Australian workers face deepening real wage cuts

Martin Scott
28 August 2026

Newly released Australian Bureau of Statistics (ABS) data confirms that the working class confronts a deepening cost-of-living crisis, as inflation continues to outpace wages. At the same time, banks, mining giants, supermarket chains and other major corporations have racked up record profits.

The latest Consumer Price Index (CPI) figures, released Wednesday, show headline annual inflation of 3.5 percent for the year ending July, down slightly from 3.8 percent a month earlier.

The Wage Price Index (WPI), meanwhile, showed nominal wage growth of just 3.2 percent in the year-ending June, meaning the average worker was hit with a 0.6 percent pay cut in real terms over the last financial year.

Plummeting real wages were a uniform trend throughout the working class. "Over the past year, inflation rose faster than the wage growth in every single industry," economist Greg Jericho explained in the *Guardian*.

The figures expose the Labor government's fraudulent claims, backed by the union apparatus, to be driving wage growth. In response to the WPI figures, federal Treasurer Jim Chalmers declared, "Annual nominal wages have now grown above three percent for 16 consecutive quarters."

While he acknowledged that real wages had in fact fallen over the past 12 months, Chalmers made the vacuous statement that this was "not because wages have been too low, but because inflation is still too high."

The treasurer noted that the US-led war against Iran was a major contributor to ongoing inflation, in an effort to present the rising cost of living as an external factor, outside of the government's control. In reality, the Australian Labor government was one of the first in the world to declare its allegiance with the criminal war, and has provided ongoing military, financial and political support.

The announcement last week that official unemployment had risen to 4.5 percent is a sign that wages are likely to fall further in the coming period. Along with the continuing fall in real wages, this flies in the face of insistence from the Reserve Bank of Australia (RBA) that the labour market remains "tight."

Jericho noted that real wages were also falling in the construction industry, "where there is apparently so much work due to the AI datacentre boom that it was a reason the RBA gave for increasing [interest] rates."

Another set of figures, published by the ABS yesterday, points to the fact that the gulf between wages and the cost of living is far wider than the CPI and WPI data alone would suggest. Seasonally adjusted monthly household spending rose 7 percent in the 12 months to July, including a 5.7 increase in non-discretionary expenditure.

But the most recent figures only tell part of the story. What workers really face is the cumulative effect of years of soaring inflation and real wage cuts.

"Real wages have declined in the last 3 consecutive quarters and are now 6.4 per cent lower than they were in the June-quarter 2020," economist Bill Mitchell wrote earlier this month. "Over the last 25 quarters, there have been only ten that have delivered real wages growth."

As a result, the real value of workers' wages is now at the same level as in September 2011, wiping out almost a decade of wage increases before the COVID-19 pandemic. In reality, though, living conditions are far worse than they were 15 years ago, in large part because the cost of housing has more than doubled.

A closer examination of the CPI figures shows that the cost of many other essential goods and services has increased far more quickly than headline inflation. A recent column in the *Australian* pointed to the rise in prices over the five years to June.

While overall inflation over this period was 24 percent, the price of household gas (48 percent), oils and fats (47 percent), insurance (46 percent), electricity (38 percent), postal services (42 percent), new houses (44 percent), eggs (40 percent) and milk, tea and coffee (35 percent) all rose at a far more rapid rate.

Housing costs alone have devoured entire pay packets. National rents rose 5.7 percent in the year to April 2026, with tenants now paying a record 33.4 percent of pre-tax income in rent. Renting an apartment now consumes more than half the median take-home pay of a single worker in every capital city, and 69 percent of a $70,000 wage in Sydney, according to a report by housing advocacy group Everybody's Home.

While workers are being driven into rent stress, unpaid bills and food insecurity, corporations are declaring their biggest profits in years.

BHP reported net profits of $US9.8 billion for the year to June 2026, up 9 percent. Notably this comes as the mining giant slashed hundreds of jobs across the country and openly recruited strikebreakers to scab on strikes in the Pilbara region of Western Australia, as it seeks to impose deeper real wage cuts.

Rio Tinto reported a 47 percent jump in half-year profit to $US6.7 billion, even as it threatened to shut down its Tomago aluminium smelter, destroying over 1,000 jobs, unless state and federal governments promised to subsidise its energy costs to the tune of billions of dollars.

Commonwealth Bank posted a record full-year cash profit of $10.98 billion, up 7 percent. NAB reported underlying profit up 6.4 percent in the first half. Both banks have slashed hundreds of jobs over the past year in major restructuring operations linked to increased use of artificial intelligence.

Woolworths recorded an 18.1 percent surge in full-year net profit to $1.14 billion, and Coles a 13.7 percent rise to $1.26 billion, highlighting that the supermarket giants and their shareholders are reaping the benefits of the skyrocketing price of essential consumer goods.

While such announcements of vast corporate profits are welcomed by financial analysts and the Labor government as signs of a strong economy, nominal wage increases are viewed with concern. In May, the RBA announced its third interest rate rise in succession, on the pretext of a "risk" of wages breaking out—at a time when private-sector wage growth was at its slowest in four years. The central bank's aim was not to lower inflation, but to discipline the working class: to use interest rates to lift unemployment and thereby suppress wage demands.

Labor governments at the state, territory and federal level are spearheading the attack on real wages, imposing sub-inflationary pay "rises" in health, education and throughout the public sector. They could not have done so without the assistance of the unions, which have suppressed workers' opposition to these attacks, enforced the wage-cutting demands and provided political cover for Labor.

Across both the public and private sector, the unions ensured that, in the June quarter, 79 percent of jobs receiving any wage change had annual pay rises of less than 4 percent.

This is not a matter of bad leadership or individual betrayal. The trade union bureaucracy is a privileged social layer whose material interests, careers and institutional power are bound up with the capitalist state and the Labor Party. The unions are not workers' organisations, but an industrial police force to enforce the demands of the financial and corporate elite.

The assault on real wages is part of a broader austerity agenda. Social spending is being slashed at every level, with the starkest example being the federal Labor government's evisceration of the National Disability Insurance Scheme (NDIS), which will deny vital support to hundreds of thousands of the most vulnerable people in the country, many of them children.

The attack on living standards at home is inseparable from the escalation of militarism abroad. The federal Labor government is presiding over the largest expansion of military spending in Australian history, including the AUKUS pact—the subordination of Australia to US imperialism in its preparations for war against China. The fight for decent wages and conditions cannot be separated from the fight against militarism and the capitalist system that is its source.

What is needed are new organisations of struggle and a new political perspective. Workers must build independent rank-and-file committees in every workplace, democratically controlled by workers themselves and independent of the trade union apparatus. These committees must coordinate their struggles across industries and link up with workers around the world, who face a similar assault on their living conditions.

This is inseparable from the need for a socialist program, to place the banks and major corporations under public ownership and democratic workers' control, reorder the economy on the basis of social need rather than private profit, and halt the plunge into another catastrophic world war.