Falling wages point to economic and social reality in Australia

Mike Head
14 March 2018

Over the past two months, Prime Minister Malcolm Turnbull has seized upon statistics showing increases in the number of jobs in Australia, claiming that his government's "jobs and growth" election slogan of 2016 has become the "big outcome" of 2017–18.

Australian Bureau of Statistics (ABS) labour market estimates showed that the number of people employed grew by 403,000 in the year to December, increasing the total workforce by about 3.3 percent to about 12.4 million. Turnbull said the result marked the longest run of consecutive monthly job increases since 1978.

Turnbull is desperate to claim some achievements by his increasingly unpopular and unstable Liberal-National Coalition government, while having barely survived the 2016 election. He is seeking to convince the corporate elite that it can still politically deliver an agenda of huge cuts to company taxes and social spending.

In reality, far from "jobs and growth," the ABS data points to a very different picture—increasing casualisation, a systemic lowering of wage levels and recessionary conditions across entire industries, accompanied by deepening social inequality.

Despite the jobs increase, the ABS unemployment estimate has remained at 5.5 percent. More than 720,000 workers are classified by the ABS as actively seeking jobs. Other surveys put the figure at almost twice that level.

Nearly 70 percent of the employment increase during 2017 was in jobs described by the ABS as "full-time," seemingly halting a trend of workers being pushed into part-time work. But the "full-time" statistic includes casual workers and contractors, who now make up about 40 percent of the workforce.

Since the 1990s, growing numbers of workers have been forced into insecure jobs. They may be counted as full-time, but they typically have lower pay, inferior working conditions and no basic rights. The rate of casualisation alone has risen from 19 percent in 1992 to 25 percent, or about 3 million workers.

Over the past 15 months, four sectors accounted for nearly 90 percent of the employment growth—construction, health care, education and training, and retail and "other services." Employment in generally better-paid industries such as finance and mining fell or stagnated.

Jobs in health care, including disability programs, and education grew, but these services are being increasingly privatised or outsourced, with wages usually lower than in the public sector. The biggest jobs growth was still in construction, reflecting the continuation of an unsustainable housing boom, which is largely based on soaring household debt levels and property prices.

The trend estimate of average hours worked decreased slightly to 138.8 hours per month, or around 32.0 hours per week. More people may be employed, but for fewer hours.

The dominant process is the driving down of workers' wages. Average compensation per employee grew by just 1.3 percent during 2017. With inflation officially at 1.9 percent, that represents an average real pay cut of 0.6 percent.

For working-class households, the cut was greater because the ABS cost of living index understates the impact on those households of essential costs, especially the soaring prices of electricity, gas, health care, child care and, above all, housing.

In real terms, the average compensation per employee of $19,902 was 3.7 percent below the peak of 2012, when the mining boom unravelled, and was still below the $19,358 recorded in December 2010. In other

© World Socialist Web Site

words, there has been a seven-year cut in workers' wages, beginning under the last Labor government, which was defeated in 2013.

Average real household incomes, another key indicator, also fell in 2017 and they remained 0.1 percent below where they were at the 2013 election.

Last month, the International Monetary Fund (IMF) warned that the weak wages outcomes threatened the government's vow to the financial markets to produce a budget surplus by mid-2021. The IMF threw doubt over the government's rosy forecasts of annual wages growth rising to 3.5 percent, which would generate higher income and consumption tax revenues.

The latest ABS gross domestic product (GDP) estimates also put paid to the government's claims of strong "growth." During the December quarter of 2017, GDP grew by just 0.36 percent in seasonally adjusted terms, the third worst quarterly result in the past five years.

The trend result was a little better, indicating annual growth of 2.6 percent. But this still marked 21 consecutive quarters where the annualised GDP growth was below 3 percent, the longest such period ever recorded, exceeding the 13 quarters registered after the 2008 global financial crisis.

Over the past five years, GDP per capita—taking into account population growth—has averaged just 0.9 percent. In the past, such levels have indicated recession.

Moreover, during the December quarter, household consumption accounted for 5.6 points of GDP growth, apparently boosted by new iPhone sales. Next was government spending and public investment, which contributed 4.8 points. These increases offset falls in net exports and non-dwelling construction, which both registered minus 4.8 points.

This indicates that the economy is being kept in the positive by household consumption, despite falling average incomes, as well as by federal and state outlays, mainly on business-related infrastructure projects. This debt-fuelled shot in the arm cannot last indefinitely.

Business investment is continuing to lag, despite the Reserve Bank of Australia trying to encourage it by keeping the official interest rate at a record low 1.5 percent since August 2016. That low rate has also enabled households to take out larger mortgages, so any rate rises will produce widespread financial stress.

Soaring house prices have already sent household debt levels to historic highs, among the highest in the world. In January, the ABS said total household liabilities had reached $2.466 trillion, or 200 percent of disposable income, up from 60 percent in 1988.

As with all these statistics, the averages mask widening economic and social inequality. Lower-income households have suffered the worst house price rises. A Grattan Institute report, released last week, calculated that the price of the cheapest detached houses had doubled in 15 years, while higher-priced properties rose by 70 percent.

Average spending on housing increased from about 10 percent of total pre-tax household income in 1980 to about 14 percent by 2016, but for low-income households the burden rose from 22 percent in 1994 to 28 percent.

Any bursting of the housing bubble, or even significant declines in values, could trigger problems for the banks and finance houses. Outlying areas of capital cities, especially Sydney and Melbourne, where working-class people have been forced to move to find lower prices, are likely to be worst affected.

At present the highest level of "mortgage stress"—where mortgage payments consume more than 30 percent of income—is in Wollert, a far-northern Melbourne suburb, where 23 percent of households are under mortgage stress.

This potentially explosive situation underscores the vulnerability of Australian capitalism—which relies heavily on raw material exports and foreign investment inflows—to shock waves from the Trump administration's trade war measures. It also is generating intense social unrest and political disaffection with all the parties of the capitalist parliamentary establishment.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site