Profits soar as global crash intensifies social crisis in Australia

By Mike Head
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Data released this week confirmed that Australia—like the rest of the world—has been plunged into the worst recession since the Great Depression of the 1930s, and with much deeper cuts to jobs, wages and working class living standards still to come.

The economy shrank by 7 percent in the three months to June 30, following a 0.3 percent drop in the March quarter. That is many times worse than during the global financial crisis of 2008–09. More than one million people have been thrown out of work already, accompanied by the greatest cut to wages since World War II.

Nothing comparable has been inflicted on workers since the 1930s, when output plunged by 17.1 percent from 1929 to 1932 and joblessness reached at least 20 percent of the labour force.

Currently, unemployment is officially 7.5 percent and is expected to rise to about 10 percent by year's end. But the government itself admits that the real rate of joblessness is already above 11 percent. That is around 20 percent if under-employment is counted.

Another 3.5 million workers are still not counted as jobless because they depend on the JobKeeper wage subsidies being paid to their employers. More than a million of these workers will be cut off JobKeeper by December, according to the government's estimates.

If not for unprecedented government business bailout packages and high prices for iron ore exports, the crash would have been bigger. The private sector economy contracted by 12 percent.

None of these figures yet register the further economic slide in the current September quarter because of the COVID-19 resurgence in the key industrial state of Victoria that resulted from the premature, corporate-driven, lifting of safety restrictions nationally in June.

While total wages fell a record 2.5 percent in the June quarter, seasonally adjusted gross company profits soared by 15 percent, according to the Australian Bureau of Statistics. This points to the further restructuring of class relations in favour of the wealthy elite that is already well underway.

Alongside the impoverishment of wide layers of the working class, especially the young and the most poorly-paid workers, the financial aristocracy is reaping the benefits of the crash and demanding even more in terms of tax cuts and attacks on working conditions.

An immense social disaster is looming as the government slashes the levels of the JobKeeper and JobSeeker payments that have barely kept millions of working class households alive since March.

On Wednesday, the same day that the recession statistics were released, the Labor Party opposition joined hands with the Liberal-National government to push through parliament legislation to allow the already paltry payments to be cut from September 28.

JobKeeper wage subsidies will be reduced from $750 a week—about the level of the minimum wage—to $500 a week by January, while the $550-a-week JobSeeker unemployment benefits could be halved by then, taking them back to sub-poverty levels.

This month also will see the start of the lifting of moratoriums on mortgage repayments and tenant evictions, as well as an end to a permission introduced early in the pandemic for businesses to trade while insolvent. Millions of working class and small business households face financial ruin and homelessness. Australia's household debt levels—about double annual incomes—are among the highest in the world.

Already, the data shows that household consumption fell by a record 12.1 percent in the June quarter, driven by a record 9.8 percent cut in hours worked. At the same time, the household savings ratio jumped from 6 percent to 19.8 percent. Fearing for the future of their jobs and livelihoods, people tried to pay down debt or put money aside for what lies ahead.

In a particularly disturbing sign of social distress, household expenditure on health services decreased 25.6 percent through the year to June. That is, people either put off medical treatment because of cost or due to fear of infection as the pandemic hit health care workers and aged care facilities.

The wages "share" of national income fell below 50 percent for the first time since the 1950s, accelerating a decline that has continued since the 1970s and further fuelling soaring social inequality.

"Average non-farm compensation per employee" actually increased by 3.3 percent in the June quarter, while total wages fell by 2.5 percent. That is because the greatest losses are being imposed on low-paid and casualised workers, not highly-rewarded corporate executives.

Adding to the social divide, many major companies enjoyed bonanzas from multi-billion dollar handouts. Others profiteered from the pandemic-triggered crash by ruthlessly cutting jobs and wages, or by cashing in on higher sales of equipment needed for working at home.

Subsidies via the JobKeeper and "Boosting Cash Flow for Employers" programs totaled $52 billion in the June quarter. Other COVID-19 related subsidies, including those made by state governments, added another $3.6 billion. These are by far the largest business handouts in Australia's history, dwarfing those made during the 2008–09 crash.

Construction employers were among the highest JobKeeper recipients, obtaining nearly $3.5 billion despite virtually all building sites being kept open. They also received more than $2.5 billion in cash flow boost payments.

Employers in Professional, Scientific and Technical Services received about the same, followed closely behind by those in Health Care and Social Assistance, Accommodation and Food Services, and Retail. In many cases, large firms continued to receive hefty payments despite making increased profits as a direct result.

As in the US, big business is benefiting also from record low interest rates on loans supplied by the central bank. Just before the recession statistics were published, the Reserve Bank of Australia said it would pump another $110 billion of "stimulus" into the economy through support for cheap loans, more than doubling its cash injections to $200 billion.

Regardless of these subsidies, corporate investment plunged—another indicator of a deeper crash to come. Private capital expenditure dropped by 6.9 percent, despite a small lift in the mining sector due to higher iron ore and gold prices. Investment in housing fell by 7.3 percent.

Ludicrously, the government and the corporate media tried to put a gloss on the June quarter crash by saying it was not as bad as comparable countries. Treasurer Josh Frydenberg said gross domestic product fell by 20.4 percent in the UK, 13.8 percent in France, 11.5 percent in Canada, 10.1 percent in Germany and 9.1 percent in the US.

As in the Great Depression, however, the economic and social crisis in Australia is inextricably bound up with the global breakdown. Australian capitalism depends heavily on exports of raw materials, mainly to China, and foreign investment, primarily from the US.

The pandemic is not simply a biological event. Worldwide, its impact has been catastrophic because of years of cuts to medical research and healthcare, followed by indifferent and incompetent government COVID-19 responses and a homicidal rush to "reopen" economies.

The only response of the ruling class is to ratchet up its decades-long assault on working class conditions. Frydenberg confirmed that the government will use its delayed October 6 annual budget to fast-track personal income tax cuts, which will overwhelmingly benefit high-income recipients. It will also boost business investment subsidies, while trying to impose further "industrial relations reform"—that is, deeper cuts to workers' wages and conditions.

Behind the scenes, the trade unions are collaborating with the government and employers in five "working groups" on industrial relations and other measures to boost economic output at the expense of workers. These groups are due to report this month also, underscoring the role of the unions and the Labor Party in propping up Prime Minister Scott Morrison's government and enforcing the attacks being inflicted on the working class.