Australia’s official jobless statistics mask wage-cutting push

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Government and media declarations of an extraordinary “recovery” greeted last week’s drop in Australia’s official unemployment rate from 5.48 percent in April to 5.07 percent in May, just above its pre-pandemic level.

Among the boasts were that Australia had outperformed virtually every comparable country, as if it were an exception to the fallout from the COVID-19 disaster.

These claims deliberately hide the reality—that the corporate elite and its political servants, no less than their counterparts globally, are exploiting the pandemic to coerce unemployed and under-employed workers, especially young workers, into lower-paid and insecure employment.

As a result, wages are continuing to fall compared to inflation, deepening the cut in average real pay since the 2008–09 global financial crisis, and the widespread collapse of the mining boom from 2012.

At the same time, the wealthiest layers of society are, as a result, reaping an unprecedented boost to their fortunes. Their gains have been further inflated by near-zero interest rates, multi-billion dollar business subsidies and incentives, an ongoing $200 billion injection of funds into the financial markets by the Reserve Bank of Australia, and record prices for iron ore exports, mainly to China.

The official jobless rate estimate produced by the Australian Bureau of Statistics (ABS) masks the reality by not counting anyone employed for more than one hour per fortnight. It also excludes non-resident workers on temporary visas, whose numbers had grown to around 880,000 before the pandemic.

The ABS publishes a broader measure of employment, called the labour market account, which includes these non-resident workers. It indicates that their numbers slumped by 333,900 between December 2019 and March 2021.

If non-resident workers returned to take these jobs, the unemployment rate would increase from 5.1 percent to 7.5 percent, giving a truer picture of the real conditions facing workers.

Instead of the total number of employed people in Australia being one percent above its pre-coronavirus 2020 peak, as the political and media establishment maintains, the broader labour market account shows that in March 2021, employment was 2.1 percent below its level, one year earlier.

This helps explain the sharp reduction in the official unemployment rate. Many local workers have been pushed by financial stress—and the cutting of welfare payments back to poverty-levels—into taking jobs previously filled by temporary visa holders, often on poor pay and conditions.

This is one major reason why the drop in the official jobless rate is generating no increase in wages, despite the government’s mantra that “job creation” and workforce shortages would automatically drive up workers’ pay levels through the operation of supply and demand on the labour market.

In fact, the Liberal-National Coalition government’s latest federal budget, handed down last month, forecasts that record-low wages growth will continue over the forward estimates, that is, until at least 2024–25. For the foreseeable future, the Consumer Price Index will outpace the Wage Price Index.

Last week, Reserve Bank of Australia (RBA) governor Philip Lowe delivered a speech in which he said that despite the “recovery” being “much stronger” than the RBA had anticipated, “wages growth” remained “subdued.”

“The Wage Price Index increased by just 1.5 percent over the past year, with wages growth slow in the private and public sectors,” Lowe said. “And it is noteworthy that even in those pockets where firms are finding it hardest to hire workers, wage increases are mostly modest.”

Lowe presented this pattern as a quandary, and again repeated the line that strong employment growth would eventually push up wages. But employment has actually fallen, and employers are seizing on these conditions to suppress wages further.

In the budget, the government also allowed impoverished international students "to work unlimited hours" in agriculture, aged care, hospitality and tourism, adding to the downward pressure on wages produced by the scrapping of JobKeeper wage subsidies and the slashing of JobSeeker dole payments, at the end of March.

The pandemic is being used to intensify the protracted corporate-government offensive on wages. According to a report released this week by the McKell Institute, a Labor Party-linked think tank, the average Australian worker would be earning $254 more per week if wages growth had continued at the rate before the Liberal-National government took office in 2013.

That estimate, however, obscures the extent and underlying causes of the wages loss. The marked slowdown actually began under the previous Labor government of 2007–13, first during the 2008–09 crisis and then after the mining boom imploded from 2012.

In fact, the past four decades have seen an historic transfer of income and wealth from the working class to the ruling elite. A report released earlier this year by the Australian Council of Trade Unions (ACTU) calculated that if workers' share of gross domestic product had remained at the levels recorded in 1970, total wages would have been $200 billion higher in 2019. Workers would have received, on average, $15,000 each in additional annual income.

What the ACTU report sought to cover up is that this historic reversal is the product of decades of the strangling of the class struggle by the trade unions themselves, especially since the Hawke and Keating Labor governments of 1983 to 1996, which struck a series of Accords with the ACTU that drove down real wages, and devastated working conditions, under the banner of making Australian capitalism "internationally competitive."

During this period, the trade unions, like their counterparts worldwide, underwent a transformation. From organisations that once fought for limited improvements in workers' pay and conditions—always within the framework of capitalist wage labour—they became the police force of the endless "restructuring" demanded by big business, whether under Liberal-National or Labor governments.

Now, the country's richest billionaires have doubled their worth during the pandemic, and this enrichment is set to keep growing.

In last week's speech, Lowe also signalled the continuation of the RBA's "quantitative easing" (QE) bond purchases, which are funnelling $100 billion into the money markets every six months. "The RBA's bond purchase program is one of the factors underpinning the accommodative conditions necessary for our economic recovery," he said.

It would be "premature" to consider curtailing these purchases when peer central banks, like the US Federal Reserve and the European Central Bank, were expected to continue their own QE programs through 2022.

As well as pouring money into the share and property markets, resulting in soaring house prices and other speculative activity, the RBA's bond purchases place downward pressure on long-term interest rates and curb the price of the Australian dollar, despite elevated iron ore and other export commodity prices, further benefiting the financial elite.

According to Westpac bank's Bill Evans, the Australian dollar should now be trading between US85 cents and US90 cents, based on the bank's exchange rate model. "The only thing we can figure that explains the gap between the Aussie dollar's fair value and its current level around US75 cents is the RBA's QE program," Evans told journalists last week.

Far from being an exceptional "success" story, however, Australian capitalism is extremely dependent on this greatest-ever financial stimulus, alongside currently booming iron ore sales to China. But it depends, above all, on the capacity of the increasingly discredited Labor Party-affiliated trade union apparatuses to suppress mounting discontent in the working class.