

# Labour's share of Australian GDP falls to record low

By Oscar Grenfell  
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A report released this week by the Australia Institute found that labour's share of national gross domestic product (GDP) in the March quarter was the lowest since records began in 1959.

The findings are based on the latest GDP figures from the Australian Bureau of Statistics (ABS). They underscore the dire social consequences of the offensive carried out by the corporate elite, successive governments, and the trade unions against the jobs, wages and conditions of the working class over the past three and a half decades.

The report's conclusions tally with other ABS statistics which have shown that wage growth remained at record lows in the first three months of 2017—just 1.9 percent across the private sector. This is a product of widespread wage-cutting in manufacturing, retail and other sectors, and the continued expansion of low-paid contract and casual employment.

The report notes that based on the March figures, labour compensation accounted for 46.2 percent of total gross domestic product. That figure, however, includes all salaries along with superannuation payments, meaning that the data likely understates “the true erosion of the share of national income going to employees other than top-tier executives and managers.”

According to the report, “the link between GDP expansion and workers' incomes has never been weaker.” In the quarter to March, total nominal GDP grew by \$31 billion. However, only \$3.1 billion of that, or less than 10 percent, went to incomes.

Similar results were registered in the previous quarter, leading to a 2.78 percent fall in labour's share of GDP across the 12-month period. That was “the second-largest one-year drop in the labour share in the history of ABS quarterly data.”

The report points to the ever-widening divergence between stagnant or declining real wages and productivity growth.

For instance, it states that the average “value-added” by each hour of work across the economy is \$90, reflecting a 20 percent growth in labour productivity over the past two decades. Over the same period, however, real wages have grown by only around 6 percent. As a result, real labour unit costs reached their lowest level since 1985, in the last March quarter.

Other modelling of the same ABS figures indicates that household wealth as a proportion of GDP is also nearing a 50-year low. Millions of working people confront a mounting social crisis, with average household debt estimated at 187 percent of income. Mortgage arrears and defaults are rising as a result of the ongoing property boom centred on the east coast, while poverty and joblessness are growing.

Commenting on the figures, Paul Dales, a macroeconomics researcher with Capital Economics, told the *Guardian* that households had not received “one cent” from the recent spike in commodity prices, which have “all gone into the pockets of big business.”

Dales noted that “as a share of GDP, the compensation of Australian employees lies towards the bottom of the international ladder.” He said that “the downward trend in labour's share of GDP over the past 40 years has been more marked in Australia than” in other advanced economies, including Britain, France and the United States.

The Australia Institute report stated that labour as a share of GDP reached its peak in 1975, at close to 57 percent. This occurred amid a spike in working class struggles, many of which centered on the demand for improved wages. Employers and governments made limited concessions to this movement as the post-war

boom of world capitalism was ending.

From the late 1970s, however, the report explains, labour's share of GDP fell dramatically over a 15-year period "as anti-inflation laws were consolidated and labour laws were transformed." This was followed by "a more gradual decline in the labour share ... beginning in the late 1990s."

The federal Labor governments of prime ministers Bob Hawke and Paul Keating from 1983 to 1996, spearheaded the offensive against the working class.

In the 1980s, the Labor government struck a series of Accords with the Australian Council of Trade Unions and big business that provided for the deregulation of large sections of the economy, the elimination of tens of thousands of jobs across manufacturing and the erosion of wages and conditions. This also set in motion the destruction of full-time jobs, leading to a situation today where between 40 and 50 percent of workers are in casual or contract employment.

The onslaught in Australia was part of a worldwide attack on the social position of the working class, spurred by the globalisation of production. The internationally-mobile character of capital undercut the basis for economic regulation and limited social reforms within the national arena. Instead, capital began scouring the globe for the lowest wages and highest rates of return for corporate shareholders.

Labor and the unions, taking their nationalist and pro-capitalist program to its logical conclusion, responded by dispensing with any progressive social reform. They became the chief proponents of ensuring that Australian businesses were "internationally competitive" through the drastic reduction of wages and erosion of working conditions.

In the 1990s, the Keating Labor government instituted enterprise bargaining that laid the basis for an unending onslaught on jobs, wages and conditions through company-union agreements. The report points out that between 1985 and 2015, the minimum wage fell from 65 percent of median wages to 53 percent.

The report concludes: "The erosion of the labour share since the peak represents the redirection of about \$200 billion of annual output from workers to other economic stakeholders." The "major beneficiary" was the financial elite, with the corporate share of GDP increasing by 10 percent over the four-decade period. It now stands at 24 percent.

Across manufacturing, retail, mining and virtually every sector of the economy, the corporate elite, state and federal governments and the unions are imposing deeper cuts to wages. A sharp expression is the drive by major companies, abetted by the unions, to force skilled workers, such as power station employees, onto base rates of pay—an effective wage cut of up to 65 percent.

The social reversal enforced by Labor and the unions underscores that as workers enter into struggles to defend their jobs, wages and social rights, they will confront these big business organisations as their most determined antagonists.

*The author also recommends:*

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