Multinational Enterprises Programme

Working Paper No. 68

Multinational enterprises in Australia: A preliminary overview of the effects on employment

by Greg MacDonald

International Labour Office Geneva

Note:
Working papers on themes studied within the ILO are intended to stimulate discussion and critical comment.

ISBN 92-2-107541-9
ISSN 1011-4971

First published 1994

Printed by the International Labour Office, Geneva, Switzerland

Contents

List of tables

List of figures

Introduction

The general purpose of this paper is to provide a comprehensive overview and description of the activities of large multinational enterprises (MNEs) of foreign and domestic origin which operate in Australia. The specific aim is to understand their impact on employment. While the main focus is on large industrial MNEs and the dynamics of their operations over the past decade, companies in services such as banking, transport and advertising are also covered. The developments are situated against the background of Australia's economic history starting from the period of British colonial rule up to the present time, which is marked by high growth in investment from Asia. The text, which is essentially descriptive, is intended to provide a background for future in-depth research on sectoral and industry-specific trends in foreign investment and employment in MNEs in Australia.

Australia is responding to changes in the global economy and to the challenges of developments in the Pacific Rim. For most of the century it has adopted a defensive strategy, shielding itself from the changes occurring in Asia and elsewhere. However, during the last decade there has been a noticeable shift from a defensive position to one that is more assertive.

Trade and foreign investment have increased dramatically and the presence of multinational enterprises (MNEs) of Australian origin has grown significantly on world markets. Ross Garnault (1989) stated that the liberalization and internationalization of the Australian economy have been perhaps the most important developments in the history of the country. However, he cautioned that success in international growth was not inevitable. His observations were borne out when, in the first four months of 1990, there was the collapse of the Bond Corporation and the restructuring of Elders IXL — two of Australia's largest five companies.

The north-east Asian economies are Australia's largest markets for primary products, and the future of the economy will be greatly shaped by trading relationships with countries in this part of the world.

Kenichi Ohmae, in "Triad Power" (1985), focused on the significance of the emergence of three trading blocks — the United States, Japan and the European Communities. He pointed out that the United States, Japan and the four major European powers — France, Germany, Italy and the United Kingdom — accounted for more than 50 per cent of global GNP. He noted that those countries had similar problems, i.e. mature economies, escalating social costs, ageing populations, and the rising cost of research and development (R&D) which is making "acquisition" a preferred growth strategy to "innovation".

For more than two decades Japan, a key player in the "triad", has been fostering close economic relations with Australia and Brazil as major suppliers of raw materials and this has contributed to Australia's emergence as a middle power in the Pacific.

I. Multinational enterprises of Australian origin

Australian MNEs have assumed a high profile in foreign markets in recent years. The removal of controls on outward capital flows by 1984 resulted in massive outflows which reached A$9.8 billion between 1987 and 1988. In that period outflows exceeded inward foreign direct investment (FDI) (A$5.2 billion) by almost 90 per cent. That was a significant development since, traditionally, Australia has been a capital-importing country.

According to the *Business Review Weekly* (24 November 1989), the largest 100 Australian multinationals had A$56 billion in overseas revenue flows and A$146 billion in overseas assets. The overseas corporations tended however, to show lower returns on foreign as opposed to domestic investment. The Australian Bureau of Statistics (ABS) noted that in 1987-88, there was a return of only 6.6 per cent on funds invested abroad.

Evidence from Brambles, Pacific Dunlop and Pioneer International suggests that the globalization strategies of Australian companies are motivated by a search for economies of scale. Australian companies tend to be risk avoiders. They generally locate abroad only when their operations in the home country are excellent and they have strong advantages over foreign competitors. Their foreign operations however, have not been totally successful.

The *Business Review Weekly* (BRW) study showed that more than half of the top 100 Australian MNEs were losing money on their American operations, 26 incurred cumulative losses and most of the other firms had an average turnover of less than 8 per cent. The net effects of those developments on the Australian economy are unclear. A study by Booz, Allen and Hamilton of 71 Australian multinationals in 1987/88 showed that their sales totalled A$140 billion. The average returns on investment were higher in Asia (14.5 per cent) than they were in the home country (9.7 per cent).

Historical background

The colonization of Australia by the British began in 1788. Up to the turn of the twentieth century agriculture and mining were the mainstay of the economy and they continue to be very important sectors. During the 1950s, agriculture accounted for 25 per cent of GDP and 80 per cent of Australian exports.

Transport and manufacturing evolved during the early part of this century and a period of rapid economic expansion began in the 1950s and the 1960s with the growth of manufacturing and substantial inflows of foreign capital into the mining sector.

During the 1960s, the service sector grew rapidly. While in the late 1950s it accounted for less than 50 per cent of GDP, by 1984-85 the figure had risen to 60 per cent. Mining also grew during that period, with important discoveries of iron ore, petroleum, coal and natural gas. Manufacturing remained a strong contributor to GDP but declined steadily relative to mining and services. Real GDP grew irregularly between 1981 and 1987, as shown in table 1.

Table 1. Growth of Australian GDP, 1981-87

Year	Real growth (%)	Real growth per head (%)
1981-82	2.6	0.9
1982-83	-1.0	-2.5
1983-84	4.9	3.5
1984-85	5.3	4.0
1985-86	4.3	2.9
1986-87	2.7	1.2

Source: ABS: Australian National Accounts.

II. Foreign direct investment and trade

A historical overview

According to Crough (1976) total capital inflows between 1947-48 and 1974-75 amounted to A$13,568 million, 39 per cent of which came from the United Kingdom, 38 per cent from the United States and Canada, and 23 per cent from other countries. Seventy-two per cent of the capital took the form of foreign direct investment (FDI), portfolio investment and institutional loans.

Direct investment in Australia is defined as foreign participation in excess of 10 per cent of the ordinary shares of a company. Up to 1961-62, the United Kingdom accounted for 53 per cent of total inward FDI. However, that share fell to about 30 per cent through the 1960s and 1970s. North American FDI increased above 40 per cent during the same period, supplanting the United Kingdom as the major investor.

Table 2 shows the rapid rise of investment from Japan and the European Communities (EC) during the 1970s and the relative decline of investment from the United Kingdom (UK).

Table 2. Total inflow of overseas investment in companies in Australia by country/area of origin, 1947-75 (A$ million)

Year	UK	US*	Canada*	Japan	EC	Other	Total
1947-48	60	13			4		77
1948-49	70	8			7		85
1949-50	106	21			10		137
1950-51	87	40			10		137
1951-52	94	61			17		172
1952-53	42	4			5		51
1953-54	89	35			14		138
1954-55	114	79			17		210
1955-56	144	64			26		234
1956-57	123	55			31		209
1957-58	122	55			30		207
1958-59	129	94			25		248
1959-60	209	126			32		387
1960-61	224	176			70		470
1961-62	125	143			29		297
1962-63	209	188			69		467
1963-64	198	202			53		453
1964-65	263	247			75		584
1965-66	266	312	14		101		694
1966-67	120	282	15		98		516
1967-68	393	387	38		145		964
1968-69	482	320	22		179		1 003
1969-70	352	56	29		270		1 006
1970-71	550	470	55		487		1 561
1971-72	406	549	40		465		1 482
1972-73	106	81	16	51	63	140	457
1973-74	117	179	18	59	99	—	472
1974-75	103	353	13	63	116	197	844

* The figures for the US and Canada for the period 1947-65 were combined in the original source.
Source: Crough, 1976.

FDI in the 1980s

Between 1979 and 1980, Australian investment abroad stood at A$7.5 billion. By 1987-88 it had risen to A$25 billion. Inward investment also rose significantly during that decade — from A$6 billion in 1980 to A$22.5 billion in 1988 (see figures 1 and 2).

Table 3 shows that between 1985-86 and 1988-89 inward foreign investment grew by 58.5 per cent, while the value of Australian investment abroad rose by 32 per cent during the same period. In the period 1988-89 inward investment was 139 per cent higher than outflows. By June 1983, some 5,000 groups of enterprises in Australia had some form of foreign participation. Fifty-five per cent was from the United Kingdom and the United States and 21 per cent from Japan and the ASEAN countries.

Table 3. Foreign investment, Australia 1985-89

	1985-86	1986-87	1987-88	1988-89	% change 1986-89
A$m (in)	13 521	15 146	18 958	21 433	58.5
A$m (out)	6 789	8 408	10 885	8 965	32.0

Source: ABS: Australian Economy Summary 1989.

In 1983, Australian enterprises had some form of interest in 1,200 enterprises in 70 countries. The major establishments were in the United States (27 per cent of total), New Zealand (15 per cent) and Papua New Guinea (12 per cent). Australian outward FDI amounted to A$1,394 million in 1982-83, while income on direct investment overseas was A$422 million.

The present policy of the Australian Government is to encourage foreign investment, subject to guidelines, some of which are quite strict with regard to projects involving uranium and the mining sector. Approval for large investments must be sought through the Foreign Investments Review Board (FIRB). In figure 3 which shows two-way FDI by country, it is evident that up to 1988, the largest investors were still the United States and the United Kingdom.

Trade

Australia's trade is characterized by its dependence on agricultural and mineral exports, and the predominance of Japan, the United States, the United Kingdom and New Zealand as trading partners. Japan provides Australia with its biggest export market for raw materials. The country has a long-standing and large trade deficit with the United States. During the 1970s, trade with ASEAN countries grew rapidly.

The Government's policy is to increase the share of manufactured goods in total exports and to reduce reliance on commodities, with their volatile prices. The export of transport equipment and fabricated metal products has risen sharply over the last few years.

Trade patterns have shifted significantly in the last 20 years. By the mid-1980s Australia ranked 19th in the world by total value of trade, making it a middle-level trading nation. There has been a strong decline in the export of agricultural products and an increase in minerals. In 1985-86 the value of Australian exports was equivalent to 13.7 per cent of GDP

— well below that of other OECD countries such as Canada (26 per cent) and Sweden (28 per cent). By 1989 that figure had fallen to 12.9 per cent, or A$43.4 billion.

In the early 1950s, 63 per cent of Australian exports went to the United Kingdom and Europe, and only 14 per cent to Japan and East Asia. In contrast, by 1984 only 13 per cent went to the United Kingdom and Europe, while 46 per cent went to Japan and East Asia. Australia remains a key supplier of certain commodities including wool, aluminium, beef, veal, coal, mineral sands, refined lead and live sheep. It is also a major supplier of wheat, sugar, iron ore, bauxite, nickel, mutton and zinc.

Table 4 shows the distribution of Australian exports and imports by major trading partner. In 1986-87, Japan, the United States and the EC (excluding the United Kingdom) accounted for the 49 per cent of exports from, and 59.3 per cent of imports to Australia. Thus export destinations are more widely distributed geographically than the origin of imports.

Table 4. Australia's trading partners, 1984-85 to 1986-87 (percentage of total value)

	1984-85	1985-86	1986-87
Exports to:			
Japan	26.3	28.5	25.4
United States	11.7	9.9	11.7
EC (excl. United Kingdom)	9.3	10.6	11.9
ASEAN	7.7	6.5	6.7
New Zealand	5.2	4.6	5.0
United Kingdom	3.3	3.5	3.8
Imports from:			
United States	22.7	24.2	21.9
Japan	22.1	21.0	20.9
EC (excl. United Kingdom)	14.2	17.0	16.5
United Kingdom	6.7	7.2	7.3
ASEAN	5.7	4.6	5.1
New Zealand	3.7	4.2	3.9

Source: ABS: exports, imports.

Figure 4 shows the growth of Australian exports to its three major markets — Asia, Europe and the United States, between 1984 and 1989. The strong and developing relationship with Asia is quite evident. So too is the share of trade with Europe which grew during the mid-eighties.

Foreign control

Foreign control of Australian industry is high. In the case of manufacturing it is about 50 per cent. In this respect Australia, like Canada, shares certain characteristics that are more common to developing countries as opposed to other industrialized countries.

During the past century, Australia has had three major foreign investors (i.e. the United Kingdom, the United States and Japan) and the participation of foreign capital from the former EC is on the rise (table 5). Foreign investment in manufacturing grew from 24 per cent in 1963 to 34 per cent in 1973, and for the mining industry it increased from 37 per cent in 1963 to 59 per cent in 1976. The motor vehicle industry is 100 per cent foreign-owned, while foreign investment is 91 per cent in oil refining, 78 per cent for basic chemicals and 55 per cent for transport equipment. Table 6 shows the share of foreign capital in Australian industries during the 1980s. The participation of foreign capital is highest in mineral processing (46.3 per cent), mining (44.7 per cent) and life insurance (40.3 per cent).

Table 5. Level of foreign investment by country, 1983-87

Country	1983-84		1986-87		Change in %
	A$ billion	% of total	A$ billion	% of total	
United States	19.9	24	40.5	23.6	-2
United Kingdom	20.4	25	37.1	21.6	-14
Japan	10.8	13	21.3	12.4	-5
Singapore	6.6	8	9.3	5.4	-32.5
Germany, Fed. Rep.	2.6	3	7.1	4.0	33.3
New Zealand	0.9		4.9		
Switzerland	3.1		4.5		
Netherlands	2.0		4.0		
Canada	1.6		3.3		
Hong Kong	2.5		3.1		
Belgium, Luxemburg	2.0		2.6		
Central America	1.7		2.2		
France	1.3		1.9		
Other ASEAN	0.6		1.0		
Sweden	0.2		0.4		
Italy	0.1		0.3		
Other	5.5		27.5		
Subtotal (top 5)		73		67	-8.3
Total	81.8		171.0		

Source: FIRB Report, 1987-88, p. 20.

Table 6. Foreign investment in selected industries

Sector	Foreign ownership (%)	Year[1]
Mineral processing	46.3	1981-82
Mining	44.7	1984-85
Life insurance	40.3	1983-84
Financial corporations	38.1	1986
General insurance	34.9	1983-84
Manufacturing	31.9	1982-83
Banking	21.0	1986
Design and construction services on major projects	21.0	1987
Agricultural land	5.9	1983-84
Transport	5.1	1983-84

[1] These industry data are sampled in different years; however, no great deviations are anticipated between 1981 and 1987. Differences between industries are expected to be significantly greater than longitudinal differences within single industries in a five-year time-frame.

Source: FIRB Report, 1987-88, p. 22.

British investment

British investment in Australia spans the mining, manufacturing and agricultural sectors as well as financial and other services. It is also the largest in value and has the longest history. In recent years this participation has become more pronounced as a result of takeovers by major companies. By 1987-88 the United Kingdom accounted for nearly half of total foreign investment in manufacturing.

Investment from the United States

Until recently, the United States was the second largest investor in Australia. However, this investment involves mainly large companies such as Exxon, Alcoa and Ford. Several United States enterprises have left in recent years. Union Carbide, Amoco, General Foods, Beatrice Foods, Sunbeam, Borg-Warner and Monsanto were among those companies. By 1987-88 the United States became the largest investor in Australia, ranking fourth after the United Kingdom, Japan and New Zealand. This reduction of United States investment in Australia which was triggered by the restructuring of the ANZUS treaty beginning in 1984, stems from a deeper restructuring of American industry which has resulted in the formation of NAFTA. The effect of this process on Australian employment has not yet been effectively measured.

Japanese investment

Between 1983 and 1987, Japanese investment doubled to A$26. 5 billion. In 1987-88 Japan was the largest single source of new investment, most of which was in real estate and tourism, especially in Queensland. JETRO reports that there are 322 Japanese companies operating in Australia. As Japan moves its heavy manufacturing offshore to Taiwan and the coastal provinces of China, it will source more basic resources — e.g. iron ore from China — and reduce its dependence on Australian iron ore.

European investment

By 1988, European (excluding the United Kingdom) investment in Australia stood at A$26.4 billion — only slightly less than that of the Japanese. Most of that FDI came from the former Federal Republic of Germany, Switzerland and the Netherlands.

Australian stock market

As of 12 December 1983, foreign companies are allowed to register on the Australian stock exchange and restrictions with respect to the borrowing and raising of capital on the local market by non-residents have been lifted. Approval for foreign exchange transactions is no longer required.

Capital goods and technology imports

About 65 per cent of Australian capital goods are imported primarily from Japan and the United States. In 1983 Japan supplied 38 per cent of total imports, but that figure fell to less than 25 per cent by 1987. In contrast, the shares of imports from the United States were 26 per cent and 34 per cent in 1983 and 1987, respectively. Changes in the exchange rates were said to be largely responsible for that shift. Other main sources of imports were: the former Federal Republic of Germany (8 per cent), the United Kingdom (6 per cent), and Italy, Taiwan and Sweden (2-3 per cent each).

Exports

The Australian Bureau of Statistics reports that foreign enterprises generate approximately 44 per cent of Australian exports (by value). Sixty-five per cent of chemicals and 63 per cent of machinery and transport equipment (by value) are exported by MNEs. Enterprises from the United States account for 14 per cent of Australian exports, followed by the United Kingdom (8 per cent) and Japan (7 per cent). The United States firms are also the main exporters of capital goods, i.e. machinery and transport equipment (33 per cent). Enterprises from the former EC and Japan have 16 per cent and 7 per cent of the total value of exports of those products.

Japan is a major importer of Australian goods. Sixty-two per cent of exports from Japanese enterprises in Australia go to Japan, which is also the destination for 25 per cent of exports from United States enterprises in Australia and 31 per cent of goods produced by MNEs from the United Kingdom.

The United States receives only 20 per cent of exports from United States firms based in Australia, while in the case of the United Kingdom, only 2 per cent of exports go to the home country. This suggests that United States and United Kingdom firms locate their operations in Australia to supply mainly the host country.

III. Pacific Rim

The following section describes the economy of the Pacific Rim countries and discusses various alliances which exist or may develop among them.

Comparison of economic growth rates in Asian region

Real GDP growth in the Asian region has been the highest in the world for the last two decades. The regional average was 7.0 per cent between 1973 and 1977, but subsequently declined to 6.1 per cent between 1978-83 and 5.2 per cent between 1983-87. Australia has had the lowest growth in the region — 3.0 per cent in 1973-77, 2.7 per cent in 1978-82 and 2.8 per cent in 1983-87. Through the mid-eighties the Republic of Korea has shown the fastest growth in the region (6.6 per cent in 1983-87), but in recent years China has been growing at 10-11 per cent. Japan's real growth was 3.5 per cent in the same period. Australia is predicted to have the slowest growth in the coming five-year period (2.8 per cent).

Note that in Australia the number of workdays lost as a result of strikes is by far the highest in the Asian region: 83,783 (per million persons) as opposed to 2,653 (per million) for Japan and 516 (per million) for Hong Kong. This supports the idea that foreign multinationals seeking production facilities in the region might steer away from Australia to other countries where labour costs are lower and labour unrest is less prevalent.

IV. Australian multinationals

Australian Fortune 500 companies

In 1989 there were 13 Australian companies listed among the Fortune 500 non-United States companies (see figure 5). The companies in that group had turnovers in excess of US$1 billion. Elders IXL, Broken Hill Propriety (BHP), Murdoch's News Corp., CRA, Bond Corp., Pacific Dunlop, AMCOR, Pioneer International, CSR, Boral, Ford Australia, Goodman Fielder Wattie, and Alcoa (Aust.) were among those firms.

Elders IXL was the largest, with a turnover of A$7,618 million and ranking number 97, while Alcoa held the lowest rank of 492 and had a turnover of A$1,480 million. Figure 6 ranks these companies by sales and their position in the Fortune 500. Note that most of them, especially the largest, are Australian companies, not subsidiaries of foreign MNEs. News Corp., which operates largely in the United Kingdom and United States, is a Sydney-based company run by Murdoch who became an American citizen.

Overseas investment

Overseas investment by Australian companies trebled between 1981 and 1985. The ABS reported that in the 1984-85 fiscal year, Australian companies spent A$5.3 billion on subsidiaries or related companies, an increase of A$1.1 billion over the previous year. In general, there has been a trend toward concentration in Australian industry, and as opportunities for domestic takeovers decline, companies are increasingly seeking opportunities for foreign acquisitions. Regulatory restrictions have limited takeovers and acquisitions in Australia. For example, in 1989 Elders IXL completed a A$3.3 billion takeover of the British brewer, Courage, and was also considering a takeover of Guinness. However, it would not be permitted to acquire another large brewery in Australia.

There is a general appreciation within the Australian business community of the importance of internationalization as a strategy for reaping the benefits of competition on the global market (see table 7). Between 1989 and 1990 many of the largest firms increased their overseas holdings. Among them were: the operations of Holmes-a-Court; Bond; Spalvins; Elliot; Brierley and BHP; Boral and Pacific Dunlop. The United Kingdom was the first destination for Australian capital, followed by Hong Kong and the United States.

Table 7. Overseas expansion of large Australian companies

	COMPANY AND BALANCE DATE	OVERSEAS REVENUE $000	% OF TOTAL REVENUE	OVERSEAS ASSETS $000	% OF TOTAL ASSETS	INDUSTRY
1	Elders IXL (6-89)	6,540,880	37.16	5,465,748	54.41	Invest & diversified
2	News Corp (6-89)	5,470,771	69.43	12,701,596	66.60	Manufacturing
3	ANZ Bank (9-88)	3,519,100	43.37	27,136,300	36.78	Finance
4	Westpac (9-88)	3,348,900	34.60	30,103,500	35.59	Finance
5	IEL (6-89)	2,733,766	27.23	33,189	0.75	Invest & diversified
6	TNT (6-89)	2,533,508	64.86	2,225,688	56.42	Transport
7	Nat Aust Bank (9-88)	2,524,800	33.85	19,391,500	30.45	Finance
8	BHP (5-89)	2,482,512	22.31	6,514,104	32.58	Invest & diversified
9	Bond Corp (6-88)	1,900,500	37.95	3,019,500	33.49	Invest & diversified
10	CRA (12-88)	1,673,100	31.49	1,903,500	24.63	Mining
11	Goodman Fielder (6-89)	1,656,228	50.03	1,401,975	33.80	Manufacturing
12	Pacific Dunlop (6-89)	1,453,000	32.37	1,229,000	29.87	Invest & diversified
13	BTR Nylex (6-89)	1,351,761	39.5	1,090,795	27.00	Manufacturing
14	Pioneer International (6-89)	1,155,887	29.25	905,295	25.79	Manufacturing
15	Burns Philp (6-89)	926,273	48.44	1,073,217	54.33	Invest & diversified
16	Commonwealth Bank (6-89)	800,100	11.98	8,239,400	13.93	Finance
17	Coles Myer (7-89)	742,590	5.30	12,584	0.26	Wholesale & retail
18	Wormald (6-89)	710,584	74.90	402,620	58.04	Manufacturing
19	Amcor (6-89)	700,000	20.00	na	na	Manufacturing
20	Hanimex (6-89)	697,009	na	218,229	na	Manufacturing
21	Mayne Nickless (7-89)	689,787	29.46	490,833	37.67	Transport
22	CSR (4-89)	625,000	14.06	1,001,500	19.85	Manufacturing
23	Pasminco (6-89)	601,100	35.07	343,900	20.34	Mining
24	Boral (6-89)	597,713	16.26	747,148	21.94	Manufacturing
25	State Bank Vic (6-89)	573,300	20.56	511,000	2.13	Finance
26	Brambles (6-89)	555,166	33.53	882,778	47.24	Transport
27	Comalco (12-88)	547,200	22.23	576,600	22.07	Manufacturing
28	Rothmans (6-89)	533,092	30.80	186,807	28.54	Manufacturing
29	Bell Group (6-88)	530,100	22.81	750,900	26.35	Invest & diversified
30	Elders Finance (6-89)	493,137	41.84	2,694,417	45.43	Finance
31	James Hardie (3-89)	442,900	28.67	531,900	38.10	Manufacturing
32	McConnell Dowell (6-89)	430,013	64.30	na	na	Finance
33	QBE Insurance (6-89)	427,210	53.42	807,911	53.98	Finance
34	Leighton Holdings (6-89)	323,013	22.57	168,690	26.99	Construction
35	Holland (6-89)	293,772	40.09	7,835	3.18	Construction
36	ICI Aust (9-88)	293,500	9.76	231,800	10.03	Manufacturing
37	FAI (6-88)	291,838	13.02	371,652	15.99	Finance
38	SA Brewing (6-89)	269,919	17.54	195,475	11.72	Manufacturing
39	ANI (6-89)	266,001	13.52	530,305	35.55	Manufacturing
40	Westmex (6-89)	257,914	82.65	413,114	70.94	Finance
41	Jennings Industries (6-89)	242,498	21.54	387,825	35.05	Construction
42	Amatil (10-88)	211,859	9.69	98,413	6.68	Manufacturing
43	State Bank SA (6-89)	202,731	11.74	3,186,326	21.20	Finance
44	Spicers Paper (3-89)	174,501	26.30	131,342	44.50	Manufacturing
45	Bell Resources (12-88)	165,600	4.51	773,400	25.72	Finance
46	MIM (7-89)	150,909	7.40	1,203,724	26.49	Manufacturing
47	Palmer Tube Mills (6-89)	137,511	55.73	164,374	65.47	Manufacturing
48	Giant Resources (6-89)	134,632	69.27	413,071	62.43	Mining
49	Cereus (3-88)	126,213	94.85	166,750	67.86	Finance
50	Watkins Pacific (6-89)	120,882	43.98	63,627	52.81	Invest & diversified

Source: *Business Review Weekly*, 24 Nov. 1989.

Foreign multinationals in Australia

In 1989 the largest ten foreign companies in Australia were Mitsui, Shell Aust., BP, ICI, Dalgety Investments, Esso Aust., Mobil, Mitsubishi Aust., C. Itoh and Ford Motors. In terms of revenue per employee, eight of the top ten companies were foreign, mainly of Japanese origin — e.g. Mitsui, Mitsubishi, Nissholwai, Nichimen and Kanematsu.

Employment

In 1979 the six Australian companies in the Fortune 500 had a total workforce of 138,600. By 1989, there were 13 Australian companies in the Fortune 500 list and together they employed 286,700 persons. There were four companies which remained on the Fortune list (BHP, CSR, ACI and Dunlop) over the decade 1978-88 and the number of workers in those firms increased from 112,900 to 128,000 (13.4 per cent) over that period. After 1989, the Fortune list was reconstructed to consist of the global 500, instead of the non-United States 500. In 1993 there were nine Australian companies in this list and the number of employees totalled 231,400.

As the number of Australian companies in the Fortune 500 group increased from seven to 13 through the eighties, so too their sales grew by 211 per cent and the workforce by 76 per cent (between 1978 and 1988). The comparable figures for the other non-Australian companies in the Fortune 500 were 67 per cent and 9.8 per cent for sales and numbers of employees respectively.

The six Australian companies which remained in the Fortune 500 list between 1984 and 1989 were BHP, CSR, ACI, News Corp., Dunlop and Amatil. Their sales rose by 28.6 per cent between 1984 and 1989, which was much slower than those of the Fortune 500 group as a whole. However, employment rose by 11 per cent, from 150,100 in 1984 to 166,700 in 1989.

For example, employment in News Corp. and Dunlop grew by 45 per cent and sales by 10.9 per cent. None the less, it is not possible to make generalizations about the effects of Australian MNEs on employment. While job opportunities in News Corp. and Dunlop grew significantly and that was also the case with new entrants in general, several companies actually reduced their workforce between 1984 and 1989. For instance, CSR cut jobs from 14,700 to 13,400, and in the case of ACI there was a reduction from 31,600 to 23,900. Table 8 shows employment figures for Australian companies listed in the Fortune 500 in 1978, 1983, 1985 and 1993.

Table 8. Growth in number of employees — Australian Fortune 500 sample

Company	1978	1983	1988	1993
Elders			25 800	
Fosters Brewing				14 900
BHP	62 000	70 000	61 000	49 000
CSR	10 900	16 000	13 400	19 700
CRA			25 000	17 300
News Corp.		20 300[1]	26 700	27 240
AMCOR			33 000	
PAC. DUNLOP	19 200	22 000	30 000	48 250
Ford (Aust.)			11 600	
ACI Int.	20 800	32 000[1]	24 000	
BORAL			18 500	22 000
Pioneer Aust.			8 500	9 500
Amatol		12 700	12 400	
GMH	21 200	17 000		
Burns Phil.		15 600		
Goodman Field				23 500
Total				231 400

[1] 1984 data.
Source: Fortune Magazine 1978, 1983, 1988, 1993.

Industry concentration

By international standards, there is a high degree of business concentration in Australia. A 1989 report published by the Economic Planning Advisory Council (EPAC) noted that many industries were dominated by one or two large companies and the rate of mergers and acquisitions between 1984-89 was among the highest in the world. An estimate in *The Third Wave* (1989), predicted that by 1990, 300 of Australia's top 500 companies would have been involved in mergers or takeovers. This has important implications for employment as mergers often lead to job displacement. The EPAC report also stated that oligopolies were commonplace in Australian industry and that competition was not intense in all sectors.

According to the Australian Bureau of Statistics the largest 100 manufacturing companies/groups increased their turnover from 41 per cent in 1969 to 47 per cent in 1983. In almost half of the 52 manufacturing companies in the 1983 sample, 60 per cent of their output was created by four companies or less within each industry (David and Wheelwright, 1989).

David and Wheelwright reported in *The Third Wave* (1989) that official policies have encouraged mergers in many industries to enhance competitiveness in international markets. They believed that while the policies were sound they had the effect of encouraging Australian oligopolies. Rationalization has occurred in situations where there were no competing imports and little prospects for expanding exports.

There is a high degree of concentration in the food industry with Coca-Cola and Pepsi (which are produced by Amatil and Cadbury Schweppes respectively) controlling the soft drink business. The following list illustrates the dominance of certain branches of industry by selected firms:

Branch of industry	**Dominant companies**
Confectionery	Nestlé, Cadbury Schweppes
Building industry	CSR, Boral
White goods	Email, Hoover
Cigarettes	Rothmans, Amatil, Philip Morris
Automotive parts	BTR Nylex
Bread	George Weston, Goodman Fielder Wattie
Canned fruits	SPC, Ardmona
Oils and margarines	Unilever, Goodman
Frozen foods	Petersville Sleigh, McCanns
Beer	Bond, Elders
Textiles	Brender, Liberman, Goldberg

The petrol industry, motor cars, newspapers, television films, banking and packaging were also characterized by a high degree of concentration. In the case of the food industry the concentration of companies may not reflect the true strength of the position of firms in markets for specific products. David and Wheelwright argued that in some cases it was almost monopolistic, as demonstrated in table 9.

Table 9. Market share for individual food products in Australia

Product	Company	Market share (%)
Condensed milk	Nestlé	100
Yeast spreads	Kraft	91
Matches	Bryant & May	84
Baby foods	Heinz	79
Disposable nappies	Kimberley Clark	67
Dry cell batteries	Union Carbide	67
Biscuits	Arnotts	65
Instant coffee	Nestlé	62
Margarine	Goodman Fielder Wattie	60
Margarine	Unilever	35
Tea	Unilever	58
Beer	CUB	45
Beer	Bond	45

Source: David and Wheelwright, 1989.

Four firms accounted for 89 per cent of total food sales on the domestic market in 1986, according to a survey by the Prices Surveillance Authority. The merger involving the retailing giants, Coles and Myer, created Australia's largest company and the 15th largest retailer in the world. Their share of the local food market was 20 per cent. The food sold through

Australian department stores chains was shared between Coles-Myer (67 per cent) and David Jones (25-30 per cent).

V. Mining industry

Foreign control/ownership

Foreign *ownership* refers to total equity interest held by foreign individuals and companies in Australian enterprises. Foreign *control* refers to ownership of voting shares by foreign residents. Foreign ownership and control in the mining industry decreased significantly over the years — from 50.4 per cent to 44.7 per cent between 1983 and 1985, while foreign control declined from 27.6 per cent to 15.2 per cent over the same period. Figures 6 and 7 show the geographical distribution of ownership and control. The United States and the United Kingdom have been the two major players.

Employment

In 1981-82 there were 1,490 mining establishments in Australia employing 80,300 people. The metal industries accounted for 43 per cent of total employment and 40 per cent of total wages and salaries. Oil, gas and coal accounted for 46 per cent of employment and 51 per cent of total salaries and wages. Women made up 6 per cent of total employees.

Mining exports accounted for 23.7 per cent of total exports and agriculture 20.6 per cent. Manufacturers made up the largest share of exports — 51.8 per cent.

By the mid-1980s employment in the mining industry had fallen to 78,000. Of these, 64 per cent worked in Australian-owned companies and 36 per cent in foreign enterprises.

There was a 12.9 per cent growth in the workforce — from 69,122 in 1974-75 to 78,063 in 1984-85. In Australian-owned companies the numbers grew by 16.1 per cent as opposed to a 7.8 per cent increase in firms. Companies from the United States and the United Kingdom accounted for 72 per cent of total employment in foreign establishments.

VI. Multinational banks

History

Australia shifted from colonial to neo-colonial status vis-à-vis its major trading partners in the last century. During the period of British colonialism, the Bank of Australasia was chartered in 1835 and became the first colonial bank established in Australia. Domestic banks were not in favour of the establishment of that "foreign" English bank. However, the press in the United Kingdom wrote on the merits and advantages of its continued existence:

> They prevent the necessity for the transfer of bullion from one country to another, lower rates of interest by supplying capital whenever it can be advantageously employed; steady and equalize the exchanges; give confidence to all engaged in distant trading operations; induce the merchant to direct all his skill, energy and means, to the production and transfer of profitable commodities, leaving to the banker the intermediate

agency between the buyer and seller of goods, while the powerful and enduring tie of mutual self-interest binds in an indissoluble and peculiarly pleasing union, the distant dependency and the parent state. (Source: Crough, 1979.)

The expansion of banks from the United Kingdom in Australia progressed rapidly over the decades. The first colonial bank, the Bank of Australasia, was set up in 1835. By 1865 there were 25 banks of United Kingdom origin. By the turn of the century (1905) 46 per cent of the 848 branches established worldwide were in Australia.

Australian banks have traditionally operated in a market that was heavily protected as a result of restrictive financial regulations which were imposed during the Second World War and retained with very few changes in the 30 years that followed.

Starting in the 1960s and through the 1970s, building societies began to grow at much faster rates than the banks. They were smaller, decentralized and more flexible. The computerization of their operations and the use of effective marketing practices enabled those establishments to draw customers away from the banks which were less efficient.

In the light of those developments the Government decided to deregulate the banking sector. By the end of the 1970s the study of the Campbell Commission on the deregulation of the Australian financial sector was under way. The report, which was delivered in two major phases in the early 1980s, recommended massive deregulation of the entire industry, including the granting of licences to foreign banks, direct competition between banks and building societies and the granting of new banking licences, including to existing building societies.

Under the new regulations direct competition between banks and building societies was permitted. New banking licences were granted (e.g. to NSW Building Society and the Advance Bank) and 16 foreign banks were granted commercial and retail operating licences.

At the time of deregulation, the banking and financial sector was relatively small by world standards, with total assets of about A$70 billion. The operations of each of the 16 foreign banks that were given licences were as large as those of the entire industry in Australia.

Deregulation provoked mergers among major banks, the introduction of advanced information technologies and expansion of the overseas operations of Australian banks. Competition between banks and building societies led to higher productivity and the provision of a broader range of consumer services. The building societies, in a bid to strengthen their competitive position, tended to seek alliances with foreign banks and/or insurance companies. Some of them also diversified into health, medical, travel and other services.

Concentration

The National Australia Bank (NAB) has acquired the National Irish Bank (NIB) which is the third largest bank in Ireland. In January 1990 the NAB announced the acquisition of the United Kingdom Yorkshire Bank for A$2.03 billion. That made the NAB the seventh largest bank in the United Kingdom. The Yorkshire Bank, which has 250 branches in the United Kingdom, was the fourth United Kingdom/Irish bank bought by NAB within two years. NAB already owns the Clydesdale Bank and the Northern Bank in the United Kingdom as well as the NIB in Ireland. Banks were also acquired in New Zealand and certain other developing countries in the South Pacific. With the acquisition of the Yorkshire bank, the NAB will have 700 offices in the United Kingdom (table 10).

Table 10. Major foreign acquisitions by Australian banks, 1984-90

Year(s)	Name of Australian bank	Name of bank(s) acquired
1984-85	The Australia-New Zealand Bank (ANZ)	Grindleys (NZ)
1986-87	ANZ	ANZ (NZ)
1987-88	National Australian Bank (NAB)	Clydesdale Bank (UK) Northern Bank (UK) Northern Bank of Ireland (UK)
1988-89	Westpac	Suva, Vichy Honiara (Hong Kong — Shanghai) Cook Islands (European Pacific Investments) New Caledonian (Bank Indosuez) French Polynesian (Bank Indosuez)
1989-90	ANZ Commonwealth NAB	Post Office Bank (NZ) ASB (NZ) Yorkshire Bank (UK)

While deregulation has made the banks more competitive vis-à-vis the building societies, the arrival of foreign banks has made little difference to the retail banking sector. The three largest banks do not perceive the foreign institutions as major competitors, given their comparatively small share of the market. Perhaps the greatest change resulting from deregulation has been the noticeable presence of large Australian banks in international financial markets.

In April 1990 the ANZ announced plans to merge with the National Mutual Life Association of Australia, thereby forming the largest financial institution in the country. The deal, worth A$3.4 billion, would give the ANZ a 51 per cent stake in National Mutual, and the total assets of the new entity would amount to A$130 billion — A$12 billion more than the assets of the largest bank — Westpac. It is likely that deregulation would also give rise to failures among credit unions and building societies.

Employment

During the 1980s, employment in multinational banks grew at a rate of 2.5 per cent per annum, with larger banks registering lower growth than smaller entities. Japanese banks have actually been reducing their workforce. However, the larger Japanese banks are becoming relatively more multinational, that is, employing relatively more people abroad than in Japan. No figures are available on the nationalities of these overseas staff at present.

Rajan (1987) reports that among the world's largest 100 banks, the organizational structure and hierarchy have generally remained the same over the last decade. Employment opportunities have been created, but mainly for highly qualified individuals and those with good career potential. Women have been the most disadvantaged group. Most of the women recruited by banks were either not highly qualified or did not have good career prospects.

The changes in technology and the new mix of services offered require specialized knowledge. Consequently, the new skill requirements have become even more pronounced, and advanced qualifications are now indispensable for certain jobs.

Women constitute about 20 per cent of the total workforce in multinational banks and their numbers are growing. Traditionally, many have been in part-time positions with no long-term career prospects. The situation is the same in Australia.

Between 1967 and 1979 the percentage of female employees in Australian banks grew from 36 to 45 per cent. In 1979, 72 per cent of the new recruits were women. None the less, it is generally considered that there is little equality of opportunity and treatment in employment in Australian banks. Only 50 per cent of the women with seven years of service go on to complete the thirteenth year. With the introduction of new technologies in the workplace most of the women have been hired for data-processing jobs, which do not offer career opportunities. The use of new technologies means relatively fewer recruits, fewer promotions and greater centralization of authority and reporting functions.

Mid-level jobs require a variety of general and highly specialized skills. Expanded job opportunities exist only for some groups. The standardization of work processes permits and facilitates automation, which in turn facilitates the centralization of reporting and control structures.

In conclusion it may be said that new employment opportunities exist but not for workers in all occupational categories. Also, specialists are assuming a higher profile in the banking sector.

The data in tables 11 and 12 show that between 1984 and 1988, the number of branches of the Westpac bank grew faster than they did for ANZ, and that Westpac had a very large increase in part-time employees.

Table 11. Growth in total ANZ branches and employees, 1984-88

Year	Branches	Employees
1984	1 649	36 789
1985	1 657	38 031
1986	1 657	39 018
1987	1 690	41 187
1988	1 735	42 445
Per cent change	5.2	15.4

Source: ANZ 1988 annual report.

Table 12. Growth of total Westpac branches and employees, 1984-88

Year	Branches	Total employees	Part-time employees
1984	1 793	41 336	2 758
1985	1 854	43 649	3 578
1986	1 946	45 330	3 767
1987	1 954	44 947	3 823
1988	1 949	46 506	3 948
Per cent change	8.7	12.5	43.0

Source: Westpac 1988 annual report.

Workers' organizations

Trade unions representing employees in banks in Australia were established just after the First World War. By 1919, Queensland, Victoria and New South Wales had registered bank unions. In 1962, the federal structure of the union was formed. It consists of a representative federal executive, six state, and two state bank divisions. The Australian Bank Officers' Association became the Australian Bank Employees' Union (ABEU) in 1978. Unlike in the case of the United Kingdom, the ABEU did not have to compete with staff associations in private banks to attract members. Since 1974, membership in that union has been compulsory for all new staff.

Ninety per cent of all employees in private banks in Australia are unionized as opposed to 1 per cent in Canada and 60 per cent in the United Kingdom. The ABEU, with a membership of 70,000 is the only representative organization for bank employees. It monitors wages, conditions of work and technological change in the banking sector. Career advancement, especially for women in lower-level jobs, is also an issue of great concern to the ABEU.

Growth and expansion of Australian banks

In 1988, 31 of the top 100 non-United States banks ranked by Fortune Magazine were Japanese. The former Federal Republic of Germany and France each had 11, Italy, eight, and the United Kingdom, seven. Three Australian banks — Westpac, the Australia-New Zealand Banking Group (ANZ) and the National Australia Bank (NAB) — were among the 100. During the period of deregulation of the financial sector, these large Australian banks showed rapid growth, doubling their assets and loans between 1983 and 1987, and almost doubling their deposits and workforce.

Table 13 shows that the assets of Australian banks grew by 103 per cent between 1983-87, while deposits and loans increased by 76 and 115 per cent respectively. Net income for the above-mentioned period rose by 37 per cent. The number of branches rose by 44 per cent and the number of employees by 80 per cent over the same period.

Table 13. Growth of Australian banks listed in the Fortune 100[1] (1983-87)

	Composite growth (US$ million)		
	1983	1987	% change
Assets	62 590	127 002	103
Deposits	43 126	76 079	76
Loans	35 708	76 739	115
Net income	508	696	37
Branches (N)	4 539	6 541	44
Employees (N)	78 500	141 300	80

[1] Westpac, ANZ, Commonwealth, NAB.

Canadian and Australian banks: A comparison

Useful comparisons can be drawn between the Canadian and Australian banking sectors because of the economic and cultural similarities of the countries and their financial systems. Very often the technological and organizational changes as well as restructuring processes that take place in banks in Australia have already occurred in Canada, by virtue of that country's industrial maturity and proximity to the United States.

Between 1983 and 1988, there was a drastic decline in the position of Australian and Canadian banks in the Fortune 100 (ranked by assets). For example, the position of the Royal Bank was 48 in 1988 as opposed to 14 in 1983. Over that same period, the position of the Bank of Commerce fell to 55 from 23 and the Bank of Nova Scotia, from 37 in 1983 to 68 in 1988. The NAB (Australia) registered a change from 78 in 1983 to 93 in 1988. Despite the decline, Australian banks seemed to have a relatively stronger performance than their Canadian counterparts in the US market.

VII. Other service industries

Advertising

The world advertising industry has undergone significant structural changes in recent years and this has had a noticeable impact on advertising companies in Australia.

The firm Saatchi and Saatchi has made inroads into the American industry through acquisitions and diversification into management consulting and other services. Likewise, the large American agencies such as Young & Rubicam, and McCann Erickson have been exchanging clients in an endeavour to follow the shifting patterns of ownership among the industrial MNEs which they service. By 1988 Australia ranked as the ninth largest advertising market in the world, with a value of US$3.1 billion (see table 14).

Table 14. Top ten advertising markets in 1988

		US$ billion
1	United States	75.8
2	Japan	28.0
3	United Kingdom	12.1
4	Germany (Federal Republic of)	9.5
5	France	6.9
6	Italy	5.1
7	Canada	5.1
8	Spain	4.6
9	Australia	3.1
10	Netherlands	2.6

Source: *Financial Times*, 7 Dec. 1989, s. 2.

In 1986, Australia's top 200 advertising agencies generated gross income of more than A$560 million which represented an increase of 21 per cent over the figure for 1985. Between 1985 and 1986, the combined billings of the top 200 grew by 21.4 per cent to reach A$3.6 billion. The local industry is highly concentrated with the top ten agencies accounting for 52.6 per cent of the total income of the industry. However, it has changed somewhat and the top ten registered a rise in income of 17.5 per cent between 1985 and 1986, while the figure was 21.4 per cent for the industry as a whole.

Foreign dominance in advertising

Ten of the top 12 agencies in Australia are foreign-owned. Sixteen of the top 20 agencies are either wholly or partly foreign-owned, with 12 having links with multinational agencies of United States origin, while four have links with firms from the United Kingdom.

The top 20 firms generate 69 per cent of the total income of the industry. In 1986 it amounted to A$387.1 million and 69.1 per cent of total billings. Foreign agencies have interests amounting to A$337.2 million or 60.1 per cent of the total income of the top 200. Many of the foreign links are through other agencies. For example, Thompson White and Partners is 40 per cent owned by Clemenger Australia, which is in turn 45 per cent owned by BBDO (New York).

A pyramidal structure

In 1986 the two global mega groups Omnicom and Saatchi were formed. Both groups are well represented in Australia. Omnicom has interests in ten Australian agencies, which have a combined income of A$90.5 million and billings of A$574.9 million. Saatchi is linked to five Australian agencies (four of which are in the top 20). They have a combined income of A$74.1 million and billings of A$465.7 million.

Employment in advertising

According to official figures employment actually increased by 6.5 per cent between 1985 and 1986, reflecting growth in the industry as a whole. However, in some cases larger companies made significant staff cuts, and in the mid-1980s there was large-scale retrenchment in the industry.

McCann Erickson reported a 20 per cent reduction of staff between 1985 and 1986. Cleminger reduced staff by 25 per cent in two years (1985-87) and that was expected to continue. Other agencies also laid off employees despite increases in their billings. The industry became more "knowledge-intensive".

Table 15 shows the pattern of foreign ownership and year of entry into Australia for the country's leading advertising agencies, prior to the wave of acquisitions by Saatchi. With the exception of JWT, most of those firms set up business in Australia in the 1960s.

Table 15. Leading advertising agencies in Australia

	Ownership	Year of entry	Rank
George Pattersons (Ted Bates)	US formerly, now UK Saatchi	1964	1
John Cleminger	45% US	1972	2
D'Arcy, MacManus and Masius	53% US	1968	3
McCann Erickson	100% US	1959	4
USP Needham	50% US	1961	5
Ogilvy & Mather	100% US	1967	6
Leo Burnett	100% US	1970	7
J. Walter Thompson	100% US	1930	8
FCB Spasm	100% US	1964	11
Young and Rubicam	100% Stg.	1969	12

Source: Aitkin, 1984.

Anderson (1980) demonstrated that the internationalization of multinational advertising agencies was the outcome of their strategy of following manufacturing MNEs abroad. He gave the examples of McCann Erickson advertising and Coca-Cola — both of which are present in the Australian market. Once they acquire first-hand knowledge of the local market, foreign advertising companies tend to relocate to the home country to take advantage of economies of scale. That, according to Anderson, was giving rise to a global pattern of "information dominance" with American multinationals exercising a degree of "cultural control" in host countries such as Australia.

Air transport

Qantas, the national air carrier, began as Queensland and Northern Territory Air Services. It is reputed to be the only IATA airline never to have suffered a crash. In recent years Qantas expanded its overseas operations and increased its revenue from foreign sources, from 42 per cent in 1982 to 58 per cent in 1987 (see table 16).

Table 16. Revenue earned by Qantas from foreign operations, 1982-87

	Revenue (A$ million)		
	Total	Foreign	% Foreign
1982	1 200	500	41.6
1983	1 300	600	46.0
1984	1 450	700	48.0
1985	1 650	800	48.0
1986	2 000	1 000	50.0
1987	2 600	1 500	58.0

Source: Qantas, Annual Report, 1988.

Qantas operates in Asia, Europe, Africa, the Middle East and the Americas as well as Australia. It has regional offices in Canada, California, India, Asia and Europe. Between 1978 and 1987 the company's revenues grew by 282 per cent. However its workforce did not expand. In 1978 Qantas had a staff of 13,174. By 1985 the number had fallen to 11,710. An increase was registered in 1987 when the workforce stood at 13,711. Total labour costs rose by 134 per cent and absorbed 20 per cent of the company's revenues in 1987 as opposed to 33 per cent in 1978. The revenue load factor increased from 57 per cent in 1978 to 68 per cent in 1987. Qantas carried 91 per cent more passengers and flew 55 per cent more kilometres, over the period 1978-87 (see table 17).

Table 17. Growth of Qantas, 1978-87

	Percentage change
Revenue	282
Profits	511
Revenue/employee	263
Passenger km flown	79
Hours flown	55
Passengers carried	91
Km flown	55
Employees	4
Total employee costs	134
Employee costs/total revenue	(40)

Source: Qantas Annual Report, 1988.

Real estate

The relaxation of foreign exchange controls has facilitated capital outflows to the United States in recent years. The Quintex group (Australia) has become a leading property developer, opening resorts in southern California and Hawaii. The total value of United States property held by Australian investors is about A$5 billion and rising. Hooker Corporation suffered a disaster in North America after three years of extensive acquisitions, but that has not dampened the enthusiasm of other Australian property developers entering the United States market. The A$5 billion project includes office and shopping complexes, hotels, resorts and housing developments. Recently, Bond Corporation put up for sale the St. Moritz Hotel in New York which it had bought from Donald Trump for US$180 million.

As regards home construction, Jennings, Australia's largest home builder which is 43 per cent owned by New Zealand's Fletcher Challenge group, recently acquired 81 per cent of AM Homes, a leading Californian company in this field.

Domestic house sales fell by 35 per cent in the January-May period and this has major implications for employment. For every 1,000 housing units on which work is initiated, 910 jobs on-site and another 660 in the building supplies sector are generated. Consequently, an estimated 40,000 job opportunities would be lost as a result of the decline in new building projects.

VIII. Employment

History

In 1972-73, foreign multinationals employed 68 per cent of those working in the chemical, petroleum and coal products industries, and nearly 50 per cent of employees in the transport equipment industry. By the mid-seventies, the average foreign MNE was almost three times as large as the average Australian establishment in the transport equipment industry. Foreign MNEs employed 40 per cent of all workers in the machinery and equipment industry and the average foreign establishment was seven times larger than its average Australian counterpart.

Foreign control

In 1972-73 there were 2,076 foreign-controlled manufacturing establishments in Australia (e.g., having at least 25 per cent direct foreign ownership). They employed 349,000, or 27 per cent of the total workforce in the manufacturing sector. Forty per cent of the largest 200 companies were foreign with a workforce of 233,000 (two-thirds of all jobs in foreign enterprises in the sector). By 1976, 40 per cent of the top 200 companies had reduced their staff from 233,000 to 211,000 — 17 per cent of the total employment in manufacturing.

As in all industrialized countries, small firms far outnumber the large ones, but the latter are the larger employers, accounting for 60 per cent of the workforce. In Australia, there are an estimated 750,000 firms, 617,000 of which are small (one to four employees) and employ less than 10 per cent of the workforce. In contrast, 5,000 firms are classed as large establishments with over 100 employees. Eighty per cent of the estimated 3,000 foreign multinationals are in this category.

Between 1980 and 1984 several large companies actually reduced their workforce. In the case of BHP, the numbers fell from 697,000 to 50,450 (a reduction of 27.6 per cent). ACI International made a 12.9 per cent staff cut and CSR a 7.6 per cent reduction. There was, however, a significant rise in employment in large Australian multinationals such as MIM Holdings which increased its staff by 18 per cent, creating 1,500 jobs, as well as Westpac and the National Australia Bank which created 4,000 and 8,000 new jobs respectively.

Labour force

In 1988 Australia's labour force numbered 7.9 million of which 60 per cent were men. Approximately half of all workers belonged to unions, with a higher percentage of unionization among males (table 18). More than 60 per cent of all public sector employees belonged to unions as opposed to less than 40 per cent of private sector employees. Union membership rates were the highest in mining, electricity, gas and water transport and storage and public administration (more than 60 per cent) and lowest in agriculture, wholesale and retail trade, recreation, and other services (less than 40 per cent). About 55 per cent of the workforce in manufacturing belonged to workers' organizations (EIU, 1988-89). The available sources of information do not provide data on union membership among personnel in Australian multinational companies.

Table 18. Australian trade union membership, 1979-83

Year	No. of unions	Membership	Percentage of total employment	
			Males	Females
1979	328	2 873 000	61	47
1980	325	2 955 000	61	47
1981	324	2 994 000	60	48
1982	322	3 012 000	62	49
1983	319	2 985 000	61	46

Source: The author.

Employment by industry

Employment grew at an average yearly rate of 2.3 per cent in the five years preceding 1988 while unemployment surged to 10.4 per cent between 1982 and 1988, then declined to 7.5 per cent in 1988 and to 6.2 per cent in March 1990. Table 19 provides data on employment by industry over the period 1982 to 1987. The largest growth sectors were finance, property and business services (30.7 per cent), recreation and other services (23.1 per cent) and community services (21.1 per cent). Employment in manufacturing actually fell by 3.8 per cent between 1983 and 1987.

Table 19. Employment by industry in Australia, 1983-87 (thousands)

	1983	1987	Percentage change
Agriculture	410	404	-1.5
Mining	91	99	8.8
Manufacturing	1 196	1 151	-3.8
Construction	467	486	4.0
Transportation/storage	375	374	-0.3
Wholesale/retail trade	1 248	1 408	12.8
Finance, property and business services	587	767	30.7
Community services	1 057	1 280	21.1
Recreation, personal and other services	402	495	23.1
Other industries	546	609	11.5
Total employment	6 379	7 073	10.9

Source: Australian Bureau of Statistics.

Employment and industrial relations

According to the Australian Bureau of Statistics the growth of part-time employment exceeded that of full-time work by 40 per cent between 1978 and 1988. During that same period the number of industrial disputes declined considerably — from approximately 800 working days lost per 1,000 employees in 1978 to around 300 days lost in 1988. The decrease in labour disputes was most noticeable in 1982 when the "Accord" was concluded. At that time, part-time work also outstripped the number of full-time jobs.

IX. Conclusions

Australia is adopting a more assertive position vis-à-vis Asia and responding to changing patterns of business, trading and investment in Asia and the Pacific region. During the past decade, Australia's trade and foreign direct investment have increased dramatically. The country has also become a significant actor in the international business community, having developed a dozen multinational companies which have been listed among the Fortune 500.

Traditionally, Australia has been a capital-importing country. However, the removal of controls on outward capital flows in 1984 resulted in a rapid rise in capital outflows which exceeded inward foreign direct investment by 90 per cent in the period 1987-88.

A study by Booz, Allen and Hamilton on 71 Australian multinational companies showed that average investment by those firms was higher in Asia (14.5 per cent) than they were in Australia (9.7 per cent).

Trade patterns have changed significantly during the past two decades with Australia shifting from global trading to regional trading, with a growing focus on Asia. The north-east Asian economies, particularly Japan and the Republic of Korea, now play a major role in influencing the future course of Australia's economic development. In contrast, the United Kingdom and United States have less prominent though not negligible roles.

Big Australian companies have not been major employers. The largest 13 industrial firms employed only 286,700 persons in 1989, or about 4 per cent of the workforce. They have not experienced high growth rates when it comes to job creation. During the eighties, jobs in large industrial companies increased by only an estimated 13.4 per cent, while the Australian workforce in total grew by 24.4 per cent in that decade.

Australian multinational banks have played a major role in creating jobs, and their workforce doubled between 1983 and 1987. From the beginning of the eighties, mainly women were hired in the banking sector and 72 per cent of new recruits were female in that decade. The more recent introduction of new technologies has had adverse effects on that trend. Fewer people are being recruited and promotions among women have declined.

As regards employment in foreign companies in the manufacturing sector, those firms accounted for 27 per cent of the total workforce in manufacturing during the mid-seventies. Moreover, they have significantly reduced their workforce over the past two decades.

In fact, there is debate in Australia as to whether the country is being systematically "de-industrialized" as a result of the internationalization of its business operations and the marked involvement of foreign partners in that process.

Bibliography

Aitkin, S.: *The foreign ownership of Australian advertising agencies*. Working paper No. 27. Transnational Corporations Research Project (Sydney, Sydney University, 1984).

Anderson, M.: *Transnational advertising and the new world information order*. Working paper No. 7. Transnational Corporations Research Project (Sydney, Sydney University, 1980).

Clark, D.: *Australian financial review economic update* (Maryborough, Victoria, The Book Printer, 1989).

The Economist Intelligence Unit: *Country profile, 1988-89 Australia*.

Crough, G.J.: *Transnational banking and the world economy* (Sydney, Sydney University, 1979).

—: *A compendium of official statistics on foreign investment flows to and from Australia (1947-74 inclusive)*. Transnational Corporations Research Project (Sydney, Sydney University, 1976).

Crough, G.J.; Wheelwright, E.L.: *Transnational corporations and the Pacific*. Working paper No. 12. Transnational Corporations Research Project (Sydney, Sydney University, 1982).

Daley, M.T.; Logan, M.I.: "The Brittle Rim", in *Finances, business and the Pacific region* (Penguin Books, 1989).

David, A.; Wheelwright, E.: *The third wave: Australian and Asian capitalism* (Sydney, Left Book Club Cooperative, 1989).

Elders Finance Group Ltd.: Annual report 1989.

ESCAP/UNCTC.: "Papua New Guinea", in *Transnational corporations and the developing Pacific Island countries*. Publication, Series B, No. 9, 1985.

—: "Fiji", in *Transnational corporations and the developing Pacific Island countries*. Publication, Series B, No. 9, 1985.

Fortune: *Asia in the nineties*, Fall, 1989.

—: *Largest 100 commercial banking companies outside US.*

Garnault, R.: *Australia and the north-east Asian ascendancy* (Canberra, Australian Government Publishing Service, 1989).

"Lording it over the South Pacific", in *The Economist*, 17 March 1990, p. 54.

Mandeville, T.D.: *Prometheus*. Vol. 6, No. 1, June 1988.

Ohmae, K.: *Triad power: The coming shape of global competition* (New York, MacMillan, The Free Press, 1985).

Qantas Annual Report, 1986/87.

Rajan, A.: *Employment in multinational banking: Recent trends and future prospects*. ILO Multinational Enterprises Programme. Working paper No. 50 (Geneva, ILO, 1987).

Short, K.: *Australian manufacturing companies in Indonesia: A case study*. Transnational Corporations Research Project (Sydney, Sydney University, 1977).

Utrecht, E.: *Papua New Guinea: An Australian neo-colony*. Research monograph No. 6, Transnational Corporations Research Project (Sydney, Sydney University, 1977).

Wan, F.: *Transfer pricing and tax avoidance*, Transnational Corporations Research Project (Sydney, Sydney University, 1984).

Wheelwright, E.L.: *Transnational corporations and the new international division of labour: Some implications for Australia*. Transnational Corporations Research Project (Sydney, Sydney University, 1980).

Figure 1. Australian investment abroad, 1979-88

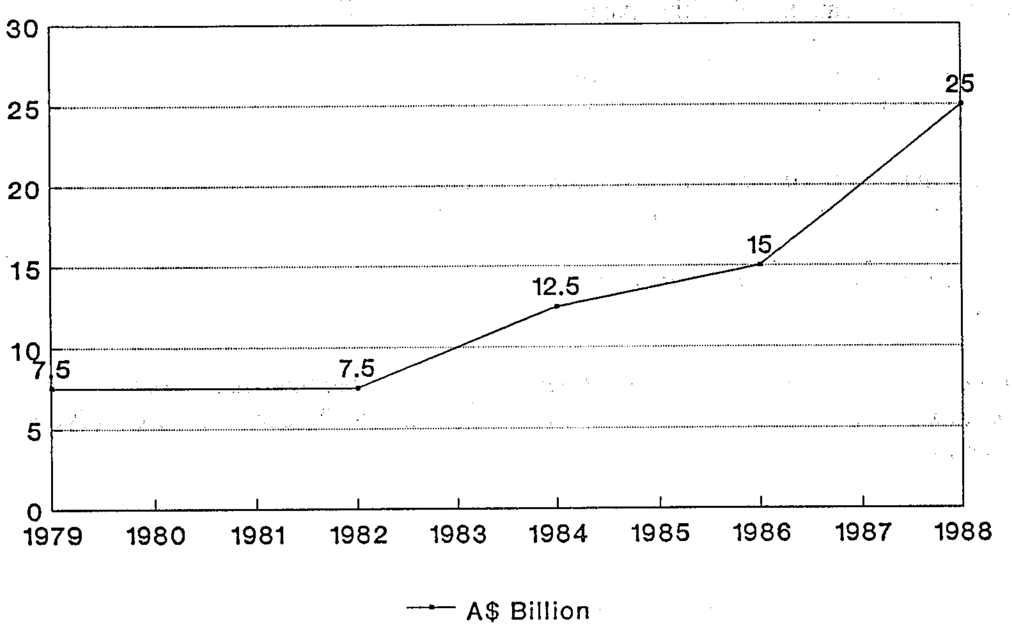


Figure 2. Foreign investment in Australia, 1979-88

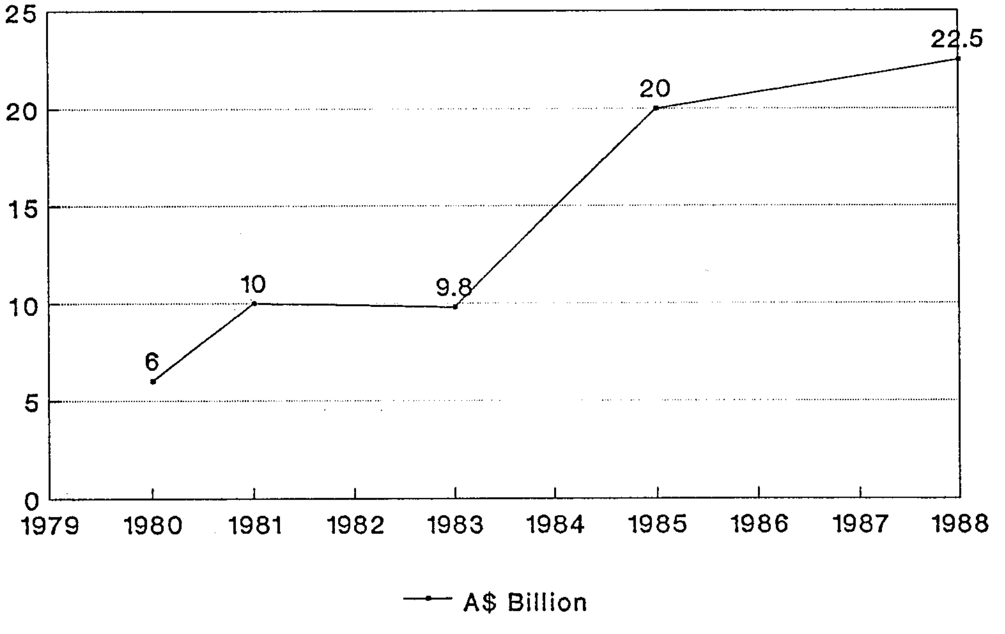


Figure 3. Major sources of direct foreign investment stock, in and from Australia, 1988 (A$ billion)

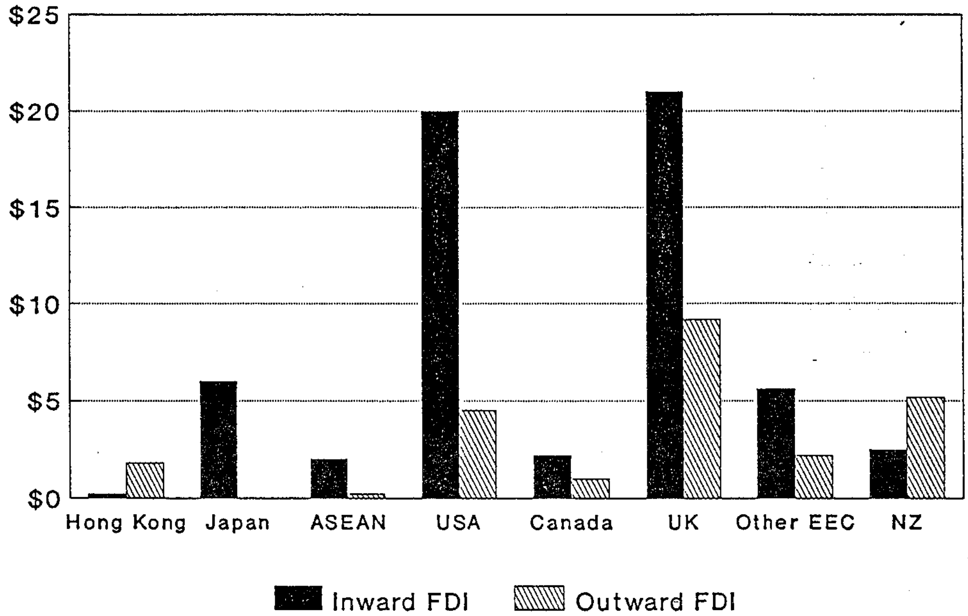


Figure 4. Growth of Australian exports to Asia, Europe and the United States, 1984-88 (A$ billion)

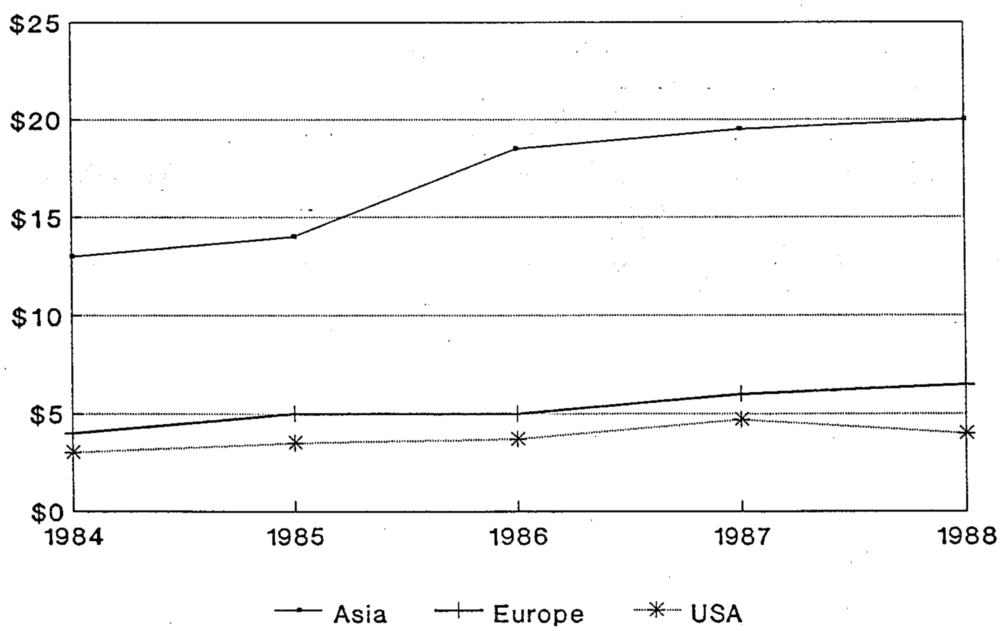
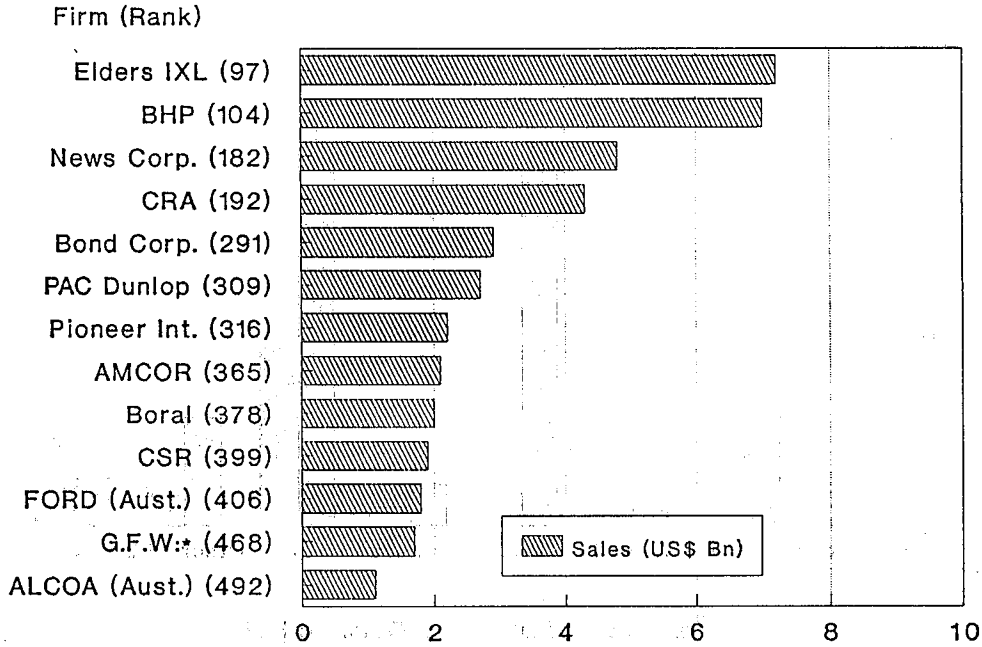
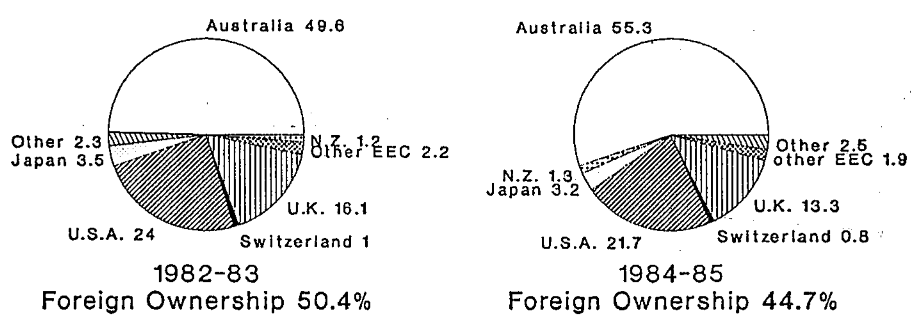


Figure 5. Australian companies in the Fortune 500 non-US list, 31 July 1989



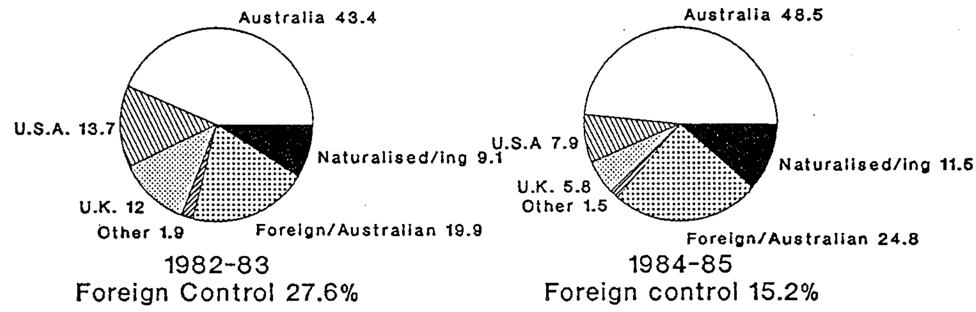
*Goodman Fielder Wattie

Figure 6. Foreign ownership (by country) in the Australian mining industry, 1982-83 and 1984-85



Source: ABS, 1988.

Figure 7. Foreign control (by type and country) in the Australian mining industry, 1982-83 and 1984-85



Source: ABS, 1988.