



ACSJC  
AUSTRALIAN ♦ CATHOLIC ♦ SOCIAL ♦ JUSTICE ♦ COUNCIL  
24-32 O'RIORDAN ST, ALEXANDRIA NSW 2015  
Tel: +61 (0) 2 8306 3499 Fax: +61 (0) 2 8306 3498  
Email: [admin@acsjc.org.au](mailto:admin@acsjc.org.au) Website: [www.socialjustice.catholic.org.au](http://www.socialjustice.catholic.org.au)

***A Pastoral Letter for the  
Feast of St Joseph the Worker***

**1 May 2009**

**'Working families' and the minimum wage  
at a time of financial crisis**

Australia is starting to suffer the impact of the global financial crisis. At a time when our political leaders are considering how the community will bear the costs of the crisis, it must be remembered that wage justice for the most vulnerable is more important than ever.

The Australian Fair Pay Commission is undertaking its annual minimum wage review just as the crisis is having profound effects and unemployment is on the rise. Economic conditions worldwide are unstable and there is continuing debate about the way forward.

While the community struggles with the news that the rolling good times are over, we might remember the workers and families who have been struggling for years on the fringes of the labour market. These are Australia's working poor – workers who rely on low wages topped up with government payments, have little or no bargaining power and are susceptible to unemployment. They are the most vulnerable among those our politicians call 'battlers' or 'working families'.

Ensuring a decent minimum wage safety net will be a most important factor in providing security for working families and alleviating the impact of what our Prime Minister has said will be the worst economic downturn in 75 years.<sup>1</sup>

### **The inadequacy of the minimum wage**

A wages safety net must meet basic needs of workers and their families relative to general living standards in the community. It should keep pace with price increases and keep workers and their families out of poverty.

These expectations are not being met for many of those who comprise the one-eighth of the workforce dependent on minimum safety net wages. These workers have no bargaining power and do not receive the extra benefits provided by, for example, collective employment agreements.

For years now, the Church's industrial relations body, the Australian Catholic Council for Employment Relations (ACCER), has argued that the federal minimum wage and other low paid classifications are inadequate to meet the needs of individuals and their families.

To estimate the costs of living, the Fair Pay Commission uses Henderson Poverty Line measures that are based on research undertaken in the 1960s. ACCER and other community groups have repeatedly called for new research that would update and replace these measures, which have led to a serious underestimation of the costs of living. In particular, the skyrocketing costs of housing have not been properly taken into account.<sup>2</sup>

The Fair Pay Commission has maintained that the minimum wage, with government support, will allow single income families to meet their needs and should provide income well above poverty.<sup>3</sup> It has been shown, however, that an average-sized family of four with two school-aged children, relying on the federal minimum wage, will fall into poverty if their rent exceeds \$215 per week. It is clear that in the current rental market, many working families will be below the poverty line. In mid-2008, at the time of the last minimum wage decision, median asking rents in the major cities ranged from \$285 to \$420 for houses and \$240 to \$400 for units.<sup>4</sup>

The minimum wage safety net is failing these low income families. It is not enough to keep their children fed, clothed, housed and educated, let alone meet the costs of childcare or emergency situations like unforeseen health problems.

The Church has long maintained that a wage should meet the needs not only of the worker but also the worker's family,<sup>5</sup> and that the minimum wage, including benefits, should meet these needs without requiring the other parent to take up employment if this is not the parents' choice.<sup>6</sup> According to these principles, ACCER has opposed from the beginning the use of the benchmark of the single person without dependants when assessing needs and setting the minimum wage. A wages policy that is set on this basis ignores the family responsibilities of workers.

The adoption of a single-person wage will only be viable if there is also government assistance that is sufficient to meet the needs of a worker's dependants. So far, this precondition has not been met. The adoption of the single person test in the absence of this undertaking to top up the minimum wage to adequate levels discriminates against workers with family responsibilities. This can have the effect of pressuring parents into work irrespective of other needs of the family including the care of children.

### **Wage setting at times of financial crisis**

In the 2008 Minimum Wages Review, some parties argued that the Fair Pay Commission should award wage increases less than the rate of inflation in order to restrain wage inflation in other sectors of the labour market. The Commission's decision had the effect of reducing real wages for many low-paid workers; for example, by \$3.54 per week for workers on \$600 and \$7.44 per week for those on \$700. The rationale for those

reductions was the tax cut package introduced in the May 2008 Budget. The result was that, unlike other workers, these safety net workers lost most of their tax cuts.

This is how safety net workers were treated in the best of economic times, only twelve months ago. How will they be treated when times are bad? Will they now be required to endure another cut to their real wages in order to assist economic recovery?

In the current round of wage setting, the Fair Pay Commission will hear arguments that minimum wages should be frozen or even reduced to ease cost pressures on employers and slow the rate of job loss. Some may even identify the Government's one-off payments of \$900 to low-income earners as a justification for a reduction.

Effectively, such arguments suggest those who rely on safety net wages should carry the costs of job protection and the Government's fiscal stimulus package. But we know that these workers have little or no discretionary income and a limited capacity to bear this cost.

Those seeking work, too, need to be assured they will be protected from poverty and hardship. What real benefits and opportunities would an insecure job on poverty wages offer parents and children already living a hand-to-mouth existence on allowances? I refer also to single parents, many of whom are now required to re-enter the labour market. What benefit is there in a job that does not pay enough to meet the needs of their children?

Pope John Paul II observed how poverty most often results from the violation of the dignity of work, either through unemployment or the denial of a just wage.<sup>7</sup> In addressing these ills we must respect the needs of both low-paid and unemployed workers. It is not acceptable, for example, to attempt to lower unemployment or preserve jobs by reducing the wages of the low-paid below what is required for a decent standard of living. This applies in good times and bad.

It was in times of great financial uncertainty – not unlike those we experience today – that the Church advocated steadfastly for an adequate family wage. During the global economic shock of the 1890s, Pope Leo XIII called for a basic wage protected from competitive bargaining that would provide for a family and allow them to live in basic comfort, acquire property and accumulate some savings.<sup>8</sup> Pope Pius XI renewed this call as families around the world were beginning to feel the effects of the Great Depression of the 1930s.<sup>9</sup>

Today we face similar economic uncertainty. Australia needs a minimum wage that ensures families are protected from poverty and have the ability to nurture and care adequately for each family member. The fundamental rights of families to create a home, to welcome the sacred gift of life and raise a family require the guarantee of a decent family wage.

### **The need to restore confidence in the safety net**

The Church maintains that a minimum wage and social safety net that actually meet the needs of workers and their families is the basis for checking the justice of our entire social-economic system. Pope John Paul II said that 'this means of checking concerns above all the family'.<sup>10</sup>

Assessing the true costs of living, striking a national minimum wage adequate to family needs, and support for single-income families are issues in urgent need of our immediate attention.

Today, the global economic crisis has shaken our confidence in the economic system. For those who have lost their jobs or who know they may soon lose them, there is grave

doubt about the capacity of the modern economic order to provide them with work and a decent standard of living. For the many families now affected by the global economic crisis, this is not a question of economic theorising or ideological debate. It is a crisis about their own futures.

The Australian Fair Pay Commission is soon to be replaced by a new wage setting authority, Fair Work Australia. However, working families cannot wait for that. They look to governments and statutory authorities to protect and support them in times of economic stress.

The Federal Government and the Fair Pay Commission must bear in mind those who have struggled to survive on low wages and income support when most benefited during the years of prosperity. This financial crisis was not of their making. They should not be deprived of the wage increases they need to meet their basic costs of living.

Most Rev Christopher Saunders, DD  
Bishop of Broome  
Chairman, Australian Catholic Social Justice Council

The ACSJC gratefully acknowledges the contribution of the Australian Catholic Council for Employment Relations. For further information about ACCER's policies visit [www.accer.asn.au](http://www.accer.asn.au)

## Notes

<sup>1</sup> 'Recession is inevitable: Rudd', ABC, 20 April 2009,

<http://www.abc.net.au/news/stories/2009/04/20/2547691.htm>

<sup>2</sup> ACCER (2009) Submission to the AFPC Minimum Wages Review 2009, p. 10.

<sup>3</sup> Ibid p.17 & ACCER (2008) Submission to the AFPC Minimum Wages Review 2008, p. 17.

<sup>4</sup> ACCER (2009) p. 23.

<sup>5</sup> Pontifical Council for Justice and Peace (2004) *Compendium of the Social Doctrine of the Church*, Libreria Editrice Vaticana, Citta del Vaticano, n. 91.

<sup>6</sup> Pope John Paul II (1981) *Laborem Exercens*, Encyclical letter, n. 19.

<sup>7</sup> Pope John Paul II, *Laborem Exercens*, n. 8.

<sup>8</sup> Pope Leo XIII (1891) *Rerum Novarum*, Encyclical letter, nn. 43–47.

<sup>9</sup> Pope Pius XI, (1931) *Quadragesimo Anno*, Encyclical letter, n. 61.

<sup>10</sup> Pope John Paul II, *Laborem Exercens*, n. 19.