Workers in Australia face soaring prices and debt

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10 February 2022

While governments and the media promote illusions in a "post-pandemic recovery," the reality confronting workers in Australia is surging inflation, unsustainable levels of household debt, falling real wages and the prospect of crippling interest rate rises.

The corporate elite is pushing workers back into unsafe workplaces while continuing to exploit the COVID-19 disaster to drive down wages, increase casualisation and restructure working conditions, with the help of the trade unions, which are suppressing strikes.

Misleading claims of record low unemployment levels are being issued to hide the underlying deterioration in living standards, as are reports of billions of dollars in household savings just waiting to be spent, when that money is increasingly held in the hands of the wealthiest layers of society.

For working-class households, the cost of living is rising far faster than incomes, deepening the impact of the decline in average real pay levels over the past decade.

Officially, the Consumer Price Index rose by 3.5 percent in 2021, including by 1.3 percent in the December quarter, which means an annualised rate of 5.2 percent. But the Wage Price Index barely rose from a two-decade low of around 1.3 percent annualised to about 2 percent.

Even this severely understates the impact on working people. Petrol prices jumped 32 percent over the past year, cost of constructing new dwellings rose by 7.5 percent and there were large price increases for a wide range of consumer durables.

In addition, house prices soared by another 22 percent in 2021, placing home ownership further out of reach for young and lower-income workers, who are also experiencing punishing rent increases.

According to the latest Reserve Bank of Australia (RBA) statement of monetary policy, issued last week, the gap between prices and wages will grow. It forecast that the Wage Price Index would increase by 2.75 percent this year and 3 percent during 2023.

Addressing the National Press Club, RBA governor Philip Lowe attributed this wage depression to the "substantial inertia" produced by multi-year union-negotiated enterprise agreements, plus public sector wage caps and annual award wage reviews.

"Inertia" is a discreet term for the role of the unions in helping to push down wages. One of the most recent examples is the proposed four-year agreement struck by the Victorian state Labor Party government and the Australian Education Union to restrict wage rises to less than 2 percent a year for teachers and other school staff members.

In line with the US Federal Reserve and central banks in other major capitalist countries, Lowe said the RBA may not lift interest rates immediately from their historic record lows, but would do so if "aggregate wage growth" rates started to rise.

In other words, the central banks stand ready to hike rates to curb any action by workers to demand higher pay. Lowe referred to "uncertainties" about wages, reflecting nervousness in ruling circles about the capacity of the unions to keep a lid on workers.

If and when official interest rates rise from 0.1 percent—the level set, along with central bank bond-buying, to help pump hundreds of billions of dollars into big business and the financial markets when the pandemic hit—it will have a staggering impact on working-class households.

Ordinary people have gone deeper and deeper into debt over the past three decades to offset declining real incomes. Between 1989 and 2021, as the RBA's cash

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rate fell from 18 percent to 0.1 percent, the ratio of household debt to disposable income tripled from 0.6 to 1.8 times.

In 1989, loans and advances totalled $151.4 billion, or about 50 percent of gross domestic product (GDP). By 2021, the mountain of debt had grown to $2,966.1 billion, or around 150 percent of GDP.

That represents compound annual growth of 9.74 percent, outstripping the 6.4 percent compound annual growth in the median house price. Thus debt has grown faster than the property values on which most of the loans are based.

Any rate rises now would hurt heavily-mortgaged households, about 1.1 million of which have never even experienced a rate hike. The last increase was in November 2010, following the bailout of the money markets in response to the 2008 global financial crisis.

Perhaps the greatest delusion being peddled by the Liberal-National Coalition government and its state and territory counterparts, Coalition and Labor alike, is that unemployment is headed for lows this year, under 4 percent, not seen since the early 1970s.

In the first place, the Australian Bureau of Statistics (ABS), which reported a 4.2 percent rate in December, severely underestimates the actual levels of joblessness. That survey was conducted in early December, before the Omicron wave of the pandemic cut a swathe through jobs. Moreover, the ABS applies a narrow definition of unemployed, confined to those actively seeking work and not having worked even an hour a week.

By contrast, data compiled by the Roy Morgan polling company showed that 1.25 million people were unemployed in December, or 8.5 percent of the workforce. Another 1.42 million, or 9.7 percent of the workforce, were under-employed—that is, seeking greater hours of work. Unemployment fell marginally by 78,000 in December, but under-employment grew by 218,000.

Commenting on the results, Roy Morgan CEO Michele Levine said “the surge in cases of COVID-19 driven by the highly infectious Omicron strain of the virus” from mid-December had infected two million people and forced millions of workers into 7–14 days of isolation.

This had “forced many businesses to hire part-time staff on reduced hours to fill gaps… So even though many people who are fully employed have been spending time at home unable to work, these labour market dynamics have led to a significant rise in part-time employment.”

Another factor in the artificially low official jobless data is the absence of overseas workers. Before COVID-19, more than 2 million temporary migrants accounted for up to 10 percent of the Australian workforce in sectors such as construction, healthcare and hospitality.

Prime Minister Scott Morrison’s government, backed by the Labor Party, announced this week that it would fully reopen the international border to allow the return of this cheap labour force, together with international students, backpackers and Pacific labourers who have arrived in recent weeks, despite the continuing high levels of COVID-19 illnesses.

All the predictions of “recovery” and low unemployment are based on stifling workers’ opposition and wage demands, and intensifying the drive to “reopen” the economy by dismantling all pandemic safety measures, regardless of the inevitable rise in infections, hospitalisations and deaths.

With a federal election looming, there is concern in corporate circles that the unravelling Morrison government is incapable of suppressing mounting working class resistance and delivering the further economic restructuring and attacks on workers’ conditions demanded by the financial markets.

There are also fears in the ruling class that a Labor Party-led government would do no better. That is despite the repeated pledges made by Labor leader Anthony Albanese to work closely with the unions and business to exploit the pandemic to impose a new wave of restructuring, emulating that imposed by the Hawke and Keating Labor governments of 1983 to 1996.

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