

Australian Labor government backs ruling that further cuts real wages

Mike Head
15 June 2022

The recently-installed Labor government and the trade unions yesterday rushed to hail a decision by the Fair Work Commission (FWC) to award low-paid workers wage rises that amount to another sharp cut compared to soaring inflation.

Despite an escalating cost of living crisis for workers, confronting skyrocketing electricity, petrol, domestic gas, food, mortgage and rental housing costs, the FWC granted only a 5.2 percent rise in the legal minimum wage and even less—4.6 percent—for slightly higher-paid workers on industrial awards.

That was entirely in line with the Albanese government's submission to the FWC, which opposed any "across-the-board" pay rise for workers to match inflation, while suggesting a token rise for minimum wage workers to head off mounting working-class discontent.

Claims by the government, the unions and the corporate media that the FWC ruling represents a victory for workers are a complete sham. According to the central bank, the Reserve Bank of Australia, the official Consumer Price Index (CPI) will hit 7 percent this year, and the bank will continue to ratchet up interest rates, throwing millions of working-class households into mortgage stress.

Moreover, the CPI severely understates working-class household costs, with prices for "non-discretionary" items, like petrol and food, already rising at 6.6 percent in the year to March. That is, the FWC ruling covers only a fraction of the mounting costs for workers, whose wages have been stagnating or declining for more than a decade.

For all the professed concern for the acute financial stress being experienced by workers, the ruling lifts the bare minimum wage for only 184,000 workers, or 1.6 percent of the workforce, by just over a dollar an hour to \$21.38 or by \$40 a week to \$812.60.

The 2.6 million workers on award rates, or up to 23 percent of the workforce, will get only a 4.6 percent pay rise, as long as it equates to \$40 a week. Even those increases will be delayed until October 1 for the benefit of employers in industries supposedly hardest hit by the COVID-19

pandemic, such as aviation, tourism and hospitality.

Prime Minister Anthony Albanese said the ruling vindicated the Labor government's FWC submission that "low paid" workers' wages should not go backwards. In reality, that submission refused to put a figure on a rise in the minimum wage, while assuring employers that any increase would not flow onto other workers.

"This submission does not suggest that across-the-board, wages should automatically increase in line with inflation," the government stated. "The key driver of real wage growth (excluding inflation) over the longer-term is labour productivity."

In other words, any pay rises must be tied to continuing to ratchet up "labour productivity"—which means driving up output per worker in order to further boost corporate profits.

Likewise, Australian Council of Trade Unions (ACTU) secretary Sally McManus, whose organisation formally sought a 5.5 percent pay rise, said the ruling was "fair and reasonable."

As her response indicates, the unions will collaborate closely with the government and the employers to contain growing workers' wages struggles that began to erupt before the May 21 election, and keep any rises to similar below-inflation levels.

Nervously, McManus added that if inflation of 7 percent continued "longer than a year" then "obviously, we will need to make sure workers do get pay rises that mean they keep their heads above water." She and her fellow union bureaucrats are acutely aware of the anger among workers, who are already unable to "keep their heads above water."

The FWC is a pro-business tribunal featuring ex-union leaders. Speaking on behalf of the ruling class—including the Labor government—FWC president Justice Iain Ross, a former ACTU assistant secretary, said the ACTU claim for a 5.5 percent increase would "pose a real risk of significant adverse effects to the national economy."

Ross declared: "We accept the need for moderation in order to contain inflationary pressures arising from our decision." This is another fraud. It means workers must be

made to pay even more for the inflation raging worldwide, despite falling real wages.

This inflation has not been caused by workers. It is the result of three major factors wracking global capitalism: (1) the pouring of trillions of dollars by governments and central banks into the money markets since the 2008–09 financial meltdown, taken to an astronomical level in the pandemic, (2) the supply chain breakdowns and shortages produced by the refusal of governments to suppress COVID-19, for the sake of corporate profit, and (3) the US-NATO proxy war against Russia in Ukraine.

Compounding the crisis for workers is the blatant profiteering by the oil, gas and electricity giants, which is not only sending petrol, gas and power prices through the roof for households, but ripping through business production and transport costs, driving up inflation.

That has been highlighted by this week's emergency in Australia's electricity supply "market," which has seen millions of people, and even hospitals, threatened by disastrous blackouts while the profit-gouging electricity generating corporations held the population to ransom.

In a chilling demonstration of the failure of the capitalist profit system, the generators blatantly withheld supplies to the domestic grid. That was until the Labor government agreed yesterday to suspend the spot price market and compensate them for any "losses" or "opportunity costs" they would supposedly incur if the industry regulator set prices below the staggering international price levels of coal and gas.

The Australian Energy Market Operator (AEMO) will now pay the companies undisclosed "compensation" to supply power—an essential social requirement—and recoup the money through higher charges on retailers, who will pass on the costs to consumers.

Australian Energy Market Commission chairwoman Anna Collyer said companies who applied for compensation would be "protected from losses." So, while household bills will soar, the wealthy elites who own the companies will reap the rewards of their profiteering.

This electricity extortion came on top of the previous day's declaration on national television by Reserve Bank governor Philip Lowe that the bank would keep increasing interest rates, as the US Federal Reserve and other central banks are doing around the world, regardless of the immense financial hardship in working-class areas produced by soaring prices.

Studies have shown that even before the Reserve Bank lifted its cash rate by a total of 0.75 percentage points in the past month, up to 70 percent of households in working-class outer suburbs, particularly in Sydney and Melbourne, were already suffering "mortgage stress."

Lowe bluntly stated that "Australians need to be prepared for higher interest rates" even as inflation hit 7 percent. Financial markets now expect the bank's cash rate to reach 4.2 percent by May.

For a household with a 25-year typical variable rate mortgage of \$500,000, that would add more than \$1,000 a month to repayments; for \$750,000, the additional repayments would be over \$1,500 and for \$1 million, more than \$2,000.

Taken together, all this means a deepening of the four-decade lifting of corporate profits and staggering wealth accumulation by the financial elite, at the expense of workers.

This process was set in train by the Hawke and Keating Labor governments, which worked in partnership with all the unions via their prices and incomes Accords of the 1980s and 1990s, to substantially privatise and restructure the economy in the interests of big business.

The share of national income going to profits reached a record of 31.1 percent in the March quarter. That is almost double the figure of around 18 percent in 1983, when Hawke and Keating convened a "summit" with the unions and employers and signed their first Accord with the ACTU.

For 40 years the unions have straitjacketed workers' struggles. Enterprise bargaining and anti-strike laws drawn up by the unions with Labor governments have been used to block or betray strike after strike.

In its election statement, the Socialist Equality Party (SEP) advanced a socialist program of action for workers to fight the intensifying assault on their basic social and democratic rights.

Based on rejecting the dictates of the financial elite, the first plank in that program demanded: "An immediate rise in all pay to compensate for past erosion. Index all wages to the current cost of living and introduce an automatic monthly cost of living adjustment to keep pace with rising expenses."

This program of essential working-class demands, and the building of rank-and-file committees, totally independent of the unions, to fight for them, provides the way forward against the corporate profiteers and the decades-long pro-business agenda of Labor and the unions.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact