

Wage earners' woes stem from gap between CPI and retail prices

Ross Gittins' article ("Low wages growth is the real reason you are feeling the cost-of-living pinch", November 29, p.19) is correct. At least part of the reason that wage-earners are experiencing a standard of living squeeze is that their wages are no longer keeping up with their retail costs of living.

That gap is being concealed by the published "inflation" statistics — the CPI.

The CPI adjusts retail prices downwards in an effort to arrive at a measure that the economists like to call "inflation" so, if wages grow at about the CPI, they actually fall behind retail prices. It's not imaginary.

The Australian Bureau of Statistics used to warn that CPI does not measure costs of living.

The difference between CPI and retail prices was a major reason why the Age Pension had to include a wage index measure (MTAWE) back in 1997, so that age pensioners would not starve or freeze to death embarrassingly quickly.

It is the reason why the 2014 budget proposal to revert Age Pension indexation to CPI was dropped (after an outcry).

It is the reason why some Centrelink pensioners have to beg or steal, and why retirees with CPI-indexed pensions are bewildered by the drop in their standards of living after a few years in retirement.

Now the wage-earning public, receiving CPI-or-lower wage increases, is experiencing the same squeeze on their standards of living.

If the ABS also published the retail prices of the items they already measure to produce the CPI, politicians could compare those numbers with wages growth to see how bad the standard of living situation is, and why they are being blamed.

Richard Griffiths, national president, Australian Council of Public Sector Retirees



Wages are no longer keeping up workers' retail costs of living.