

Falling wages fuel social crisis in Australia

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Real wage levels are continuing to drop and are now falling at a record rate, according to data released this week by the Australian Bureau of Statistics. The figures provide a partial glimpse of the historic decline in living conditions being experienced by millions of working class people, especially the young and the lowest-paid.

For the year to March 31, overall wage levels rose by 1.9 percent, well below the official consumer price index (CPI), currently 2.1 percent, which itself underestimates the inflation rate for working class households. Even this average wage result, which includes highly-paid salary recipients, masks the extent of the income losses for poorly-paid, often casualised, employees.

The impact was the greatest for workers in the private sector—their average wages rose by just 0.4 percent in the March quarter for a yearly rise of only 1.7 percent. After including bonuses and commissions, which are not counted in the official figure, private sector wages fell by 0.1 percent in the first three months of the year and are only 1.3 per cent ahead of the same time last year.

For public sector workers, the year-on-year rise was 2.3 percent, barely above the CPI.

Wages have been officially falling compared to the cost of living for four years in Australia, partly driven by the collapse of the mining boom, but more fundamentally by the destruction of full-time jobs and the forcing of more and more workers into badly-paid, insecure part-time employment.

This wage-cutting drive, while feeding corporate profits, has been compounded by government social spending cuts and other austerity measures, and the complicity of the trade unions in enforcing pay cuts and the dismantling of after-hours penalty wage rates across many key industries.

Real wages for private sector workers have not

increased since the end of 2012—a longer period of stagnation than occurred during the immediate aftermath of the 2008 global financial crisis. This trend is explained by a clear correlation with the rise of “under-employment”—that is, the decimation of full-time jobs.

Even according to the official statistics, the unemployment rate, currently 5.7 percent of the workforce, has been overtaken during the same period by the under-employment rate, now 8.6 percent. This trend was highlighted by yesterday’s release of the April jobs results, which showed that full-time employment fell by another 11,600, while part-time employment jumped by 49,000. Total hours worked fell 0.3 percent.

Over the past year, the number of hours worked by full-time staff has been almost flat, while part-time workers saw a 3.6 percent rise in hours (in trend terms). Reflecting the underlying recessionary trends, employment growth over the past year was only 1.3 percent, well below the average of the past 20 years of 1.8 percent, and two-thirds of the growth was part-time work.

These figures severely under-estimate the true situation. By the Roy Morgan survey company’s estimates, in April there were 1.2 million jobless workers looking for work (9.3 percent) and another 1.1 million under-employed workers seeking more hours of work (8.3 percent).

The shift to less secure part-time work is part of a global process of corporate and social restructuring in the interests of the wealthiest layers of society, which is intensifying inequality. Through the imposition of “zero hours contracts” and other forms of casualisation, similar pay-cutting is occurring in the United States and Britain and globally, according to the International Labor Organisation Global Wage Report 2016/17.

In Australia, declining real wages plus sky-rocketing

housing and utility costs are producing immense financial and social stress among working people, partly reflected in falling consumer confidence indicators. The latest Westpac-Melbourne Institute consumer confidence survey, released this week, dropped 1.1 points to 98 points—a figure below 100 indicates a pessimistic outlook.

That result was not helped by last week's federal government budget, which deepened cuts to welfare, education and health, while proposing an across-the-board income tax rise, in order to pay for corporate tax cuts and rapidly expanding military spending. The Westpac-Melbourne Institute survey reported that only 7 percent of consumers thought their family finances would benefit from measures in the budget, while 33 percent expected they would be hurt.

The wages data further exposed the fraud of the economic predictions underpinning the budget, in which the Liberal-National government again gave a pledge to the financial markets to eliminate the annual budget deficit of nearly \$40 billion by 2020-21. The budget calculations were based on fanciful forecasts of a burst of growth that would boost wages growth to 3.75 percent by 2020-21, producing higher income tax proceeds.

The pressure on Prime Minister Malcolm Turnbull's unstable government intensified when credit ratings agency S&P Global demanded "more forceful fiscal policy decisions" from the parliamentary establishment, warning that any further slippage in the return to budget surplus would jeopardise Australia's AAA credit rating.

Wall Street-based S&P said the rating remained on a "negative" watch, at risk of a downgrade over the next two years. It insisted that the government would have to implement further "restrictive measures," especially if key economic indices, such as wages growth, failed to meet the budget forecasts.

Like similar recent reports from the Moody's and Fitch ratings agencies, S&P condemned the failure of parliament to back greater austerity measures. "This dynamic, which could continue, presents further downside risk to the outlook for fiscal balance. We therefore continue to think that budget surpluses could remain elusive beyond fiscal 2021."

Speaking on behalf of the investment markets, S&P pointed to the failure of successive Liberal-National

and Labor governments since 2010 to deliver on promises to balance the budget. "This substantial delay in fiscal repair, and the risk of further delay, raises our doubt over the ability of the Australian government to meet its fiscal objectives," it said.

S&P voiced concerns that the five-year housing construction boom concentrated in Sydney, Melbourne and Brisbane could end badly. "Recent financial history in other developed markets reconfirms that such rapid credit growth can lead to vulnerabilities with regard to financial, fiscal and economic stability," the agency said.

Australia also remained particularly vulnerable to offshore investor sentiment, S&P warned. Corporate investment has plunged in Australia over the past five years, led by the mining companies.

S&P estimated that Australia's net external liabilities, at 246 percent of current account receipts, are the second highest among investment-grade rated sovereigns, just behind the US. "Australia's international investment position remains a major weakness in the sovereign credit profile," it stated.

These warnings represent the demands of global finance capital for ever-deeper cuts to working class living standards. This is intensifying the crisis of the Turnbull government, which barely survived last July's election with a one-seat majority in parliament's lower house and just 29 seats in the 76-member Senate.



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