What’s behind the Australian “productivity” campaign

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When property mogul Tim Gurner launched his attack on “arrogant” workers, demanding “pain” in the economy to increase the unemployment rate by 50 percent, there was a storm of outrage.

Gurner made no comment the following day even though asked to do so. But by Thursday wiser heads, clearly concerned that the real logic of the profit system was being so nakedly exposed, had prevailed.

Accordingly, Gurner issued a public apology for his outburst, saying, “I made some remarks about unemployment and productivity in Australia that I deeply regret and were wrong.”

However, as Gurner delivered his *mea culpa*, a report from the Productivity Commission was issued which was essentially in line with his call for a productivity increase. It outlined its analysis in the measured tones which are used to disguise and cover over the essential class relations of the profit system that Gurner had so graphically exposed.

After noting that productivity levels, output per hour worked, had fallen to their lowest in 60 years, just 1.1 percent per year, it claimed that had they been maintained at the level of the 1990s, “average real incomes today would be about $25,000 higher than current levels.”

According to Productivity Commission deputy chair Alex Robson, in the year to June productivity declined by 3.6 percent. In the five quarters to March last year it declined in all but one and gross domestic product per hour worked was now at its lowest level since March 2016.

In order to penetrate this analysis and reveal its essential content it is necessary to establish some basic points about the political economy of capitalism.

When terms such as output and productivity are employed, the image which often arises is of an increase in the physical quantity of goods and services. But the production of material wealth is not the aim and driving force of capitalism. It is solely the accumulation of money in the form of profit.

No measure of output as a whole or output per hour can be made based on the physical quantity of the goods and services produced. That would be like trying to compare apples and oranges, as the saying goes.

The measure of output is money. Productivity, therefore, is measured not in terms of the physical product or services resulting from labour but by the amount of money or value which is added in the process of production.

Thus, while workers in a particular industry may, over a period, produce a greater quantity of physical goods than they did in the past, their productivity, as measured in money terms, may not necessarily rise.

If, for example, a given number of workers produces a greater quantity of goods, but the monetary value has fallen, then the productivity of their labour—the amount of money obtained for every hour worked—will have gone down despite the fact they have worked faster and harder.

Conversely, as can be seen in Australia, the productivity of labour is highest in mining and agriculture not because workers in these industries work harder or smarter than workers anywhere else in the economy but because the price of their output has increased.

The point at issue here is that output per hour, measured in monetary terms, has got little to do with how hard workers work but instead with the relations in the capitalist market on a national and global scale. Moreover, productivity is determined by a host of other factors, such as technology and the organisation of production, which are controlled by the owners of the means of production not the workers.

Clearly global conditions are at work because labour productivity has been falling in all the major economies. Even as it declined to its lowest point in six decades, the productivity of labour in Australia was higher than in the US, Canada, Germany, the UK, France, Italy, Japan and New Zealand over the ten years to 2021.

But notwithstanding the fact that labour productivity is largely beyond the control of workers, the campaign for it to increase—Labor Treasurer Jim Chalmers says the government has a "laser-like focus on Australia's productivity performance—serves important objectives.

If prices remain constant or fall, then the only way of boosting productivity is a reduction in the workforce, often via new technology, or through a speed up of work so that the product comes on to the market faster, there to be turned into money.

Time is of the essence in the capitalist system. Time is money and that was one of the motivations for Gurner's outburst.

He was concerned that his capital—much of it borrowed funds on which he is paying interest—was tied up for too long in a physical form and not being turned into an increased quantity of money fast enough because of the "attitude" and "arrogance" of tradies and other workers.

The key point here is that productivity is not about the increased production of goods and services and the expansion of material wealth.

That is simply a by-product of the capitalist system of production, the essential aim of which is the expansion of capital through the extraction of additional or surplus value from the labour of the working class.

In the final analysis, the source of this surplus is the difference between the wage of the worker and the value which that worker adds to the raw materials and means of production in the course of the working day. The more the productivity of labour can be increased, the greater is that surplus.

Gurner's remarks sparked widespread opposition but also support from sections of the financial press and the corporate world.

Yesterday, the *Australian Financial Review* ran an editorial headlined "Heed the truth bombs on the productivity puzzle." It noted that while Gurner had apologised, "his frank talk is grappling with the serious puzzle that is the slide in Australia's post-pandemic labour productivity back to 2016 levels."

It noted that both the outgoing governor of the Reserve Bank of Australia (RBA) and the incoming governor Michele Bullock have said that unemployment must rise to at least 4.5 percent.

Back in June, Bullock made it clear that unemployment— she called it "moderation in labour demand"—was a central objective of the RBA. Bullock stated that the "balance" between labour supply and demand had recently improved and noted that the significant tightening of monetary policy had played a role "as intended."

While corporate chiefs were in the main ducking for cover after Gurner's diatribe, he received support from powerful voices. Minerals Council of Australia chairman Andrew Michelmore, for example, said workers in some parts of the economy were enjoying "a lifestyle that was not sustainable." A rise in unemployment was needed to "break the cycle," he said.

The role of the Productivity Commission is to try to cover up this class-war agenda with the claim that increased productivity—that is more intensive exploitation—is the road to real wage growth.

Facts, however, speak louder than the pie in the sky claim that workers somehow missed out on $25,000 of additional income they would have received if only they had worked harder.

Since March 2012, productivity increased across the economy but real wages per hour fell by 0.2 percent. And this trend has accelerated with data published at beginning of the year showing that in 2022, workers experienced the biggest fall in real wages on record.