Record profits driving cost of living crisis

Australian companies are banking record profits rather than using them to shield consumers from cost increases is the leading driver of inflation, according to new research released by The Australia Institute.

The new research shows that big businesses are actively making choices which harm the economy and are putting millions of households under financial stress in order to increase their margins and secure record CEO bonuses.

It also reiterates that wage growth, which is lagging well behind CPI, is not driving inflation.

Businesses have ample room to absorb cost increases but are instead choosing to hike up prices to support record profits and CEO bonuses, while working people are seeing their pay swallowed up by the rapidly rising cost of living.

The lack of real wage growth over the last ten years is a considerable barrier to economic growth in Australia as it throttles domestic consumption.

ACTU President Michele O'Neil said the new research showed how hypocritical the big business campaign against wage growth has been.

"Corporate Australia is causing the cost-of-living crisis by passing on price increases and refusing to give working people decent pay rises. This is all about protecting their record high profit share at all costs," she said.

"While they are warning that the sky will fall in if wages keep pace with inflation, they are creating an inflationary cycle by pocketing record profits and paying out record bonuses to CEOs who refuse to increase pay for their workers.

"Businesses could absorb cost increases into their record-setting profit margins, but instead have chosen to pass them straight on to consumers, fuelling inflation and creating a cost- of-living crisis in this country.

"Our system is broken when big business is setting records for profits and bonuses but workers' pay hasn't increased in real terms for nearly a decade.

"Wage growth could be an engine of economic growth in a country that relies so heavily on domestic consumption. We should be sharing the recovery from the pandemic across the whole economy, not letting big business fuel inflation by funnelling it into offshore bank accounts and CEO bonuses."

Authorised by Sally Dennis, General Secretary, The State School Teachers' Union of W.A.
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