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More rate cuts won't fix pay crisis

The Reserve Bank of Australia's second consecutive cut to interest rates shows that the Morrison Government is failing to address wage stagnation and a stalling economy.

The peak body for working people warns that the RBA cannot keep bailing out the headline economic figures while the Morrison Government continues with a policy of inaction and denial on pay.

Wage rises for working Australians are needed to generate the recovery in consumer demand that will get our economy moving again. They will result in working people spending locally and in the broader economy. This will drive demand, improve business conditions, encourage investment and spark a cycle of economic growth and prosperity.

Wages growth has slowed dramatically with average wages only moving by 2 percent a year over the last six years – the slowest since the end of the Second World War.

Interest rates have been at emergency levels for the entirety of the Liberal Government. Australia has not had consecutive interest rate cuts for more than seven years, and now we have interest rates well below average in the OECD.

Global and local central banks have made similar warnings to the ACTU. Interest rates will not be the fix needed for the Australian economy.

General Manager of the Bank of International Settlements Agustin Carstens says Australian households already carry too much debt so cuts to interest rates won't achieve much.

He called for an "all hands on deck" approach to strengthening the economy, echoing calls made over the past five years by Reserve Bank Governor Philip Lowe.

Quotes attributable to ACTU Secretary Sally McManus

"Low wages growth is holding our economy back, but the Morrison Government has nothing but more of the same failed trickle-down economics that got us here.

"At the heart of this is the belief that Government should do nothing to help working people.

"As a result, working people have gone without fair pay rises for six years. Just yesterday they were faced with more cuts to penalty rates. People are digging into their savings if they even have any. Many have nothing left to spend and it's causing our economy to break down.

"This is a problem of unequal bargaining power. Workers do not have enough, and this problem will not fix itself.

"There are three simple things the Morrison Government could do now to lift wages growth: reverse penalty rates cuts, give his own workers in the public sector a decent pay rise, and commit to a living wage."

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