Australia: Real wages cut as corporate profits soar

Terry Cook
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Working class people in Australia are suffering ever-greater levels of financial stress and hardship as wages are driven down, amid escalating costs of living, while the wealthy elite reaps the benefits, via record profits and executive salaries.

Australian Bureau of Statistics (ABS) data released last week show that wages declined in real terms in the year to June. Full-time average weekly earnings rose by just 2.2 percent, to $1,515.80, well below the 3 percent rise in the Consumer Price Index, the official measure of inflation. This is the lowest increase in wages since the data series began in 1997.

For all employees, counting part-time and casual workers, the result was even worse. Average earnings increased by only 1.6 percent, to $1,123.00, and in the private sector by a mere 1.3 percent, to $1,080.20. This means that the pay levels of casualised workers in the private sector—often young and poorly-paid hospitality, cleaning and service workers—are increasing at less than half the inflation rate.

On average, full-time workers in construction, in health care and social assistance received pay increases of 2.9 percent, while those in sectors such as retail, information and telecoms, transport, post, stores, rental hiring and real estate received rises of just 2.4 percent. In tourism and the wholesale trade sectors, wage increases were held down to just 2.1 percent and 2 percent respectively.

Even in the mining sector, once the primary growth sector of the economy, where workers had a chance of gaining anything approaching decent pay, wage increases plummeted from a one-time high of around 6 percent per year to just 2.5 percent in the past 12 months.

The Consumer Price Index itself underestimates the impact on families and individuals dependent on wages. Many household costs are soaring—the childcare cost index rose by 7.6 percent, education by 5.1, health by 4.9 and housing (rents and mortgages) by 3.9.

This trend demonstrates that Australia is no exception to the global offensive by the financial elite to slash working class wages and living conditions in order to boost profits and impose the burden of the deepening international economic crisis that erupted in 2008. Corporations based in Australia have demanded the cutting of labour costs, as well as welfare and tax levels, to match those in Asia, Europe and America.

Over the past 12 months major employers have also continued to restructure their operations by shedding thousands of jobs. Mounting unemployment—that jumped to an official 6.4 percent in July from 6.1 percent the previous month—has been utilised to drive down wages and conditions.

Corporate analysts have flatly acknowledged the connection between mounting unemployment and cutting real wages. Bank of Melbourne economist Jo Horton declared last week: “The rise in the unemployment rate suggests wage growth is likely to remain subdued for some time.” RBC Capital Markets fixed interest strategist Michael Turner said a weaker employment market “was the main reason why wages growth is slow.”

A massive transfer of wealth to profits and executive remuneration packages is taking place. The country’s four big banks, for example, are posting record profits while destroying thousands of jobs via downsizing and outsourcing.

The Commonwealth Bank Australia (CBA) last week announced a record full-year profit of $8.7 billion, up 13 percent. Its CEO Ian Narev was rewarded with take-home pay of $8.1 million, counting bonuses. That is about $152,000 a week—almost double the average yearly wage. Three other CBA senior executives took home more than $5 million.

ANZ bank made $3.5 billion in the six months to the end of March. Its CEO Mike Smith received over $10 million in 2013. National Australia Bank's profit rose 15.8 percent to $2.9 billion over the same six-month period. Its CEO was awarded a base salary of $7.76 million. Westpac made a $3.62 billion half-year profit. Its CEO, Gail Kelly, topped the bank salary scale, receiving $10.9 million last year.

The net profit for Telstra, Australia's largest communications provider, jumped 14 percent for the year to June 30 to $4.3 billion—its highest level in more than five years. CEO David Thodey's remuneration package last year stood at $12.8 million. The company has cut more than 3,000 jobs over the past 12 months alone.

The four-member senior executive team at Fairfax Media, which has eliminated over 2,000 jobs since 2012, received a combined pay rise of $2.4 million this year. That amount was greater that the combined wage increase the company offered to 600 of its staff—a rise of just 2 percent. Fairfax CEO Greg Hywood received $2.8 million, including shares, up almost $1 million on the year before. By slashing jobs and costs, particularly in its daily newspapers, the company made $224.4 million for the year to June.

Big business is still far from satisfied. It is stepping up demands for Prime Minister Tony Abbott's government to implement more sweeping industrial relations changes, including to dismantle penalty rates for working overtime, night shifts or on weekends and holidays.

Australian Chamber of Commerce and Industry operating officer John Osborn declared last week: "[W]e must honestly look at all the workplace reform options—including greater flexibility when it comes to working weekends."

Employers are already armed with the draconian Fair Work laws introduced by the former federal Labor government with the full support of the trade unions. This legislation prohibits all industrial action, except for during the limited bargaining period for new enterprise agreements.

A survey conducted by consumer group Choice released this month, gave some indication of the financial difficulties now confronting working people. The survey was conducted across the income spectrum. Twenty-two percent of respondents said they deliberately missed or delayed paying a bill, and 19 percent had used a credit card to cover the gap until pay day.

Significantly, 62 percent of respondents had cut back on non-essentials, and almost half, 46 percent, had reduced spending even on essential household items. Choice CEO Alan Kirkland told the Australian ABC: "The people that are struggling the most are certainly people on low incomes." Families with young children faced "the biggest burden when it comes to things like electricity, fuel, food and groceries and health and medical costs."

This hardship, and the ever-more glaring social inequality, will intensify as the fallout grows from a sharp downturn in investment since 2012, ending a decade-long period of mining expansion.