

# Australia: The truth behind the Labor government's claims of real wage growth

Martin Scott  
29 February 2024

The announcement last week that wages increased by an average of 4.2 percent in 2023 has been hailed by the federal Labor government and the unions as a major win for Australian workers.

The claim of “real wage growth” is a cynical attempt to sweep under the rug the intolerable conditions confronting the working class. There is no mention of the fact that the cost of basic necessities, especially housing, is rising far more rapidly than wages or overall inflation.

The issue of unemployment, now at its highest level in two years, is also conspicuously absent from the rosy picture painted by Labor and the unions. A growing number of workers each month have no wage at all, let alone an increase.

Even taking the figures at face value, the 0.1 percentage point difference between wage growth and the official inflation rate of 4.1 percent is negligible—less than \$2 a week for most workers.

The minuscule increase in real wages does not begin to compensate workers for the major losses incurred in recent years. The onset of the COVID-19 pandemic in early 2020 was used by corporations—with the support of the unions—as a pretext to slash jobs and freeze pay, setting off a real wage plunge that has been exacerbated by soaring inflation and interest rates.

A decade of incremental growth in real wages was reversed in less than three years. In March 2023, the average wage bought no more than it had done in March 2010. Last year's fractional growth merely brings the purchasing power of an average wage to September 2011 levels. This is more than 5 percent less than what the average worker could afford in March 2020.

Sally McManus, secretary of the Australian Council of Trade Unions (ACTU), declared, “Wages are moving because of the hard work of Australian unions and the commitment by the Albanese government to seeing workers get ahead.”

Her statement is entirely at odds with the reality. At the state, territory and federal level, Labor governments, with the vital assistance of the union apparatus, continue to play a leading role in keeping wages down, through punitive wage cap policies across the public sector.

Over the three years to December, wages have fallen by an average of 5.1 percent compared to the Consumer Price Index (CPI) and 6.1 percent in the public sector.

For example, a worker who was making \$80,000 per annum in December 2020 is now earning \$4,740 less on average than if their wages had increased in line with inflation. Taken cumulatively, the three years of real wage cuts have stolen more than \$10,000 from this worker's earnings.

For public sector workers, including hundreds of thousands of health workers and educators, the losses are greater still. A public sector worker who had an \$80,000 salary in December 2020 now earns \$5,681 less in real terms and has lost more than \$12,000 in total over the past three years.

The CPI is itself a major understatement of the real rise in the cost of living for working-class people. The cost of non-discretionary items, such as food, fuel, housing, health and education, which make up the bulk of spending for low- and middle-income earners, rose 4.8 percent in 2023.

The *Australian Financial Review* last week reported that real household disposable incomes fell 6.1 percent in the year ending September 2023, the largest decline of any OECD country.

Real household disposable income is a measure of income that accounts for inflation, income tax and mortgage repayments. The figure is expected to continue falling until at least the middle of this year, and will not return to December 2019 levels until 2027, according to economist Chris Richardson.

In an indication of the financial pain workers are

experiencing, household spending in the year ending December was just 2.3 percent higher than the previous 12 months, despite the CPI increase of 4.1 percent.

Discretionary spending declined by 0.6 percent over the same period, indicating that workers and their families are curtailing all unnecessary expenditure in order to try to keep up with housing costs, utility bills and other essentials.

The skyrocketing cost of housing is a product of 13 interest rate rises introduced by the Reserve Bank of Australia (RBA) since May 2022. Average mortgage repayments have increased by \$400 a week, more than eight times the average increase in wages. This is flowing on to rents, which have increased 7.3 percent on average in the past 12 months.

The RBA's interest rate hikes, implemented with Labor's full support, are not directed at lowering inflation, but at slowing the economy to drive up unemployment and suppress working-class demands for wage increases. There are growing indications that this agenda is being realised.

The official unemployment rate rose to 4.1 percent in January, the highest level in two years, while underemployment also increased, to 6.6 percent.

Following the destruction of 106,600 full-time jobs in December, 11,100 more people were employed full-time in January than the previous month, according to the Australian Bureau of Statistics (ABS). But almost as many part-time positions were eliminated, meaning that, overall, just 500 new jobs were created across the country in January. Meanwhile, the number of unemployed people increased by 22,300.

In the 12 months to January, the number of jobs advertised with online employment platform SEEK decreased by 17.5 percent. The number of applications per advertised job rose 2.1 percent in January, on top of a 6 percent increase the previous month.

Monthly hours worked in all jobs fell 2.54 percent (in seasonally adjusted terms) in January, according to the ABS. Until the COVID-19 pandemic, a month-on-month decline of this magnitude had only been recorded once since July 1980.

Due to continuous growth in the population and the size of the workforce, this is a measure that, on average, should always increase. Over the past 12 months, total hours worked has risen by just 0.07 percent, half the average since 1978.

This is because, in addition to mass sackings across the country, businesses are cutting rostered hours of casuals

and part-timers, and overtime for full-time employees, reducing workers' take-home pay.

Full-time adult average weekly ordinary time earnings increased 4.5 percent in the 12 months to November. However, when overtime earnings are included, the rise was only 4.2 percent. Taking into account part-time and casual workers, weekly earnings increased by just 3.9 percent.

Far from "getting ahead," workers are seeing their jobs and hours slashed, as companies seek to drive up profits, offsetting any nominal wage increases by demanding that employees work harder and faster. This is the "increased productivity" demanded by business lobbyists and the financial press; their only complaint is that the increase is not as rapid or dramatic as they would like.

The Labor government is completely on board with this objective. The only disagreement centres on how best to carry it out, while simultaneously avoiding an eruption of opposition from workers, amid mounting class struggle around the world.

The government's three sets of industrial relations law changes since 2022 have all been directed at increasing the powers of the Fair Work Commission, Australia's pro-business industrial tribunal, and the trade union apparatus. These are the mechanisms on which Labor has depended in recent decades to suppress the class struggle and reduce industrial action to almost nothing.

Once again, Labor is relying on trade unions to enforce its wage-slashing agenda, aimed at placing the full burden of the economic crisis and the escalating cost of military expenditure on the shoulders of ordinary working people.

The unions' effusive promotion of the Labor government's fraudulent "real wage growth" claim is a stark reminder that these organisations do not represent the working class, but the interests of big business and the financial elite.

To fight back against the assault on wages and living conditions, workers need their own workplace organisations of struggle, rank-and-file committees, and their own political party. Only the Socialist Equality Party advances an alternative to the capitalist program of war and austerity, based on the common struggle of workers around the world for a revolutionary socialist perspective.



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