Tasmania’s forest industry
TRENDS IN FOREST INDUSTRY
EMPLOYMENT AND TURNOVER
2006 TO 2010

science for sustainable forest landscapes

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ISBN 978-0-9805903-7-1
Introduction

Tasmania’s forest industry is experiencing ongoing change. A period of growth between 2006 and 2008, driven by expansion of hardwood plantations and investment in the processing sector, has been followed by a significant downturn. This downturn has been driven by multiple factors, including:

- reduced demand for wood and paper products as a result of the global financial crisis
- a strong Australian dollar reducing competitiveness of exported wood and paper products
- successful campaigns by environmental non-governmental organisations to reduce demand for native forest woodchips
- reduced investment in new plantations
- closure of older processing facilities that had become uncompetitive.

Change in the forest industry has important impacts on those who depend on the industry for their livelihood, and the communities they live in. Understanding these impacts requires accurate, robust information about how the forest industry is changing.

This report examines change in Tasmania’s forest industry between 2006 and 2010 using data from the Forest Industry Survey, a comprehensive survey of businesses in the forest industry conducted in 2006, 2008 and 2010.

Further information about the methods used in the study, and how you can access more study results, is on page 15.
How did the forest industry change between 2006 and 2010?

Employment in Tasmania’s forest industry grew by 7.0 per cent between 2006 and 2008, from 6510 people to 6960 people\(^1\) (Figure 1). The number of people working full time in the industry increased in line with this growth: full-time equivalent (FTE) employment grew by 7.7 per cent, from 6000 FTE jobs in 2006 to 6460 in 2008.

This expansion of the forest industry was the result of an increase in the rate of new plantation establishment, growth in the volume of native forest and plantation timber harvested, and investment in new and expanded processing facilities. However, the number of businesses operating in the industry fell from 514 to 464 during this period, as some businesses amalgamated and others closed.

Between 2008 and 2010, there was a significant downturn in the industry, with employment in the industry falling by 33.3 per cent. By September 2010, the number of people working in the forest industry had fallen to 4650 people (4340 FTE), while the number of businesses operating in the industry had declined to 410. This substantial downturn resulted from the factors described on page 2.

Of the 2310 jobs lost between 2008 and 2010, almost one-third (760 jobs) resulted from the closure of three processing facilities: Tasmanian Paper’s Burnie and Wesley Vale processing facilities, closed in 2010; and Gunns Ltd’s Tonganah softwood sawmill in Scottsdale, closed in 2008. The planned closure of Gunns Ltd’s second softwood sawmill in Scottsdale, announced in October 2010, will result in up to 140 more job losses.

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\(^1\) These figures include all people employed in growing, managing, harvesting and processing native forest and plantation trees for commercial purposes. They do not include firewood cutters and sellers, non-industrial private growers, or people employed in downstream activities beyond wood and paper processing, such as retail sales of wood products.
Which forest industry businesses are experiencing the greatest change?

In 2010, just over 40 per cent of jobs in the forest industry were generated by processing businesses, which produce woodchips, sawn timber, veneer, posts, poles, pulp and paper, among other products. Almost one-quarter of jobs were generated by the harvest and haulage of timber to mills, while the remaining 35 per cent of workers were largely involved in the management of native forest and plantations before harvest (Table 1).

### TABLE 1
Number of people employed in different types of businesses

<table>
<thead>
<tr>
<th>Type of forest industry business</th>
<th>Number of people employed</th>
<th>Proportion of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2008</td>
</tr>
<tr>
<td>Growers managing native forests and plantations</td>
<td>733</td>
<td>697</td>
</tr>
<tr>
<td>Processors</td>
<td>3034</td>
<td>3135</td>
</tr>
<tr>
<td>Silvicultural contractors</td>
<td>668</td>
<td>763</td>
</tr>
<tr>
<td>Nurseries and seed suppliers</td>
<td>139</td>
<td>142</td>
</tr>
<tr>
<td>Harvest and haulage contractors</td>
<td>1494</td>
<td>1754</td>
</tr>
<tr>
<td>Other businesses (including land surveyors, consultants, researchers and government regulators)</td>
<td>441</td>
<td>472</td>
</tr>
<tr>
<td>Total</td>
<td>6510</td>
<td>6960</td>
</tr>
</tbody>
</table>

Data source: Forest Industry Survey

1 Total figures have been rounded to the nearest 10.

Since 2008, the largest number of jobs lost have been in the processing sector where — after employment growth of 3.3 per cent between 2006 and 2008, largely due to establishment of new processing facilities by Ta Ann — the number of jobs declined by 39.5 per cent from 2008 to 2010 (Figure 2). Of the 1240 jobs lost in this sector between 2008 and 2010, 61.2 per cent resulted from the closure of the three processing facilities identified on page 3. The remaining 480 jobs lost were a result of closure of some smaller processing sites and reduced employment at several other processors.
Not all processing businesses have experienced a downturn: more than 35 per cent of small and medium-sized processing businesses successfully increased or maintained employment between 2006 and 2010.

A substantial reduction in establishment of new plantations resulted in a decline of 49.8 per cent in the number of people employed in silvicultural contracting businesses, and 54.2 per cent in nurseries and seed supply businesses, between 2008 and 2010, with 457 jobs lost across these two sectors.

In the harvest and haulage sector, a total of 420 jobs (27.1 per cent of jobs) have been lost since 2008. Many managers of harvest and haulage businesses reported that their remaining workers are underemployed, often working a three or four day week, or are expected to leave the industry in the near future.

Small businesses (those employing less than 20 people) were less likely to have reduced job numbers than medium or large businesses; 61.2 per cent of small businesses reported a decrease in employment in their business compared to 80.4 per cent of medium businesses and 100 per cent of large businesses.

**FIGURE 2**
Change in forest industry employment by business type, 2006 to 2010

![Graph showing employment change by business type from 2006 to 2010](image-url)

Data source: Forest Industry Survey
What are the trends in the native forest and plantation sectors?

In 2010, approximately 55 per cent of employment in the industry was generated by native forests, down from almost 64 per cent in 2006. Softwood plantations generated 26 per cent of employment in 2010, and hardwood plantations nearly 19 per cent (Table 2).

### TABLE 2
Number of people employed in the native forest and plantation sectors

<table>
<thead>
<tr>
<th></th>
<th>Number of people employed</th>
<th>Proportion of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2008</td>
</tr>
<tr>
<td>Native forest</td>
<td>3459</td>
<td>3172</td>
</tr>
<tr>
<td>Hardwood plantation</td>
<td>831</td>
<td>1188</td>
</tr>
<tr>
<td>Softwood plantation</td>
<td>1174</td>
<td>1397</td>
</tr>
<tr>
<td>Unknown</td>
<td>1044</td>
<td>1207</td>
</tr>
<tr>
<td>Total</td>
<td>6510</td>
<td>6960</td>
</tr>
</tbody>
</table>

1 Total figures have been rounded to the nearest 10.

2 These percentages are based on the assumption that workers in the ‘unknown’ category are distributed across the native forest and plantation sectors in the same proportion as for those jobs where dependence on native forest and plantations is known.

Data source: Forest Industry Survey

The downturn in the industry has had the greatest impact in the native forest sector, where 41 per cent of jobs have been lost since 2006, compared to 26 per cent of jobs dependent on hardwood plantations and 18 per cent of those dependent on softwood plantations (Figure 3). However, change in the native forest sector has been complex:

- in the processing sector, a number of businesses have maintained or increased employment, while others have decreased their number of workers.
- Meanwhile most contracting businesses dependent on native forests have experienced significant decline.

### FIGURE 3
Change in forest industry employment dependent on native forest and plantations, 2006 to 2010

Data source: Forest Industry Survey
Forest industry turnover declined at a faster rate than industry employment levels between 2008 and 2010. This was because many businesses continued employing workers as long as possible despite the downturn.

Overall, 79.1 per cent of businesses reported a decline in turnover since 2006, and 85.8 per cent since 2008 (Figure 4). Those most likely to report a decline in turnover were silvicultural contractors, nurseries and seed suppliers, harvest and haulage contractors, and roading and earthmoving contractors.

The businesses least likely to report a decline in turnover were processors. In this sector several sawmills, most operating in the native forest sector, reported successfully maintaining or expanding their business since 2008. This was usually achieved through targeting markets not affected by the downturn, or otherwise adapting their business to maintain turnover.

FIGURE 4
Change in turnover reported by different types of forest industry business, 2008 to 2010

Of those businesses who reported a decline in turnover, the large majority reported that this decline had occurred since 2008. Therefore Figure 4 examines change in turnover between 2008 to 2010.
How is the downturn affecting forest industry business?

The downturn experienced by the industry between 2008 and 2010 has had a range of impacts on forest industry businesses. Managers of forestry businesses described facing the following issues as a result of loss of business turnover during the downturn:

- inability to obtain finance to invest in new capital
- difficulty covering operating expenses, with many reporting ‘going to work to lose money’
- reduced ability to maintain and finance existing capital equipment
- difficulty downsizing their business due to lack of markets in which to sell their capital equipment
- loss of skilled workers
- difficulty attracting new workers when businesses do expand after downsizing
- uncertainty about the future of the industry.

Strategies used by businesses to cope with the downturn include:

- shifting to work in other industries or targeting new markets within the forest industry
- downsizing the business in the hope of ‘riding out’ the downturn before expanding again
- taking out loans to keep the business running until returns improve.

Not all businesses have these opportunities, however, and a substantial number have closed.

My big worry is that we have lots of people here with really good skills, and a lot of them have moved on, particularly some of the best casuals. So when things pick up we’ll be retraining people and that will take a lot of time.

– Nursery manager

We're running on a weekly quota at the moment, there’s no certainty and we’re barely able to cover the men’s wages. We’re only still here because we like doing it, we’re hoping it might become worth our while again.

– Harvest and haulage contractor

I’d be shut if I hadn’t diversified into a lot of civil work in the last few months.

– Silvicultural contractor

My gear is only really suited for forestry work, I’ve looked into work in other industries but I just can’t regear for them.

– Roading and earthmoving contractor

I’m staying at home most of the time now just to keep the other blokes employed, and we’ve shifted to working three day weeks. We hope we can ride it out this way and keep the blokes on.

– Harvest and haulage contractor
How is change in the forest industry affecting workers?

The downturn has many impacts on forest industry workers, their families, and the communities they live in. While not able to be examined in detail in this study, the downturn affects workers in three key ways, each of which are associated with stress for workers and their families:

1. **Unemployment.** The loss of a job has a range of well documented negative impacts on workers and their families, including loss of income and loss of self esteem and pride. Loss of employment is associated with higher rates of depression, mental illness, family breakdown and other negative impacts. The extent of these impacts depends on how easily workers find new jobs, and currently there is little information on this.

2. **Underemployment.** Underemployment was commonly reported by business managers as a response to the downturn, and also has significant impacts. Workers who are put on reduced hours experience both reduced income and lack of certainty about whether work will continue.

3. **Uncertainty.** It is also important to recognise that many of those who remain employed in the industry experience considerable stress as a result of uncertainty about the future, as well as reduced business turnover, loss of income, changes to work hours, and increased debts, among other concerns.

More work is needed to identify how many of the workers who have lost jobs in the forest industry have found alternative employment, and to understand how the recent changes in the industry are impacting the lives of workers and their families.

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*I’m worried about my husband’s health — he’s taking on blocks of four or six hectares just to keep some work in and travelling a long way to them, then doing all the servicing on the machines himself ... working 80 hours or more a week for less money than what we used to get, and we’re looking to borrow more money against the house just to stay afloat.*

– Harvest and haulage contractor

*I’m concerned about my husband’s health — he’s working on blocks of four or six hectares just to keep some work in and travelling a long way to them, then doing all the servicing on the machines himself ... working 80 hours or more a week for less money than what we used to get, and we’re looking to borrow more money against the house just to stay afloat.*

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– Harvest and haulage contractor

*Our turnover is massively down, and the business will be closing down soon. We used to have 11 people and slowly it’s just gone down and down and down. We’ve had marriage break ups and all sorts flowing on from the stress, it’s been awful.*

– Harvest and haulage contractor
Where are forest industry workers located in Tasmania?

In 2010, the forest industry workforce was widely spread around Tasmania (Figure 5). The local government areas (LGAs) in which the greatest numbers of workers are employed in the forest industry are Launceston, Dorset, Derwent Valley, Burnie, Circular Head, Hobart and Huon Valley, each having more than 200 people working in the industry.

Not all workers live in the same LGA they work in, with many commuting from their home to work in a neighbouring LGA. Forest industry workers most commonly live in Launceston, Dorset, Circular Head, Central Coast, Meander Valley, Huon Valley, Devonport and Burnie.

Since 2006, the highest numbers of forest industry jobs have been lost in Burnie, Latrobe, Launceston, Dorset and Derwent Valley (Figure 6). In all of these, a large proportion of job losses have resulted from closure or significant downsizing of the workforce at key processing facilities, including closure of Tasmanian Paper’s mills at Burnie (Burnie LGA) and Wesley Vale (Latrobe LGA), and closure of Gunns Ltd’s softwood sawmill in Scottsdale (Dorset LGA).

FIGURE 5
Number of forest industry workers living and working in different local government areas

Data source: Forest Industry Survey
FIGURE 6
Change in number of forest industry workers by local government area, 2006 to 2010

Data source: Forest Industry Survey
Tasmanian communities in which high numbers of forest industry jobs have been lost — such as Burnie, Latrobe, Launceston and Dorset — will experience significant negative impacts as a result. However, the number of jobs lost isn’t always the best indicator of the size of the impact. Launceston is a regional city, whereas Dorset is a rural area with far fewer residents, and as a result these two locations will be affected differently by loss of forest industry jobs and the resulting reduction in spending.

The communities likely to experience the most significant impacts from the downturn are those in which loss of forest industry jobs makes up a high proportion of the employed labour force. Figure 7 shows the percentage of the employed labour force who work in the forest industry in different LGAs, ordered from the most to least dependent on the industry in 2010. The LGAs with the highest dependence on the industry were Dorset and Central Highlands, where more than 10 per cent of the workforce was employed in the forest industry in 2010.

The proportion of people in the labour force who lost their jobs as a result of the downturn in the forest industry was highest in Central Highlands (14.1 per cent of the workforce), followed by Dorset (8.4 per cent), Glamorgan/Spring Bay (3.8 per cent), Burnie (3.3 per cent) and Latrobe (3.2 per cent). In Launceston the high number of job losses represented a lower, but still significant, 1.2 per cent of the workforce.

The full impacts of the downturn on these communities will be greater than is indicated by these figures, which do not include the flow-on effects of downturn in the forest industry to other parts of the economy, described on page 14. Further work is needed to identify how different communities are affected by, and coping with, change in the forest industry.
FIGURE 7
Proportion of the employed labour force working in the forest industry, 2006 and 2010, by local government area

Data source: Forest Industry Survey; ABS 2010

1 Data are based on the LGA in which workers live.

Data source: Forest Industry Survey; ABS 2010
How is change in the forest industry affecting Tasmania’s labour force?

The 2310 jobs lost in the forest industry since 2008 represented 0.97 per cent of Tasmania’s employed labour force. Between 2006 and 2010, the proportion of working people in Tasmania who were employed in the forestry industry declined from 3.08 per cent to 1.97 per cent, with the change a consequence of both loss of jobs in the forest industry, and growth in the total size of the Tasmanian labour force (Figure 8).

For every job lost in the forest industry, it is likely that another one or two jobs are lost in the broader economy, as a result of reduced spending by forest industry businesses and workers. Loss of spending by forest industry businesses and workers will flow on to businesses that service the industry, such as mechanics, engineers and other suppliers of goods and services. Loss of spending by forest industry workers impacts many retail businesses dependent on the spending of workers’ wages.

There is evidence that the downturn has had an impact on unemployment rates in Tasmania. Between 2008 and 2010, the overall Tasmanian unemployment rate rose by 2.1 per cent, much higher than the 1.0 per cent growth experienced Australia-wide (ABS 2010). The downturn in the forest industry is a major contributor to this growth in unemployment, although others factors also will have contributed.

FIGURE 8
Change in Tasmania’s unemployment rate, and in the proportion of employed people working in the forest industry, 2006 to 2010

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4 Based on the size of the labour force in August 2010.
How was Forest Industry Survey data collected?

The Forest Industry Survey gathered data via a survey of all forest industry businesses engaged in growing and managing native forest and plantations, wood and paper processing, harvesting and hauling logs, silvicultural contracting, supply of seedlings and seed, and other activities such as providing expert advice, industry representation and regulation of the industry. The survey did not include firewood cutters and sellers, non-industrial private forest growers (farm foresters), or people engaged in activities beyond the stage of producing wood and paper products.

In 2008, 55.9 per cent of Tasmania’s forest industry businesses responded to the survey, including all large businesses and most medium-sized businesses. The businesses that responded to the survey employed an estimated 88.7 per cent of industry workers.

In 2010, a briefer update survey achieved response from 41.1 per cent of businesses, employing an estimated 86.1 per cent of workers in the industry.

These high response rates enabled estimation of total employment in the industry and, together with results of the 2006 survey, provide a detailed understanding of recent trends in the industry. Some revisions were made to 2006 estimates reported by Schirmer (2008), as updated data for 2006 were received from businesses in the 2008 and 2010 surveys.

Want to find out more?

The full report can be downloaded from the CRC for Forestry website at http://www.crcforestry.com.au

References


The CRC for Forestry is established and supported under the Australian Government's Cooperative Research Centres Program.