Australian working class confronts deepening social and housing crisis

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12 December 2023

Household living standards across Australia have fallen to 2014 levels, according to data released by the Australian Bureau of Statistics (ABS) earlier this month. Per capita household disposable income fell 6.6 percent in real terms in the year ending September, following a 3.8 percent decline in the 12 months to September 2022.

The dire situation confronting workers in Australia is part of a global assault on living and working conditions amid an escalating crisis of capitalism. Along with its counterparts worldwide, the Labor government is carrying out a war on the working class at home, in part to finance spiralling military budgets in preparation for global conflict led by US imperialism.

Economics journalist for the *Guardian*, Greg Jericho, explained that "one of the biggest reasons for the decline" was the removal of the low-middle income tax offset (LMITO), which slugged most workers with a $1,500 tax increase. While the decision to ditch the LMITO was made under the previous Liberal-National government (with bipartisan support), the targeted attack against the working class was carried out by Labor.

The tax hike comes on top of soaring inflation, declining real wages and repeated interest rate rises. Consumer prices rose 1.2 percent in the September quarter and 5.4 percent over 12 months. The largest annual increases were in automotive fuel (7.9 percent), utilities (12.6 percent) and housing (7.0 percent). Rental prices rose 7.6 percent over the year, the largest increase since 2009.

The soaring cost of groceries and falling real wages have produced vast rewards for the major supermarket chains, which have increased their profit margins to record highs. In the 2023 financial year, Woolworths posted profits of $1.62 billion, up 4.6 percent year-over-year, while Coles reported a 4.8 percent rise to $1.1 billion.

While workers struggle to afford housing, the banks have reaped record profits. In total, Australia's "big four" banks reported $32 billion after-tax profits in the 2023 financial year, 8.2 percent higher than in 2022.

Through the imposition of 13 interest rate hikes since May 2022, the Reserve Bank of Australia (RBA) has, with the full support of the Labor government, increased the cash rate to 4.35 percent. As a result, home ownership is being pushed ever further out of reach of the working class and becoming a "preserve of the rich," as the head of one of Australia's major banks recently noted.

While house prices have increased 6 percent per year since 2000, wages have risen by a paltry average of 3-4 percent annually. As a result, the median house price to income ratio is now greater than 7:1, well over the 5:1 level considered "severely unaffordable."

This hasn't stopped the head of the RBA, Michele Bullock, declaring that households are, overall, doing fine and that Australians are coping with interest rate hikes. She declared: "What I'd like to highlight here is though, despite that noise, households and businesses in Australia are actually in a pretty good position. Their balance sheets are pretty good."

Bullock's claim that Australians have built up large "savings buffers" flies in the face of ABS figures showing the household saving to income ratio has declined from 7.0 percent in September 2022 to just 1.1 percent 12 months later, the lowest level in almost 16 years.

Recent research from financial comparison site, Finder, reveals that 37 percent of homeowners and 44 percent of renters are struggling to make housing payments. Almost 80 percent of the more than 50,000 people surveyed are “extremely or somewhat stressed” about their finances. In November 2020, just 45 percent felt this level of financial pressure, with 18 percent of homeowners struggling to make repayments.

Charity organisation, St Vincent de Paul Society, reported a 40 percent annual increase in requests for assistance, stating that: “Currently, there are 761,000 children whose families lack adequate food and struggle to pay essential household bills.”

As workers have struggled to keep up with the rising cost of basic essentials, they have slashed their spending on discretionary items, with consequences for the economy more broadly.

Westpac senior economist Andrew Hanlan noted that the data showed that Australian households and the economy have “hit the wall,” with the Australian economy “almost” coming to a “standstill in the September quarter.” Consumer spending stalled, real disposable income collapsed and, had it not been for the COVID-related backlog in new car deliveries, consumption would have been even lower.

The Australian economy grew just 0.2 percent in the September quarter and 2.1 percent annually, according to the ABS. This is down from the June quarter when the economy grew by 0.4 percent.

If population growth is excluded from the figures, the GDP actually fell by 0.5 percent, the third consecutive quarter in which the economy has contracted on a per-capita basis. This has not taken place since the 1982-83 recession.

Jericho was blunt in his assessment: The economy is struggling “mightily” and the GDP numbers released by the ABS are “not good.” What little growth occurred was from “change in inventories,” resulting from lower-than-expected sales, meaning that a greater fall is likely to follow as companies reduce orders.

The Labor Government, despite these dire figures, continues to remain “optimistic” about the future of the Australian economy, with Treasurer Jim Chalmers, stating that “welcome and encouraging progress is being made on the economy, even as it slows in expected ways.”

Ordinary working people do not share Labor’s “optimism” however. In the latest Guardian Essential poll, a mere 26 percent of respondents said 2023 had been a “good year” for their families, and only 24 percent believe next year will be better.

Just 34 percent of respondents said they trust the federal Labor government, while a majority said more needs to be done to increase wages (61 percent) and housing affordability (76 percent) and reduce energy prices (77 percent) and grocery prices (76 percent).

Less than one third of respondents rated Prime Minister Anthony Albanese favourably, down from 47 percent in February.

Conscious of mounting opposition to Labor and the entire political establishment, the Australian Council of Trade Unions (ACTU) issued a media release last week defending the government.

The ACTU claimed the ABS data “confirmed that the Albanese government is easing the cost of living for working families, with wages starting to rise.”

In fact, wages “grew” just 4 percent in nominal terms over the year to September 2023, while inflation measured 5.4 percent. Real wages are falling, not growing. This is a direct result of Labor policy, expressed sharply in sub-inflationary pay increases throughout the public sector and for those dependent on federal award rates, and the role of the unions themselves.

Functioning as an industrial police force of corporations and governments, the unions have repeatedly shut down or prevented industrial action by workers, driving down wages and conditions through one sell-out enterprise agreement after another.

The ACTU and the entire union bureaucracy is responsible for the massive reversal in living standards. While workers go backwards, the privileged bureaucrats cheer on the pro-business Labor government.