

## **A Faith Perspective on Industrial Relations in Contemporary Australian Society Community Forum**

St John's Catholic Church, Mitcham

9 October 2007

### ***A Catholic Perspective on Industrial Relations***

Brian Lawrence, Chairman, Australian Catholic Council for Employment Relations

In the course of a speech to workers in Sydney in 1986 Pope John Paul II spoke about the Australian industrial relations system:

"Australia has a long and proud history of settling industrial disputes and promoting co-operation by its almost unique system of arbitration and conciliation. Over the years this system has helped to defend the rights of workers and promote their well being, while at the same time taking into account the needs and the future of the whole community." (Address to workers at the Transfield factory, Parramatta, 26 November 1986)

Australian Catholics have been amongst the strongest supporters of the Australian system of conciliation and arbitration for the resolution of industrial disputes. In particular, they have been strong supporters of the *Harvester* wage case which, in 1907, established a minimum wage, a Living Wage, on the basis of the needs of a family of two adults and three children. These developments followed the publication of Pope Leo XIII's great encyclical *Rerum Novarum* in 1891. Many Catholics saw the Australian system for the conciliation and arbitration of disputes and *Harvester* as *Rerum Novarum* in action.

When there was some debate in 1993 about possible changes to the regulation of employment rights, the Australian Bishops' Committee for Industrial Affairs said: "Whatever changes need to be made to the mechanics of the conciliation and arbitration system, it should be ensured that these principles are preserved." (*Industrial Relations - The Guiding Principles*, page 5)

These passages provide a background to the Statement of the Australian Catholic Bishops Conference in November 2005, when the *Work Choices* legislation was before Parliament. *Work Choices* proposed the effective termination of the established system of conciliation and arbitration. The Bishops said that the *Work Choices* debate had caused "many of us to reflect on the fundamental values that should underpin our workplaces and society as a whole" and the need for economic growth to "provide prosperity and economic security for all and to provide equity and social cohesion".

The Statement expressed the Bishops' concern that in several respects the *Work Choices* legislation did not provide a proper balance between the rights of workers and employers and said that changes were "necessary to alleviate some of the undesirable consequences of the legislation, especially in regard to its potential impact on the poor, on the vulnerable and on families". No such changes were made. The four particular matters raised by the Bishops were minimum wages, minimum conditions of employment and bargaining, unfair dismissals and the role of unions.

The Australian Council for Employment Relations (“ACCER”) is an agency of the Australian Catholic Bishops Conference. Part of its mandate is to advocate policies on work and the employment relationship, based on Catholic social teaching. In June 2007 it published *Workplace Relations: A Catholic Perspective*. Over 10,000 copies of the 132 page book have been distributed. (It may be downloaded from the ACCER website at [www.accer.asn.au](http://www.accer.asn.au). A printed copy of the book may be purchased (\$5.50, including GST) by ordering through [secretariat@accer.asn.au](mailto:secretariat@accer.asn.au).) The book’s presentation of the Catholic contribution to the *Work Choices* debate and to the discussion of workplace relations, more generally, comes from the Bishops’ Statement in November 2005 and from a review of Catholic social teaching on work and related issues.

Work, in its broadest sense and not just employment, occupies a central position in Catholic social teaching. Pope John Paul II said in his encyclical *Laborem Exercens* that “...human work is *a key*, probably *the essential key*, to the social question” (n.3). In Catholic social teaching work is an obligation and employment is the source of rights. The fair and just treatment of workers is regarded as an essential requirement of a society based on social justice.

Catholic social teaching on work and the dignity of the worker and the rights of the worker identify four rights which broadly coincide with the four matters identified in the Bishops’ Statement: the right to a just wage, the right to protection against unfair agreements, the right to participate in unions and the right to job security. In each of these ACCER finds a continuing basis for the kinds of concerns identified by the Bishops in November 2005.

*Workplace Relations: A Catholic Perspective* calls for further changes to the *Work Choices* legislation in order to protect the poor and vulnerable, promote fairness in the Australian workplace and achieve a proper balance between the rights of employers and the rights of workers. It examines the recently introduced fairness test and finds it to be insufficient.

The publication contains a series of meeting plans to guide Church groups in discussing Catholic social teaching on work, social and economic issues and social justice. Topics that are given substantial emphasis in these meeting plans are the right to a just wage, the notion of a Living Wage and the financial support of families through a combination of wages and transfer payments.

ACCER has been a strong supporter of a minimum wage based on the needs of the family. It has participated in wage review cases in the Australian Industrial Relations Commission (“AIRC”) and the Australian Fair Pay Commission (“AFPC”). It has argued that the Federal Minimum Wage (“FMW”), net of income tax, plus transfer payments, must meet the needs of the worker and his or her family and enable them to live in dignity. The FMW is the lowest minimum rate that may be made under the national legislation. ACCER has argued that the position of the family comprising two adults, with one being the breadwinner, and two children should be the reference point for the setting of minimum wage rates. It has made the point that the breadwinner may be male

or female and has argued that parents should have the effective right to choose that one of them will not engage in paid employment.

In its inaugural Decision in 2006 the AFPC considered the disposable incomes of various household units, including the family of four with one breadwinner employed on the FMW and said: *“The income support and family assistance safety net, and its continued improvement over recent years, allows people with family responsibilities to rely solely on a single wage to support their families.”*

Rather than being welcome news, this was an illusion. The AFPC included in its assessment of family transfers an amount of over \$100 a week received by the second parent by way of the Newstart allowance. The Newstart allowance is an unemployment benefit and paid to those who seek employment. It is irrelevant to the question of whether the family can be supported by a single income. From 1 October 2007 the FMW was increased by \$10.26 to \$522.12 per week. If we exclude the Newstart allowance and include the maximum rental assistance available, a single income family, dependent on the FMW, with two school aged children, will now receive a total disposable income \$755.00 per week. To claim that this is sufficient to support a family in dignity and to allow one parent to stay at home to support the children is to be out of touch with reality.

ACCER is also concerned about the reduction in real wages over recent years, even though we have had some of our best economic times. Since wages were last adjusted by the AIRC in June 2005, the AFPC has made two adjustments to wage rates. The Consumer Price Index is now 6.8% higher than it was when then AIRC made its last decision. (The figure will rise later this month when the September quarter 2007 increase is published.) There has been an increase in the real value of the FMW of \$4.78 per week. The effect of the two AFPC decisions has been to increase, by varying degrees, the real value of classification rates that were below \$555 per week in June 2005 (and which are now below \$592 per week) and to decrease the real value of classification rates that were above \$555 per week at that time. This means that workers who are now on a wage rate in excess of \$592 per week have had a real wage reduction since June 2005. The decline in real wages is especially marked in the case of those who were on wage rates in excess of \$700 per week in 2005. For example, a worker on a classification that paid \$710 in June 2005 has received two wage increases totalling \$27.34 (which is less than the other increases awarded) and has suffered a real wage reduction of \$30.34 per week. These are very troubling figures because they impact on low paid workers who are unable to bargain for higher wages. About 20% of Australian workers are dependent upon arbitrated wage rates.

As part of our agitation for improved benefits for low paid workers ACCER has stressed the importance of tax relief for low income earners. There have been tax reductions in recent years, but they have not favoured low income earners. We have compared the position of a worker on the FMW with a person on an income five times higher. We pointed out in the book that the value of the changes to the tax payable by workers on the FMW since July 2000 would equate to a saving of \$16.68 per week on the then FMW. On the other hand, the changes for higher income earners (part of which will come into

effect in July 2008) would equate to a saving of \$95.64 per week for the person on an income five times the FMW. These figures demonstrate that we must reject any claim that a reduction in real wages has been offset by tax cuts.

We hope that more people will become engaged in these important issues. The fair and just treatment of workers is an essential requirement of a just society. The obligation of Catholics to work towards the “just ordering of society”, to work for social justice, was explained and emphasised again in Pope Benedict’s encyclical *Deus Caritas Est*. The Pope reminded us during his visit to Brazil last May that the Church “is the advocate of justice and the poor, precisely because she does not identify with politicians nor with partisan interests” and it is the function of the Church to “form consciences, to be the advocate for justice and truth, to educate in individual and political virtues”.

In Pope John Paul II’s encyclical *Laborem Exercens*, written in 1981 to commemorate the ninetieth anniversary of *Rerum Novarum*, the relationship between Gospel message and social justice in the workplace is brought together in a very powerful way:

“In order to achieve social justice in the various parts of the world, in the various countries, and in the relationships between them, there is a need for ever new *movements of solidarity of the workers and with the workers*. This solidarity must be present whenever it is called for by the social degrading of the subject of work, by exploitation of the workers, and by the growing areas of poverty and even hunger. The Church is firmly committed to this cause, for she considers it her mission, her service, a proof of her fidelity to Christ, so that she can truly be the "Church of the poor". And the "poor" appear under various forms; they appear in various places and at various times; in many cases they appear as a *result of the violation of the dignity of human work*: either because the opportunities for human work are limited as a result of the scourge of unemployment, or because a low value is put on work and the rights that flow from it, especially the right to a just wage and to the personal security of the worker and his or her family.” (*Laborem Exercens*, 8)

This passage summarizes the nature and purpose of Catholic social teaching on work and our understanding of the reality of life for many. Pope John Paul II made it clear that jobs alone are not sufficient to achieve social justice. There must be more, including the rights to adequate wages and job security. The concluding words of this passage highlight and bring together three important aspects of the plight of poor and vulnerable workers; of the employed, the unemployed and the under-employed. They are: lack of employment opportunities, inadequate wages and the lack of job security. Employment, in itself, is not sufficient: there must be a just wage and personal security.

We have stressed in *Workplace Relations: A Catholic Perspective* that, while its substance is about the Catholic contribution to the national discussion, the principles and objectives that the Catholic Church seeks to promote are also the principles and objectives of many other groups in our society. The issues that we address are matters about which there can be fruitful dialogue between Catholics and the broader community.