Australian wages growing at slowest rate in two decades

Cheryl McDermid
12 September 2015

Even according to official figures, average wage growth in Australia has dropped to the lowest level in 17 years, pointing to a deepening economic slump that is already cutting working-class living standards.

The Australian Bureau of Statistics (ABS) reported that private sector wages, excluding bonuses, grew just 0.5 percent in the June quarter, or 2.2 percent for the year, seasonally adjusted. The public sector's increase was marginally higher, at 0.7 percent per quarter and 2.5 percent for 2014–15.

This was the slowest growth recorded since the ABS's Wages Price Index (WPI) began in 1998. The Reserve Bank of Australia (RBA) commented: "Wage measures with a longer history suggest that this has been the longest period of low wage growth since the early 1990s' recession."

These figures underestimate the impact on workers. Based on last week's national accounts figures, Morgan Stanley analysts calculated that the average wage rose by just 0.4 percent in 2014–15, taking it to $73,000. Taking the official inflation rate of 1.5 percent for 2014–15 into account, there was a real wage decline of 1 percent.

The WPI also includes the salaries of all levels of managerial staff, except for working proprietors. At the top, remuneration packages have increased rapidly at the expense of the rest of the workforce. The WPI figures mask real wage cuts to broad sections of the working class, especially lower-paid workers.

This month's annual survey of executive salaries by the Australian Council of Superannuation Investors found, based on statutory reporting, that the highest-paid 10 CEOs took home a total of $99.63 million in 2014. However, these CEOs also exercised options and received shares under long-term incentive schemes, bringing the total value of cash and equity to $171.4 million.

Topping the list was Ramsay Health's Chris Rex, whose "reported pay" was $9.1 million, but his "realised pay" was $30.8 million. Average "realised pay" in the Australian Stock Exchange top 100 companies was $5.63 million, compared to average reported pay of $5.01 million. These results also highlight the growing gulf between the wealthy elite and the working people whose labour generates the corporate profits and executive salaries.

As recorded by the WPI, the industries with the lowest wages growth were retailing, hospitality, transport, rental, hiring, real estate services and education and training—where some of the lowest-paid workers are employed. JP Morgan economist Ben Jarman commented that "while mining and construction are key channels of weakness, the breadth of the slowdown in wages is striking."

Some corporate media analysts openly welcomed the slowing of wage rises, claiming that it prevented unemployment from rising at a faster rate. In reality, employers are exploiting worsening joblessness to help drive down wages, pushing increasing numbers of workers into casual and poorly-paid jobs. Officially, unemployment for July jumped from 6.1 percent to 6.3 percent, taking the total number of unemployed people to 800,700.

These figures grossly underestimate the real level of joblessness because they exclude people who perform more than one hour of paid work per week. Roy Morgan Research estimates that the true unemployment rate stands at 8.7 percent. If the underemployed are included, the level rises to 16.4 percent.

The collapse of the mining boom is shattering media and government claims that Australia is an exception to the crash that began in 2008. In fact, the RBA reported that Australia last year experienced the “the largest downside surprise” in wages of all the 34 OECD countries—that is, the biggest gap between anticipated and actual wages growth.

In other words, the working class internationally is suffering deep wage-cutting, including in the so-called advanced economies, such as the US, Japan and Europe. Workers in Australia are facing the fastest reversal, reflecting a ruthless drive by employers to match the cuts elsewhere.

The RBA cited a number of reasons for the slowdown, including “union wage expectations” being “at historic lows.” The RBA added that “wage bargaining has become more flexible over the past decades” and increasingly so in the past few years.

This indicates just some of the price the working class is paying for the role of the Labor Party and trade union bureaucracy in helping the corporate elite to drive down wages, slash jobs and dismantle working conditions. Much of this has occurred via enterprise bargaining agreements (EBAs). The RBA noted that during the period of the most marked slowing of wages growth, “virtually all EBAs have been renegotiated at least once if not twice.”

In March, for example, Australia’s largest trade union, covering retail workers, initiated a “template” agreement with South Australian employers to deliver one of the corporate elite’s central demands—the dismantling of after-hours penalty rates in order to help drive down overall pay levels to those imposed on workers globally.

Based on information from companies and trade unions, the RBA predicted that this trend would continue. “Evidence from the Bank’s liaison with businesses, alongside surveys of firms and union officials, suggest that the general pace of wage growth is not expected to pick up over the year ahead,” the RBA stated.

This means that the trade unions are expected to keep collaborating with employers to force their members to accept reduced wage increases or real wage cuts on the basis of maintaining “international competitiveness” amid the sharp decline in commodity prices and investment.

Workers in the mining and construction industries have been affected by the slowing of wages growth, but the RBA highlighted the low wage outcomes for public sector workers in recent years, which affected any flow-on rises to workers in the private sector.

The Labor and union bureaucracies have ruthlessly suppressed struggles by workers. According to ABS statistics for 2014, just 6.8 working days were lost due to industrial action for every 1,000 employees, the second lowest level for 12 years. The December 2014 quarter figures showed the lowest level for any December quarter, with 1.6 days lost per 1,000 employees.

As for the severity of strikes, the number of days lost per industrial dispute in 2014 was 380. This was the lowest since the 368 days lost per strike in the 12 months to December 2007 when the union leadership colluded with the Labor Party to prevent struggles during the election campaign that led to the formation of the Labor government of Prime Minister Kevin Rudd.

Behind these raw figures lies the reality of working-class households struggling to pay mortgages and bills, and clothe, feed and educate their children, by either working longer hours or cutting back on basic necessities.

Despite the savage wage cuts already carried out, the Abbott government’s Productivity Commission has demanded, on behalf of big business and the financial corporations, that after-hours penalty rates be drastically reduced, minimum pay rates slashed and individual work contracts introduced. As the past record demonstrates, the Labor and union leaders will do everything in their power to enforce this drive to further erode the wages and conditions of workers.

The author also recommends:

Australia: Real wages cut as corporate profits soar
[21 August 2014]