

# Cost of living to rise for Australian workers in 2011

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The cost of living is predicted to rise dramatically this year according to recent projections by the Australian Bureau of Statistics (ABS). The increases will add to the financial burden on working people who are already struggling to cope with decades of wage stagnation and soaring housing and rental costs.

The ABS has estimated that the average family of four will face increased costs of roughly \$100 a week. It expects the cost of food in Australia to soar by a staggering 34 percent, adding \$50 a week to the average grocery bill of \$150.

The actual rise in food costs is likely to be far greater. The ABS figures were calculated before the floods in Queensland, northern New South Wales, Victoria and Western Australia, ruined significant agricultural crops, particularly fruit and vegetables. Commentators are predicting that the cost of certain fruit and vegetables could increase by 50 percent or more.

The relentless rise in the cost of utilities and other services over recent years will continue at an even faster pace during 2011. The ABS expects electricity costs to increase by 16 percent, after having already risen by 10 percent last year. Gas will go up by 18 percent, after a 13 percent increase in 2010. Water costs will be up 16 percent following last year's 13 percent hike.

Over the three-year period from September 2007 to September 2010, the cost of utilities in Melbourne and Sydney, Australia's two largest cities, increased enormously. Electricity rose by 54 and 45 percent, water by 62 and 43 percent and gas by 28 and 21 percent, respectively.

Health care costs are expected to soar by another 12 percent, after a 10 percent increase last year.

Bill Wilson of the St Vincent de Paul Society told ABC News on January 3: "Consumers are already

struggling with the mortgage repayments, rent repayments and utility bills, so any increases in the cost of living and putting food on the table is going to have a big impact and people will struggle."

Since July 2009, there have been repeated interest rate rises, with three taking place last year. According to the Real Estate Institute of Australia's "Deposit Power Housing Affordability Report", released on December 9, mortgage payments have risen to 34.8 percent as a proportion of income nationally—the highest level in 10 years and up by 5.8 percentage points from last year.

The debt servicing-to-household income ratio—which measures the proportion of income paid out in interest payments alone—has reached a historic high of 12 percent. The previous high was 9 percent during the recession of the early 1990s.

The pressure on household finances has been compounded by a decline in workers' wages over the past decade.

Deals between the trade unions and employers have resulted in real wage cuts for workers in every sector of the Australian economy, with annual pay increases limited to 3 to 5 percent, well below the accumulated cost of inflation. A 2009 decision by Fair Work Australia, the national workplace relations tribunal, contained the estimate that the real income of many low paid workers had fallen by 15 percent since 1999.

The number of hours worked has also fallen. According to the "Australian Social Trends" report released by the ABS on December 21, full-time workers worked an average 40 hours a week in 2010, compared with 41 hours in 1999. Only 22 percent worked 50 hours or more in 2010, down from 26 percent in 2000.

Thirty percent of workers are now employed on a part-

time basis compared with 26 percent in 1999. On average, they worked only 16 hours a week and earned just \$440.

The decline in income, coupled with a rise in expenses, has resulted in an explosion of household debt, which rose by 340 percent between 1996 and 2007. Millions of people now regularly use credit cards to pay for basic necessities or utility bills. Australian households owe over \$47 billion on their charge and credit cards, with an average credit card balance of over \$3,200. Debt growth began to slow in 2010 as families reached their credit limits.

The various statistics point to a general worsening of conditions for the working class. Mortgage Choice's annual consumer sentiment survey released on December 1 found that of 1,061 people questioned, of whom 536 had mortgages, 27 percent said the cost of living was their greatest concern, while 60 percent said they would have to reduce their current expenses in order to afford a new house.

A Newspan survey conducted in early December found that 25 percent of respondents felt their prospects would worsen ever further in the first half of 2011, the highest number since the end of 2008, just after the eruption of the global financial crisis.

In contrast, the income of the top 20 percent in Australia has been steadily increasing since 1994, according to the ABS's 2009 report "Household Income and Income Distribution, Australia, 2007-08".

Last year, 12 Australians made the *Forbes* billionaires list, three more than in 2009. Combined, these individuals own wealth of over \$37 billion. The nine who were on the list in 2009 increased their wealth by a staggering \$11.4 billion last year.

Despite the mounting difficulties of workers in meeting mortgage payments, the four major banks, the Commonwealth Bank of Australia, Westpac, ANZ and the National Australia Bank, made a collective profit of \$21 billion in 2010. The Commonwealth Bank has six of the 11 highest paid executives in Australia. Its chief executive Ralph Norris received \$16.2 million in 2009, before bonuses.

This increasing social inequality is producing deep-felt resentment and anger that will inevitably erupt in social and industrial unrest.



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