

Australian Treasurer advocates lower wages in rural areas

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Australian Treasurer Peter Costello provoked widespread anger in regional areas when he floated a proposal last December for a two-tier wage scheme aimed at cutting pay rates for country-based workers. In an interview with the *Age* newspaper on December 10, he said that the minimum wage level for Sydney and Melbourne was "not necessarily appropriate for regional centres". He called for greater "flexibility on wages" in order to reduce the high levels of unemployment in regional areas.

Costello's comments created immediate divisions in the coalition government's ranks, particularly from National Party MPs, who are based in rural areas. The National Party has already lost ground to "independents," the right-wing One Nation party and, in the recent Victorian state election, to the Labor Party as a result of the deep disaffection and alienation felt in regional Australia.

National Party leader and Deputy Prime Minister John Anderson pointed out: "Wage levels in rural and regional Australia and household income levels in particular are very low. If anything the national priority ought to be on attracting investment and job opportunities and closing the gap not widening it."

Others were not so polite. Liberal MP Warren Entsch branded the remarks "irresponsible, grossly ill-informed... and just bloody stupid." Queensland National Party leader Rob Borbidge said that Costello appeared to be advocating "a Third World sweatbox" for rural areas. Another Queensland National Party MP, De-Anne Kelly, added: "We're not about making workers in rural and regional Australia second-class citizens—they are already second class citizens."

Of course, the outcry of the government MPs was just a pale reflection of the anger in rural areas, which have been devastated by job cuts and the closure of bank

branches, hospitals, railway lines and other essential services. Many country towns have been turned into virtual ghost towns as people have moved to the city and larger regional centres to find work. Lower wages in rural areas would only accelerate the drift to the cities.

Low wages and poverty are widespread. Australian Bureau of Statistics figures for 1997-8 show the average weekly income in Sydney is \$749 compared with \$545 in the rest of New South Wales. Another recent study found that the 12 poorest areas in NSW are in the countryside where the average income levels stand at just \$20,000 a year. It is little wonder that a study by the Human Rights and Equal Opportunities Commission this year likened the situation in rural communities to being "under siege."

Predictably, the plan for lower rural wages did not provoke great outrage from the Labor Party opposition or the trade unions. Labor leader Kim Beazley said that he thought Costello's remarks "completely inappropriate" and like Anderson, pointed out that wages were already lower in rural areas.

But the Labor Party has already indicated that it is prepared to back big business demands for a cut in rural wages. Last February Shadow Treasurer Simon Crean signalled Labor's support for greater "wage flexibility" in rural areas. "Labor does recognise that employment growth may be affected by costs of employing people and has, in the past, been innovative in addressing the issue. These include the recognition of regional wage differentials. This is what flexibility in the labour market should be all about," he said.

Within days of making his comments, Costello was called into a meeting with Prime Minister John Howard and told to backtrack. At first, he said any scheme aimed reducing rural wages would only apply to the

unemployed and those employed in new regional industries. But under further pressure, he was forced to say there would be no scheme at all for establishing lower minimum wages for regional Australia.

Even though the lowering of wages in rural areas is formally off the agenda, at least for the moment, the Howard government is under considerable pressure from big business to accelerate the broader "industrial reform process" of cutting costs and boosting productivity. An editorial in the *Australian Financial Review* published after Costello's comments warned the government about the "dangers of reform fatigue" and demanded that it step up the "economic reform of the past decade."

Costello, who was attending the G-20 meeting of finance ministers, responded by warning: "We have still got things to do in Australia. In this business you have just got to keep on moving. The world moves. You have just got to stay in front if you want to get the economic benefits." He warned of a "looming economic crisis" if the government failed to press on with "reforms."

Costello's attack on rural wages was launched the same week as the government announced its intention to tighten "mutual obligation" requirements for the unemployed. Those on unemployment benefits will now have only six weeks rather than three months before being compelled to apply for work-for-the-dole schemes. The measure is aimed at accelerating the process of creating a pool of cheap labour to undermine existing wages and conditions.

It is clear that lower wages, pay cuts for rural workers, will resurface on the political agenda again, perhaps in a different guise. As several commentators have noted, the mechanisms are already in place for cutting wages to below the legal minimum including in rural areas. Under changes made to industrial relations laws by the Howard government, employers can claim that they do not have the "capacity to pay" and have new wage agreements ratified by the recently established Employment Advocate.

The industrial laws are already being used to cut wages with the complicity of the trade unions. Under a new workplace agreement negotiated by the Australian Workers Union, which covers most rural workers, the average weekly pay of cotton chippers was reduced substantially. While the daily rate rose from \$12.56 to

\$13 an hour, a flat weekend rate of \$15 replaced the previous system of time and a half for the first two hours and double time thereafter.

Itinerant rural workers are among the most oppressed layers of the working class. They work long hours under difficult conditions and are often forced to accept whatever terms and conditions are on offer. For example, contract cotton chippers employed by Menindee Rural Services in Mildura, after a week of backbreaking labour in temperatures hovering around 40 degrees, receive only \$200 after deductions for rent and over-priced food from the company store. Couples are forced to share accommodation with up to five men or pay the employer \$45 a week to pitch a tent on the property. In the peak season the company extracts over \$2,000 a week in "pay backs" from the 140 workers it takes on.



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