Australian minimum wage ruling grants a pittance

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Poverty and inequality will intensify in Australia as a result of last week's decision by the Fair Work Commission to grant an increase of only 50 cents an hour in the minimum wage, taking it to $16.87 per hour or $640.90 per week.

Although that level is about double the rate in the US or UK, it is almost impossible to live on such a wage, given the high costs of living, especially in major cities. In Sydney, for example, the median rent for a two-bedroom apartment in a working class suburb ranges from $400 to $500 a week.

Young workers will continue to receive far less than the minimum, depending on their age. A Year 10 school leaver on a "training wage" will be paid less than $300 a week.

According to the commission's own data, many workers on the new minimum—just $33,326 a year—will remain in poverty, defined as 60 percent of median income. Between 2001 and 2014, a family of four dependent on the minimum wage fell from 3.3 percent below the poverty line to 10 percent below. A single person with no children who is working full-time on minimum pay is estimated to be just 14 percent above the poverty line.

Other figures cited by the tribunal show that nearly a third of low-paid employees experienced at least one type of financial stress, such as inability to pay rent or a utilities bill during 2012.

The seven wage-review commissioners, led by former Australian Council of Trade Unions (ACTU) deputy secretary Iain Ross, refused to take into account the impact of last month's budget. Economic modelling has shown that some of the country's poorest households will lose up to 15 percent of their income over the next four years due to changes in family benefits, pensions and other payments.

As well as those on the minimum wage, the ruling directly affects all workers on award rates of pay—about 1.5 million in total—who are often paid just above the minimum in low-wage industries such as retail, hospitality, cleaning, aged care and other services. Despite soaring living costs, they will receive equally small rises, averaging 3 percent, barely above the current official inflation rate of 2.9 percent, which underestimates the cost of living for working class households.

Nevertheless, the ruling provoked outrage in the political and corporate establishment, with employers declaring that it would lead to further job losses. The Australian Chamber of Commerce and Industry said it would "destroy" job opportunities, and Australian Retailers Association executive director Russell Zimmerman said the decision would prompt many businesses to sack staff.

Treasurer Joe Hockey immediately denounced the decision as well, echoing the threats of big business. "Without any doubt, there is an impact associated with higher wages that comes at a cost to jobs," he told *Sky News*. In reality, thousands of jobs are currently being destroyed in basic industries, including the car plants, because of ruthless restructuring by global corporations amid the deepening fallout of the 2008 crash, and this will continue regardless of any nominal rise in minimum pay.

There were no such objections when the *Australian Financial Review* reported last December that Australia's highest paid chief executives, Peter and Steven Lowy of the Westfield Group, saw their pay packets jump 42.7 percent and 22.7 percent in 2012–13. Peter Lowy's salary of $11.5 million is 345 times the minimum wage. The sons of Westfield boss Frank Lowy earned a combined $22 million, but the newspaper insisted that their rises were justified because shares in Westfield Group rose 26.3 percent during the same period.

Likewise, Flight Centre founder and chief executive Graham Turner was hailed as "one of Australia's best value CEOs" because his salary in 2012–13 was $883,304, up 28.2 percent, while Flight Centre shares rose 116 percent. Turner's "relatively small salary" was boosted, however, by $21 million worth of dividends.

These payouts are considered essential to drive up profits, while wage cuts are being demanded to ensure even greater rewards for the wealthy. In submissions to the Fair Work Commission, the employer bodies called for a rise of no more than $8.50 a week, or 22 cents an hour, while a "free market" think tank, the Institute of Public Affairs (IPA) openly agitated for the minimum wage to be frozen, or "set to zero," that is, effectively scrapped.

The IPA's proposal was in line with the Abbott's government's recent Commission of Audit report, which declared Australia's minimum wage unacceptably "high by international standards" and insisted it be cut by about 12 percent, or $150 a week, by 2033. The audit cited rates of about $7 an hour in the US and $8 in the UK.

The clear intent of the corporate elite is to create a low-wage army that can be exploited to drive down the pay levels and working conditions of the working class as a whole, so that Australian capitalism can match the offensive being conducted against workers globally.

Already, the "working poor" make up a growing layer of the working class. In its ruling, the Fair Work tribunal cited Australian Bureau of Statistics data from 2009–10 showing that 30 percent of people who live below the poverty line live in households where the main source of income is wages.

As for the Labor Party, it has no differences with the underlying agenda of boosting corporate profits. Opposition employment spokesman Brendan O'Connor welcomed the ruling, describing it as a "balanced approach" and a "reasonable decision" that would "ensure that the quality of life of 1.5 million Australian workers is maintained." In reality, the ruling maintains the thrust of the previous Labor government's implementation of a two-year freeze in the minimum wage from 2008 to 2010 in response to the global financial breakdown.

The commissioners were clearly aware of the danger that the social polarisation in Australia and internationally could trigger convulsive working class struggles. They indicated that a major factor in their decision to grant a token rise was the ever-more blatant inequality. "No party disputed the fact that the distribution of earnings has become more unequal in Australia over recent decades," they stated.

The ruling also acknowledged the unprecedented rise in the share of income going to profits, at the expense of workers. Wages growth in 2013 fell to "its lowest recorded level over the past decade," and real unit labour costs dropped by 3.9 percent over the decade to "historically low levels."

The trade unions, which have policed this vast transfer of income from the working class to the corporate elite, criticised the meagre increase, but only proposed a slightly higher rise of 71 cents an hour, or $27 a week. Their submissions to the commission also underscored their readiness to continue to ratchet up of the rate of exploitation of workers.

In fact, the ACTU relied on the falling labour share of national income to argue for a marginally greater pay increase. It submitted that labour productivity grew by 12.3 percent between 2002–03 and 2012–13, far more than the 3.4 percent rise in the real value of the minimum wage.

The United Voice union, which covers many low-wage workers, argued that minimum wages needed to be raised in order to keep them above poverty-line welfare benefits. The union told the commission: "The minimum wage needs to maintain some link to average or median earnings to ensure economic imbalance (growing inequality) does not impede the goals of social inclusion." The term "social inclusion" is a euphemism for coercing workers into low-wage jobs.