Mass unemployment to worsen in Australia following Victorian lockdown

By Mike Head
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The worst economic crash and destruction of jobs in Australia since the 1930s Great Depression will deepen further following the expanded COVID-19 shutdown imposed on the state of Victoria on Sunday.

Workers, especially those in casual and insecure employment, will bear the burden of the sweeping “state of disaster” restrictions announced by Victoria’s Labor government, set to last for at least six weeks.

The more intensive shutdowns in Victoria, which accounts for a quarter of Australia’s gross domestic product (GDP), are expected to reverberate across the country, wiping out hundreds of thousands more jobs and cutting more than $3 billion a week off the GDP.

The “stage four” restrictions, which are backed by the federal Liberal-National government, are a direct result of the disastrous “return to work” push by all the Australian governments since May. The profit-driven “reopening of the economy” by the bipartisan “national cabinet” of federal, state and territory government heads, has caused a deadly resurgence of the pandemic.

That started in Victoria, where an estimated 80 percent of the infection transmissions have come from workplaces that the government kept open or re-opened, including retail and hospitality businesses, meatworks, warehouses and construction sites.

Even before the Victorian lockdown, young workers, in particular, were confronting the worst levels of unemployment and underemployment since the Great Depression, affecting more than 2.5 million workers—or nearly a fifth of the labour force.

Now the Victorian emergency has shattered the already dire economic and budget forecasts that the federal government issued less than two weeks ago on July 23. Even by those predictions, another quarter of a million jobs would have been eliminated by December.

According to the July 23 budget update, the economy will contract by 3.75 percent during 2020 and the annual federal budget deficit blow out to $184 billion by next June. That will be by far the biggest deficit since World War II. It will be almost 10 percent of GDP—more than twice the proportion recorded during the global financial crisis of 2008–09.

Those calculations were based on continuing the “reopening” drive, despite the COVID-19 surge already occurring by then in the two most populous states, Victoria and New South Wales. They assumed that the reimposition of a “stage-three” partial shutdown in Victoria would last only six weeks, no new safety shutdowns would occur anywhere else in the country, interstate borders would reopen and international travel would resume from January 1.

Yesterday, federal Treasurer Josh Frydenberg admitted that the cost of Victoria’s new “stage-four” restrictions would be higher than Treasury estimates and “felt beyond” state borders. He gave no explanation for offering such misleading forecasts on July 23.

Deloitte Access Economics senior partner Chris Richardson said job losses were likely to be worse than previously predicted. “We’re going to see, compared to the forecasts in July, more jobs lost, unemployment higher and unemployment staying higher for longer,” he said.

The Victorian shutdown has demolished the myth propagated by the governments and the corporate media that Australia would be an exception to the intensifying global pandemic and economic breakdown.

Yesterday’s Australian Financial Review editorial conceded: “When the national cabinet announced the three-stage reopening plan in May, it appeared that Australia was still the so-called ‘lucky country’ even amid the worst global pandemic in a century.” Now there would be “a great leap backwards.”

The newspaper has been among the most vociferous voices demanding “reopening,” regardless of the known
danger of new outbreaks that would cost lives and livelihoods.

Even now, the demands of the corporate elite continue to dominate the government response. Victorian Premier Daniel Andrews yesterday said construction projects, meat plants and various manufacturing operations would be permitted to stay open during the “state of disaster,” subject to some safety rules.

Predictably, workers are being made to pay the price for the crash, via job losses, pay cuts and freezes, and attacks on working conditions, as well as social spending cuts, amid the biggest corporate handouts in history. Since March, the federal, state and territory governments have handed out more than $300 billion in “stimulus packages.” Most has gone to big business, including via JobKeeper wage subsidies that have so far kept millions of their employees on the job, generating profits.

Once Prime Minister Scott Morrison’s federal government starts slashing the JobKeeper subsidies and JobSeeker jobless benefits in September, and governments end freezes on rental evictions and mortgage repayments, working class financial stress, poverty and homelessness will grow.

Investment bank Morgan Stanley commissioned a survey of the six million households paying off mortgages and found that 55 percent of them had survived on JobKeeper, JobSeeker or the early withdrawal of superannuation retirement funds. Unless they found decent-paying jobs within six months, they could default and lose their homes.

Writing in the *Australian*, financial journalist Alan Kohler warned of a looming “debt emergency.” He wrote: “The average mortgage is $467,700, so those people collectively owe more than $1 trillion. Even if this group’s average mortgage is half that, and even if only a third of them don’t get a job and can’t meet their repayments, the loans in default would be equal to the entire capital of the Australian banking system.”

Another survey pointed to the crisis facing small family-owned businesses, which include many workers who previously lost their jobs. The digital credit reporting agency CreditorWatch reported that the average invoice payment delay in June was 49 days, more than triple what it was a year ago. These overdue payments indicate that many businesses are insolvent, but are currently permitted to keep trading, an exemption due to end on September 25.

Even before COVID-19 first struck in March, young workers were suffering an historic decline in incomes, due to the cutting of hours and pay. A recent Productivity Commission report found that since the 2008–09 global breakdown, the average labour income of those under 25 had fallen by 14 percent in real terms. Those aged 25 to 34, experienced a 7 percent drop.

This reversal is now worsening because younger workers have been the first to lose their jobs or hours in the pandemic. That is also feeding into growing social inequality.

Recent Australian Taxation Office data confirmed a widening income gulf between the residents of the richest and poorest suburbs of Sydney and Melbourne, the two most populous cities, long before the pandemic.

For example, the average income among the residents of wealthy Double Bay on Sydney Harbour grew by 85 percent between 2013–14 and 2017–18 to $242,428, the highest in the nation. That was six times higher than in working class Auburn, in Sydney’s mid-west, where the average income increased by 4 percent to $37,686, the lowest in Sydney.

Apart from a huge average wage gap, the biggest difference was capital gains from investments. In Double Bay, 419 residents declared net capital gains worth $221 million or $527,000 each in the 2017–18 tax year. In Auburn, 249 people declared net capital gains totalling $5.1 million or $20,500 each.

At the same time, low-paid and highly casualised workers in frontline services, such as aged care, healthcare, retail, transport and security are the most likely to be exposed to COVID-19 infection, threatening their lives and health, and those of their families.

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