Australia: Wages slashed to boost corporate profits

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Amid the deepening impact of the 2008 global financial crash, real wages in Australia are being driven down to transfer an ever-greater share of social wealth to profits, dividends and executive salaries.

A National Australia Bank (NAB) quarterly business survey released last week showed labour costs rising at an annual average of just 1.5 percent since 2012. This is well below the current 2.3 percent official inflation rate.

It is also the lowest figure in 25 years, except for a brief period during the 2008-09 global financial crisis. The NAB survey noted that during the previous decade, labour costs, about 90 percent of which are wages, rose at an average of 3 percent a year.

With the help of enterprise bargaining agreements (EBAs) struck with trade unions, business operators expect real wages to fall further. According the survey, "wage increases under EBAs are expected to average just 2.7 percent over the next year, or 1.6 percent after allowing for productivity offsets." These "offsets" point to increasing speed-up and reversals of working conditions.

The Australian Bureau of Statistics (ABS) wage price index also rose at an annualised rate of just 1.7 percent in the first half of this year, compared to the long-term average of 3.6 percent. The wage price index measures the underlying price of wages and salaries by excluding changes in the nature of jobs. Falling real wages are also confirmed by other ABS data showing that full-time average weekly earnings rose by just 2.2 percent, to $1,515.80, in the year to June.

The National Centre for Social and Economic Modelling (NATSEM) at the University of Canberra found that in the year to June, household incomes fell by 0.2 percent after accounting for Consumer Price Index (CPI) increases. NATSEM research shows that living standards have fallen by 2 percent over the past two years, contrasting sharply to the five years before 2008 when real incomes rose by an average of 3 percent a year.

Working people are being hit by constant price increases in some of the most basic requirements. During the September quarter, the CPI rose by 0.5 percent, but many essentials jumped by far more. Fruit and vegetable prices were up by 14.7 percent, property rates and charges by 6.3 percent and services for motor vehicles 5.8 percent.

Over the year, alcohol and tobacco prices rose by 7.3 percent, followed by education 5.2 percent, and health care 4.7 percent. While automotive fuel prices dropped by 2.5 percent, they will rise from November 10 due to the Abbott government's decision to increase the fuel excise from 38.143 cents a litre to 38.6 cents to extract an extra $2.2 billion from motorists over four years.

Australia is no exception to the offensive by the financial elite internationally to slash wages and living conditions in order to boost profits and impose the burden of the deepening economic crisis onto the working class. Corporations based in Australia are demanding far greater cutting of labour costs, welfare and social spending, to match developments in Asia, Europe and America.

This drive is intensifying amid the implosion of the two-decade-old mining boom, with export prices falling sharply and thousands of jobs being destroyed by mine closures.

Last month, the *Australian Financial Review* featured remarks by Mitsui Australia CEO Yasushi Takahashi condemning "prohibitive labour costs" in Australia's mining sector. He said the company, whose coal and iron ore venture partners include Rio Tinto and BHP Billiton, was moving to "improve productivity to match up with high costs."

The *Australian Financial Review* suggested the need to halve wages in the mining industry. It reported that the "average mining wage in Australia was $US122,000, more than double that of the US." It also maintained that labour costs in Australia "make up about 25 percent of on-site coal mine costs," compared to "10 to 15 percent in China, the United States, South Africa and Indonesia."

Corporate profits are increasingly generated by massive job shedding. An estimated 10,000 banking jobs have been eliminated over the past two years, while the banks post record profits. The "big four"—the Commonwealth Bank of Australia, National Australia Bank, ANZ Banking Group and Westpac Banking—are expected to report combined cash earnings of $29 billion for the past financial year, up from $27.3 billion the previous year.

The combined remuneration packages of the "big four" CEOs this year soared 23 percent, from $36 million last year. Commonwealth Bank chief Ralph Norris received $16.2 million, NBA boss Cameron Clyne $7.7 million, Westpac's Gail Kelly $9.6 million and ANZ's Mike Smith $10.9 million.

In the mining sector, Fortescue Metals CEO Nev Power received a 31 percent pay rise to $3.87 million last year. During the 18 months to February, Fortescue eliminated hundreds of jobs, including 1,200 at its Kings and Christmas Creek iron ore projects in Western Australia.

In retail, Department store Myer's chief executive Bernie Brookes received a pay rise of 11.1 percent during 2013-14, to $2 million a year. Over the same period, retail workers, mostly employed in low-paid casual positions, received a wage rise of just 2.4 percent.

Wage rises in other sectors have also been kept near or below inflation, with the assistance of the trade unions—2.9 percent in construction, health care and social assistance, just 2.4 percent in information and telecoms, transport, post, stores, rental hiring and real estate and only 2.5 percent in mining. At the same time, major companies continue to hand out large dividends, with the lion's share going to the super-rich.

Wesfarmers, a retail conglomerate that includes supermarket chain Coles and hardware retailer Bunnings, this month announced a more than $1 billion capital return to investors. Communications company Telstra, which has axed thousands more jobs during the past 18 months, including 1,500 at its Sensis phone directory business, returned $1 billion to investors through a share buyback.