

A paper for the conference

***Young generations at the service of mankind***

held by the

**Pontifical Council for Justice and Peace**

to commemorate the 50<sup>th</sup> anniversary of the

***Pastoral Constitution on the Church in the Modern World (Gaudium et Spes)***

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***Gaudium et Spes and the economic foundations of family life: decent work and a wage that is worthy of a human being***

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## A. Introduction

1. I am grateful for the opportunity to present this paper at a conference to mark the 50th anniversary of *Gaudium et Spes*, one of the major documents of the Second Vatican Council. The formal title of *Gaudium et Spes* is *Pastoral Constitution on the Church in the Modern World* and its essential purpose was twofold: to provide the basis for the Church's engagement in worldly issues and to address and outline a response to a range of then current issues.
2. The 50<sup>th</sup> anniversary is a time to commemorate a great event in the life of the Church, but it is also an opportunity to consider the Church's response to a range of issues in the contemporary "modern world". The title of this paper is drawn from the discussion of work and wages in the Council's exposition of the principles that should govern socio-economic life. Its purposes are to: first, review the Church's teaching on work and wages; second, identify some contemporary issues concerning work and wages; and third, provide some views on how we might respond to these contemporary issues. Emphasis is given to low paid and marginalised workers, especially those with family responsibilities.
3. To set the context I quote the well-known opening words of *Gaudium et Spes*:

"The joys and the hopes, the griefs and the anxieties of the men of this age, especially those who are poor or in any way afflicted, these are the joys and hopes, the griefs and anxieties of the followers of Christ."
4. One of the key matters discussed in *Gaudium et Spes* was the position of the family in the modern world (at Part II, Chapter I, 47-52). The discussion on economic and social life (at Part II, Chapter 3, 63-72) draws attention to the need for incomes, whether by wages or by independent economic activity, to be sufficient to support a worker and his or her dependants.
5. We need to keep in mind when talking about wages that many family breadwinners throughout the world are not employed and do not receive wages, but are independently engaged in work as, for example, tenant farmers. That point is vividly seen in Pope Francis' address to the Second World Meeting of Popular Movements in Santa Cruz de la Sierra, Bolivia, on 9 July 2015. Indeed, full time employment as most in the advanced economies have come to know it is under pressure in those economies. For too many, life is a scramble from one casual job to the next.
6. This paper addresses the wages question and related issues conscious that much will be left untouched. I am also very conscious of the fact that what I am able to say on this

topic is the product of my own experience in Australia and it will have limited relevance to other economies; but I hope to provide a framework that will be of interest and some relevance to others at this conference.

7. For reasons which I will develop, we cannot separate families and wages. Decent work and a wage that is worthy of a human being must take into account the position of workers with family responsibilities. This point was evident in *Gaudium et Spes*, but, I argue, it needs to be understood and reinforced in a new socio-economic context. So we need to examine the economic foundations of families. A fulfilling family life depends on decent wages, targeted family support by governments and governmental policies that promote employment.
8. To adapt the introductory words of *Gaudium et Spes*:

The joys and the hopes, the griefs and the anxieties of workers, especially the poor and marginalised workers who work to provide for themselves and their families, are the joys and hopes and the griefs and anxieties of the Church.
9. The opening words of *Gaudium et Spes* are manifest in a powerful passage written by St John Paul II in his 1981 encyclical *Laborem Exercens*:

“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. (8, italics in original.)
10. Because of this, the Church, as a whole, and individual Catholics, have a responsibility to understand the lives that workers and their families live *and* to apply their own talents and capacities to improving those lives.
11. This conference and, I believe, this topic, have come at an opportune time: within two weeks of the conclusion of the 2015 Synod on the Family (the XIV Ordinary General Assembly of the Synod of Bishops on the subject of *The Vocation and Mission of the family in the Church and Contemporary World*). It is accepted that there is much unfinished business in regard to the Church’s pastoral response to families and it is

clear that one of the matters that needs closer attention through study, reflection and advocacy is the economic position of families throughout the world.

12. The welfare of families in the modern world is intimately bound with questions about work, wages and governmental policies. We need to address the economic foundations of family life, with particular reference to widespread poverty among families. Poverty is a threat to families, both in the ability of men and women to prepare for family life and in their ability to sustain a nurturing environment for their children. Children disadvantaged by poverty are most likely to carry their burdens into adult life and into the lives of their own children.
13. Of course, the Church, and the popes in particular, have developed the teaching in *Gaudium et Spes* in regard to the socio-economic matters that impact on workers and their families. Five encyclicals immediately come to mind: *Populorum Progressio* (1967), *Laborem Exercens* (1981), *Centesimus Annus* (1991), *Caritas in Veritate* (2009) and, earlier this year, *Laudato Si'*. The contributions made by these encyclicals, pastoral statements by episcopal bodies, the learning and practice of the laity and a wide range of community and academic research over the past decades would provide a wealth of material for consideration. Much has changed in the past 50 years.

#### **B. A personal dimension**

14. A commendable part of this conference is the involvement of young people in the presentation of papers and in the commentaries. I hope that they will be inspired to undertake further research, reflection and action as a result of the matters covered in *Gaudium et Spes* and at this conference. There is much to choose from. I also hope that the material presented in this paper will be of interest to those wishing to undertake substantial academic work. There is much that can be done.
15. This anniversary has a personal dimension for me. The years since the publication of *Gaudium et Spes* have covered my adult life. *Gaudium et Spes* was promulgated on 7 December 1965 at the end of my second year at university, a year in which I became more active in the Young Christian Workers (YCW) branch in my parish in suburban Melbourne, Australia. (The academic year in Australia is from March to December.) For the next two years I become more involved with Catholic student groups within my parish and, with a group of YCW members, at the University of Melbourne. As a result of this work, I was employed after my graduation by the Australian Catholic Bishops to work for the Young Christian Students (YCS) movement. I did this work for two years: in 1968 I was the National Secretary and in 1969 the National President of the

YCS. YCS national membership was over 30,000, almost exclusively in secondary schools and there were many YCW groups throughout our archdiocese and nationally. Part of my work with the YCS was to promote university and parish-based YCS groups. I commenced work in a legal practice in 1970 (having previously graduated in law) and for the next 39 years I practised law as a self-employed barrister, mostly specialising in employment law and industrial relations, save for six years when I was a member of an industrial relations tribunal arbitrating a range of industrial disputes.

16. The framework for social engagement that we find in *Gaudium et Spes* provided the intellectual underpinning of the work I did in the organised Lay Apostolate. (In those days we usually referred to the document as *The Church in the Modern World*.) In some of its aspects *Gaudium et Spes* did not surprise us; for example, *Gaudium et Spes* adopted views on socio-economic matters that were foreshadowed in earlier documents. In my experience, the critical developments in Catholic thinking and practice in Australia came from St John XXIII's encyclicals *Mater et Magistra* (1961) and *Pacem in Terris* (1963). This was confirmed for me in my recent review of my collection of papers from the 1960s. Little of what I had written or collected specifically referred to *Gaudium et Spes*. The quoted passages and commentaries in these papers were likely to be drawn from the encyclicals and, especially, the *Decree on the Apostolate of the Laity* (*Decree on the Laity*), which was published on 18 November 1965, less than three weeks before *Gaudium et Spes*. My copy of *The Documents of Vatican II* (edited by Walter M Abbott, SJ and published in 1966), still sitting in my study, is much more heavily annotated in the chapter reproducing the *Decree on the Laity* than it is in the chapter reproducing *Gaudium et Spes*. Nevertheless, in the late 1960s *Gaudium et Spes* encapsulated how I, and many of those I worked with (including priests and religious in parishes and schools) saw the role of the Church in the *modern* world in which we then lived.
17. The Australian Catholic Council for Employment Relations (ACCER), of which I am Chairman, is an agency of the Australian Catholic Bishops Conference. A major activity of ACCER's work is advocacy for higher minimum wage rates. We do this because of the inherent value of the task, i.e. to strengthen the economic foundations of the lives of low paid workers and their families, and because of what the Church teaches. We argue that minimum wages, supplemented by governmental family payments, need to provide families with a decent standard of living and one which will protect workers and their families against poverty and social exclusion. Of course, the

mere avoidance of poverty is insufficient. A decent standard of living requires more than just being on the poverty line.

### **C. Australian minimum wages: lessons to be learned?**

18. Australia has a unique system for the setting of minimum wages in two major respects: the scope of minimum wage regulation and the way in which wages are set. I should give an explanation of them, after which I will refer to ACCER's minimum wage advocacy on behalf of low paid workers and their families. Most of this material is drawn from *Working Australia, 2015: wages, families and poverty*. *Working Australia, 2015* is an ebook available, free of charge, on ACCER's website: [www.acer.asn.au](http://www.acer.asn.au). I make a number of references to *Working Australia, 2015*, which I have edited, in the following sections of this paper.
19. The first difference concerns our minimum wage rates. As early as the 1890s legally enforceable minimum wage rates were set on an *ad hoc* basis in various occupations and industries in order to avoid industrial disputation. In recent decades minimum wages have been treated as part of the social safety net, unconnected to industrial disputation. At first a single minimum wage was set for particular industries or occupations, but for more than a century higher minimum wage rates have been set for work classifications that have higher margins of skill.
20. Under the current system the lowest minimum wage is the National Minimum Wage (NMW), but the vast majority of Australian workers are covered by a minimum wage set by one of the 122 national industrial awards. The NMW is currently \$656.90 per week, based on the standard working week of 38 hours. The hourly rate is \$17.29. The minimum rate of pay for a cleaner is \$701.60 per week. The minimum rate for the entry level retail worker is \$721.50 per week (\$64.60 more than the NMW) and the minimum rate for a shop manager is \$807.90 per week. Minimum rates are set for a wide range of graduate/professional occupations; for example, nurses and university-trained professional engineers. Of those to whom a minimum wage rate applies, only about 5% would be covered by the NMW.
21. The minimum wages are called "safety net" wages. The national legislation sets up a regulatory system that encourages collective bargaining, but requires that, in order for an agreement to be approved by the regulatory tribunal and have legal effect, each of the employees covered by a proposed agreement must be better off overall than under the relevant award. The result of these processes and individual arrangements (largely

based on market conditions) is that about 80% of workers in Australia receive a wage that is higher than the applicable minimum wage rate.

22. Using the latest calculations of purchasing power parity (at 2014) by the Organisation for Economic Cooperation and Development, one would need 1.536 Australian dollars to purchase the same bundle of goods and services as would be purchased by \$US1.00 in the United States, 70.8 pence in the United Kingdom and 80.9 eurocents in Germany for the same bundle of goods and services purchased in Germany: see <https://data.oecd.org/conversion/purchasing-power-parities-ppp.htm>. On this basis, the Australian NMW of \$17.29 per hour would be equal to \$11.26 per hour in the United States, £7.97 in the United Kingdom and €9.11 in Germany. However, we should be careful in making these kinds of comparisons. How these rates impact on the living standards in each country depends on the level of taxes and transfers (in cash or services) applicable to the workers and their families. How these rates impact on employers and the costs of their businesses has to be determined by reference to the range of on-costs that employers incur in the employment of labour. These factors mean that the assessment of the economic and social impact of minimum wages, including international comparisons, is a multi-faceted task.
23. The second respect in which Australia is different from, at least, most of the rest of the world is in the process for setting wages. From the early days minimum wage rates (and an increasingly wider range of other terms and conditions of employment) have been set by bodies comprised of employer, union and government appointed members, by independent statutory tribunals or by courts. Since the mid-1950s wages and a wide range of employment-related matters prescribed under national legislation have been established and regulated by independent statutory tribunals. The current tribunal is the Fair Work Commission (FWC). While the members of the FWC are appointed by the Government of the day, they have tenure and are only subject to judicial control by the national courts on jurisdictional grounds. Their decisions take effect without the need for any approval by the Government. The legislation under which the FWC operates requires it to “establish and maintain a safety net of fair minimum wages”, taking into account specified social and economic considerations, including “relative living standards and the needs of the low paid”. Wage increases may be by percentage or money amounts, or a combination of the two.
24. Australian minimum wage rates have to be reviewed each year and it must be done by an open and transparent process in which any interested party can file submissions and,

if it wishes, seek leave to appear in the FWC's public consultations. The FWC is obliged to operate fairly in both substance and form. Over the past decade the principal parties in the annual wage reviews have been the Australian Council of Trade Unions, the two major national employer organisations and the Australian Government. The next most active has been ACCER.

25. A valuable result of this annual process is that the FWC and the parties have developed a body of learning on minimum wage setting. This is evident in, for example, the FWC's June 2015 Annual Wage Review decision; see [www.fwc.gov.au](http://www.fwc.gov.au). However, the FWC has its critics. Some argue that minimum wage rates are too high and that not enough weight has been given to detrimental employment effects. The unions have complained that safety net wages have not kept up with market-based community wage movements and have not distributed the substantial increases in labour productivity over the past decade. ACCER has been critical of the FWC's continued failure to address the position of low income working families, many of whom are living in poverty, despite the breadwinner being in full time employment. Of particular concern is the lack of transparency in the FWC's reasons for decision. It is too inclined to recite evidence, submissions and its statutory obligations and state a conclusion with a minimal amount of reasoning. An assessment of the June 2015 decision is in Chapter 10 of *Working Australia, 2015*.
26. From time to time during the last decade or so we have had to confront claims that the NMW should be set by reference to the needs of a single worker living alone, without regard to family responsibilities. The claimed rationale has been that it is the function of government, not the wages system, to support dependants who are in need; and that the wage should be based on the single person criterion even if that support is inadequate. The FWC decided in 2014 that it would adopt the single worker household criterion for the setting of wages. ACCER challenged that decision in the FWC hearing earlier this year, with the implied threat that we would seek judicial review if the FWC maintained its position. The arguments are in Chapters 2 and 9B of *Working Australia, 2015*. The FWC retreated from its position when it handed down its June 2015 decision, as we explain in Chapter 10 of *Working Australia, 2015*. For the future, we need to keep in mind that a tribunal that was prepared to drop family considerations when setting wages is unlikely to be very responsive to future claims for a NMW that is based on the needs of workers with family responsibilities.



27. There is an arguable case (which I do not accept) that the Australian NMW is sufficient to provide a fair and decent standard of living for a single person. What cannot be argued is that the NMW is sufficient for workers with family responsibilities. The disposable income of the lowest paid is insufficient after we take into account income tax and transfer payments. It will be readily apparent from this argument that the issue of wage sufficiency raises a question of which families are to be the reference point, or one of the reference points, for wage setting. This is a fundamental question not only for the Australian domestic law, but for all other minimum wage systems. I will return to it when dealing with minimum wages as a human right issue.
28. The following extracts from ACCER's March 2015 submission give a flavour of its submissions and show why I argue that our pastoral concern for families cannot be separated from the wages question. The paragraph references are to *Working Australia, 2015*, where they are reproduced.
- “These claims and the submissions in support of them focus on the needs of the low paid and relative living standards and are primarily made for the purpose of improving the living standards of low paid workers and their families, especially those who depend on safety net wage rates at or near the NMW.” (710)
  - “Our submissions show that many low income families are living in poverty and that the principal cause of this has been the failure of safety net wages to reflect rising community incomes over the past decade and more. This deleterious trend has been hidden within the national statistics that record the very substantial increases in Australian incomes, wealth and living standards over the same period.” (712)
  - “The NMW and the rates set for low paid award classifications are not living wages: they do not enable families to provide for their children, to live in dignity and to achieve a basic acceptable standard of living by reference to contemporary national living standards. This assessment is made on the basis of the ordinary and expected situation in which workers find themselves and is not made on the basis of unusual or exceptional circumstances.” (713)
  - “We know that employment in work which pays a decent wage will promote the proper care of children, the stability of families, social inclusion and social cohesion. Better wages and other conditions of employment are necessary if we are to deal with the unacceptable degree of in-work poverty, with its consequences of family and social dysfunction. Our objectives are not only consistent with the legislation under which minimum wages are set, they are required by it.” (719)
  - “The stated object of the *Fair Work Act 2009* is "...to provide a balanced framework for cooperative workplace relations that promotes national economic prosperity and social inclusion for all Australians..." This requires the consideration of a wide range of social and economic factors in the making of decisions about the setting and adjusting the minimum terms and conditions of employment, including safety net wage rates. The NMW and other low wage

rates have become poverty wages for low income working families, and the cause of social exclusion; an outcome inconsistent with the legislation. We do not advocate a minimum standard of living that a well-governed and just society cannot afford. What we advocate is by reference to the standards of Australian society and not some idealised construct.” (720)

- A precondition for social inclusion is a decent wage and a wage that takes into account the needs of workers with family responsibilities. Family payments by the Commonwealth do not provide for all of the needs of a worker's dependents; and are not intended to do so. We saw confirmation of this, just three weeks before the single person benchmark was announced. The [Federal] Treasurer, Mr. Hockey, said in his Budget Speech on 13 May 2014:  
‘Unlike pensions, which are an income replacement payment, family payments are an income supplement to help with *some* of the costs of raising a family.’ (Emphasis added)” (721)
- “In our view, the FWC, like its predecessors, has failed to give sufficient weight to the needs of low paid workers and their families and has failed to set a wage by reference to relative living standards across the Australian economy, including the living standards of those on age and disability pensions. The living standards of many full time low paid workers and their families, who depend on the wages safety net, are lower than those who depend on the pension safety net.” (729)
- “The FWC has been faced with compelling evidence of widespread poverty among low paid workers and their families. It has apparently accepted the substance of the evidence, but has failed to take any action to target poverty, adopting instead in 2014 the single person benchmark.” (730)
- “The FWC has, we submit, an obligation to set the NMW at a level that will enable workers with family responsibilities to achieve a basic acceptable standard of living by Australia standards, a standard of living that is above poverty as it is conventionally measured [being the 60% relative poverty line]... It should provide this in the ordinary and expected cases; and those cases must include families, whether couple parent or sole parent, with two dependent children. We are not advocating the coverage of unusual or exceptional cases, but a fair, realistic and rational application of a statutory obligation.” (733)
- “The FWC has, we submit, an obligation to ensure that, in these ordinary circumstances, no child in a working family need live in poverty. It should, we suggest, ask itself, whether the wages that it sets are sufficient to keep the children out of poverty. Because of the undeniable importance of this issue, the FWC's reasons for decision should make clear the evidence and reasoning leading to its action or inaction on the matter.” (734)
- “Part of the reason for the two Australias [which was discussed in a paper by the St Vincent de Paul Society] is that we have a disconnection between the setting of safety net wages and the reality of life for low paid workers and their families. Taking a broad view of wage setting over the past 14 years, and more, there has been little or no evident concern in the decisions of industrial tribunals about the daily struggles of ordinary working people, even in the face of evidence that something is wrong and the situation has been worsening. The wages set by tribunals have played a role in this process. Words, if they do occur, are of no comfort in the absence of results.” (817)
- “We have not been asking tribunals to let their hearts override their heads, but we have been asking the FWC to search for and consider the evidence about

poverty; and to act on it. If we are to achieve any sustainable outcome, it must be based on evidence. If the evidence is presented and explained, the community will support a sustained plan to attack in-work poverty. The way to achieve it is for the FWC to gather the evidence and act on it.” (821)

29. I have not reproduced these passages just to show how unhappy we have been with the FWC’s decision. Rather, they are used to illustrate some important aspects of the lives of the low paid and their families and they may help others to “frame” our advocacy on these matters. Good public advocacy requires good framing of the matter in issue.

30. In the 2003 wage review our advocate, Frank Costigan QC, one of Australia’s leading barristers and a former chairman of the Australian Bar Association, put and developed an argument that the needs of the low paid could not be met if workers were left in poverty. We repeated his argument over the years without a response until 2013, when the FWC said:

“We accept the point that if the low paid are forced to live in poverty then their needs are not being met. We also accept that our consideration of the needs of the low paid is not limited to those in poverty, as conventionally measured. *Those in full-time employment can reasonably expect a standard of living that exceeds poverty levels.*” (*Annual Wage Review 2012-13*, paragraph [33], emphasis added.)

31. We were happy to see this passage, but it failed to have any practical effect. The reference to the conventional measure of poverty is to the 60% of median poverty line which is discussed later. The final sentence in the passage is important because it prompts the question: which full time workers can reasonably expect a standard of living that exceeds poverty levels? The question was not answered in 2013. In 2014 it was implicitly answered as a result of the decision to adopt the single person household criterion for wage setting. In 2015 it was not answered once the FWC abandoned the 2014 criterion. Once we take into account the needs of workers with family responsibilities, as we should, the question is a vitally important one, not only for the Australian legislation, but for the application of Catholic social teaching and the application international conventions concerning the setting of wages that provide a standard of living worthy of a human being.

#### **D. *Gaudium et Spes* on work and wages**

32. *Gaudium et Spes* did not address work and wages in detail, but adopted the views set out recent encyclicals and placed them in the context of its own description of the socio-economic conditions of the time.

“Since rather recent documents of the Church's teaching authority have dealt at considerable length with Christian doctrine about human society, this council is merely going to call to mind some of the more basic truths, treating their foundations under the light of revelation. Then it will dwell more at length on certain of their implications having special significance for our day. (23, footnote omitted)

33. The footnote to this passage refers to three encyclicals: *Mater et Magistra* and *Pacem in Terris* by St John XXIII and *Ecclesium Suam* by Blessed Pope Paul VI in 1964. Nevertheless, *Gaudium et Spes* makes a number of points relevant to work and wages and their socio-economic context. I have set out below some of the more significant passages for this paper and added emphasis to parts of them. They illustrate a number of important issues: human dignity; human rights; inequality; the importance of work to human dignity; the right and the duty to work; and the obligation of government to promote work opportunities.
- (a) “.. there is a growing awareness of the exalted dignity proper to the human person, since he stands above all things, and his rights and duties are universal and inviolable. Therefore, *there must be made available to all men everything necessary for leading a life truly human*, such as food, clothing, and shelter; the right to choose a state of life freely and to found a family, the right to education, to employment, to a good reputation, to respect, to appropriate information, to activity in accord with the upright norm of one's own conscience, to protection of privacy and rightful freedom even in matters religious.” (26)
  - (b) “True, all men are not alike from the point of view of varying physical power and the diversity of intellectual and moral resources. Nevertheless, with respect to the fundamental rights of the person, *every type of discrimination, whether social or cultural, whether based on sex, race, color, social condition, language or religion, is to be overcome and eradicated as contrary to God's intent*. For in truth it must still be regretted that *fundamental personal rights* are still not being universally honored. Such is the case of a woman who is denied the right to choose a husband freely, to embrace a state of life or to acquire an education or cultural benefits equal to those recognized for men.” (29)
  - (c) “Therefore, although rightful differences exist between men, *the equal dignity of persons demands that a more humane and just condition of life be brought about*. For excessive economic and social differences between the members of the one human family or population groups cause scandal, and militate against social justice, equity, the dignity of the human person, as well as social and international peace.” (29)
  - (d) “Human activity, to be sure, takes its significance from its relationship to man. Just as it proceeds from man, so it is ordered toward man. *For when a man works he not only alters things and society, he develops himself as well*. He learns much, he cultivates his resources, he goes outside of himself and beyond himself. Rightly understood this kind of growth is of greater value than any external riches which can be garnered. *A man is more precious for what he is than for what he has*.” (35, footnote omitted)

- (e) "In the economic and social realms, too, the dignity and complete vocation of the human person and the welfare of society as a whole are to be respected and promoted. *For man is the source, the center, and the purpose of all economic and social life.*" (63)
- (f) "Our contemporaries are coming to feel these inequalities with an ever sharper awareness, since they are thoroughly convinced that the ampler technical and economic possibilities which the world of today enjoys can and should correct this unhappy state of affairs. *Hence, many reforms in the socioeconomic realm and a change of mentality and attitude are required of all. For this reason the Church down through the centuries and in the light of the Gospel has worked out the principles of justice and equity demanded by right reason both for individual and social life and for international life, and she has proclaimed them especially in recent times. This sacred council intends to strengthen these principles according to the circumstances of this age and to set forth certain guidelines, especially with regard to the requirements of economic development.*" (63, footnote omitted.)
- (g) "Human labor which is expended in the production and exchange of goods or in the performance of economic services is superior to the other elements of economic life, for the latter have only the nature of tools. " (67)
- (h) "This labor, whether it is engaged in independently or hired by someone else, comes immediately from the person, who as it were stamps the things of nature with his seal and subdues them to his will. By his labor a man ordinarily supports himself and his family, is joined to his fellow men and serves them, and can exercise genuine charity and be a partner in the work of bringing divine creation to perfection. Indeed, we hold that through labor offered to God man is associated with the redemptive work of Jesus Christ, Who conferred an eminent dignity on labor when at Nazareth He worked with His own hands. *From this there follows for every man the duty of working faithfully and also the right to work.* It is the duty of society, moreover, according to the circumstances prevailing in it, and in keeping with its role, to help the citizens to find sufficient employment. *Finally, remuneration for labor is to be such that man may be furnished the means to cultivate worthily his own material, social, cultural, and spiritual life and that of his dependents, in view of the function and productiveness of each one, the conditions of the factory or workshop, and the common good.*" (67, footnote omitted)
- (i) "The entire process of productive work, therefore, must be adapted to the needs of the person and to his way of life, above all to his domestic life, especially in respect to mothers of families, always with due regard for sex and age. The opportunity, moreover, should be granted to workers to unfold their own abilities and personality through the performance of their work." (67)
- (j) "Investments, for their part, must be directed toward procuring employment and sufficient income for the people both now and in the future. Whoever makes decisions concerning these investments and the planning of the economy—whether they be individuals or groups of public authorities—are bound to keep these objectives in mind and to recognize their serious obligation of watching, on the one hand, that provision be made for the necessities required for a decent life both of individuals and of the whole community and, on the other, of looking out for the future and of establishing a right balance between the needs of present-day consumption, both individual and collective, and the demands of investing for the generation to come." (70)

34. The chapter on economic and social life concludes with an exhortation to action:  
 "Christians who take an active part in present-day socio-economic development and fight for justice and charity should be convinced that they can make a great contribution to the prosperity of mankind and to the peace of the world. In these activities let them, either as individuals or as members of groups, give a shining example. Having acquired the absolutely necessary skill and experience, they should observe the right order in their earthly activities in faithfulness to Christ and His Gospel. Thus their whole life, both individual and social, will be permeated with the spirit of the beatitudes, notably with a spirit of poverty. Whoever in obedience to Christ seeks first the Kingdom of God, takes therefrom a stronger and purer love for helping all his brethren and for *perfecting the work of justice under the inspiration of charity.*" (72, emphasis added, footnote omitted.)
35. The Council intended that the Church's detailed consideration of economic and social matters would be found in *Mater et Magistra* and *Pacem in Terris*. (*Ecclesium Suam*, which the council referred to in the earlier mentioned footnote, was not concerned with an economic and social analysis.) In *Mater et Magistra* St John XXIII emphasised "the basic economic and social principles for the reconstruction of human society enunciated so clearly and authoritatively by" Pope Leo XIII in *Rerum Novarum*.  
 "They [the basic economic and social principles in *Rerum Novarum*] concern first of all the question of work, which must be regarded not merely as a commodity, but as a specifically human activity. In the majority of cases a man's work is his sole means of livelihood. Its remuneration, therefore, cannot be made to depend on the state of the market. It must be determined by the laws of justice and equity. Any other procedure would be a clear violation of justice, even supposing the contract of work to have been freely entered into by both parties." (18)  
 "It is furthermore the duty of the State to ensure that terms of employment are regulated in accordance with justice and equity, and to safeguard the human dignity of workers by making sure that they are not required to work in an environment which may prove harmful to their material and spiritual interests. It was for this reason that the Leonine encyclical enunciated those general principles of rightness and equity which have been assimilated into the social legislation of many a modern State, and which, as Pope Pius XI declared in the encyclical *Quadragesimo Anno*, have made no small contribution to the rise and development of that new branch of jurisprudence called labor law." (21, footnote omitted)  
 "Finally, both workers and employers should regulate their mutual relations in accordance with the principle of human solidarity and Christian brotherhood. Unrestricted competition in the liberal sense, and the Marxist creed of class warfare; are clearly contrary to Christian teaching and the nature of man." (23)  
 "These, Venerable Brethren, are the basic principles upon which a genuine social and economic order must be built." (24)

36. St John XXIII concluded this section of his encyclical with the observation that “the Leonine encyclical is rightly regarded, even today, as the *Magna Charta* of social and economic reconstruction” (26). He then turned to Pope Pius XI’s 1931 encyclical *Quadragesimo Anno*, which, he said, “confirmed the right and duty of the Catholic Church to work for an equitable solution of the many pressing problems weighing upon human society” (28). After a recitation of the earlier encyclical’s consideration of the connected issues of private property and wages, he summarised the Church’s teaching on the remuneration of work and the factors determining a just wage.

“We therefore consider it Our duty to reaffirm that the remuneration of work is not something that can be left to the laws of the marketplace; nor should it be a decision left to the will of the more powerful. It must be determined in accordance with justice and equity; which means that workers must be paid a wage which allows them to live a truly human life and to fulfill their family obligations in a worthy manner. Other factors too enter into the assessment of a just wage: namely, the effective contribution which each individual makes to the economic effort, the financial state of the company for which he works, the requirements of the general good of the particular country—having regard especially to the repercussions on the overall employment of the working force in the country as a whole—and finally the requirements of the common good of the universal family of nations of every kind, both large and small.” (71)

37. This passage recognises that a generally applicable minimum wage does not exhaust the obligation to pay a just wage. In a particular case the just wage might be more than the lowest minimum rate. Skill and responsibility, the overall work value of a job, need to be taken into account when determining a just wage.
38. The issues of work and wages were addressed again in *Pacem in Terris*. The context in which that occurred are important. In the opening pages of the encyclical we see a discussion of “Order between Men”. The following appears under that heading:

“8. We must devote our attention first of all to that order which should prevail among men.

9. Any well-regulated and productive association of men in society demands the acceptance of one fundamental principle: that each individual man is truly a person. His is a nature, that is, endowed with intelligence and free will. As such he has rights and duties, which together flow as a direct consequence from his nature. These rights and duties are universal and inviolable, and therefore altogether inalienable.

10. When, furthermore, we consider man's personal dignity from the standpoint of divine revelation, inevitably our estimate of it is incomparably increased. Men have been ransomed by the blood of Jesus Christ. Grace has made them sons and friends of God, and heirs to eternal glory.

#### *Rights*

11. But first We must speak of man's rights. Man has the right to live. He has the right to bodily integrity and to the means necessary for the proper development of

life, particularly food, clothing, shelter, medical care, rest, and, finally, the necessary social services. In consequence, he has the right to be looked after in the event of ill health; disability stemming from his work; widowhood; old age; enforced unemployment; or whenever through no fault of his own he is deprived of the means of livelihood.” (Footnotes omitted.)

39. The language of human rights fills the introductory pages, under the following headings: Rights Pertaining to Moral and Cultural Values, The Right to Worship God According to One's Conscience, The Right to Choose Freely One's State in Life, The Right of Meeting and Association, Political Rights and Economic Rights. The encyclical then turns to Duties, Reciprocity of Rights and Duties Between Persons, Mutual Collaboration, Social Life in Truth, Justice, Charity and Freedom and many others in some detail.
40. Under the heading Economic Rights, the opening paragraph states that “...it is evident that a man has the inherent right not only to be given the opportunity to work, but also to be allowed the exercise of personal initiative in the work he does” (18). The encyclical turns to the wage needed to support workers and their families:

“The worker is likewise entitled to a wage that is determined in accordance with the precepts of justice. This needs stressing. The amount a worker receives must be sufficient, in proportion to available funds, to allow him and his family a standard of living consistent with human dignity. Pope Pius XII expressed it in these terms:

‘Nature imposes work upon man as a duty, and man has the corresponding natural right to demand that the work he does shall provide him with the means of livelihood for himself and his children. Such is nature's categorical imperative for the preservation of man.’”(20, footnote omitted)

### **E. Prudential judgements**

41. The discussion of rights and principles in *Mater et Magistra* concludes with a distinction being drawn between the principles covered in the encyclical and the way in which they are to be applied.

“The above principles are valid always and everywhere. So much is clear. But their degree of applicability to concrete cases cannot be determined without reference to the quantity and quality of available resources; and these can—and in fact do—vary from country to country, and even, from time to time, within the same country.” (72)

42. This passage foreshadowed a subsequent passage regarding the application of principles. *Mater et Magistra* referred to the potential for disputes about the application of Catholic social teaching:



“Differences of opinion in the application of principles can sometimes arise even among sincere Catholics. When this happens, they should be careful not to lose their respect and esteem for each other. Instead, they should strive to find points of agreement for effective and suitable action, and not wear themselves out in interminable arguments, and, under pretext of the better or the best, omit to do the good that is possible and therefore obligatory.” (238)

43. This position was re-stated in *Gaudium et Spes*. In the context of passages referring to the role of the Church in the modern world and the secular and religious duties of lay Catholics, the Council wrote:

“Often enough the Christian view of things will itself suggest some specific solution in certain circumstances. Yet it happens rather frequently, and legitimately so, that with equal sincerity some of the faithful will disagree with others on a given matter. Even against the intentions of their proponents, however, solutions proposed on one side or another may be easily confused by many people with the Gospel message. Hence it is necessary for people to remember that no one is allowed in the aforementioned situations to appropriate the Church's authority for his opinion. They should always try to enlighten one another through honest discussion, preserving mutual charity and caring above all for the common good.” (43)

44. Most recently we find this in *Laudato Si'*. Chapter 1 of the encyclical, which is entitled *What is happening to our common home*, concludes:

“Finally, we need to acknowledge that different approaches and lines of thought have emerged regarding this situation and its possible solutions. At one extreme, we find those who doggedly uphold the myth of progress and tell us that ecological problems will solve themselves simply with the application of new technology and without any need for ethical considerations or deep change. At the other extreme are those who view men and women and all their interventions as no more than a threat, jeopardizing the global ecosystem, and consequently the presence of human beings on the planet should be reduced and all forms of intervention prohibited. Viable future scenarios will have to be generated between these extremes, since there is no one path to a solution. This makes a variety of proposals possible, all capable of entering into dialogue with a view to developing comprehensive solutions.

*On many concrete questions, the Church has no reason to offer a definitive opinion; she knows that honest debate must be encouraged among experts, while respecting divergent views.* But we need only take a frank look at the facts to see that our common home is falling into serious disrepair.” (60-1, emphasis added)

45. Church teaching emphasises the need for Catholics to take appropriate action on a range of social matters; and, if confronted with a range of economic and regulatory alternatives, to seek effective and suitable action. Difficulty and disagreement are not excuses for inaction.
46. The term “prudential judgment” is often used to describe the process of coming to a conclusion as to what should be done by way of the application of principle. It is

important in our reading and understanding of what has been written about work and wages in the past, and what has been said about environmental matters in *Laudato Si'*, that a distinction be drawn between the analysis, which draws together observed realities and contributions of faith and science, and the remedial prescriptions, which spell out the specific actions that should be taken at the personal, community or governmental level. The need to understand the realities, to read the signs of the times, is particularly important in minimising the potential differences between Catholics who generally take different party-political positions. The need to understand the realities, to read the signs of the times, is particularly important in minimising the potential differences between Catholics who generally take different party-political positions.

47. Action required to give effect to a moral principle requires prudential judgment, taking into account a range of relevant factors, including costs and effectiveness. The morality of these options also has to be considered; for example, it would be immoral to adopt solutions that would impose inequitable costs on the poor when there are other solutions available. Moral considerations are not limited to the analysis of a situation. Clearly, it would be immoral to do nothing when the situation calls out for action. The need to make a prudential judgment does not, therefore, exclude the application of moral reasoning to alternative actions or provide an excuse for inaction. There is an obligation to address the principles, practical issues and the evidence, even though such a process may yield differences of opinion.
48. For the Pope, and for bishops generally, there will be occasions when, suitably informed of the matters that are relevant to the practical application of the principle they are addressing, an encyclical or pastoral letter may address and advocate specific policies or practices on the basis of moral reasoning; such as, for example, holding in detention the children of asylum seekers. However, in general, the Church does not seek to become part of the political process. Pope Benedict XVI gave the reasons for this in his address to the bishops of Latin America and the Caribbean in May 2007:

“This political task is not the immediate competence of the Church. Respect for a healthy secularity—including the pluralism of political opinions—is essential in the Christian tradition. If the Church were to start transforming herself into a directly political subject, she would do less, not more, for the poor and for justice, because she would lose her independence and her moral authority, identifying herself with a single political path and with debatable partisan positions. The Church is the advocate of justice and of the poor, precisely because she does not identify with politicians nor with partisan interests. Only by remaining

independent can she teach the great criteria and inalienable values, guide consciences and offer a life choice that goes beyond the political sphere. To form consciences, to be the advocate of justice and truth, to educate in individual and political virtues: that is the fundamental vocation of the Church in this area. And lay Catholics must be aware of their responsibilities in public life; they must be present in the formation of the necessary consensus and in opposition to injustice.” (Address to Inaugural Session, Fifth General Conference of the Bishops of Latin America and the Caribbean, 13 May 2007)

49. The laity and Catholic institutions will have a greater capacity to enter into public debate by virtue of their experience and expertise in the contentious, but this must be done *bona fide*, with care and with a clear understanding of the relevant principles.

#### **F. A postscript to *Gaudium et Spes*' teachings on work and wages**

50. A number of encyclicals published since *Gaudium et Spes* have addressed the social and economic issues that confront the modern world and the Catholic response to them. As we would expect, work and wages have been a critical part of them. There are, I suggest, three passages that are particularly relevant to this paper: one from each of *Laborem Exercens*, *Caritas in Veritate* and *Laudato Si'*.
51. The first one I have already quoted in paragraph 9: St John Paul II's view about what is required if we are to show our fidelity to Christ. In my view, this is the most compelling passage written in the social encyclicals concerning the nature and purpose of work, both in socio-economic and theological terms, and of workers' rights. It is a powerful summary of the nature and purpose of Catholic social teaching. It is a text from which a prayer or a hymn could be drawn. The promotion of justice in employment relations is part of the social mission of the Church. The concluding words of this passage highlight and bring together three important aspects of the plight of poor and vulnerable workers: limited employment opportunities, inadequate wages and the lack of job security.
52. The second passage that I wish to highlight is in *Caritas in Veritate* and it concerns the Church's commitment to the *Decent Work Agenda* of the International Labour Organisation (ILO). It opens with a reference to the passage from *Laborem Exercens* mentioned in the previous paragraph and includes a summary of what decent work requires.

“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 regard 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, both 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 organize themselves freely, and to 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.” (63, footnotes omitted, emphasis in original.)

53. A particularly useful paper on these matters was presented by the then Director-General of the International Labour Office, Juan Somavia, at a conference held at the Pontifical Lateran University on 25 February 2005: *The Challenge of a Fair Globalization*; see <http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/2005/rome.pdf>

54. The Director-General’s paper included:

“Decent work is not an international standard, it is a legitimate human goal in every society. It is based on job creation and the enabling environment for investment and enterprise development together with rights at work and social protection within the possibilities of each economy, all facilitated by dialogue among governments, employers, workers, and international solidarity. Each society must define and organize around its own priorities to get there. It will not happen overnight, but we must recognize that this is the most widespread democratic demand in all countries.

Understood in this way, the concept of decent work is not limited to a mere material dimension. It also includes the properly spiritual dimension of work. As the ILO’s Philadelphia Declaration of 1944 states: ‘all human beings – irrespective of race, creed or sex – have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity’.” (Page 4, footnote omitted.)

55. In 2008 the International Labour Conference adopted the Declaration on Social Justice for a Fair Globalization, which adopts the Decent Work Agenda.

56. The Holy See has continued its long and active involvement in the ILO. In June 2015 Archbishop Tomasi, the Apostolic Nuncio, and Permanent Observer of the Holy See to the United Nations and Other International Organizations in Geneva, concluded his Statement to the International Labour Conference with the following:

“The transition from informal to formal employment is a delicate process that should recognize the rights of everyone, particularly of the most vulnerable, people who are left out and marginalized. The challenge is to reduce inequality, to support the transition to greater protection in the formal economy and to maintain the priority of labour rights for everyone in trade agreements.

The considerations that moved the founders of the ILO to make social justice the ultimate goal of this organization, the everyday business of which is the world of work, established a nexus and responsibility that remain unchanged nearly 100 years later. Consequently, when governments, employers and workers come together at the ILO to seek consensus, they should always be guided by the requirements of social justice. Coherence requires that the future work of the centenary initiative should also relate to the future of social justice.

Allow me to conclude with the words of Pope Francis: ‘We can no longer trust in the unseen forces and the invisible hand of the market. Growth in justice requires... programs, mechanisms and processes specifically geared to a better distribution of income, the creation of sources of employment and an integral promotion of the poor....’ (Pope Francis, Apostolic Exhortation *Evangelii Gaudium*, para. 204.). Only in this way can economic growth be truly inclusive.”; see <http://www.osservatoreromano.va/en/news/dignified-work-for-all>

57. The third post-*Gaudium et Spes* passage that I wish to refer to comprises three paragraphs in *Laudato Si'* which emphasise the importance of work to the promotion of human dignity and the lives of the poor and marginalised. Pope Francis addressed the nature and purpose of work and the need for employment under the heading *The need to protect employment*.

“125. If we reflect on the proper relationship between human beings and the world around us, we see the need for a correct understanding of work; if we talk about the relationship between human beings and things, the question arises as to the meaning and purpose of all human activity. This has to do not only with manual or agricultural labour but with any activity involving a modification of existing reality, from producing a social report to the design of a technological development. Underlying every form of work is a concept of the relationship which we can and must have with what is other than ourselves. ....

127. We are convinced that “man is the source, the focus and the aim of all economic and social life” (*Gaudium et Spes*, 63). Nonetheless, once our human capacity for contemplation and reverence is impaired, it becomes easy for the meaning of work to be misunderstood (*Centesimus Annus*, 37). We need to remember that men and women have “the capacity to improve their lot, to further their moral growth and to develop their spiritual endowments” (*Populorum Progressio*, 34). Work should be the setting for this rich personal growth, where many aspects of life enter into play: creativity, planning for the future, developing our talents, living out our values, relating to others, giving glory to God. It follows that, in the reality of today’s global society, it is essential that “we continue to prioritize the goal of access to steady employment for everyone” (*Caritas in Veritate*, 32) no matter the limited interests of business and dubious economic reasoning.”

128. We were created with a vocation to work. The goal should not be that technological progress increasingly replace human work, for this would be detrimental to humanity. Work is a necessity, part of the meaning of life on this earth, a path to growth, human development and personal fulfilment. Helping the poor financially must always be a provisional solution in the face of pressing needs. The broader objective should always be to allow them a dignified life through work. Yet the orientation of the economy has favoured a kind of technological progress in which the costs of production are reduced by laying off workers and replacing them with machines. This is yet another way in which we can end up working against ourselves. The loss of jobs also has a negative impact on the economy “through the progressive erosion of social capital: the network of relationships of trust, dependability, and respect for rules, all of which are indispensable for any form of civil coexistence” (*Ibid.*). In other words, “human costs always include economic costs, and economic dysfunctions always involve human costs” (*Ibid.*). To stop investing in people, in order to gain greater short-term financial gain, is bad business for society.”

58. These passages reinforce the Church’s teaching on the right, need and obligation to work, but with an added urgency. Clearly, the economic times weigh heavily on Pope Francis.

59. A passage that I have found to be helpful in understanding and explaining Catholic social teaching on economic matters is in a commentary on justice in a Pastoral Letter issued by the National Conference of Catholic Bishops of the United States in 1986. Following a discussion of justice and participation in society, the letter continued:

"These fundamental duties can be summarized this way: *Basic justice demands the establishment of minimum levels of participation in the life of the human community for all persons....*

Stated positively, justice demands that social institutions be ordered in a way that guarantees all persons the ability to participate actively in the economic, political, and cultural life of society. The level of participation may legitimately be greater for some persons than for others, but there is a basic level of access that must be made available to all. Such participation is an essential expression of the social nature of human beings and their communitarian vocation. (*Economic Justice for All*, 1986, paragraphs 77-8, footnotes omitted, italics in original.)

60. The passage also makes it clear that justice is central to our involvement in economic affairs. It also speaks about what we now call social inclusion and emphasises that social inclusion requires the personal development of all citizens. Social inclusion is a fundamental objective of the *Fair Work Act*, which regulates Australian minimum wage decisions. Section 3 of the Act provides:

"The object of this Act is to provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians...."

## **G. The recognition of a human right to a decent wages**

61. It is apparent from the passages quoted from *Gaudium et Spes* and the encyclicals that the right to a “decent wage”, or some similar expression, is accepted within the Church both by reference to the natural law and our God-given dignity. The right to a just wage has been recognised in the *Universal Declaration of Human Rights*, which was adopted by the General Assembly of the United Nations in December 1948. The Declaration recognises that everyone who works has:

“... the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection” (Article 23(3)).

62. When the *Universal Declaration of Human Rights* declares the right of workers to an existence worthy of human dignity, it is also recognising a right of those who depend on workers to share in that fundamental right. Several years before the Declaration was made, a conference of the ILO adopted a resolution concerning the protection of children and young persons. The resolution provided that:

“[all necessary measures should be taken] to assure the material well-being of children and young persons by...the provision of a living wage for all employed persons sufficient to maintain the family at an adequate standard of living” (*Resolution concerning the Protection of children and young workers*, 4 November 1945, paragraph 5(b)).

63. We see in this resolution the concept of a *living wage*. The living wage identified in that resolution was a wage that would maintain the family at an adequate standard of living. It might also be noted that the ILO’s key declaration of 10 May 1944, the Philadelphia Declaration, included the objective of promoting “policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection.”; see *Declaration concerning the aims and purposes of the International Labour Organisation*, Article III (d). The living wage not only informed the ILO’s decision, but, no doubt, it had a major role in the formulation of the wages aspect of the Declaration three years later when it was adopted by the United Nations General Assembly in December 1948.

64. The *Universal Declaration of Human Rights* does not impose specific obligations on members of the United Nations. The instrument that gives effect to the wages part of the Declaration and a number of the other rights declared in 1948 is the United Nations’ *International Covenant on Economic, Social and Cultural Rights*, which

was adopted by the General Assembly in 1966. The Covenant recognises a universal right:

“...to the enjoyment of just and favourable conditions of work which ensure, in particular: ... Remuneration which provides all workers, as a minimum, with ... Fair wages and... A decent living for themselves and their families.” (Article 7(a)).

65. The practical application of these human rights requires the proper consideration of a range of factors, personal and community, social and economic. The International Labour Organisation's *Minimum Wage Fixing Convention, 1970*, brings together a range of factors that need to be considered:

“The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include--

- (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;
- (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.”

66. In regard to the Covenant, there are 164 State parties, 6 countries which are signatories only and 27 countries that have taken no action; see <http://indicators.ohchr.org>. The ILO Convention has been ratified by 52 countries; see [www.ilo.org](http://www.ilo.org) and follow the links. Australia has ratified the Covenant and the Convention and the national minimum wage legislation is consistent with both of them.

## **H. The living wage**

67. There are various ways in which we could express a wage that is worthy of a human being and which provides appropriate support for workers with family responsibilities. I generally think in terms of “decent wages”, but I am convinced that the best way to express this in public advocacy in Australia, and in other places, is to call it a “living wage”. The term has been in use for a long time and has not lost its appeal.
68. The concept of a living wage emerged in the late nineteenth century in response to widespread "sweating" and social deprivation. At this time sweating by low pay and long hours was a serious social problem and a major political issue in industrialising nations. The living wage was both a guiding principle and a goal to be achieved



through legislation. The living wage principle propounded a right to laws that would enable the worker and the worker's family to live in dignity.

69. In the course of preparing ACCER's 2015 annual wage review submissions I had the opportunity to review some early Australian newspaper reports on the development of community support for the introduction of minimum wage laws that would provide workers with the guarantee of a living wage. Some of my research is in Chapter 2A of *Working Australia, 2015*. I will mention a few.
70. On 26 August 1882 *The Sydney Morning Herald* carried a report about the "great freight handlers' strike" in the United States and the workers' grievance that they were not being paid a "living wage". On 9 December 1893 *The Sydney Morning Herald* reported that a "conference of representative Christians is shortly to be held in London to discuss the living wage and the actions which should be taken by the various sections of the Christian church, with a view to putting an end to, or at least diminishing the evils of the present system of industrial warfare. Among those who have consented to take part in the conference are Cardinal Vaughan, the Bishop of Ripon, Archdeacon Farrar, and several of the Presidents of the Nonconformist Unions". In Sydney *The Catholic Press* of 14 November 1896 reported that the St James' Glebe Point debating society had accepted a challenge from the Paddington Society for a debate at St Francis' Hall in Paddington on the question "That the condition of the people would be improved by the adoption of the minimum or 'living' wage principle". It was subsequently reported that the affirmative case was successful. I expect that *Rerum Novarum* had an impact on the contributions by the winning team.
71. In the United States *A Living Wage* was published in 1906. It was a substantial work by Fr. John A Ryan, a Catholic priest who later, as Monsignor Ryan, played a significant role in the formulation of New Deal employment policies. In 1909 Winston Churchill introduced into the House of Commons legislation to establish wages councils with the statement "It is a serious national evil that any class of His Majesty's subjects should receive less than a living wage in return for their utmost exertions" (*Hansard*, House of Commons, 28 April 1909). By the First World War the living wage principle came to be the explicit basis on which minimum wages were sought and set in Australia.
72. This brief recitation of events is limited to just three countries. But the same developments were taking place in other countries so that by the middle of the twentieth century the living wage principle was widely accepted as expressing an

inherent right to a wage that would provide a decent standard of living for workers and their families.

73. As we have seen, it was used at the international level in the 1940s. It is now used in a variety of campaigns around the world, especially where the legal minimum wage is inadequate to meet the ordinary needs of the worker and his or her family. The term is also used in, for example, *fair trade* websites where campaigns are undertaken about working conditions in poor countries and where the term is used encompass the workers' family. In England and Wales the Catholic Church is a Living Wage Employer, accredited by the Living Wage Foundation.
74. The term living wage is used in a way that is consistent with the human rights instruments to which I have referred. While we need to frame the discussion about the right to a decent wage in terms of human rights, operationally the better expression is living wage.
75. While the living wage still has meaning and utility in public advocacy and wage setting, there are two aspects that need closer attention: who is to be protected by the living wage and what is the standard of living to be delivered. The same issues arise if we concentrate on the human rights instruments mentioned.

### **I. Applying human rights through domestic laws**

76. The application of the right to an adequate minimum wage recognised in the *Universal Declaration of Human Rights*, the *International Covenant on Economic, Social and Cultural Rights*, the *Minimum Wage Fixing Convention, 1970* and the living wage principle is not a simple one. Nor is the application of the statutory right that is found in the minimum wage provisions of the *Fair Work Act 2009*, a right which is consistent with these prescriptions.
77. This fundamental obligation and entitlement requires the setting of a minimum wage that will apply to workers with and without family responsibilities. The wage that is sufficient for workers with family responsibilities will be more than the wage that is needed to provide a similar standard of living for workers without family responsibilities. In practice, the gap between the two will be reduced by family payments made by governments. Unless family payments cover the full costs of dependants, minimum wages that are set in conformity with these recognised rights will have a component for family support and, of necessity, the worker without family responsibilities will have a degree of “overcompensation” in his or her wage packet.

78. If the “overcompensation” of the better off sections of the community is unacceptable, the answer is not to penalise the poor, but to make changes that limit or remove the need for that overcompensation. This means the use of the tax/transfer system to target the needs of low paid workers with family responsibilities, so that the overcompensation is limited or removed and wages can be less than what would otherwise be needed in order to give effect to the recognised right of workers with family responsibilities.
79. The fact that some workers do not have family responsibilities does not qualify or limit the right of workers with family responsibilities to a decent wage. A minimum wage cannot be reduced by an averaging across these two groups. The relative size of the cohorts of workers with and without family responsibilities cannot affect the obligation to set a wage that is appropriate for workers with family responsibilities.
80. A human right and an obligation recognised by law that are expressed in general terms have to be applied in a rational and appropriate way in order to give true effect to the right and obligation. The quantification of a minimum wage required to give effect to the right has to be set in the economic context of the jurisdiction setting the wage. The right that is recognised does not extend to the setting of a minimum wage that is required in unusual or exceptional cases, such as the wage that would be needed to support a family with a dozen children. ACCER’s argument in wage cases is that it should meet the ordinary and expected circumstances. This is a rational and appropriate way to give effect to the right to a decent wage (or any similar expression) and the obligation on the wage setting tribunal to set such a wage.
81. The test for the proper application of the right that ACCER has argued for is based on the ordinary and expected circumstances, which would include the circumstances of couple parent families with two children and sole parent families with two children. Of course, single persons would fall into the ordinary and expected test. Where transfers do not cover the needs of dependants (as is the case in Australia), a wage that is sufficient for a single person, but not for the others, would be inadequate and not in compliance with the recognised right. The minimum wage should be sufficient for all three.

#### **J. Social safety nets: family payments**

82. A decent standard of living for workers with family responsibilities cannot be supplied by wages alone in a contemporary globalised economy. Families must be supported by strong social safety nets.

83. Until recently Australia had seen a long term increase in family payments. Part of ACCER's evidence to the annual wage reviews provides a detailed breakdown of the disposable incomes of low paid working families. We have used two "benchmark" families: couple and sole parent families with two children. We also presented data on the position of the single person.
84. In January 2015 a NMW-dependent single breadwinner family of a couple with two children (aged 8 and 12) living in rented premises had a disposable income of \$961.70 per week. This included Government transfer payments of \$380.59 per week, which was equal to 39.6% of their disposable income; see *Working Australia, 2015* Table 28, which is reproduced below as Table 2. By contrast, in August 1973 the same kind of family received only 7.7% of its disposable income from Government transfers; *ibid.* Table 11. This very substantial increase in family payments mostly came as a result of a policy in the 1980s to increase the "social wage".
85. The consequences for minimum wage setting and the national Budget are very significant when over four decades the public contribution to the NMW-dependent family of four has risen from 7.7% to 39.6% of its total disposable income.
86. A major factor in the decision to increase family payments was the objective of moderating wage increases. These income-related payments were not intended to do away with the need for the wage packet to provide support for low income families. Substantial as they are, family transfers do not cover the costs of dependants in these, or any other, households. No government had adopted a policy to cover these costs.
87. The national Budget of May 2014 was a watershed in Australian public policy on family support. The Government gave notice in the Federal election in late 2013 (when it was then the Opposition) that it intended to abolish education payments which were worth \$400.00 per year to primary students and \$800.00 per year to secondary students, but the Budget announced much greater cuts for families. The May 2014 Budget proposed changes which meant that many families would lose a further \$75.00, or more, from their family payments. Many families faced losses of about \$100.00 per week. All families were to be affected to some significant extent. The broad justification was that the existing level of payments could not be afforded.
88. Most of the prospective loss in family support was in the proposed withdrawal of an allowance, called Family Tax Benefit, Part B, paid to the parent in a couple parent household who stays at home to care for the children. It is also paid to sole parents, even when they are in employment, on the basis that sole parents need further support

in raising children. The Government proposed that it would be withdrawn after the youngest child turns six years of age, justifying it on the basis that it would encourage workforce participation by women. The proposed changes to this payment (apart from the other measures) meant a loss of about \$55.00 per week for the families affected.

89. Apart from the proposal on education payments, the family payments proposals have been opposed by the Senate. The Government recently offered to raise the age for the cessation of family benefits, from six to 13, as part of a package of revised cuts to family payments. But many families would still be out of pocket under those proposals by more than \$75.00 per week, in addition to the abolition of the education payments which have been agreed to. Negotiations are continuing. However it is clear that the 39.6% public contribution to household income described earlier will be the high-water mark in the public support for low paid working families for the foreseeable future.
90. The family payments issue raised by the Australian Government's budgetary proposals is not just about the quantum that the public purse contributes to household incomes. There is an important principle and a key part of budgetary policy involved in the issue. The payment to the stay at home parent helps both parents make an effective choice as to how they will balance work and family responsibilities. If implemented, the proposal would place economic pressure on couple parent families to abandon plans to have one of them stay at home to care for their children. In sole parent families, it would place more financial pressure on the parent to work more hours than he or she has had to in the past.
91. I have also discussed this budgetary issue because it includes a matter that is a central part of the Catholic approach to family support, i.e. the recognition of the value provided by the parent who stays at home to care for their children. The justification given for the proposal, that it will encourage parents back into the workforce, is unacceptable. It does not persuade those who believe in the great value of the work performed by parents when they stay out of the workforce in order to care for their children. In early October 2015 Catholic Social Services Australia and ACCER issued a Fact Sheet setting out the case against the proposed change. The document is available at [www.accer.asn.au](http://www.accer.asn.au). The document includes passages from two speeches given by former Prime Minister Paul Keating on the importance of payments for parents who care for their children, rather than being part of the employed workforce. I refer to them in the next section..

## **K. Important matters of principle**

92. The commentary on the May 2014 Budget and its consequences raises a vitally important question in regard to family policies. How should public policy be framed in regard a couple who decide that one of them should stay at home and not seek employment in order to care for their children? It is a matter of great importance to low income families.
93. In the course of making submissions at one of the annual wage reviews I pointed out to the tribunal that minimum wage-dependent single breadwinner couple families were living in poverty when one of the members of the tribunal interjected to say that it was “their choice to live in poverty”. By that the tribunal member meant that if the second parent went out and got a job, or even applied for unemployment benefits, the family would not be in poverty. The implication is that the parents are the cause of their children living in poverty. This is an unspoken issue in the formal written reasons for decision given in annual wage cases. Not only has the FWC avoided an explicit consideration of the issue, the major parties, including the unions, have avoided the issue in presenting their submissions. Not so ACCER. We have put the argument in various ways, such as: the second parent should not have to go to work in order for the family to avoid poverty. But the issue is one of fundamental principle about how parents exercise their family responsibilities.
94. It will be readily apparent that this is an issue that raises questions about the role of women in modern society. It should be noted that the Catholic Church is one of the largest employers in Australia, with about over 180,000 employees in a workforce of almost 10 million. Women are a large majority in Catholic employment and most of them are professional and/or career oriented. There would be no non-government employer in Australia with a larger workforce of this kind.
95. Over the years we have emphasised that our advocacy for a wage that takes into account the needs of parents with family responsibilities does not raise any gender-specific issue. There are three important points that are made in this regard:
  - First, parents should have the effective right to choose that one of them will stay out of the employed workforce in order to care for their children. A corollary of this principle is that parents may decide that the interests of the family, and those of the children in particular, would be best served by both of them being employed. Whether the second parent

takes a job will depend on a variety of factors, including the availability and cost of good child care.

- Second, the principle applies whether the breadwinner, or principal breadwinner, is male or female. Parents should be able to choose which one of them will be the breadwinner and which one of them will stay out of the employed workforce in order to care for their children.
- Third, where parents are out of the employed workforce for a substantial period of time in order to raise children there should be various kinds of training programs and other educational support to assist them to return to the workforce when they choose to do so.

96. The need for families to have an effective choice as to how they balance their work and family responsibilities is discussed in the following extract from the report of a national Commission of Inquiry into Poverty (Poverty Commission) established in 1972 to inquire into poverty and propose responses to it. Its report was a significant cause of the increases in the social safety net in subsequent years. The Poverty Commission wrote:

“A further way in which many low income families are often placed under great stress is in relation to the freedom parents have to decide how they will divide their time between working, looking after children, and other activities. Because of financial pressures some parents are confronted with the choice of spending more time earning money and less time at home or struggling on an income below the poverty line....

Some fathers compensate for their low wages by working more hours or working two jobs. In many instances this may create considerable pressure on parents and their children.... Inadequate wages and pensions place considerable pressure on mothers to work...The mere fact of a mother working is not necessarily detrimental to the family. The relationship between a mother working and child development has been hotly debated in recent years, but the research on the subject has been inconclusive. The pertinent issue is the freedom of mothers to choose whether or not to work, so that each family can reach a solution which is satisfactory for its members. The pressure to work created by an inadequate income means that some mothers are less free to choose.” (*First Main Report, April 1975*, volume 1, page 204. Footnote omitted and emphasis added.)

97. The Poverty Commission was the result of widespread concern about the fact that families with a single full time breadwinner were living in poverty. The passage notes that low wages were being compensated for by fathers working overtime or taking a second job and the pressure on women to take up paid employment. Its point was that these responses to poverty were not acceptable. The breadwinner should not have to

undertake extra work for the family to escape poverty; nor should the parent who is the primary carer have to take paid employment in order for the family to escape poverty.

98. The Poverty Commission proposed substantial changes to government policies to lift these families above the poverty line. The policy objective was to have an acceptable disposable income for families without the need for the breadwinner to work overtime or take a second job or for the other parent to undertake, or apply for, paid employment..
99. The position articulated by the Poverty Commission 40 years ago has been an underlying principle of national budgetary support for families. It has been a principle that, until the May 2014 Budget, commanded support from both sides of Parliament for decades and, in my view, remains just as relevant now as it was when articulated. The substantive point made in the quoted passage remains true: parents should have the ability to choose that one of them will stay at home and care for the children and not engage in employment. It concerns the capacity of families to choose how best they care for their children. The passage is just as relevant today as it was 40 years ago.
100. I mentioned earlier, Catholic Social Services Australia and ACCER have issued a Fact Sheet on these proposed budgetary changes family payments. That document includes extracts from two speeches given by former Prime Minister Paul Keating: the 1993 Federal election Policy Speech and the speech later that year to mark the launch of the International Year of the Family. The proposed payment that he discusses, then called the Home Child Care Allowance, is the one that the current government is seeking to withdraw from many single breadwinner families. I reproduce those passages because they are particularly relevant to the issues of principle discussed here and, I hope, may assist others in framing the issues when engaging in public debate. In his Policy Speech on 24 February 1993, Mr Keating said:

"Our recently announced child care policy recognises that the future growth of the Australian economy and the living standards of Australians need women's participation in the workforce.

We recognise that child care is essential if women are to take a job, undertake training or study or look for work.

Our commitment to meet total demand for work-related child care by 2001 will aid women's participation in the economy, as our 30 per cent cash rebate on fees will make child care more affordable - especially for middle income earners.

*It is not good enough to say that a woman is either in the paid workforce or in the home. Chances are these days, in the course of their lifetimes, most women will spend periods of time doing both.*

*The needs of mothers caring for children at home are often overlooked in the child care debate.*



*But we have not forgotten them.*

*I recognise and appreciate the important role played by women who choose to stay at home while their children are growing up.*

We propose to introduce a new cash payment of \$60 each fortnight to be called the Home Child Care Allowance.

*This allowance is more generous than the Dependent Spouse Rebate it will replace, and has the added advantage of being paid directly to the mother at home. This will provide a source of independent income for women while they are out of the paid workforce caring for children.*

In a further measure to meet the needs of women at home caring for children, we will extend fee relief to occasional care. This is in addition to my earlier announcement that we will double the funding for playgroups.

*Labor's child care policies recognise the reality that different families choose to deal with the responsibilities of work and family in different ways."*

*(<http://pmtranscripts.dpmc.gov.au/browse.php?did=8827>, emphasis added)*

101. In a speech on 6 December 1993 to launch the International Year of the Family, Prime Minister Keating said:

*"Our policies must address the diverse nature of Australian families, and the diverse nature of their employment and assistance needs.*

*A major issue to address in this context is how families balance the responsibilities of work and family life.*

*Governments should, I believe, promote policies which recognise and support choices families are making in combining paid work and family care.*

We have to make these aspects of peoples' lives fit more harmoniously together.

We have to keep pressing for more "family-friendly" workplaces.....

We recognise that childcare needs are neither uniform or identical.

*We recognise that women, throughout their lives, have a range of equally legitimate choices about being in the workforce or being at home.*

*We appreciate the value of caring and nurturing provided by women who do choose to stay at home while their children are growing up, and the value of the unpaid work they carry out both in the household and in the community.*

That is why we have introduced the Home Care Child Allowance for supporting parents caring for their children full time at home.

By paying the allowance directly to the caring parent, usually the mother, we have provided many women at home with *a source of independent income which otherwise they would not have."*

*(<http://pmtranscripts.dpmc.gov.au/browse.php?did=9071>, emphasis added)*

102. Many Australian families can, and do, choose to live on a single income. Many couples chose to live on a single income for the benefit of their children and many couples find that the best interests of their children can be best served by both of them working, often with one parent working part time. That is a choice that they are entitled to make. But it is much harder for lower income families as a result of low wages and limited government support. So much so, that it requires many of them to live in or near poverty.

## **L. Economic and budgetary causes and consequences**

103. There is an economic case in support of an increase in family transfers. It keeps down the costs of employment and promotes employment to the extent that employment is responsive to rises or falls in wage costs. Absent family transfers, the costs of family support are imposed on the community through the wages system. Wages impose costs on employers, which are passed on to the community through the price of goods and services. In an economy protected by a tariff system this might occur without undue impact on employment levels. Where an economy is globalised, to some extent or another, wage costs might affect the capacity of individual firms to operate and employ. In these circumstances there is good reason to transfer the costs of family support that is carried by the community through the costs of goods and services to the government's taxes and transfers systems. A moral consequence of the application of the *law of comparative advantage*, which is used to justify increasing trade between countries, is that the benefits of a change in policy and trading relations should be used to support those who are disadvantaged by the changes.
104. Despite the economic case for changing the respective contributions that the public purse and the wage packet make to the support of families, there has been some resistance in Australia and elsewhere to increasing the public's contribution. Some argue that employers should not be allowed to shift some of the costs of their obligation to pay a decent wage. An example of this kind of argument is in the United States in respect of Wal-Mart where the wages paid have been so low that workers are forced to rely on government welfare. In an ideal world, low skilled workers would be able provide for their families by their own wages, but this will not be possible if we are to confront the scourge of unemployment and the challenges of globalisation.
105. There are two realities that must be addressed in the formulation of a fair and sustainable wages policy. First, wages have to be supplemented by substantial family payments for low income working families. This requires an informed consideration of the optimal balance between the public purse (with the costs falling on taxpayers) and the wage packet (with the costs falling on employers, at least initially) in the support of families. This needs public discussion which, unfortunately, has been lacking in Australia. Second, governments need to promote and protect employment by carefully scrutinising the non-wage costs of businesses that are imposed by governmental policies and governments need to provide general or targeted measures that will have the effect of reducing the costs of employment. This means that substantial costs will

fall on the community as a whole, and should do so through a judicious combination of taxes and spending by governments. These functions of government should be based on a fair tax system where burdens and benefits are shared according capacities and needs.

106. There is a moral issue here. To reduce wages to unacceptable levels in the hope of creating and maintaining jobs is morally unacceptable because there are other ways in which employment can be promoted and protected. This point was made in a Statement made by the Australian Catholic Bishops in November 2005 regarding aspects of the then proposed changes to our national employment legislation. It included the following: “It is not morally acceptable to reduce the scourge of unemployment by allowing wages and conditions of employment to fall below the level that is needed by workers to sustain a decent standard of living”; see *Working Australia, 2015*, page 205. It is not a novel point. It reflected an earlier view of the Catholic Bishops of England and Wales: “It is not morally acceptable to seek to reduce unemployment by letting wages fall below the level at which employees can sustain a decent standard of living”; see *The Common Good and the Catholic Church’s Social Teaching, 1996*, page 24. The various ways in which employment can be promoted without an imposition on low paid workers shows why it is morally unacceptable to reduce wages to below the level that is needed to attain a decent standard of living.
107. The costs of job creation are costs that should be carried by the community as a whole, not the poorest sections of it. A morally acceptable and economically sustainable wages policy depends on a morally acceptable national budget, with the burdens and benefits being shared according to needs and capacities. While unemployment in Australia is a major topic of political discourse, it does not have the concern and attention that it should. The latest figures show that Australia’s unemployment rate was 6.2% in September 2015. In June 2008 the Australian unemployment rate was 4.2%, in June 2009 it was 5.8% and in March 2014, it had risen to 6.0%. Youth unemployment has been running at about four times the overall rate. The most worrying aspect is that much of this is entrenched unemployment. The figures may look very good from the perspective of some other countries, but there is a degree of apprehension in Australia about our capacity to contain this growth in unemployment.
108. A good place to start in the search for policies that impact on employment is income taxation on low incomes. It is the NMW net of tax, rather than before tax, which determines its level if it is set to provide for the needs of workers. The imposition of

income tax on a worker receiving the NMW, currently \$63.15 per week, or 9.6% of the minimum wage rate, operates as a tax on employment. For a given standard of living, the costs of employment will be lower if no income tax is payable. The progressive reduction of income tax on the NMW would move the costs of job creation (to the extent that wage levels and employment opportunities are connected) to the community as a whole, where it belongs, rather than leaving it on the backs of the poor. There are other options available. For example, rather than cutting the corporate tax rate, which is claimed to promote employment, a rebate on the superannuation contributions that employers are required to make on top of wages, now at 9.5% of wages, would be a more targeted and effective means of promoting employment.

109. These kinds of policies will be hard to achieve. We need to work against very powerful economic and political forces to bring about fundamental changes in social security and wages policies. In many countries the social safety nets that have protected families in the past have been weakened, particularly so since 2008. Similarly, the capacity of unions to pursue and deliver fair wages has been weakened. The forces working against social safety nets and fair wage outcomes were discussed by Pope Benedict in *Caritas in Veritate* in 2009. It is a very perceptive assessment of what is happening and why.

*“From the social point of view, systems of protection and welfare, already present in many countries in Paul VI's day, are finding it hard and could find it even harder in the future to pursue their goals of true social justice in today's profoundly changed environment. The global market has stimulated first and foremost, on the part of rich countries, a search for areas in which to outsource production at low cost with a view to reducing the prices of many goods, increasing purchasing power and thus accelerating the rate of development in terms of greater availability of consumer goods for the domestic market. Consequently, the market has prompted new forms of competition between States as they seek to attract foreign businesses to set up production centres, by means of a variety of instruments, including favourable fiscal regimes and deregulation of the labour market. These processes have led to a downsizing of social security systems as the price to be paid for seeking greater competitive advantage in the global market, with consequent grave danger for the rights of workers, for fundamental human rights and for the solidarity associated with the traditional forms of the social State. Systems of social security can lose the capacity to carry out their task, both in emerging countries and in those that were among the earliest to develop, as well as in poor countries. Here budgetary policies, with cuts in social spending often made under pressure from international financial institutions, can leave citizens powerless in the face of old and new risks; such powerlessness is increased by the lack of effective protection on the part of workers' associations. Through the combination of social and economic change, trade union organizations experience greater difficulty in carrying out their task*

of representing the interests of workers, partly because Governments, for reasons of economic utility, often limit the freedom or the negotiating capacity of labour unions. Hence traditional networks of solidarity have more and more obstacles to overcome. The repeated calls issued within the Church's social doctrine, beginning with *Rerum Novarum*, for the promotion of workers' associations that can defend their rights must therefore be honoured today even more than in the past, as a prompt and far-sighted response to the urgent need for new forms of cooperation at the international level, as well as the local level.” (25, emphasis added, footnote omitted)

110. We must consider how we should respond to these new realities, realities which were not anticipated at the time of *Gaudium et Spes*.
111. Unfortunately, unions are in decline in many countries. Social safety nets, including minimum wages, must become more important with the decline of unions. The decline of unions, and their bargaining power, means that we need to place more emphasis on minimum wages and public advocacy in support of decent wages through vigorous living wage campaigns. We also need to promote collective bargaining as something separate from, although usually connected with, union activity. Australia may have something to offer in this regard.
112. Just recently the Australian Bureau of Statistics (ABS) has released a report which shows that union membership among the Australian workforce has dropped to 13.8% of the Australian workforce (ABS, *Characteristics of Employment, Australia, August 2014, 6333.0*). Within the private sector the figure is 11.1% and in the public sector 39.5%. These figures include owner-managers of unincorporated businesses. If they are excluded the figure rises to 15.1%. By contrast, in 1986 45.6% of employees were trade union members (ABS, *Australian Social Trends, 1994, 4102.0*). Much of this change has been due to the decline in employment in manufacturing industries, but there appear to be broader social changes at work.
113. Despite these changes in union membership, collective bargaining remains a significant part of the Australian wages system. At May 2014, 41.8% of full time non-managerial employees were paid under the terms of a collective agreement, 45.4% by individual arrangement and 12.7% by award only; see ABS, *Employee Earnings and Hours, Australia – 6306.0, May 2014*. The percentage covered by award only was 18.8% when part time and casual employees were included. The great majority of those paid by individual arrangements would have been covered in regard to non-wage matters by an award or a collective agreement. Individual wage arrangements are not able to

undercut the wage rates set by an applicable “safety net” wage rate in the applicable collective agreement or award.

114. The reason for this contrast between union membership and collective bargaining figures is that collective enterprise bargaining operates independently of union membership and, in particular, it does not require a union to have any particular level of membership within an enterprise for the bargaining system to be activated. One could say that bargaining is more of an individual right, exercisable collectively, than a specifically union right.
115. If collective bargaining is seen as more than wage negotiations and as a way to involve workers in their enterprise, it could make a significant contribution to the involvement of workers in their own workplaces, a matter that is particularly relevant to Catholic teaching on the nature and purpose of work.

#### **M. Measuring poverty**

116. Our concerns to see our societies pay decent wages and provide a standard of living that is worthy of human dignity must lead to a fundamental task. We have to do the best we can to measure living standards and to quantify the wage required. As I discussed earlier, there are two basic issues. First, we have to identify the workers and families who are to be given protection. The ordinary and expected test would include, at least in Australia, single breadwinner couple parent families with two children, sole parent families with two children and single workers. Second, we have to determine a standard of living. It is accepted that a decent standard of living is something more than poverty. Poverty is the best way to identify a reference point, even if the dimensions of disadvantage encompassed within the term are unclear.
117. Australia does not have a generally accepted poverty line, or lines, based on research and judgments about the actual needs and costs of families. There is some very good Budget Standards research published by the Social Policy Research Centre at the University of New South Wales, but it is based on data research carried out in the mid-1990s. It is currently being updated and, we expect, will be available for use in minimum wage cases in two or three years.
118. In 2008 the then national wage setting tribunal published relative poverty lines for a range of households, comparing them to the disposable incomes, through wages and transfers, received by members of those households. The poverty lines were set at 60% of the best estimates of national *median equivalised household disposable income*

(MEDHI). The publication of relative poverty lines has been continued over the succeeding years.

119. The fundamental task in setting a median-based relative poverty line is identifying the MEDHI and its changes over time. MEDHI is the foundation stone for poverty lines based on the median: the 60% relative poverty line is simply 60% of MEDHI. Like poverty lines, MEDHI can also be plotted on a graph. In Australia, data on disposable incomes is collected by the ABS in accordance with internationally recognised standards. Since *Working Australia, 2015* was published the ABS has released new data and, as a result, the relevant tables in that book (Tables 26 and 27) need to be updated. The new material is reflected in Table 1 of this paper.
120. Relative poverty lines do not measure actual needs, but, as poverty is a relative concept to be determined in an economic context, they have been widely used. The 60% of median relative poverty line is widely used in Europe, but the OECD's main relative measure of poverty is the 50% of median. There is no *a priori* reason for accepting either the 50% or the 60% relative poverty lines, or any percentage in between. Each has to be tested against experience and relevant research. Research such as the Budget Standards research can assist us in placing the poverty line somewhere between the two, so that it will be adjusted over time in line with movements in MEDHI. One way of dealing with this issue is to treat the 60% relative poverty line as being a line where a person is "at risk" of poverty (as some do), with the 50% of median being the "deep poverty" line.
121. ACCER has argued that, because working families should have a margin over poverty, the 60% of median relative poverty line is the most appropriate measure for understanding needs and the setting of wage levels in the absence of research suggesting another percentage or range of percentages.
122. Relative poverty lines are also an important tool in the setting on wage rates with reference to relative living standards, as the FWC is required to do under Australian legislation because they enable the positioning of various income groups relative to each other and to a community average. They enable, for example, the positioning of low income households relative to households which rely on unemployment benefits or pensions; see *Working Australia, 2015*, paragraphs 597-9.
123. The relative poverty line for each kind of household is based on internationally-recognised equivalence scales used by the OECD. The family of two adults and two

children are equivalent to 2.1 times the single person's measure and the sole parent family with two children is set at 1.6 times.

124. Table 1 is an update of Table 27 in *Working Australia, 2015* as a result of new data being released by the ABS in September 2015.
125. Table 2 reproduces Table 28 in *Working Australia, 2015*. The table provides the detail of the various kinds of family transfers, with the total disposable income calculated for each year. The disposable incomes of single workers are those in the "net" columns. The breadwinner in each type of household is employed full time on the NMW.
126. Because the transfer payments to both kinds of families are the same, Table 2 applies equally to a couple where one parent stays at home to care for two children and to a working sole parent with two children. The calculations are based on the children being aged 8 to 12. The detail of the columns is unnecessary for present purpose, but it is set out in Chapter 6 of *Working Australia, 2015*.
127. Figure 1 shows in graphical form the changes in the couple-parent family's poverty line and disposable income over the period January 2001 to January 2015. The ABS advises that there have been changes made in the calculations of disposable incomes over time and that re-calculations of earlier figures make comparisons between the latest figures and those before 2003-04 problematic; see *Working Australia, 2015*, paragraph 606. As a result of this advice we have concentrated drawn attention to the changes over the period January 2004 to January 2015.
128. Over the period January 2004 to January 2015 the NMW-dependent family of four fell further into poverty: from 3.2% below the poverty line to 10.8% below it, with a poverty gap in January 2015 of \$116.76 per week.
129. Figure 2 reproduces Chart 5.3 in the FWC's Annual Wage Review decision of 2 June 2015. It demonstrates increasing inequality of earnings within the Australian workforce and illustrates the basic reason for the increasing poverty rates among low income working families.
130. It will be apparent from Tables 1 and 2 that the sole parent family has a higher standard of living than the couple parent family by virtue of the same level of family payments being paid to both households. If we use the equivalence scales used by the OECD, and by the FWC, the sole parent family is 17.0% above the poverty line, compared to the family of four being 10.8% below the poverty line. However, the equivalence scales do not take into account child care costs, which must be borne by the sole parent.



Even with government subsidies for childcare, child care expenses can drive sole parents into poverty and/or inadequate childcare arrangements.

131. This comparison prompts a question about the relative impact of government policies on couple and sole parent families. The operating principle should be that, as far as money can practically do so, the children within each kind of family should be treated equally. In reality, what is happening is that public policy towards couple parent families is being framed in a way that has the intent and effect of forcing both parents into paid employment, and denying them the effective choice to have one of them stay at home to care for their children
132. The situation of sole parent families who depend on a fulltime wage on the NMW, or any other wage, is somewhat theoretical because so few sole parents are employed full time. The Australian Census of 2011 showed that among low income sole parent families only about 10.0% were employed full time; see *Working Australia, 2015*, Table 33. The major cause of poverty among sole parent families in Australia is, like elsewhere, inadequate employment opportunities and a failure to establish appropriate childcare and income support payments. These are the matters that require more attention.
133. I referred in the first section of this paper to the need for the Church's pastoral care of families to include closer attention being given to the economic position of families, with particular reference to those being supported by low paid and marginalised workers. The welfare of families in the modern world depends on the availability of decent work, decent wages and governmental policies that provide an appropriate social safety net. The material covered in this section provides, in my view, a framework for better understanding the economic circumstances of low income families and the roles that wages and family payments policies have on them. The Church's national and international advocacy in support of families will be assisted by the collection of relevant *contemporary* data on wages and family payments and by an evaluation of the policies in regard to at least three benchmark households: the single person, the couple with two children and the sole parent with two children. Specific tasks should include: how wages and transfer policies impact on family living standards; how each of the benchmark households sits relative to its poverty line and to other community groups; and the policies needed to ensure that children will not be living in poverty. In these respects, the Australian experience has something to offer.

**Table 1****Poverty lines for workers and families****January 2001 – January 2015**

(\$ per week)

	<b>Median equivalised disposable household income</b>	<b>Poverty Line Single</b>	<b>Poverty Line Couple and 2 children</b>	<b>Poverty Line Sole parent and 2 children</b>
<b>January 2001</b>	413.59	248.15	521.16	397.04
<b>January 2002</b>	436.58	261.95	550.09	419.12
<b>January 2003</b>	435.48	261.29	548.70	418.06
<b>January 2004</b>	499.98	299.99	629.97	479.98
<b>January 2005</b>	544.20	326.52	685.69	522.43
<b>January 2006</b>	568.43	341.06	716.22	545.69
<b>January 2007</b>	620.43	372.26	781.74	595.61
<b>January 2008</b>	687.42	412.45	866.15	659.92
<b>January 2009</b>	716.28	429.77	902.51	687.63
<b>January 2010</b>	714.27	428.56	899.98	685.70
<b>January 2011</b>	756.09	453.65	952.67	725.85
<b>January 2012</b>	790.16	474.10	995.60	758.55
<b>January 2013</b>	809.30	485.58	1,019.72	776.93
<b>January 2014</b>	844.00	506.40	1,063.44	810.24
<b>January 2015</b>	855.92	513.55	1,078.46	821.68

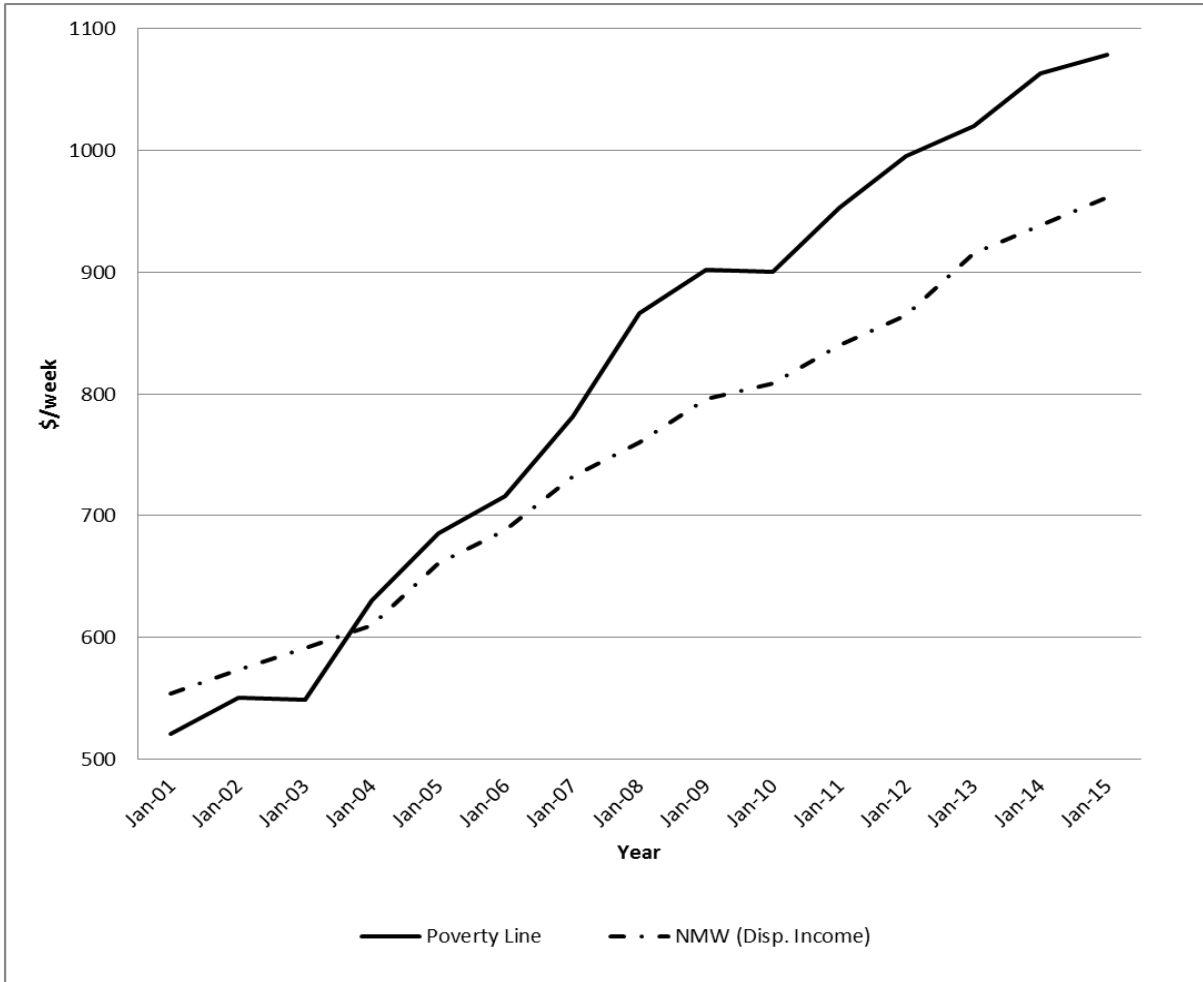
**Table 2****Wages, taxes and family payments for NMW-dependent workers and families****January 2001 –January 2015**

(\$ per week)

Year	NMW Per week	NMW Per year	NMW Net, per week	Medicare exemption	FTB A	FTB B	FTB A Supp.	FTB B Supp.	Rental assist. max.	Disposable income
<b>2001</b>	400.40	20,893	346.38	6.00	116.20	34.79	-	-	50.43	553.80
<b>2002</b>	413.40	21,571	354.76	6.20	122.92	36.82	-	-	52.46	573.16
<b>2003</b>	431.40	22,510	366.37	6.47	126.70	37.94	-	-	53.93	591.41
<b>2004</b>	448.40	23,397	377.93	6.73	130.48	39.06	-	-	55.40	609.60
<b>2005</b>	467.40	24,389	396.78	7.01	133.56	39.97	23.50	2.87	56.80	660.49
<b>2006</b>	484.40	25,276	412.84	7.27	139.06	41.02	24.06	5.88	58.27	688.40
<b>2007</b>	511.86	26,709	449.93	7.68	140.84	42.14	24.76	6.02	60.58	731.95
<b>2008</b>	522.12	27,244	467.59	7.83	147.46	43.54	25.60	6.23	61.84	760.09
<b>2009</b>	543.78	28,374	494.29	8.16	151.34	44.87	26.20	6.44	64.63	795.93
<b>2010</b>	543.78	28,374	497.17	8.16	156.94	46.55	27.28	6.65	65.61	808.36
<b>2011</b>	569.90	29,737	521.86	8.55	160.30	47.53	27.84	6.79	67.57	840.44
<b>2012</b>	589.30	30,750	537.49	8.84	164.64	48.79	27.84	6.79	70.02	864.41
<b>2013</b>	606.40	31,642	556.87	9.10	193.25	50.53	27.84	6.79	71.16	915.54
<b>2014</b>	622.20	32,466	569.44	9.33	199.74	52.26	27.84	6.79	72.84	938.24
<b>2015</b>	640.90	33,442	581.11	12.82	204.51	53.66	27.84	6.79	74.97	961.70

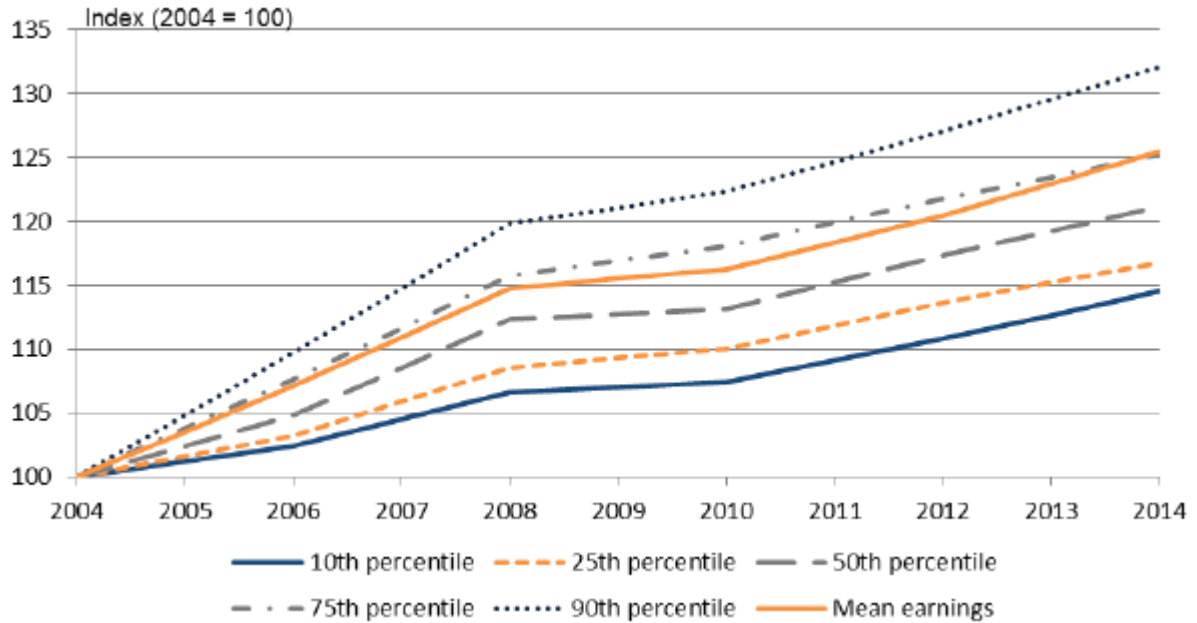
**Figure 1**

**Disposable Incomes of Safety Net-dependent Families Relative to Poverty Line  
(Couple and two children)  
January 2001 – January 2015**



**Figure 2**

**Real weekly total earnings (full-time adult non-managerial employees) by percentile—  
2004–2014**



Taken from Chart 5.3 in the FWC’s Annual Wage Review decision of 2 June 2015 at <https://www.fwc.gov.au/awards-and-agreements/minimum-wages-conditions/annual-wage-reviews/annual-wage-review-2014-15-0>