1980, 62 per cent of wage employees were born overseas with 50 per cent being from a Non-English Speaking Background. Of the countries, one-third of these were from southern Europe, Turkey and West Asia and one-fifth from the former Yugoslavia (Morrisey et al. 1992: 1-2). Between 1961-1975, the proportion of the migrant workforce employment at the Steelworks was one in four (Rittau 2001: 75).
Table 3: Workforce Growth 1954-1971 Wollongong Statistical District (W.S.D.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
<td>32931</td>
<td>7356</td>
<td>40287</td>
</tr>
<tr>
<td>1961</td>
<td>49329</td>
<td>11447</td>
<td>60776</td>
</tr>
<tr>
<td>1966</td>
<td>55715</td>
<td>16417</td>
<td>72132</td>
</tr>
<tr>
<td>1971</td>
<td>59081</td>
<td>20501</td>
<td>79582</td>
</tr>
</tbody>
</table>


In the early 1970s, the steel industry faced a number of pressures arising from both real competitive threats (such as the flooding of cheap imports) internationally and deliberate cost and labour reductions such as production differentiation and the introduction of new technologies. As Lee argues,

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The dominance of Australian Iron and Steel and other BHP subsidies, and the narrow base of regional economy by the 1960’s significantly heightened the impact of the decline once manufacturing investment slowed and retrenchments began in the 1970’s (2001: 166).
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Steel production, for example, from the 1920s until the late 1970s relied principally on the open-hearth method of steel production. BHP viewed this method as out-dated, too costly and too labour intensive as the demand for specialised steels increased. Consequently, as new technology was introduced, fewer people were required, affecting the demand for labour, but also the skills and training necessary for the job (Kelly 1989; Morrisey et al. 1992: 33-36).

In 1974, international steel production peaked as the emerging industrial economies of countries such as Brazil and Korea expanded rapidly. Other countries such as Japan, Germany and the United States also experienced a
competitive edge as they upgraded technology to meet customer demands. Australia’s steel industry remained competitive as capacity increased and production costs were reduced. The drive for greater efficiencies necessitated quite dramatic rationalisations within the international steel industry and these drives were based on the assumption that an economic boom would occur in the future (Kelly 1988: 513; Haughton 1990: 73).

The Industries Assistance Commission (IAC) commencing under the Whitlam government in 1973 and continuing under the Fraser government recommended BHP restructure their operations to be more internationally competitive and export orientated. This involved major technological change within production processes. After lengthy negotiations, production costs were reduced with the introduction of new technology such as a third vessel in its Basic Oxygen Steel (BOS) to replace the open hearth system that became obsolete under the recommendations of the Commission. The Commission also recommended limitations for BHP on how much they could claim in tax allowances and adjustments in tariff protection (Wollongong Workers Research Centre 1982: 3).

To reduce production costs, BHP moved to produce plastics and aluminium to fulfil the functions associated with steel. These developments were in anticipation of international steel capacity increases that were undertaken in the both the United Kingdom and United States of America where markets and production were falling. In sheltering themselves from international pressures, BHP sold their steel exports at a lower price than the domestic market, reinforcing the rationale that export sales would hold down average production costs (Haughton 1990: 73-74). Rationalisation based on technological change resulted in job losses in both the United Kingdom and United States of America. In the U.K for example, employment was halved between 1979 and 1983 while the U.S. workforce was cut by one-third between 1980-1984. As Haughton argues,

Part of the western nation’s problem was the oversupply of new capacity based on optimistic market forecasts made in the early 1970’s, plus the retention of older, inefficient plants. On top of this
was the fact that the major steel markets were in fact developing away from the U.S.A and the European community, as industries such as shipbuilding shifted focus towards Asia, and as construction activity increased in many developing countries (Haughton 1990: 73).

BHP’s position proved to be temporarily immune from the restructuring of the world steel industry for a number of reasons. These include its high vertical integration, its virtual monopoly position, its tariff protection and its hourly labour costs which were lower than their American and Japanese counterparts (Haughton 1990: 73; Donaldson 1985: 1).

In 1980, employment growth and output in BHP remained relatively strong and the anticipation of a resources boom fuelled such expectations. Investments in plant equipment to address customer demands such as producing higher quality steel in smaller batches, and moving away from older processes like steel making via ingot, not only increased productivity at Port Kembla but delivered greater quality steel. Two continuous casters for example, the first commissioned in 1978 and the second in 1980 had the ability to cast steel slabs much quicker than the traditional ingot pathway. These technologies also introduced greater computerisation, particularly data recording and analysis. Much of the new equipment and technology was conducive to greater levels of flexibility for international market conditions. They also required a more flexible workforce, one that overtime became increasingly white collar (Kelly 1988: 514). Indeed, the labour force changed significantly and between 1970 and 1980, the number of professional employees at AIS’s Port Kembla works rose 31 per cent, the number of sub-professionals employees by 87 per cent and unqualified staff by 16 per cent. The number of general labourers, however, remained almost static, declining by 2 per cent (Donaldson 1981: 43).

In response to growing uncertainty from falling demand and excess world steel capacity, BHP commenced restructuring its steel operations. With production falling from 7.8 million tonnes in 1980-81, to 7.1 million tonnes in 1981-82, workers were anxious over the future of the coal and steel industry
including their jobs. During 1981, BHP ceased all new employment and a voluntary retirement scheme was implemented for the workforce. Over 50 per cent of the workforce took voluntary retirement while 15 per cent accepted enforced retrenchments and the remainder through resignations (Donaldson and Donaldson 1983: 36; Kelly 1989: 72; Rittau 2001: 76). BHP’s economic and political power, by virtue of the monopoly position it built since its interest in steel from 1915 onwards, served it in a contradictory fashion. When the resources boom failed to materialise and world steel prices fell sharply in late 1981, BHP lost some control of the domestic market. The company’s response was to reduce capacity, output and employment and in 1981 the company decided it would stop further employment with the exception of a number of trades people and introduce a voluntary retirement scheme. From November 1981 and June 1983, the workforce was reduced by 5000 (Kelly 1989: 72; Rittau 2001: 76). These flow-on effects were felt in the recipient rates for unemployment benefits during the period of 1981-1982 shown in the following table.

Table 4: Recipients of Unemployed Benefits (W.S.D.) 1981-1982

<table>
<thead>
<tr>
<th>% Increase</th>
<th>1981 (June)</th>
<th>1982 (June)</th>
<th>1982 (November)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wollongong: Unemployment % increase</td>
<td>4289 -9.2</td>
<td>5501 28.3</td>
<td>7294 32.6</td>
</tr>
<tr>
<td>Shellharbour: Unemployment % increase</td>
<td>1532 -1.0</td>
<td>1772 15.7</td>
<td>2460 38.8</td>
</tr>
<tr>
<td>Kiama: Unemployment % increase</td>
<td>222 15.0</td>
<td>252 13.5</td>
<td>352 39.7</td>
</tr>
<tr>
<td>Total W.S.D. Unemployment % increase</td>
<td>6043 -7.2</td>
<td>7525 24.5</td>
<td>10106 34.3</td>
</tr>
</tbody>
</table>

These decisions were important in retaining BHP’s economic power within the steel industry, and the Illawarra region. Its position was less precarious than BHP’s other plants in Newcastle or Whyalla (Haughton 1990: 73; Schultz 1985). Nevertheless, BHP accounted for 71.6 per cent of the employment in the Wollongong Statistical District providing 27.6 per cent direct employment and 44 per cent indirect employment (Mangan and Guest 1983: 12). This accounted for directly and indirectly, over 70% of the region’s employment (Kelly 1989: 73). Coinciding with falling steel production, job losses were profound, leading to high levels of unemployment and poverty across the region (Donaldson 1985: 4-7). According to one estimate, for every job lost in the steel industry, one job was also lost outside of the industry in the region (Mangan and Guest 1983: 13).

While the steel industry had profound contractions, coal production and profitability also underwent strong economic contractions, leading to lower prices and the displacement of workers through labour-saving and output-increasing technology such as the continuous long-wall mining machinery (Morrisey et al. 1992: 45-46). The region also experienced mine closures that led to workers opposing attempts by Australian Iron and Steel to close mines. This resulted with a sit-in by miners at the Kemira mine site (Coyle and Miller 2007; Wollongong Workers Research Centre 1982). With significant job loss and retrenchments within the coal industry, many workers became unemployed in the ensuing years, as manufacturing further declined.

By 1986, the future of the steel industry was generally optimistic with production and employment levels stabilizing and strike levels decreasing significantly (Kelly 1988: 512). By 1989, the Steel Industry Development Agreement (SIDA) replaced the Steel Industry Plan (SIP). This joint agreement between company and unions aimed at making BHP world competitive in quality steel products with advantages for both workers and company. By 1993, the retrenched unemployed in the manufacturing sector was 32 per cent in the Illawarra whereas it was 28.2 per cent in the State overall and 26.1 per cent nationally. The Illawarra had a higher proportion of retrenched workers (3.5 per cent) compared to the State and national averages (both 3.0 per cent) (Rittau 2001: 79). As Lee argues,
By the 1990’s, Wollongong’s reputation as a centre of heavy industry was increasingly a thing of the past. In 1991, heavy industry employed only 22% of the region’s workforce; it had employed more than double that proportion in 1966 (2001: 166).

Yet, despite the decline of manufacturing jobs in the Illawarra, in 1993 it still had 19.7 percent of total employment in the manufacturing sector whereas the State proportion was 12.6 percent and the national proportion 13.1 per cent. A substantial proportion of the workforce in the region remained in a manufacturing industry that was not expanding and remained the most significant employer (Morrissey et al. 1992: 53-54). During the 1990s, the region’s employment structure was located in manufacturing, community services, wholesale and retail trades and the finance sector (Rittau 2001: 79). The Illawarra also experienced an expansion of other industries, including the public service (Morrissey et al. 1992: 53-54). This commenced policy initiatives to encourage diversification within the local economy.

Throughout the late 1990s and into the early 2000s, labour market conditions improved and generally stabilised with lower unemployment and higher participation rates. These conditions were formed in part from strong economic growth during the Howard Government years (1996-2007). While national and state unemployment averages remained lower than the region’s, some macro-economic improvements were made particularly in job creation, and expansion of infrastructure and services. These gains, whilst modest in their dimensions, were compromised significantly with the onset of the global financial crisis in 2008. With the onset of the global financial crisis in 2008, the region has experienced compounding job losses. Nationally, the unemployment rate moved from 4.4% to 5.7% while the region’s rate moved from 7.4% to 9.6%, with job losses felt across the region (ABS Labour Force 2009). In 2008-09, direct fiscal stimulus by the Federal government ‘dampened’ high unemployment rates and did improve macro-economic job creation lowering unemployment rates for both adults and young people. It also improved business hiring with an increase in job advertisements in the period (IRIS Research 2009). The temporal nature of such stimulus packages
will of course revert to some level of equilibrium in the local economy but without the presence of concerted policy approaches to tackle high structural unemployment, the region’s employment conundrums remain. Throughout 2011-2012, the impacts of the global financial crisis have far from receded. The nature of ongoing world economic crises are immense and Australia is not immune from the movements in the United States nor the debt and crisis ridden economies of Europe. The flow-on effects for the Illawarra require policy responses that are unique to the region’s industrial composition and that genuinely create jobs given the past economic shocks the region has received.

**Conclusion**

At the time of writing, the region is yet again experiencing job losses at BlueScope Steel, the Illawarra Mercury and throughout the NSW Public Service. These announcements will affect aggregate employment levels but won’t have the deleterious effects like so many job losses in the past. Of course, the implications of the employment multiplier effect should be taken seriously considering the region’s past. In the case of BlueScope Steel, ‘official’ announcements indicate 800 jobs lost, estimates indicate that the indirect employment loss will be far greater in the region. Local unions for example, indicated up to 1400 jobs would be lost but more research is required once the figures stabilise over the coming year, to understand the impacts on smaller engineering and manufacturing shops that provide those ‘high’ end services to the steel industry (Australian Workers Union 2011).

At the Federal level, the calls for an inquiry in the manufacturing sector in Australia have some merit to examine the feasibility for the future. However, it seems a little contradictory given the sorts of economic policy approaches that have effectively dismantled manufacturing in Australia over the last few decades (Bell 2000: 1-21). Once again, however, it raises an ongoing macro-economic problem which the region needs to address more substantially, and that includes greater economic diversity. The studies vindicating this position are now overwhelming, acknowledging the importance that these sorts of
policy approaches have in creating jobs (see Attaran 1986; Buultjens, Howard and Moffat 2003, Izraeli and Murphy 2003; Mason and Howard 2010: 180-193).

Beyond the economic debates however, the social costs of unemployment are high and the region’s history and storyline is embedded with the problems of unemployment. While the unemployment experienced by the people of Wollongong is closely linked to the actions and behaviours undertaken in industry, the personal struggles and battles in addressing such profound and protracted unemployment is hidden and remains corrosive in the lives of its people (Southall 2008: 79). A real possibility over the coming years is to think that the steel industries’ days are numbered in the Illawarra given the declining composition of steel-making as a proportion of total economic activity (IRIS Research 2008). But rather, the region’s future depends upon concerted policy approaches that develop the local economy in ways that are innovative and forward thinking, and encapsulate the real possibilities of change while retaining the region’s unique historical and industrial landscape.

Scott Burrows teaches and researches at the University of Wollongong. Email: sburrows@uow.edu.au

References


