Australian wages data shows historic cut to working-class living standards

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The latest Wage Price Index (WPI) figures released by the Australian Bureau of Statistics this week show the worst decline in real wages since the WPI data began to be recorded in 1998.

While the corporate media headlined a 3.1 percent annual increase in the WPI, the highest since 2013, that was less than half the 7.3 percent surge in the official Consumer Price Index (CPI) over the same 12 months.

This real wage decline of 4.2 percent actually understates the historic cut in working-class living standards. That is because prices for "non-discretionary" items like food and fuel rose by 8.4 percent.

Worse is to come, with the CPI predicted to hit 8 percent by the end of the year. That does not even take into account soaring mortgage interest rates. The Reserve Bank of Australia is still ratcheting up rates, month-by-month, in order to cut consumption, induce an economic downturn and drive real wages down further.

This is producing seething discontent throughout the working class, where millions face a skyrocketing cost of living, immense financial pressures and the danger of mortgage default, plus falling house values.

As evidenced by repeated stoppages by nurses, teachers and other public sector workers, trade unions are having increasing difficulty in suppressing workers' demands for wages rises to match inflation, and for relief from intolerable workloads and staff shortages.

Significantly, the WPI data shows that wages in the public sector, where union coverage is marginally higher, rose by just 2.4 percent, much less than the 3.4 percent in the private sector, where union membership has fallen to around 10 percent.

In fact, the lowest pay increases were in the relatively more-unionised education and training sector, at 2.2 percent for the year. That reflects the real wage cuts being inflicted on teachers and university workers by union deals with state governments and university managements after blocking or shutting down strikes.

Overall, real wages are now 4 percent lower than before the pandemic hit in March 2020, and back below the level of December 2011. That represents a decade-long, and accelerating, decline in living standards for working-class households.

Some of the increase in nominal wages resulted from the government's support for a rise in the minimum wage for the lowest-paid workers. But that rise awarded by the pro-business Fair Work Commission, ranging from 4.6 to 5.2 percent, was also far below the inflation rate.

The latest figures underscore the fraud that wages are the cause of the inflation. The soaring prices have been triggered by the pouring of trillions of dollars into the financial markets, the "let it rip" COVID-19 disaster created by profit-driven governments and the US proxy war against Russia in Ukraine.

Another major contributor is profit-gouging, led by the energy conglomerates that are ruthlessly taking advantage of the Ukraine war's impact on global gas and food prices.

According to a recent Australia Institute think tank estimate, corporate profit leapt 28 percent last year, while average wages grew by less than 2 percent. Corporate profits, as a share of key costs (known as factor income) hit a record 32.9 percent in the June quarter, while wages, fell to a new low of 48.5 percent.

That is continuing a four-decade process of profits rising as a share of national income at the expense of workers' wages.

The wages data further exposes the lie that the

Albanese Labor government is seeking to lift wages, including via its industrial relations bill. Workplace Relations Minister Tony Burke has repeatedly declared that annual wage rises must be kept to around 3.5 percent, in line with the demands of the financial markets, transmitted through the Reserve Bank.

The unions are doing everything they can to enforce that limit. As the WSWS has explained in detail, the government's industrial relations bill is designed to block strikes by workers, not permit them. It reinforces the reactionary anti-strike laws first imposed by the Hawke and Keating Labor governments and the Australian Council of Trade Unions (ACTU) in the 1980s and 1990s.

In particular, the bill enhances the powers of the Fair Work Commission, the industrial court created by Labor and the unions, to prevent or ban industrial action. And by proposing union-controlled "multi-employer bargaining," the bill seeks to expand the dwindling union coverage over sections of workers, so that the union bureaucrats can suffocate workers' struggles.

The Labor government's rush to push the bill through parliament this month is driven by fear in ruling circles of mounting discontent throughout the working class over the increasingly unbearable cost of living. The government and the Australian Councils of Trade Unions are anxious to use the bill to promote false hopes to workers of relief next year.

By next year, workers will soon face growing unemployment as well, a result of the global slump deliberately generated by central banks around the world hiking interest rates to suppress wage demands.

At present, the toll being taken by the resurging COVID pandemic is continuing to create workforce shortages, forcing employers to hire replacements, thus keeping official jobless figures down. This week the Australian Bureau of Statistics reported that its, vastly understated, unemployment rate fell to 3.4 percent in October, the equal lowest rate in almost 50 years.

However, the slowdown sparked by high inflation, rising interest rates and falling real wages will push almost 150,000 people out of work by the end of next year, according to KPMG's latest outlook for Australia's economy. "We expect the unemployment rate to rise to 4.5 percent in 2023," KPMG chief economist Brendan Rynne said this week.

The Labor government's first budget, handed down on October 25, tore up what was left of Labor's phoney May election promises of a "better future," "higher wages" and a dramatic cut to electricity bills.

The budget was explicitly based on real wages continuing to fall for at least two more years, with interest rates continuing to increase and prices for food and other essentials soaring—fuelled by domestic electricity and gas hikes of 56 percent and 40 percent respectively.

This political shock is fuelling working-class disaffection. Even according to the media polls, it was the most unpopular budget since the "emergency" austerity budget of 2014. That was when the Liberal-National Coalition government imposed deep spending cuts, igniting mass opposition that led to the replacement of Prime Minister Tony Abbott the following year.

The ongoing cut in real wages confirms the warning made by the WSWS that the budget was the opening shot of the greatest attack on working-class living standards since World War II, while pouring billions more dollars into the military in preparation for catastrophic US-led wars.

To discuss how to fight this offensive, the Committee for Public Education and Health Workers Rank-and-File Committee, rank-and-file networks supported by the Socialist Equality Party, are holding a joint online public meeting this Sunday, November 20.

Titled, "Unite educators and health workers: Oppose the ending of COVID protection measures! Lives before profit!" the meeting will outline a political perspective, including the building of rank-and-file committees, to unify health workers, educators and other sections of workers in the fight for safety, decent wages and conditions, and the elimination of COVID-19. Register now: https://bit.ly/3CRCuOh