Workers underpaid by $1.35 billion a year

Low wage rises in Australia “become the new normal”

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Two analyses of Australian wages this week have underscored the ongoing suppression of the living standards of the working class.

A survey by PricewaterhouseCoopers (PwC), reported on by *Guardian* journalist Greg Jericho, found that businesses are underpaying their employees by around $1.35 billion each year. And in a speech delivered on Tuesday dealing with Reserve Bank of Australia analysis of employment and wages, the bank’s deputy governor, Guy Debelle, concluded that “lower wage rises have become the new normal.”

The PwC survey made clear that underpayment goes far beyond the publicised case of MasterChef and extends across the entire economy, amid a worsening economic outlook.

Contrary to government claims that the fundamentals of the Australian economy are in a “pretty good place,” the PwC report posed the question of where growth would come from in the next year.

“Australia’s economic growth remains persistently lower than at any point in the past two decades. It’s forecast to fall even further. With a perfect storm of falling household incomes, wage stagnation, and stalling productivity, economic stagnation presents business leaders with a stark scenario,” the report said.

PwC found that the biggest areas of underpayment were construction ($320 million), health care and social assistance ($220 million), accommodation and food services ($190 million) and retail ($180 million).

This accounts for around “21 percent of the workforce in the selected industries, or 13 percent of the total Australian workforce,” the report said.

It noted that since 1978 Australian gross domestic product on a per capita basis had risen by an average of 1.7 percent, but over the past three years had averaged just 0.8 percent—less than half. Productivity growth had also fallen sharply and was now approaching the levels last seen in the recession of the early 1990s.

Outlining the RBA’s findings on wages in his speech delivered to the Australian Council of Social Service national conference on Tuesday, Debelle said that “wages growth has declined noticeably since 2012” and was now becoming “increasingly compressed.”

This was because there was a “sharp fall in the share of jobs receiving ‘large’ wage rises” and there was an “increased pervasiveness of wage outcomes between 2 and 3 percent.”

While Debelle did not make this point, wage rises of this order mean a continuing real cut in living standards, because the increase in the costs of necessities such as health care, power and housing is greater than the official inflation level.

The transformation of the wages system was underscored by the rapid fall in the number of the workers receiving larger increases.

“The share of jobs that experience a wage change of more than 4 percent has fallen from over one-third in the late 2000s to less than 10 percent of jobs in 2018,” Debelle said. “There is growing evidence to suggest that wage adjustments of 2 point something percent have now become the norm in Australia, rather than the 3-4 percent wage increases that were the norm prior to 2012.”

Figures provided in the speech show how the trade unions, far from providing a counterweight to the fall in real wages, function as the key mechanism for imposing it.

Debelle noted that one expression of the growing downward trend was the “large increase in the share of enterprise bargaining agreements (EBAs) that provide annual wage rises in the 2–3 percent range. The share of such agreements has risen from 10 percent over the 2000s to almost 60 percent in 2019. Over the same period, the proportion of agreements providing wage increases of 3 percent or more has fallen sharply.”

EBAs, which are organised through the trade unions, also mean wages are lower for longer, as there has been a rise in the proportion of EBAs with a term of three years or more.

“The lower wages growth incorporated in these agreements suggests that wages growth of around 2.5 percent for EBA-covered employees will persist for longer than in the past,” Debelle commented.

Apart from wage rises for a given occupation, workers had been able to improve their position by promotion or by changing jobs. But this road is also being closed off.

“Since 2012, there has been a broad-based decline in the proportion of employees that are getting promoted at work or switching jobs. This means that a smaller fraction of the workforce are receiving wage rises,” Debelle said.

In addition to the broad economic data, the bank’s liaison with firms points to the same trend, with rising to 45 percent of firms reporting wage growth of between 2 and 3 percent in recent years, compared to fewer that one in 10 prior to 2012.

Data from the liaison program indicated that around 80 percent of firms expected “stable” wage growth over the year and only 10 percent expecting “stronger” wage raises, reinforcing the bank’s belief that “lower wage rises have become the new normal.”

This process is also reflected in the analysis of employment data presented in the speech.

Debelle noted that while the numbers of workers in jobs had increased, “the past couple of years have been unusual” because the increase in employment had been disproportionately met by an increase in the number of people participating in the labour force.

The two main groups contributing to this rise were females and older workers. Female employment growth accounted for nearly two thirds of the increase in the past year. Of those returning to work within two years of the birth of a child, an increasing number reported “financial” considerations as their reason for doing so.

The report stated: “Financial reasons could be capturing a number of different considerations including low income growth, the rise in household debt or child care costs.” At the other end of the age demographic, there is an increase in the number of older workers in the labour force with “announced and actual increases in pension ages… likely to have contributed to increased participation.”