

Working families, social inclusion, & fair wages: moving beyond rhetoric

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Address to Social Policy Connections Forum
Melbourne 14 March 2012

Brian Lawrence's recent presentation identified the important relationship between Catholic social teaching and people's entitlement to employment, a decent wage, and fair work conditions. At the beginning of his talk, Brian provided an example of Catholic social teaching in relation to dignity and work by quoting from Pope John Paul II's 1981 encyclical, *Laborem Exercens*:



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“In order to achieve social justice in the various parts of the world, in the various countries, and in the relationships between them, there is a need for ever new *movements of solidarity of the workers and with the workers*. This solidarity must be present whenever it is called for by the social degrading of the subject of work, by exploitation of the workers, and by the growing areas of poverty and even hunger.

“The Church is firmly committed to this cause, for she considers it her mission, her service, a proof of her fidelity to Christ, so that she can truly be the ‘Church of the poor’.

“And the ‘poor’ appear under various forms; they appear in various places and at various times; in many cases they appear as a *result of the violation of the dignity of human work*: either because the opportunities for human work are limited as a result of the scourge of unemployment, or because a low value is put on work and the rights that flow from it, especially the right to a just wage and to the personal security of the worker and his or her family. (*Laborem Exercens*, 8; italics in original.)”

Pope John Paul II stresses that this is a critical role in the Church's mission. Service to the poor is proof of fidelity to Christ. Addressing violations of the dignity of the workers caused through unemployment, the low value placed on work, and the rights that flow from this, in line with Catholic doctrine, must be a key focus of the work of the Church. While these principles adhere to all people able to work, low-paid workers are a particular concern.

Brian then gave examples of the way a different picture is presented about wage levels. For example, every year, Commonwealth Treasury Budget figures demonstrate 'good news'. By collating statistics into a grouping known as AWOTE - Average Weekly Ordinary Time Earnings - the government standardises the overall cases to present a rosy picture, when the reality is markedly different for some sectors of the workforce. AWOTE fails to demonstrate the counter-trends which the government is reluctant to highlight, especially a Labour government, because these trends for low-paid workers and their families are becoming worse. Low-paid workers who depend on minimum wage rates because they do not have the bargaining power to do better constitute about one sixth of the workforce.

Brian described some specific safety-net-dependent examples compared to AWOTE wage increases. In the past 11 years (December 2000 to December 2011), AWOTE increased by 66.9%. This was much more than the rate of inflation (CPI) of 36.6%. The increase, without undue inflation, reflected increased productivity, more than 15% over this period. By contrast, the National Minimum Wage (NMW) increased by 47.2%, and award classification rates now paying \$890 per week have had an increase of 27.2%. This difference in safety-net increases reflects the granting of 'money amounts' rather than percentage increases in each year but one. All rates now at \$730 per week or more have had a real wage reduction. Most full-time safety-net-dependent workers are at or more than the trades-qualified rate, which has had an increase of 39.4%.

Overall, the compensation for price increases has gone to the lower classifications. Price compensation has been loaded in favour of the lower classification rates. There has been very little, if any, distribution of productivity gains. These increases in labour productivity have gone to employers.

Workers on safety net rates have not had the benefit of taxation cuts over and above those which have gone to other groups. Low-income earners have received tax cuts over the 11 years. The NMW worker has had an increase in net pay of 55.5%, which seems good, but the big tax cuts are at the top end of the scale. For example, a person who started on an income of \$2000 per week in 2000 and received a 65% increase (a little less than AWOTE) has had reduction in tax of \$143.23 per week (when comparing the percentages of tax paid in each year). AWOTE workers, however, have seen an increase in net income of 67.9%, barely more than their gross income increase of 66.9%. A person who has had a 65% increase (slightly less than AWOTE) over the 11 years has had a tax cut equal to \$7.32 per week.

This gives support to the view of Professor Patricia Apps of Sydney University, who has written that the real agenda with tax reform has been to deliver big tax cuts to higher income earners under cover of changes that will help low income earners. The poor treatment of middle income earners is not well known, and hardly complained about by those who know. The commentariat, politicians, etc are in the higher tax brackets, and they are not complaining. This is the sort of issue that the ACTU should be concerned about because it represents many at these kinds of incomes.

Brian then looked at the position of families, by reference to single income families of one and two parents with two children of primary school age. Family payments over the 11 years have strongly favoured middle income families as a result of the extension of eligibility provisions. The effect of this has been to supplement the poor tax cuts for middle income families, but it has left singles in a poor relative position. For low income families, family benefits were increased in excess of the rate of inflation in the first five years, but that trend has stopped. Their transfer payments increased by 64.3% over the 11 years. But with the increased eligibility, the AWOTE-dependent family has had an increase of 242.4% over the same period.

This increase in family payments for middle income families has meant that the AWOTE-dependent family had an increase of 78.4% in its disposable income over the 11 years, compared to 57.8% for the NMW-dependent family and 54.6% for the trades-qualified breadwinner family.

Where has this left low income workers and their families? Some workers are worse off because of real wage cuts, but all safety net-dependent workers are worse off relative to other groups.

This is illustrated by a comparison between safety net-dependent workers and their families with aged and disability pensioners on the pension safety net. For example, over the same period, the couple pension rate has risen 57.9% and the single person rate has increased by 78.4% (including the special adjustment in 2009). Compare this to the trades qualified wage rate which increased by only 39.4% (gross) over the same period.

The basic reason for the higher increases in pensions is that pensions are linked to movements in Male Average Total Weekly Earnings (a similar measure to AWOTE). To illustrate, since the 2009 review of pensions, from December 2009 to December 2011, pensions rose by 11.5%, while the NMW rose by 8.4%. The divergence in the adjustments of wages and pensions is an important policy issue. Why shouldn't safety net wages rise at the same rate as safety net pensions? Unless there is a change in wage-setting decisions, the gap between pensions and safety net wages will continue to widen.

How do the current levels of safety net wages and pensions compare? We can make this comparison by reference to the methods employed by the Australian Bureau of

Statistics, when it compares the actual living standards of various kinds of household to the median living standards for those same households. Various equivalence scales are applied. These would show that all pension households are on a higher standard of living than the NMW-dependent household of a couple and two primary school aged children. And this comparison leaves aside the costs of working and the reward (and incentive) that people should have for working.

The poverty line and where this fits into this discussion

The same ABS methodology for calculating relative living standards enables the calculation of relative poverty lines. By reference to the widely-used 60% of median relative poverty line, the same family of four is 13% below the poverty line. Even if we use the 55% poverty line, it would still be in poverty.

Brian contrasted the relative poverty line to poverty lines based on research into the actual costs of living. The Henderson Poverty Lines for various kinds of households were based on research into living costs in the 1960s and early 1970s, and have been updated by the Melbourne Institute each quarter to reflect increases in average household disposable income. However, public discussion and debate are not around poverty lines and poverty gaps as they were in the 1970s. There is a need for contemporary research into needs and poverty lines. This is critical for wage-setting and various kinds of public assistance. It is hard to make a case for increased wages and transfer payments when there is no contemporary and credible poverty line.

Brian was very critical of the attitude of the Commonwealth Government in the 2011 Annual Wage Review to the estimation of poverty lines and the needs of the low paid. He said that the Commonwealth's denigration of attempts to arrive at improved understanding of the needs of low-paid working families was inconsistent with the policies of the government. He also contrasted its negativity and opposition to its espousal of social inclusion, one of the main objects of the Fair Work Act.

Brian discussed the importance of decent wages in achieving social inclusion. Social inclusion as a concept and policy goal was attacked in a series of articles in *The Australian* earlier this year. Social inclusion is the answer to social exclusion and poverty. Social inclusion has a lot in common with the Catholic view of the common good. Brian referred to an article by Dennis P McCann, *Inequity, income and wealth. When does it become a moral issue, and why?* in *Rediscovering abundance* by Helen Alford OP et al (eds), in which the author refers to and links the common good, 'participation' as explained in the 1986 statement by the US Bishops *Economic Justice for all* and the work of Amartya Sen:

"The attack on social inclusion by Gary Johns in *The Australian* earlier this year appears to be related to the theme of his forthcoming book. If the advance publicity for the book is an accurate summary of its contents, the book will be inconsistent with, and without any recognition of, Catholic Social Teaching on

social justice. This is an inexplicable situation, as Johns is an Associate Professor of the Public Policy Institute of the Australian Catholic University and the fact that the book is being promoted as part of the work of the institute.”

Brian finished by citing Pope Benedict in *Caritas in Veritate*, who took the earlier quoted passage from *Laborem Exercens* (which included a reference to social justice) as an introduction to the ILO’s Decent Work agenda:

“No consideration of the problems associated with development could fail to highlight the direct link between *poverty and unemployment*. In many cases, poverty results from a *violation of the dignity of human work*, either because work opportunities are limited (through unemployment or underemployment), or because a low value is put on work and the rights that flow from it, especially the right to a just wage and to the personal security of the worker and his or her family. For this reason, on 1 May 2000 on the occasion of the Jubilee of Workers, my venerable predecessor Pope John Paul II issued an appeal for a global coalition in favour of decent work, supporting the strategy of the International Labour Organization. In this way, he gave a strong moral impetus to this objective, seeing it as an aspiration of families in every country of the world.”

What is meant by the word ‘decent’ in relation to work? It means work that expresses the essential dignity of every man and woman in the context of their particular society, work that is freely chosen, effectively associating workers, men and women, with the development of their community, work that enables the worker to be respected and free from any form of discrimination, work that makes it possible for families to meet their needs and provide schooling for their children without the children themselves being forced into labour, work that permits the workers to organise themselves freely and make their voices heard, work that leaves enough room for rediscovering one’s roots at a personal, familial, and spiritual level, work that guarantees those who have retired a decent standard of living. (Paragraph 63, footnotes omitted.)

A copy of the submission of the Australian Catholic Council for Employment Relations to the Annual Wage Review 2012 is at www.accer.asn.au, or at www.socialpolicyconnections.org.au The submission has details of most of the matters referred to in the presentation.