

Prolonged fall in average Australian living standards

Mike Head

11 January 2018

Working class living standards have fallen in Australia since mid-2016 and are now lower than in 2011, marking six years of stagnation and decline. This is the most sustained drop suffered by the population since at least the 1990–91 recession.

As share prices soar and corporate profits rise, millions of households are being pushed to the financial edge by declining real wages and soaring living costs, especially for essentials such as electricity, housing, health and child care.

Despite the collapse of the mining investment boom since 2011, Australia is still depicted by the government and the media as an exceptional place where there has been a quarter century of uninterrupted economic growth.

Australian Bureau of Statistics (ABS) data, adjusted for inflation, taxes and interest payments, indicate that average household incomes declined by 1.6 percent in the year to September. That was the fifth consecutive quarter of falling incomes.

By an alternative measure, real household disposable income fell 1.9 percent over the same period, taking it lower than it was five years ago.

The benefits from this social reversal have flowed to the wealthiest layers of society, such as mining magnate Gina Rinehart, whose fortune rose \$3.5 billion, to \$19 billion during 2017, on the back of higher iron ore and share prices.

For workers, wages growth is at record lows, and has not kept up with the cost of living, even measured by the official inflation rate, which underestimates the impact on most households of sharply rising costs for basic items.

Between 2005 and 2011, households saw an average improvement in their living standards of 17 percent. But there has been no improvement since 2011, and the

decline since the middle of 2016 represents a new downward shift.

After adjusting for living costs, interest and taxes, average earnings in the three months to September were 0.7 percent lower than in the same period of 2011. Even this figure understates the historic cut to workers' incomes.

The ABS Wage Price Index showed a 1.9 percent rise last year, but this was measured before tax, and recorded average increases, hiding the more severe cuts in income levels for the growing numbers of low-paid, temporary or casual workers.

When calculated in terms of average real compensation per employee, the cut in wages is greater. That indicator rose by only 0.9 percent last year, well below the official inflation rate of 1.9 percent, and is now nearly \$1,000 per year below 2010 levels.

There is no doubt that the prolonged cut in living standards is causing mounting social distress. Charities are warning that increasing numbers of people are being forced to seek their aid.

"Cost of living pressures are pushing families to the brink, more so than ever before," Yolanda Saiz, acting CEO of St Vincent De Paul in the state of New South Wales, said. "In the last six months the Society has handed out over three and a half million dollars in electricity vouchers and that's compared to one and a half million for the same period last year," Saiz told 9NEWS.

Within the financial elite, the primary concern is that this decline is dampening consumer demand, helping to push the Australian capitalist economy into a prolonged period of low growth.

National Australia Bank's head of research Peter Jolly said 60 percent of the increase in living costs over the past five years had been driven by electricity, rent,

health, new housing and tobacco. “Households are spending their money on non-discretionary items—the things you can’t avoid—and they’ve been going up much more quickly than discretionary items.”

Missing from the media coverage is the fact that the two major components of this social crisis—low wage growth and sky-rocketing living costs—are not aberrations. They both express fundamental processes that have intensified since the 2008 global financial breakdown.

In Australia, as in other economies around the world, there has been no upward movement in wages despite a fall in the official unemployment rate. This is due to far-reaching structural changes in the labour market associated with the growth of part-time working, casualisation and the increasing use of contractors to replace permanent employment conditions.

Employers are relentlessly slashing jobs and conditions in order to compete globally and satisfy the insatiable demands of the financial markets for ever-higher rates of return. While unemployment rates have dropped, under-employment has risen, with most new jobs being lower-paid and casualised.

Similar processes, bound up with privatisation and out-sourcing, are driving up prices for “non-discretionary” items. According to the Australian Competition and Consumer Commission, retail customers now pay 44 percent more for electricity than ten years ago.

More than a quarter of that price increase has been due to higher profit margins extracted by the privatised utility companies. In the 1990s, when the Keating Labor government launched the privatisation drive via the “national competition policy,” the political and media establishment insisted that retail competition would deliver lower prices.

The exact opposite has occurred, as companies fight to outdo each other in delivering higher returns to investors. In Victoria, the state that in 2009 became the first to completely deregulate its retail electricity market, the retail component of the bill has contributed to 36 percent of the price increase over the past decade.

Fees for childcare, another industry increasingly dominated by for-profit operators, are another major factor. The latest federal Department of Education data showed average childcare costs rising by 5 percent to \$6,536 during 2016, costing 890,000 families about an

extra \$300 annually. For a family with children in care for 48 weeks a year, the increase was \$480.

Over the past four years alone, fees have risen by about 20 percent, after increasing by as much as 14 percent a year in 2009 under the Gillard Labor government. This is placing an enormous burden on most working class households, where both parents must work to make ends meet, and on sole-parent families.

For decades, especially since the Hawke and Keating Labor governments of the 1980s and 1990s, the trade unions have systematically suppressed the resistance of workers to the destruction of jobs and conditions, permitting an unprecedented transfer of income and wealth into the pockets of the super-rich.

Throughout this period, the unions claimed that if workers made the necessary sacrifices to ensure the “global competitiveness” of Australian-based industry, then jobs and living standards would be maintained.

The accelerating social reversal now taking place further exposes the fraud of these claims and sets the scene for an eruption of the class struggle.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact