Australia: Rudd government demands wage "restraint"

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Under the guise of "equal sacrifice" in the so-called "war on inflation" the Rudd Labor government is moving to suppress wage increases for working people who are facing spiralling prices for basic commodities, petrol and rent, and escalating mortgage repayments.

After a quarter century in which the Howard government and the previous Labor government of Hawke and Keating already drove the wages share of national income to a 35-year low, compared to profits, government ministers are demanding "pay restraint" and "belt tightening" in what is being presented as the fight of all against a common enemy—inflation.

Deputy Prime Minister Workplace Relations Minister Julia Gillard told Radio 3AW: "We expect everybody—unions, employers, corporate Australia, members of parliament—everybody right across the community to be participating in showing restraint in helping us beat this inflationary challenge."

With more than a million people living in "housing stress" because of rising interest rates, falling house values and soaring prices, Gillard warned workers who might be looking to redress their dire financial problems not to push for real pay increases: "(T)oday's pay rise, if it feeds into the inflationary cycle, doesn't mean good news for tomorrow because that's inevitably got consequences for things like interest rates."

To help demand what is effectively a real wages freeze, the government last month announced it would halt a parliamentary pay increase due in July. Prime Minister Rudd pontificated to the media: "We need to be able to face the Australian community in the eye and say that we in the privileged position of this place (federal parliament) are doing one small bit when it comes to exercising some wage restraint on our part."

Rudd and Gillard's prattle about "equal sacrifice" is a complete fraud. It brings to mind the old cartoon showing a number of people standing one above each other on a ladder surrounded by floodwater. With water lapping under the chin of the worker on the lower rung, suddenly the parliamentarians, bankers, CEOs, judges, etc., on the upper rungs sing out "equal sacrifice, everyone step down one rung".

The freeze on parliamentary salaries will undoubtedly be short-lived and "the sacrifice" will barely be felt by the well-heeled politicians in Canberra. Unlike ordinary working people who are involved in a daily struggle to make ends meet, MPs have a privileged existence. Even a backbencher rakes in $127,060 annually—about twice the average wage—with an extra $27,000 thrown in for "electorate expenses". Rudd himself draws a base pay of $330,000.

Last year, while workers' wage increases were held down to around 3.8 percent, parliamentarians' pay increased by 6.8 percent, more than double the rate of inflation. In any case, most politicians, like Rudd, whose wife runs a multi-million job agency, have other sources of financial benefit. Many, like former state Labor leaders Bob Carr and Steve Bracks, go straight from political careers into highly-paid corporate consultancies.

As another smokescreen, Rudd last month declared his "hope" that "those in the most privileged positions in the corporate sector also reflect carefully on the need for CEO wage restraint in the year ahead". Conscious of growing popular hostility to ever-increasing levels of social inequality, Rudd sought to hose down objections from workers to wage cuts while CEOs are pulling in obscene remuneration packages.

Last year, the country's top ten CEOs, including the heads of the Macquarie Bank, Telstra, BHP Billiton and Qantas, were paid a combined total of $125 million. Macquarie Bank head Allan Moss received $33 million while Telstra CEO Sol Trujillo pocketed almost $12 million. Business Council of Australia president Greg Gailey—an ardent advocate of "wage restraint"—stepped down as CEO of zinc and lead mining company Zinifex last June, receiving a separation package reportedly worth $15 million.

Not unexpectedly, CEOs dismissed out of hand any suggestion that the moderate their pay demands. Telstra's Trujillo declared: "CEO remuneration is a matter for the board". Some in financial circles predict that CEO pay packets will swell by more than 20 percent this year, continuing a process in which executive salaries in Australia have doubled over the past five years, four times the rise in workers' wages.

Rudd's call for wage restraint was quickly taken up in other quarters. Last month, Professor Ian Harper, head of the government's Fair Pay Commission (FPC), warned there was "no guarantee" that 1.1 million minimum wage workers would not face pay restrictions in the FPC's next ruling, due in July.

Australian Chamber of Commerce and Industry acting chief executive Peter Anderson said the employer group would ask the FPC to hand down a pay rise below the inflation rate "to help avoid a wage-price spiral".

Last year, the FPC awarded low-paid workers a miserly $10 a week increase, the lowest in a decade, bringing the minimum weekly wage up to just $522.12. At the same time, the Commonwealth Remuneration Tribunal lifted Harper's pay for his part-time FPC position from $81,445 to $199,830.

The previous Howard government established the FPC as an instrument for holding down the wages of minimum pay workers. Little wonder the Rudd government retained it until it is replaced by a similar body, Fair Work Australia, to serve the same ends. Labor also retained the Howard government's harsh anti-strike provisions and punitive measures, enshrining them in its own *Forward with Fairness* IR legislation. These provisions will be at the disposal of employers to help them impose "wage restraint" on their workforces.

Wages are not responsible for inflation, and workers have no say or control whatsoever over the present economic system, based on corporate profit and the accumulation of private wealth, that generates it. Because of the anarchic and crisis-riddled operation of the market system, prices are once again rising globally. Behind the current international price surge are a number of complex and interrelated factors, totally unrelated to wages, including rampant stock market speculation in food and other commodities.

At the same time, corporations are continuing to push up profit margins, rapidly passing on cost increases to consumers. Workers have been falling further behind for decades. Over the past decade alone, the wages share of national income has fallen from 56 percent to under 54 percent, while the profit share has increased from 24 to 28 percent.

By all indications, the gap is still widening. Figures released this month by the Bureau of Statistics show that wages and salaries increased by just 0.9 percent in the December quarter, the smallest increase in three years, while company profits rose by 3.9 percent. Commenting on the ABS data, ABN Amro chief economist Kieran Davies noted: "The increase in profit share suggests that firms are raising prices above and beyond what their costs are going up by, and they can afford to do that because demand is so strong".

Such revelations have not deterred the trade unions from signing up to Rudd's anti-inflation crusade. Having worked so hard to install a Labor government, claiming that it would be a "lesser evil" to the Howard government, they are hoping to fully restore the role of industrial policemen they played under the Hawke and Keating governments.

Pointing out the unions' role in containing wages over the past period, Australian Council of Trade Unions (ACTU) president Sharon Burrow boasted last month that workers' pay had been "growing at a moderate 3.8 percent" and they deserved a "big tick for restraint".

Speaking on the eve of an ACTU executive meeting, she pledged that unions would look to "counter inflationary" measures in wage bargaining, and keep enforcing the system of enterprise-by-enterprise bargaining to ensure that any pay rises were "affordable" for individual companies. "To an extent that we are in a deregulated environment, then workers and employers will work out at the bargaining table what they can afford," Burrows declared. Among the "counter inflationary means" being proposed by the unions is the forgoing of pay rises in exchange for increases in employers' superannuation contributions from 9 to 12 percent by 2012.

In a media release this week, Burrow acknowledged that over the past period, "hundreds of thousands of employees [lost] important job conditions including penalty rates, shift allowances, public holiday pay, annual leave loading, redundancy pay and other conditions". She expressed concern for the health of the "economy", that is, the system based on private profit: "It is not good for the economy for families to go backwards, or for families to lose their capacity to pay their bills."

These statements sum up the unstinting commitment of the unions not only to the Rudd government, but the entire capitalist economic order. Nothing must be permitted to threaten corporate profits, let alone the private ownership and control over the productive forces and social wealth produced by the working class. As they did under their prices and incomes Accord with the last Labor government, the unions are preparing to impose a further redistribution of wealth from the working class to the rich in order to shore up the profitability of Australian and international corporations.

The push for superannuation increases will also benefit investors, making available to them millions of dollars of workers' money. Moreover, it will deliver a windfall to many unions—such as the Construction Forestry Mining and Energy Union—which are partners with employers in the multi-billion superannuation funds that have become some of the largest operators in the Australian economy. Meanwhile, workers' retirement incomes will be further subject to the vagaries and volatility of the global financial and share markets.

At the same time, unions are already enforcing real pay cuts. Airline unions at Qantas have cut the salaries of new cabin crew by more than half and, for existing employees, pushed through pay deals for 3 percent pay increases while giving the airline significant trade-offs. This week, the Shop Distributive and Allied Employees Association accepted a deal covering 90,000 workers employed in Coles and Bi-Lo supermarkets for a 10.4 percent pay increase over three years.