Australian workers hit by biggest cut to living standards in 50 years

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Recent data has confirmed that working-class households in Australia are experiencing the largest fall in living standards in half a century, and have been for two years, mostly under the current Labor government.

This is the combined result of higher global energy and food prices caused by the US-NATO war against Russia in Ukraine, the central bank's government-backed ratcheting up of home mortgage interest rates and the role of the trade union apparatuses in keeping wage rises well below the soaring cost of living.

In addition, the Australian economy has been in a per-capita recession since the massive bailouts of big business during the first period of the COVID-19 pandemic. It has so far avoided an outright recession, unlike Japan and the UK, mainly because immigration boosted economic output.

Analysis of the data shows that workers and their families are already paying a heavy price for the plunge into war globally, accompanied by rising military spending and cuts to jobs and public health, education, housing and other essential social services.

Based on Australian Bureau of Statistics (ABS) spreadsheets going back to the 1970s, Peter Martin, economics editor of the *Conversation* and a visiting fellow at the Australian National University, calculated that the two-year drop in real household disposable income per capita since the start of 2022 was the biggest in 50 years.

Martin's calculations are in line with an earlier estimate by the *Australian Financial Review*. It said that in the 12 months to September 2023, Australian household incomes slumped 6.1 percent, adjusted for inflation and population growth. That was the sharpest fall recorded across comparable OECD economies.

These statistics are regarded by economists as a measure of falling living standards. Yet such figures seriously underestimate the impact on the working class because they are averages covering the entire population. In reality, the burden is falling by far the heaviest on workers, not the wealthiest layers of society who are benefitting from soaring corporate profits, share prices, housing values and the rents they charge tenants.

For working people, even worse is to come as the 13 rate hikes by the Reserve Bank of Australia since May 2022 have the intended effect of driving up unemployment. RBC Capital Markets and Deloitte Access Economics this week forecast the official unemployment rate to peak at 4.6 percent. That means at least a further 129,600 workers would have to be thrown out of work, taking the total to 700,000. According to the ABS December labour force data, 570,400 people are unemployed, but that does not count those working part-time or who have given up actively looking for work.

Higher mortgage repayments—up 62 percent since May 2022—have produced weak retail sales, rising insolvencies and surging living costs that have outpaced wage increases for almost two years.

The Albanese government's recent desperate rejigging of "Stage 3" income tax cuts will do little to nothing to alleviate the cost-of-living crisis. Most workers will receive only about $2 a day in reduced tax, starting from July 1, while high-income recipients will receive about six times that much.

The Putin regime's invasion of Ukraine, deliberately provoked by the expansion of NATO to Russia's borders, has exacerbated the growth of social inequality. It has delivered windfall gains to the Labor government, which has collected record amounts of tax from the nation's energy exporters, who in turn have profited from soaring coal and gas prices.

Without that bonanza, the economy would have contracted. According to the latest ABS report on Wednesday, real gross domestic product (GDP) expanded by just 0.2 percent in the final quarter of 2023.

That was largely because households were forced to cut back on "discretionary" spending, like buying new clothes, while paying ever-higher prices for food, utilities, and other essentials.

The annual rate of growth slowed to 1.5 percent from the previous quarter's 2.1 percent. Outside the initial peak of the pandemic, this was the lowest rate of growth since 2000, when the worldwide dotcom crash caused a sharp slowdown in economic activity.

Without population growth, the economy would have gone backward by about 1 percent over the past 12 months.

Despite an intensifying affordable housing shortage, residential home building fell in the last three months of 2023, as did employers' spending on machinery and equipment. A sharp fall in imports of goods like cars and appliances, as well as industrial equipment, prevented a bigger drop in GDP, which measures imports as a negative.

Non-dwelling building construction of data centres and warehouses raised business investment by 0.7 percent during the quarter, suggesting firms are preparing for further automation and use of artificial intelligence, at the cost of jobs.

Ironically, an official recession was also partly avoided by a 0.6 percent rise in government spending during the final quarter of 2023, largely due to the extra expenses and employment of staff for the Albanese government's overwhelmingly defeated indigenous Voice referendum last October 14.

That defeat laid bare the growing disaffection in the working class with the Labor government's false promises of a "better future" after it scraped into office at the May 2022 federal election, and disbelief that the entrenchment of an indigenous assembly in the Constitution would improve conditions for working-class indigenous people. The defeat also reflected the hostility to the government's backing for the Israeli genocide in Gaza, which began that week.

Responding to the GDP figures, Treasurer Jim Chalmers flatly defended the government's record. He said the results showed that real gross disposable household income rose 0.3 percent during 2023. That claim not only covered up the ongoing decline in household income per person but also the unequal impact on the working class.

Chalmers argued that GDP growing at all was a major achievement. "Around a quarter of G20 nations have recorded a technical recession or narrowly avoided one, and yesterday Chinese authorities announced that they expect a period of softer growth to continue there," he stated.

This actually points to a global recessionary trend that will inevitably strike Australian capitalism, which depends heavily on iron ore, gas and coal exports, with China its largest market.

As another warning of what is to come, the Murdoch-owned *Australian* seized upon the GDP results to demand that the Labor government impose harsher cuts to social spending. A March 7 editorial declared: "Difficult questions need to be faced about how affordable growing spending on the National Disability Insurance Scheme, aged care, childcare and other programs will be in more stringent times."

No such call was made, of course, for any reduction in the mounting billions being allocated by the Labor government to military spending to prepare for frontline involvement in a US-led war against China. That vast expenditure, headlined by at least $368 billion for AUKUS nuclear-powered attack submarines, will mean even more severe cuts to essential social programs and working-class living conditions.