Australian wage growth continues downward trend

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Australian wages showed another low increase in the quarter to the end of September, continuing a trend that has been in place for at least the past four years.

Wages rose by just 0.5 percent for the quarter in seasonally adjusted terms or 2 percent over the year. This fell short of market expectations of a 0.7 percent rise and an annual increase of 2.2 percent based on the decision by Fair Work Australia in July to increase the minimum wage by 3.3 percent.

Wage increases have been in the range of 0.4 to 0.6 percent for each of the last 13 quarters and there is no sign of any change. According to Callam Pickering, the Asia-Pacific economist for the job site Indeed, low wage growth remains the dominant trend for the Australian economy. There was a “high degree of slack in the labour market” that would “keep wage growth relatively low for the foreseeable future,” he wrote in a note.

This was the opinion of a number of corporate economists. JP Morgan economist Tom Kennedy told the ABC the most striking feature of wage data in recent years was the extent of the weakness, with wage growth at or only just above historic lows in most industries.

According to Su-Lin Ong, head of Australian economics at RBC Capital Markets: “There is little to suggest wages growth will pick up much in 2018 and into 2019.”

Adam Boyton of Deutsche Bank said the result was weak when viewed from any angle. “In the end there has either been a step down in ‘underlying’ wage growth; or the pass through of the most recent minimum wage increases was even less that we had expected,” he said.

In other words, workers who receive above the minimum wage did not have their pay increased in line with the rise in the new base level. The days when a rise in base rates would see increases across the board are long gone.

In the private sector, the annual wage growth to the end of the September was just 1.9 percent with no industry paying above 3 percent. The mining industry, which in previous years had enjoyed a boom, saw a wage rise of just 1.2 percent, below the level of inflation.

Another indication that the low wages are set to continue came in a revision of its inflation predictions by the Reserve Bank of Australia. It has forecast that inflation will not reach the lower end of its target band of 2 to 3 percent until early 2019, a year later than it had expected previously. The RBA has said that the measure of average weekly earnings growth contained in the figure for gross domestic product had turned negative for the first time since the mid-1960.

Low wage growth is having a major impact on retail sales, which suffered a rare contraction in the September quarter. The Westpac consumer survey issued this week showed a drop of 1.7 percent in its sentiment index with only 11 percent of respondents planning to spend more on Christmas gifts, the lowest level since 2009.

The long-term impact was highlighted in an article by *Guardian* journalist Greg Jericho in which he noted that private sector wages had grown by just 0.02 percent in the past year.

“This continues an utterly dreadful four-year period of next to no real wages growth,” he wrote.

From 2002 until the impact of the global financial crisis real wages grew on average by 0.9 percent each year. From March 2010 to March 2013 they rose by 1.2 percent each year—largely as a result of the mining boom. Since then, however they have grown on average by just 0.03 percent and are now only 0.1 percent above where they were in March 2013.

"And the real worry is where all this is heading," Jericho continued. "One of the biggest problems with ongoing low wages growth is that it can create a structural shift that lower wages growth becomes expected in conditions that previously would have seen higher wages."

In Australia, as in other major economies around the world, the past period has seen a breakdown in the so-called "Phillips curve" in which the fall in the unemployment rate would bring about a rise in wages and an increase in inflation. Despite the fall in the official level of unemployment to 5.4 percent, the lowest level since February 2013, there has been no upward movement in either wages or prices.

The breakdown of the relationship on a global scale points to the far-reaching structural changes in the labour market associated with the growth of part-time working, casualization and the increasing use of contracts to replace permanent employment conditions.

The official Australian jobless rate bears little relationship to the real state of the labour market because anyone who has worked at least one hour a week is counted as being employed.

According to Roy Morgan Research, in September 1.2 million people were unemployed (9.1 percent of the workforce), an increase of 101,000 on a year ago. In addition almost 1.3 million were underemployed and looking for more work. Almost 2.5 million people were either unemployed or underemployed, marking 24 straight months where more than two million Australians have either been looking for work or looking for more work.

In other words, the official data cover up what Marx called an "industrial reserve army," which is used to drive down wages and conditions. A recent research paper issued by the Reserve Bank of Australia, entitled "Insights into Low Wage Growth in Australia," pointed to its existence, albeit in the much milder terms used in such bourgeois publications to try obscure the reality of class relations.

Noting that wage increases have become less frequent since 2012, it pointed out that "there has been more slack in the labour market since 2008 and employees may be more willing to accept lower wage growth given concerns about future employment."

According to the RBA paper, while between 2004 and 2014 the underemployment rate tended to move fairly closely with the unemployment rate, "over recent years it has remained elevated while the unemployment rate has declined."

It found that the decline in the size of wage increases had contributed to more than two-thirds of the overall fall in wages growth since 2012 with the reduction in the frequency of wage adjustments contributing the remainder.

One of the most significant features of recent developments has been the decline in what it called "large" wages rises, that is, those over 4 percent. "The share of jobs that experienced a wage change of over 4 percent has fallen from over one-third in the late 2000s to less than 10 percent of jobs in 2016."

It also pointed to the long-term effects of the divisions in, and consequent weakening of, the workforce resulting from enterprise bargaining agreements and the increased use of individual contracts introduced under the Keating Labor government with the collaboration or the trade unions.

While wage growth across all pay-setting methods had declined, "wage growth in industries that have a higher prevalence of individual agreements has declined most significantly in recent years following the strong growth in previous years."

Pointing to the possible reasons, it noted that this "may indicate that wages set by individual contract can respond most quickly to changes in economic conditions."

Once again the language employed covers over the reality, which is marked by the increasing moves by employers to force through cuts in wages and conditions and to tear up previous agreements.