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The Broken Bargain: Australia's Growing Wages Crisis

Thanks for the opportunity to speak and I want to add my acknowledgment of the traditional owners upon whose lands we all meet.

I come to you from the lands of the Wurundjuri people of the Kulin nations.

Given last week was NAIDOC week, I also want to acknowledge the ongoing struggle by First Nation's people for treaty, truth and justice.

We all have a lot to learn from the leaders past, present and emerging of this struggle – and acknowledge that this struggle has been ongoing for years, decades, generations.

I hope the union movement can continue its role as a trusted ally, with First Nations workers at the heart of broader workers' struggles.

There is a deep conundrum at the heart of the current Government's story about their economic management.

As my colleague ACTU President Michele O'Neill said, in a speeh before the budget, at the National Press Club– the Liberal Party in this country have had a political stranglehold on the definition of good economic management:

- Trickle-down economics
- The weaponisation of Government debt
- Demonisation of the social safety net

This is how they have controlled the economic levers of Government.

Well, this might be the year that their cover is blown.

The Covid pandemic - still raging around the world and now in my home town of Sydney - has highlighted - perhaps more than any previous moment in history - the fundamental distinction between the wellbeing of all of society, and the wealth and affluence of the rich.

Around the world, millions have died, tens of millions faced frightening disease and economies were humbled.

Yet world stock markets hit record highs – including here in Australia.

The wealth of Australia's billionaires doubled during the pandemic.

Corporate profits rose 10 percent despite the recession and mass unemployment.

It is very clear that what this Government views as a strong economy – namely more profits, higher stock markets, and more wealth for the rich – is not good for ordinary people.

We will never see stronger proof that wealth does not trickle down.

In Australia for the last generation, wealth has been tricking up.

And during the pandemic, that trickle became a torrent.

Here is the conundrum for them.

They were boasting about the strength of the economy post covid prior to the Sydney lockdown.

The government trumpets out that the economy is a tribute to their management with:

- Consumer demand roaring back.
- Employment recovering.
- The stock market rebounding.
- Company profits going up.

But whenever they are asked to stand up for working people and wage earners, their story turns dark.

Their strong economy becomes a house of cards that can be blown down by the smallest puff of wind.

- Increase to the minimum wage? – well, the time is just not right, that will hurt business
- Improvements to workers' rights? – well that could really bring us all down, get rid of them
- Do something about insecure work? – that would put an impossible brake on productivity , business needs the flexibility
- Use government to invest in proper services and Australian jobs – no let's leave that to the private sector

It appears their economy can be strong and weak at the same time.

And whether the economy is strong, or the economy is weak, the government believes workers should get less.

At least there is one point on which the government is consistent.

However, this year, for the first time I can remember, while the Federal Government were beating their chests about the recovery wages really came into the spotlight .

What happened to the Fair Go?

Australia was once admired around the world, and rightly so, for our high degree of inclusive prosperity and equality.

The fair- go Sunshine Harvester decision in 1907, supported by decades of struggle by trade unions, was how we fought for and tried to protect an industrial relations system for people which was meant to be governed by rational and moral principles – rather than brute economic power .

We pioneered the principle of a living wage.

We led the way on the 8-hour day.

We built a system of awards which was unique in the world, and ensured a level playing field and fair compensation for workers across different occupations and industries.

That system is still globally unique, despite it being watered down into a "safety net" rather than a way to lead progress for all workers.

In the postwar era, Australia had a prosperous, and productive economy, which was good for workers.

Social and economic equality, while certainly not perfect, rivalled the advanced social democracies of the Nordic countries.

It was a uniquely Australian social contract – a uniquely Australian bargain. The fair go.

This all began to unravel with the advent and ascendancy of neoliberal trickle-down economic policy

Those policies came to Australia in a unique way, reflecting the particular historical and political circumstances of our country. But they came all the same.

And today Australia has lost its reputation as a land of the fair go.

The Wages Crisis

As others have noted, when the Governor of the Reserve Bank says there is a problem with wages, the issue is clearly at crisis point.

For most of the past few decades, wages did allow gradual improvements in the real standard of living for most workers.

Of course, there were too many people still who fell through the cracks of our industrial relations system But there was an established pattern over the years of wages keeping up.

The data tells us something changed around the end of 2013.

Hmmm, I wonder what that could have been.

I seem to recall a certain election and a certain Prime Minister coming into office at that time.

Of course, it wasn't just that election. There are other factors that mattered as well.

And the whole course of wages was shifted onto a different track. And has been stuck there ever since.

Since late 2013, according to the ABS Wage Price Index, nominal wages across the whole economy have grown at an annual average rate of 2 percent. Wage growth in the private sector has been even weaker.

And the Wage Price Index doesn't tell the whole story, because it eliminates the impact of changes in job composition on overall compensation. When lower-wage, part-time and casual jobs are expanding – as they have been – then the growth of overall average wages is even weaker.

2 percent is barely half of the pace of traditional wage growth in Australia. And contrary to the comforting, rose-coloured forecasts of the government and business economists, it wasn't a short-term blip.

It's now a well-established trend.

Every year, in the official budget forecast, this government has said: "Don't worry, wages are going to strengthen. Supply and demand conditions are tightening. The market will fix it."

And every year, the government is wrong.

Year after year, the government predicted a rebound in wage growth. And every year, that rebound failed to materialize. Most of all they can't say HOW they'll get higher wages.

8 straight years of very low wage growth.

That has been the worst record of wage growth in Australia's post-war history.

8 straight years of it.

The Pandemic has Made Things Worse

I don't need to tell you all that the pandemic has made this worse, but is is important to note that that workers entered into this crisis in a very weak position: the economy was slowing, the 2019-2020 bush fires had caused huge damage and uncertainty, and we had already endured 7 years of record low wage growth.

The pandemic and resulting recession have made things worse.

Nominal wage growth effectively stopped altogether during the worst months of 2020.

On a year-over-year basis, it fell below 1.4 percent – the worst since the Depression.

There was a tiny improvement in the March quarter of this year – to 1.5 percent. Nothing to restore confidence.

And there is no sign that things will get any better, without deliberate and concerted actions to make it so.

There is no reason for employers to change their behaviour. Employers naturally take advantage of their power.

When the problem was so obvious for 7 years before the pandemic, we can't just blame COVID for the crisis in wages.

We can't let the government and employers use COVID as the scapegoat – when their own failures were obvious for many years.

Wages, prices and the whirlpool effect for working people

2 percent increases in nominal wages for 8 years running is bad enough. But remember, consumer prices are rising over this period too. The change in real wages, after accounting for CPI, was close to zero.

That is workers can't buy any more goods and services with their wages.

Moreover, the total CPI measure of inflation does not tell the whole story.

The cost of the necessities that workers have to buy – food, energy, housing – has gone up faster than the cost of imported luxury products and other non-essentials. According to ABS while prices have increased for discretionary spending by 18.1% over the last 15 years, prices have increased for non – discretionary spending by more than twice as much – by 43.8%.

Therefore the performance of workers' real purchasing power has been even worse than the official numbers indicate.

Some commentators have argued that since nominal wages grew slightly faster than CPI during the pandemic so workers should stop complaining.

But inflation has been rebounding since May last year.

And if inflation continues to increase, then real wages will take further hit.

The government's own budget forecasts expects wages to grow below CPI for 2020-21 and 2021-22, and to merely match CPI in 2022-23.

In other words, even the government expects the real standard of living of Australian workers to fall.

And what is the government going to do about that?

Wages are the most important price in the economy. They are not just a price, they are also the basis for spending.

When wages are growing slowly, spending can't grow either.

It's another sign of the failure of austerity policies.

We have wages that are utterly stuck in the mud.

And we have inflation that has fallen below the RBA's own official target for 7 years in a row.

It's a sign of profound economic weakness.

International Comparisons

Our current wages crisis can not only be judged against our own history.

In comparison to the rest of the world, Australia has had one of the worst wage trends in of any industrial country.

According to OECD data, average nominal wage growth in the 5 years before the pandemic was ninth worst among 35 industrial countries. In real wage terms, we were third worst.

And measured relative to inflation, remember that real wages basically went nowhere over those 5 years before the pandemic.

So it cannot be argued that the wages crisis is a universal, global phenomenon. Yes, workers around the world face huge challenges trying to protect their standard of living and win real wage increases.

But here in Australia, which was once the land of the fair go, workers have fared especially badly.

That means we have to look at our own policy failures, the failure of our own institutions. We can't blame market forces.

Workers' Share of the Pie

The record weakness of wages for the last 8 years in a row has exacerbated another problem that also was around long before the pandemic.

There has been a huge redistribution of Australia's economic pie – away from workers, and in favour of corporations.

That trend started long ago - but reached unprecedented extremes during the pandemic.

And it is the direct and predictable result of deliberate policies put in place to suppress wages.

Workers are producing more output every year, thanks to their skills, new technology, and rising productivity.

In fact, Australian workers produce more value-added with each hour of their labour than anytime in history.

But their compensation has not remotely kept up with their productivity.

This can be seen inthe major reduction in workers' share of total output – their slice of the national economic pie.

Labour compensation (including superannuation contributions) hit a record low of 47 percent of Australia's GDP in 2019.

That's the lowest annual average since the ABS began reporting this data back in 1959.

From a peak labour share of 57.4 percent in 1975, over one-tenth of the economic pie has been taken away from workers.

That loss of 10.4 percent of GDP is worth $208 billion in today's terms.

That works out to a stunning average of almost $20,000 in lost income for each and every waged worker in Australia.

During this same period, the share of GDP going to corporate profits has grown steadily.

It went from under 16 percent of GDP in 1975, to over 26 percent of GDP – the highest ever – in 2019.

That's an increase of 10.2 percentage points. And it is worth $200 billion.

So workers have lost a 10 percent share of the GDP pie. And corporations have gained a 10 percent share of the GDP pie.

Decades of deliberate efforts to suppress wages, disempower workers, enrich and empower businesses, have paid off.

The distribution of national income has been shifted dramatically and dangerously in favour of business.

That was the whole point of neoliberal, trickle-down economics.

It has worked for big busines.

It just hasn't worked for anyone else.

Every month there is a new theory trying to explain low wages.

One week it is that unemployment is too high.

Then it's because productivity isn't growing fast enough.

The next is that under-employment is too high.

Last week it because immigration has been too high.

Talk about ignoring the very big policy elephant in the room.

It's time our country faces up to the truth.

The wage crisis for workers, the destruction of the fair go, the creation of a working underclass, the betrayal of the great Australian bargain is the deliberate outcome of conscious policy.

It was caused by policies designed to weaken the bargaining power of workers.

When workers try and bargain in Australia, it is like being tied to a chair and asked to stand up when every arm and every leg is tied down.

Over the years as employers won precedents to the detriment of working people, the laws have become even more restrictive and the bonds have been tightened.

And the easier it has been for employers to outsource and casualise jobs, the more those bonds have tightened.

Our bargaining rules operate to severely limit and restrict working people at every step.

Last year, when the Government oversaw talks between unions and employer groups, we again witnessed employers trying to loosen the restrictions on them, and push back on the few protections workers still have.

Workers have less and less access to collective bargaining because all of this one-sided over-regulation has crushed the power that workers have to convince employers to lift wages.

In the past, Australian workers could rely on the bargaining and award system to allow strongly unionised workers to drive wages growth. This helped those workers, but also dragged those without bargaining power up as well.

It set the floor, and it lifted all workers up.

But the current laws do not support workers bargaining for wage rises.

Collective bargaining is harder than it has every been for working people, and the award system operates as a mere safety-net, frozen in place and unable to respond when there are changes to wage levels within an industry.

The inability for awards to move upwards, even when there are clear cases of the gendered undervaluation of the work like in childcare and aged care is *creating* incentives for employers to outsource work.

As unionised workers won better pay increases, they were played off against workers who only got the award wage.

Employers who only pay the award undercut those employers with bargains.

This is how labour hire companies have prospered - they have marketed their services as a method of cutting wages as good secure properly paid jobs are replaced with insecure, low paid jobs.

And employers have been given more rights and more parachutes to help them out of paying decent wages and conditions.

As a result of the *Aurizon Decision* of the Full Bench of the Fair Work Commission in 2015, employers are able to argue that enterprise agreements should be cancelled *all together* if it has been too hard.

This means that workers wages and entitlements can be radically slashed, stripping them of 20 years worth of bargained gains overnight.

This is a threat that employers have been using at bargaining tables since 2015 – come to an agreement or suffer a unilateral pay cut and lose important job security safeguards built up over the years like redundancy payments.

The effect of these threats have further tightened the bonds.

No wonder we have a wages crisis.

Wages won't rise if workers don't have power. Wages won't rise if workers don't have rights.

Our wages problem is a bargaining power problem.

Employers have too much and employees not enough.

With all the power in the hands of employers, wages no longer move in a way that fairly shares the gains of productivity, of profits, of our nations wealth.

This is why there has been a 10% shift from working people to corporations.

We have low wage growth because we have policies that deliberately suppressed it.

This problem will not be fixed until those policies change.

Australia's dedicated and creative trade unionists struggle every day under this system, but unfair laws make our jobs harder than it is for our union colleagues in the rest of the OECD.

Harder even than it is for union members in the United States.

Governments impose wages caps, just like other employers impose low wage policies.

Workers struggle to break them because, unlike employers, they are tied to the chair.

Our collective bargaining system needs to be updated and rebalanced to give all workers to ability to access the system to deliver fair pay increases.

This includes options to bargain across sectors and industries as is now occurring in New Zealand.

Our award system needs to be adjusted so it operates as a proper industry floor that can be adjusted as wages in industries are adjusted.

Urgent action is also needed to make jobs more secure by making unlawful:

- the fiction of "permanent casual"
- Labour hire rorting the system to replace permanent fairly paid jobs
- So called "gig economy" jobs that have no rights
- Unending fixed term contracts

You would think that the Morrison Government might have had an empathy moment in 2020 as hundreds of thousands of casual workers lost their jobs overnight and had no sick leave in the middle of a pandemic.

But it seems empathy levels are stuck on "couldn't care less" because they instead passed laws to entrench casual work and entrench labour hire.

They gave the labour hire companies exactly what they wanted and that says it all.

And insecure jobs have been coming back with a vengeance after the COVID lockdowns.

60 percent of all new waged jobs created since last May are casual positions. 57 percent of all new jobs since last May are part-time.

In the self-employment sphere, 80 percent of all new self-employed positions since last May are precarious: with proprietors having no incorporated status, or no paid employees, or both.

Instead of seizing the moment and ensuring workers had better job security, they did the opposite.

And now the casual workers of Sydney are the ones feeling the most pain once again.

In two weeks time, the Australian union movement comes together for our biennial Congress – where delegates from every union debate our policy and direction.

And it is clear we will be meeting in the shadow of our country's latest Covid lockdown, with our largest city facing its greatest challenge since the pandemic began.

This makes our work more urgent and gives us greater focus.

Workers have been at the forefront of the battle against Covid, and we intend to be at the heart of the debates about how to recover and rebuild.

We won't accept a recovery that entrenches unfairness and disadvantage.

We will keep fighting for hardest hit by this latest lockdown.

We will continue to raise our voices in support of a competent vaccine roll out.

And we will hold this Government accountable on the issue of workers wages and we will keep fighting for better laws.

That's our bargain.