

Minimum Wages in Australia: A Catholic Perspective

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Introduction

1. My invitation to speak to this conference of the H R Nicholls Society was probably prompted by the publication of a book entitled *Workplace Relations: A Catholic Perspective* by the Australian Catholic Council for Employment Relations (“ACCER”). The two principal purposes for its publication were to explain Catholic social teaching on work and employment-related issues and, on the basis of that teaching, to make a contribution to the national debate about employment law and workplace relations.
2. I am pleased to be able to deliver this paper because it has given me an opportunity to draw together a number of matters on which I have been working at ACCER. Most of the paper will deal with the published views of ACCER. From time to time I will express some of my own views, but in a way that will make the distinction between the two. I will make a few short comments about the book and then proceed to the substance of my paper.
3. ACCER is an agency of the Australian Catholic Bishops Conference. Part of its mandate is to advocate policies, based on Catholic social teaching, on work and the employment relationship. 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.

4. The book's presentation of a Catholic contribution to the debate over the Federal Government's employment legislation, usually known as *Work Choices*, and to the discussion of workplace relations more generally comes from two sources: from the Statement made by the Australian Bishops in November 2005 about *Work Choices* and from a review of Catholic social teaching on work and related issues.
5. When the *Work Choices* legislation was before Parliament in November 2005 the Bishops made a Statement in which they expressed their concern that the legislation did not provide a proper balance between the rights of workers and employers in several respects. They said, "Changes are 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.
6. 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. Each of these rights and the relevant *Work Choices* provisions are the subject of separate chapters in *Workplace Relations: A Catholic Perspective*. In each, ACCER found a continuing basis for the kinds of concerns identified by the Bishops in November 2005. It called for further changes to the legislation in order to achieve a proper balance between the rights of employers and the rights of workers and to protect the poor and vulnerable and families.
7. The chapter on the right to a just wage further explains the Catholic support for minimum wage protection and the adoption of what might be termed the *family wage*. It also covers a number of matters that have been developed in ACCER's submissions to wage cases in the Australian Industrial Relations Commission ("AIRC") and, more recently, the Australian Fair Pay Commission ("AFPC").
8. I will address a number of matters that have arisen out of our exposition of Catholic social teaching and our experience in those wage review cases. I will do so in the

hope that it will promote discussion of good public policy in this area and how we might achieve it.

Contrasting Views

9. Before doing so I should record that the views that ACCER propounds on minimum wages are in marked contrast to some of the views propounded by the H R Nicholls Society. In particular, I have in mind the Society's submission to the AFPC's inaugural wage review in 2006. (It can be accessed at www.fairpay.gov.au.) The submission claimed that "The Howard Government established the Fair Pay Commission to continue the work begun by H B Higgins in 1907." That, of course, is a reference to Justice Higgins' decision in the *Harvester* case in which a minimum wage was set on the basis of the needs of a family of two adults and three children. Despite that claimed purpose, the Society saw a challenge for the AFPC: it asked the AFPC to "challenge the mythology of the Harvester judgment."
10. In developing its submission to the AFPC, the Society gave some prominence to, and took issue with, some views of Cardinal George Pell in his August 2001 address entitled *The Failure of the Family*. (The address appears in the March 2002 issue of *Quadrant*.) The Cardinal's views were found in his comments about the support that had been given to Australian families in the early twentieth century. The Cardinal said:

"The family in Australia once enjoyed a privileged place at law and in social and economic policy. Nothing epitomised this more than...the *Harvester* case.

....

The *Harvester* case is usually referred to as one of the key elements in the development of a raft of benevolent laws and social legislation...in the wake of the economic crash of the 1890s. These laws were intended to minimize social conflict, especially conflict between labour and capital...; to ensure a decent standard of living for workers and their families; and more broadly through the system of tariffs and economic protection, to encourage local industry and to maintain Australia's independence.

....

Harvester placed the welfare of the family at the centre of social and economic policy from the beginnings of Federation. In a new nation concerned to minimise the divisions between rich and poor and to lay a solid basis for social stability this made perfect sense. As I will discuss in a moment, over the last thirty years an enormous amount of empirical

work has been done on the relationship between marriage breakdown and family dysfunction, and the rise of the different social pathologies that pose such problems today for all of us, but especially for law enforcement agencies and health and welfare workers. One of the many things this research makes clear is that if you want to preserve social stability or to prevent it being slowly eroded, it makes good sense to buttress the stability of the family.”

11. Australian Catholics have been amongst the strongest supporters of the Australian system of conciliation and arbitration for the resolution of industrial disputes and *Harvester* in particular. The came shortly after Pope Leo XIII’s great encyclical *Rerum Novarum* which was published in 1891. Many Catholics saw the conciliation and arbitration system and *Harvester* as *Rerum Novarum* in action. (It might be noted that Justice Higgins was not a Catholic). Pope John Paul II referred to the Australian system (no doubt assisted by advice reflecting the traditional Catholic view) in a speech during his visit to Australia in 1986:

"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)

12. Most of these earlier-quoted passages from the Cardinal’s address (and some more) were reproduced in the Society’s submissions to the AFPC, and were followed by the following paragraph:

“Cardinal Pell’s lamentable ignorance concerning critical issues in Australia’s economic history contrasts dramatically with his record as a defender of the Roman Catholic Church, and of its teaching of the Christian Gospel. Many orthodox Christians of other denominations wish we had more church leaders with his confidence in the basic truths of Christian doctrine, and his courage to defend them in the public arena. This makes his incursion into economic history, with his propensity to get the story completely wrong, all the more serious.”

13. There are two comments that I wish to make about that passage for the purpose of helping to explain some of the issues in my paper. First, the economic well-being of workers and their families, particularly the poor and the vulnerable, is a central and

essential part of the Christian faith and is a matter that the Catholic Church has emphasised through Catholic social teaching, such as *Rerum Novarum*. Consider, for example, the following extract from Pope John Paul II's encyclical *Laborem Exercens*, written in 1981 to commemorate the ninetieth anniversary of *Rerum Novarum*:

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

14. This powerful 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 makes it clear that jobs alone are not sufficient to achieve social justice and a life worthy of those made in God's image. 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 more, including the rights to adequate wages and job security.
15. The same kind of teaching is found in a statement by Pope Benedict XVI earlier this year when he referred to the centrality of the social message of the Gospels and its relevance to political action:

“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.” (Pope Benedict XVI, Fifth General Conference of the Bishops of Latin America and the Caribbean, 13 May 2007.)

16. My second point about the Society’s criticism of the Cardinal is that it is not a criticism of the Cardinal only, but a criticism of a collective decision of the Australian body politic in the early part of the twentieth century as to how it should best conduct its affairs and reconcile economic and social objectives. I don’t suggest that there was no dispute at the time about these kinds of matters. On the contrary, there was, for example, a vigorous debate about the respective merits of protectionism and free trade, with both points of view represented in the Federal Parliament. There was also debate, before and after Federation, as to whether the Commonwealth should have and exercise the power to make laws for the conciliation and arbitration of industrial disputes, a power which inevitably meant labour market intervention if it was to be exercised.
17. The participants of these debates a century ago knew the economic and social issues that confronted their society. Remember, people had been reading and debating Adam Smith for well over a century. Whether, with the benefit of hindsight the Australian community would have been better or worse off over the course of the twentieth century had the *Harvester* decision not been made is outside the scope of this paper. In any event, the question is much broader: what would have happened had Australia not embarked upon a program of benevolent laws and industry protection, of which *Harvester* was part? Whether Australia would still have been

the *Lucky Country* had this course not been taken raises issues well beyond economics. I am, like the Cardinal, a great supporter of *Harvester* and its associated arrangements. But aspects of social compacts will come to a “use by” date; and people usually disagree as to when that has occurred, or will occur, and what should follow. As I will explain, we cannot go back to the “old” *Harvester*; but we need a contemporary *Harvester*.

18. In September 2005 ACCER published and distributed about 10,000 copies of a 64 page book entitled *Briefing Paper No 1 on the Commonwealth Government’s Proposals to Reform Workplace Relations in Australia*. The book was written after the Government’s announcement in May 2005 of its proposed changes to workplace relations laws and before the introduction of the *Work Choices* legislation into Parliament. One of ACCER’s major concerns was the proposal that the minimum wage under the new system would be a “single adult” minimum wage. As it turned out, the proposal was not pressed. This is how we saw *Harvester*:

“The family wage has a long history in Australia. From the early days of Federation, following the *Harvester* case in 1907, the “Living Wage” became a central feature of employment regulation in Australia and became part of the fabric of Australian life. Its expression was a product of the times: it was fixed by reference to the needs of the male breadwinner, his wife and three children. But its substance was fundamental and enduring. The Living Wage was important because it recognised the need to fix fair and reasonable wages, the need for workers to live in dignity and the need for the worker to be provided with a wage sufficient to support a family. This was done even though many workers were not the sole breadwinner in a family of five.” (Paragraph 117)

19. ACCER argued that various social changes in family composition did not justify an abandonment of the objective of setting a Living Wage without the need for a second parent to enter the paid workforce. It said that “*Harvester* was not based on the *preponderance* of the identified family in society, but on the *importance* of the family to society” (paragraph 119). ACCER made two points which are still critical to the setting of minimum wages:

“There is one notable aspect of the *Harvester* Living Wage that has been overtaken by the events of the last century. It is the reason why we cannot return to the *Harvester* formulation and the reason why we must have a

contemporary Living Wage. In the early 20th century the wage packet was required to provide for the *total* support of the worker and the worker's dependants. It was not supplemented by a welfare system. The wages system was made possible by tariff protection. The relative importance of the wage in the support of the family has declined as government transfers to families have increased, particularly in the last 20 years. The substantial increases in non-wage financial support to workers and their families, part of the "social wage" as it has sometimes been described, came about as a result of a change in Commonwealth government policy in the 1980s. It was initiated by a policy of wage restraint by unions and the adoption of "centralised" wage-fixing principles and procedures in the AIRC that resulted in carefully controlled wage increases. That centralised system has gone, but the legacy endures. There has been substantial bi-partisan support for the provision of family support payments by the Commonwealth Government. The contemporary Living Wage has to recognise government transfers." (Paragraph 120)

"Family assistance changes in the last two decades have been accompanied by significant economic change; arguably they have been required by, and have facilitated our adaptation to, that change. The high levels of tariff protection of the last century have gone. In general terms, for the best part of a century after Federation, the wages of Australian workers and Australia's employment levels were supported by tariffs. The costs of this support were borne by Australians as consumers. Now the incomes of many workers and their families are being supported by Australians as taxpayers. A substantial part of the cost of supporting workers and their dependants has moved from the employer to the taxpayer, from the wage packet to the public purse." (Paragraph 121)

20. The critical point is this: the *social compact* of the early twentieth century has to be replaced by a *social compact* for our times. A contemporary approach has to recognise the implications of globalisation (only some of which we can and should resist) for the benefit of the Australian population. This is not a novel point and others have made it. Consider, for example, the views expressed by Paul Kelly in an address to the Institute of Public Affairs in 1994, during the term of the last Labor Government, and which are equally relevant today:

"Keating's alternative economic strategy is to construct a new coalition for growth in the 1990s. I believe this is the preferable approach. The strategy would be to fashion a coalition that supported vigorous growth politics within a framework of social justice. This is the proposition I outlined in the last pages of *The End of Uncertainty* when I said Labor's challenge was to 'attempt a new synthesis between the ALP ethos and the Hawke-Keating legacy of market economics'. I went on to say that the

challenge of our political leaders was to internationalise the economy within the framework of traditional Australian values of justice and equity.

Economic reformers must change the political ethos in which they operate. If they don't they will fail the 1990s. We need a new ethos for economic growth in Australia, and this begins and ends with the persuasive argument that economic growth and social compassion are closely linked. Too often in the past, growth and structural change have been sold the wrong way. The emphasis has been on the means, not the ends-cutting programs, cutting wages, cutting off people from their lives to which they have grown accustomed. In short, growth has almost taken an 'anti-people overtone. All such rhetoric and thinking must now be cast aside.' (*Paradise Divided: the changes, the challenges, the choices for Australia*, page 116)

The Purpose of the Paper

21. This paper is about part of this broader challenge. Its central concern is with one of the most basic questions: "How does a nation ensure the payment of an adequate minimum wage in an increasingly globalised world?" My purpose is to stimulate discussion of this question by way of highlighting a number of related issues.
22. Before dealing with these issues I should say that it is widely accepted in this society, across the political spectrum, that minimum wages should be fixed. There is no serious *public* political challenge to this. It is also accepted that minimum wages should provide a "safety net", which is a concept that necessarily addresses needs. I will return to these needs later.
23. Furthermore, it is *now* accepted, again across the political spectrum, that an employee's remuneration for work should include casual loadings, shift penalties, weekend and public holiday penalties, overtime allowances and a number of other monetary payments. Under *Work Choices*, as originally enacted in 2005, these kinds of entitlements (but not casual loadings) could be bargained away without compensation. They have been reinstated under the recently introduced *fairness* test. The expressed policy intention of the test is that these rights will only be modified if there is fair compensation for such changes. It is unlikely that any Government will again seek to undo the rights that are now covered by the fairness test. ACCER

believes that the fairness test is insufficient for the reasons set out in *Workplace Relations: A Catholic Perspective*, but that doesn't qualify my point.

24. Perhaps there is no more telling evidence of the notion that employees should receive a minimum rate of pay than the provisions of the *Independent Contractors Act 2006* which, according to some estimates, applies to 1.9 million workers in Australia. This legislation, which carefully seeks to prevent employees and independent contractors being bundled together “industrially”, contains provisions designed to ensure that they are treated fairly. The legislation enables the review of contracts that are said to be “unfair” or “harsh”. One of the matters that a may be taken into account in determining that question is whether the contract is unfair or harsh is whether it provides total remuneration that is, or is likely to be, less than that of an employee performing similar work (section 15(1)(c)). That is, even when you are not an employee, you can still *claim* the benefit of the minimum wages and other remuneration that is required to be paid to employees.

The Safety Net Wage

25. The objective or purpose of a minimum wage is to provide a “safety net”. This is a modern term, but one which would have been understood when *Harvester* was decided. The statutory requirement of the AIRC under the now-repealed 1996 amendments to the *Workplace Relations Act* was to establish and maintain “a safety net of fair minimum wages and conditions”, having regard to specified macroeconomic matters and “when adjusting the safety net, the needs of the low paid” (repealed section 88B(2)). Under the relevant Work Choices amendment, the AFPC, “in performing its wage-setting function is to promote the economic security of the people having regard to [amongst other matters]...providing a safety net for the low paid”. ACCER has proposed changes to the current provisions in order to reinstate the requirement to set a *fair* safety net and to reinstate its application to all employees, not just the low paid; see Chapter 3 of *Workplace Relations: A Catholic Perspective*. As was the case with the earlier provisions, the term *safety net* is not

defined under the current provisions. Obviously, a safety net must be fixed by reference to needs. We have to ask, “Whose needs and at what level?”

The Catholic View of Minimum Wages

26. The Catholic position on minimum wages emphasises the needs of the worker and the worker’s family. On the centenary of *Rerum Novarum*, the Australian Catholic Bishops referred to the need for adequate wages and other entitlements:

“It was his [Pope Leo XIII’s] view that human society is built upon and around productive human work. When a person is employed to work full-time for wages, the employer, in strict justice, will pay for an honest day’s work a wage sufficient to enable the worker, even if unskilled, to have the benefits of survival, good health, security and modest comfort. The wage must also allow the worker to provide for the future and acquire the personal property needed for the support of a family. To pressure or trick the worker into taking less is, therefore, unjust.” (*A Century of Catholic Social Teaching*)

27. Consistent with Catholic social teaching, ACCER’s submissions to the AIRC and the AFPC in recent years have sought the fixing of minimum rates of pay that are sufficient, after allowing for income tax and relevant government transfers, to support a family of four, in “modest comfort” without the *need* for the second parent to undertake paid employment. A family with two children best approximates the size of contemporary Australian families. We think this is an important objective and one which has wide community support.
28. There are three important points to make about our view of the family wage. 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 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. Second, the principle applies whether the principal breadwinner is male or female. Parents should be able to choose which one of them will be the breadwinner. 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.

29. The capacity of parents to choose how they will exercise their family responsibilities is a fundamental matter. We have heard much in recent years about the need for family friendly policies. The legislation reflects this concern. The AFPC is required to take account of the principles of the *Family Responsibilities Convention* and to ensure that its decisions do not contain provisions that discriminate because of, or for reasons including, family responsibilities (section 222). Similar provisions apply to the AIRC under the transitional arrangements for parties bound by Federal awards, but not covered by determinations of the AFPC (Schedule 6, clause 9).
30. These anti-discrimination provisions are very important for wage-setting decisions. Supposing wages were set on the basis of the needs of a single person, without regard to the needs of the worker's dependents, in circumstances where the government does not provide for the total support of dependent family members? The adoption of a policy of setting wages only by reference to the needs of the single person would discriminate against workers with family responsibilities. Similarly, and I wish to emphasize this for later purposes, to assume that both parents will be employed, or seek to be employed, must produce a wage outcome that prejudices, and may effectively negate, the prospect of the setting of a wage that will be sufficient to support a family.
31. There is also recognition of the need for wages to support the needs of the worker's family in the International Labour Organisation's *Minimum Wage Fixing Convention, 1970*, a convention that has been ratified by Australia. Article 3 of that convention would, in my view, gain broad community support because it recognises the interests of workers and the relevance of general economic circumstances:

“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.”

32. In my view, there is a *human rights* dimension to the family wage issue. Over the last few decades closer attention has been given to the work/life balance and the balancing of work and family responsibilities. Various statutes provide that workers should not be discriminated against by reason of their family responsibilities. It is generally accepted that work practices, employment contracts, awards and the like should not discriminate against workers who have these responsibilities and that they should not unreasonably impinge on the right of a parent to care for his or her children. Sex discrimination issues are also relevant to this area; but, as we now generally accept, family responsibilities are not gender-specific. There is a detailed review of these issues in *It's About Time: Women, men, work and family*, published earlier this year by the Human Rights and Equal Opportunity Commission. As the publication makes evident, work and family issues are about more than time at work and how work is organised; they also about incomes and financial security, which are the foundations upon which sound family relationships are built.
33. The economic capacity for the proper exercise of parental and family responsibilities is a *rights* issue. The reconciliation of work and family responsibilities must include the question of whether minimum wages are sufficient to give parents a reasonable and effective choice as to how they will exercise their family responsibilities. The financial issues are not restricted to minimum wages issues. Fortunately, there are signs of increasing interest in this aspect of our lives. Recent articles by George Megalogenis in *The Australian* have highlighted the impact that economic stress is having on Australian families. *The Weekend Australian* recently carried an editorial, under the headings *Motherhood Issue* and *Help is needed to boost stay-at-home choice*, which referred to the trend for mothers to return to work earlier following the birth of their children, said that "...there is a strong argument that something needs to be done to boost the availability and affordability of childcare and for new measures to ensure mothers who want to be able to remain at home longer are able to do so". The editorial concluded: "The question is what to do to assist young families, in recognition that the next generation is really a community resource? It may be time to look at a radical restructure of benefits, including new means-tested allowances

and other measures to help low-income earners such as negative taxation.” (*The Weekend Australian* 6-7 October 2007, page 18). We need this discussion.

The AFPC’s 2006 Decision

34. The AFPC is required to fix minimum wage rates for a wide variety of work classifications. The Federal Minimum Wage (“FMW”) is the lowest (or default) wage rate fixed by the AFPC. In its inaugural 2006 Decision, 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.” (Page 96)

35. This conclusion was essentially based on a comparison of the disposable incomes (net wages and transfer payments) of nine kinds of household groups with the relevant Henderson Poverty Lines (“HPL”) for those groups. The comparison showed, for example, that the disposable income of a single breadwinner family of four, with two children in the 8 to 12 years age group and the breadwinner was paid the FMW, was \$815.46 in July 2006. This was 31% above the relevant HPL and was exactly the same percentage by which the single FMW worker exceeded his or her HPL. The simple average for the nine household groups was 32% above the HPL. The obvious implication of this was that the level of transfers, of family benefits, equated to the extra needs of the dependants. That comparison depended on accuracy of the calculations and the appropriateness of the HPLs. If they were correct, any debate over whether wages should be based on the needs of the family (of four) or the single person would be unnecessary.

36. The AFPC accepted that the safety net for the low paid should be fixed by reference to fairness, which, it said, embodies the attributes of: “adequacy (ability to enjoy a reasonable or ‘decent’ standard of living); equity (relativity with higher-paid workers); and incentive (gap between in-work and out-of-work disposable income)” (pages 95-96). It said, with apparent approval, that there was general agreement in the submissions put to it that “...minimum wages should, in combination with cash transfers, provide an income ‘well above poverty’” (page 96).

37. The AFPC did not adopt the family of four, or any other household, as *the* reference point, or benchmark, for wage fixing. The HPLs suggested it was unnecessary. It is clear that it regarded the margin of about 30% above the HPL as fair and appropriate. That it should not be less is evidenced by the AFPC's decision to award a weekly wage increase of \$27.36. We can conclude from this that a disposable income for the family of four that is *about* 30% above its relevant HPL would be fair and appropriate. On that basis it would be "above poverty".

A Contemporary *Harvester*, or a False Dawn?

38. The AFPC's conclusion that the FMW, plus transfer payments, would provide an income that would allow workers with family responsibilities "*to rely solely on a single wage to support their families*" suggested that a contemporary *Harvester* was alive and well. But these words presented an illusion: on the income side, certainly; on the expenditure side, very arguably. I will deal with each in turn.

39. In 2006 the AFPC found that the family of two adults and two children (aged eight to twelve) where a single breadwinner was paid the FMW would have had a disposable income of \$815.46 per week in July 2006. The footnotes to the relevant table advised that figure included a Newstart allowance of \$107.79 for the second parent. This allowance is a means-tested unemployment benefit to which he or she would *not* be entitled as a stay at home parent. The appropriateness of its inclusion was not discussed. This matter is set out in Chapter 3 of *Workplace Relations: A Catholic Perspective*, which incorporated part of ACCER's submission to the AFPC's 2007 wages review.

The AFPC's 2007 Decision

40. In its 2007 submissions to the AFPC, ACCER submitted that an error had been made because the Newstart allowance was not relevant to the calculation of the disposable income of a family in which one parent stays at home to care for the children because such a payment is only available to those seeking employment. It said the allowance could not be relevant to the question of whether the disposable income of those families is sufficient to rely solely on a single wage. ACCER argued that substantial increases would be required over the coming years to correct the arithmetical error.

In its 2007 submissions it sought an increase of \$27.00 per week in the FMW wage, as a first step in addressing the inadequacy in the FMW.

41. In 2007 the AFPC produced a table in similar form to one that it produced in 2006, again setting out the disposable incomes of various household types compared with the relevant HPL. The table included various levels of employment income, related to the FMW, and a calculation of income tax and transfer payments. Again, it included the Newstart Allowance. Table 1.10 appeared as follows:

Table 1.10: Comparison of Henderson Poverty Lines with disposable incomes of income units earning varying proportions of the FMW, December 2006.

Income unit type	Henderson poverty line (HPL) December 2006 (\$PW)	DISPOSABLE INCOME (DI) (\$PW)			DI AS PROPORTION OF HPL		
		50% FMW	100% FMW	150% FMW	50% FMW	100% FMW	150% FMW
Single adult, no children	346.47	367.38	450.34	615.42	1.06	1.30	1.78
Single parent, one child	444.81	527.65	649.61	807.01	1.19	1.46	1.81
Single parent, two children	538.39	610.46	732.42	889.82	1.13	1.36	1.65
Single earner couple, no children	463.48	539.68	600.69	647.24	1.16	1.30	1.40
Single earner couple, one child	557.13	660.93	744.55	807.01	1.19	1.34	1.45
Single earner couple, two children	650.78	743.74	829.42	889.82	1.14	1.27	1.37
Dual earner couple, no children	529.01	nm	646.75	720.75	nm	1.22	1.36
Dual earner couple, one child	622.66	nm	752.06	853.51	nm	1.21	1.37
Dual earner couple, two children	716.31	nm	835.74	936.32	nm	1.17	1.31

Sources: Melbourne Institute of Applied Economic and Social Research, Poverty Lines: Australia December Quarter 2006, University of Melbourne, 12 April 2007; AFPC modelling.

Assumptions:

HPLs include housing costs. Dual-earner figures include additional 'cost of work' component of \$65.53 pw.

FMW = \$511.86 per week at 31 December 2006.

Tax/transfer parameters as at 31 December 2006.

Children aged 8-12.

Households paying sufficient private rent to receive maximum rent assistance, where applicable.

Singles on 50% FMW and couples on 50% and 100% FMW eligible to receive Newstart Allowance.

Dual-earner examples assume income split 2:1.

42. In commenting on Table 1.10, the AFPC said:

“The Commission’s modelling in Table 1.10 does not purport to represent the disposable income of all low-income families, or even the average low-income family. Rather, *it seeks to compare family disposable incomes resulting from typical combinations of low wages and income transfers to commonly-accepted poverty lines.* This is done to judge

whether the combination of wages and transfers provide a variety of family types with a level of disposable income that exceeds the relevant Henderson Poverty Lines (HPLs). The table indicates that for all family types the level of disposable income is well in excess of the relevant HPL". (Page 69, italics added)

43. In a reference to the inclusion of the Newstart allowance and another transfer payment that had been questioned by ACCER (the maximum rental assistance), the AFPC said:

"Table 1.10 *assumes that any entitlement to income support is taken up.* Rent assistance is also included since the HPLs include housing costs and it is likely that many low-paid employees live in private rental accommodation. To the extent that individuals with similar characteristics are either ineligible for particular benefits or choose not to take up those entitlements, their disposable incomes will, of course, be lower." (Page 70, italics added.)

44. The AFPC added a conclusion that was, in substance, a re-affirmation of its 2006 conclusion:

"The Commission remains satisfied that the combination of minimum wages and available income transfers provide families with at least one full-time wage earner on the standard FMW with incomes well above the HPLs." (Page 70.)

45. The critical point is that Table 1.10 *assumes* that the Newstart allowance is an entitlement of the second parent and that it is taken up. Of course, it is not payable where that parent does not seek employment. It is not an entitlement that is relevant to the question of whether the FMW and transfer payments allow the family to rely solely on the wage of one breadwinner. To have an entitlement to the Newstart allowance, the other parent must be prepared to abandon his or her preference of staying in the home to care the children.
46. ACCER took the view that this kind of reasoning would lock wage-setting into a position that would continually prejudice single income families, by assuming that they were getting income that they were not legally entitled to. In a wages system that necessarily takes into account transfer payments received, the inclusion of a transfer payment of over \$100.00 per week to which one member of the family is not entitled is of major consequence. Because the FMW would be fixed at a lower rate

than it would otherwise be, there would be economic pressure on the second parent to work, or the breadwinner to take on a second job. Such an outcome must impact on the way in which the parents are able to exercise their family responsibilities. ACCER said that what appeared as an arithmetical error had become an error of principle.

47. Error of principle or not, as it stands Table 1.10 is misleading. The purpose of Table 1.10 is to show the disposable incomes of a variety of family types and to compare them with a measure of poverty in order to give an assessment of their well being. It is also directed to the question of whether the FMW plus transfers is sufficient to allow the family to be supported by one wage earner. Table 1.10 is misleading because it gives the reader the impression that the single breadwinner family is entitled to the higher amount. Either the misleading inclusion of the Newstart allowance should be corrected or another row should be inserted to present the *true* position of the family where one parent does not seek paid employment outside the home. Furthermore, the use of the Newstart allowance is based on a misunderstanding of the benchmark family. The HPL was not established as a measure for a family in which both parents are, or seek to be, employed. Unemployment benefits for the second parent were not taken into account in determining the standard of living. I will return to this point.

The AIRC Wages and Allowances Review, 2007

48. In August 2007 the AIRC held a hearing to flow-on of the AFPC's decision to those employers who are not covered by the substantive provisions of the legislation. In general terms, they are the employers who are not constitutional corporations and who were covered by a Federal award prior to the Work Choices amendments.
49. ACCER submitted that the AFPC decision in regard to the FMW should not be followed because it was discriminatory. ACCER's written submission is at www.airc.gov.au/wages2007/ACCER_submission. It did not challenge the AFPC's decision in relation to other rates. The AIRC decision incorrectly recites ACCER's argument. It says that ACCER "submitted that the AFPC's decision was wrong, that we should not follow it and that we should instead award an increase in minimum award rates of \$27 per week" and had asked it to "substitute the amount of \$27.00

per week for the wage increases set by the AFPC”; see paragraphs [6] and [8]. ACCER’s submissions leave no room for doubt; the complaint was made about the AFPC’s decision on the FMW, not the many other minimum rates adjusted by the AFPC.

50. ACCER pointed to the AFPC’s decision to *assume* that the second parent in the family would be in receipt of the Newstart allowance and argued that it would impact on the low income family’s disposable income and their capacity to choose to have one parent care for the children without having to seek employment. It showed that the disposable income of the family at July 2007 was not \$848.73, according to the AFPC’s approach, but was \$745.53 per week. It showed that the true margin of the family’s disposable income over the estimated HPL at July 2007 was approximately 11% rather than 27%, as calculated in Table 1.10, and 31%, as calculated in the 2006 decision. ACCER contrasted this with the evidence and the reasoning in the AFPC’s 2006 decision that led to an increase in the FMW; in particular, to the view that disposable income should be “well above poverty” and to the importance of this in determining whether the FMW, plus transfers, would allow the family to rely solely on the single wage.
51. ACCER’s argument was opposed by the Commonwealth and the Australian Chamber of Commerce and Industry. The Australian Council of Trade Unions made no response. The substance of the opposition to ACCER was that the AFPC had decided the issue and that the legislation (clause 8(4)(a) of Schedule 6) required, in effect, that the AIRC to follow the decision. (Clause 8(4)(a) of Schedule 6 requires that the AIRC “have regard to...the desirability of its decisions being consistent with wage-setting decisions of the AFPC”.) ACCER argued that the AIRC still had an obligation to have regard to the *Family Responsibilities Convention*, to avoid discriminating against those with family responsibilities, and to make its own judgment on these matters. The AIRC refused to depart from the AFPC decision:

“In our view it would not be appropriate to accept ACCER’s submission and to substitute the amount of \$27 per week for the wage increases set by the AFPC. There are a number of reasons. The first is that in discussing the calculations concerned the AFPC itself noted that where individuals are ineligible for or choose not to take up particular benefits their disposable incomes will be lower. It must be assumed, therefore, that this

issue was taken into account by the AFPC in some way in weighing the significance of the material concerning the Henderson Poverty Line and its relationship to family incomes at the minimum wage level. Secondly, the calculations in question were not the only material relied upon by the AFPC in reaching its decision – obviously a range of matters were taken into account. Finally, there is no direct relationship between the calculations and the increases set by the AFPC in any event. In summary, and conscious of the guidance in cl.8(4)(a) of Schedule 6 to the Act, we have not been persuaded to depart from the AFPC decision.” (*Wages and Allowances Review 2007*, PR002007, paragraph [8], 16 August 2007, footnote omitted.)

52. As I have explained, the AIRC appears to have misunderstood what ACCER was asking for. If it did, failure was inevitable. There was no basis for the AIRC upsetting the whole of the AFPC’s decision: ACCER didn’t ask for it and the evidence would not have supported such a claim. Nevertheless, the AIRC would have well-understood the argument that some single income families could be left with a disposable income as low as \$745.53 (at July 2007). It accepted that the AFPC had acted on the basis that the second parent (who does not seek paid employment) would not be eligible for the Newstart allowance and that the family would only entitled to a weekly disposable income of \$745. In effect, it found that it was permissible for the AFPC to set a minimum wage that, together with transfer payments would yield a weekly disposable income of \$745. It appears that the AIRC was not prepared to question the adequacy of that figure and ask whether its effect was discriminatory.
53. The underlying issue is the adequacy of \$745 per week: is \$745 sufficient to support a family of two adults and two children at an acceptable standard of living? Or, to put the question in the AFPC’s terms: does the FMW, plus the transfer payments to which the family is entitled, provide an income that would allow workers with family responsibilities “to rely solely on a single wage to support their families”? If the answers are in the affirmative, then no issue of discrimination should arise. In my view, however, a weekly disposable income of \$745 is manifestly inadequate and to hold that it is sufficient is to be out of touch with reality. It is no answer to say that it is, after all, above the HPL. This simply highlights the issue of whether the HPL is a

useful measure of poverty and is able to provide an appropriate basis for the setting of a safety net minimum wage.

Living Costs and the Henderson Poverty Line

54. The foregoing paragraphs refer to the income side of the family budget. What of the outlays? Of its nature, a safety net wage must be based on an assessment of the needs of workers, including the needs of their dependants. The HPL played a critical role in each of the AFPC's decisions about these needs. The AFPC referred to the HPLs as "commonly-accepted poverty lines" and in Table 1.10 compared each of them with the disposable incomes of the relevant household. The HPL was used as a measure of a standard of living and as a means of comparing the wages/transfer outcomes of various households, relative to their own HPL and to each other.
55. What is the utility of the HPL as a means of assessing the needs of one or more of the household and as a guide for setting a safety net wage? In my view, it is very limited. I also doubt the basis for the claim that they could be said to be "commonly-accepted"; but, even if they were, there are good reasons not to accept them as sound guides for wage-setting.
56. In 1973 the Commission of Inquiry into Poverty established poverty lines for a number of household types based on research dating back to 1966 by Professor Henderson and others at the Institute of Applied Economic and Social Research, now the Melbourne Institute of Applied Economic and Social Research ("Melbourne Institute"). These have come to be known as Henderson poverty lines, or HPLs, after Professor Henderson, who was also the Chairman of the Commission. The benchmark household was, and remains, the household of two adults and two children, with one of the parents being employed. Updated HPLs are still published quarterly by the Melbourne Institute, with the following explanation:

"The poverty lines are based on a benchmark income of \$62.70 for the September quarter 1973 established by the Henderson poverty enquiry. The benchmark income was the disposable income required to support the basic needs of a family of two adults and two children. Poverty lines for other types of households are derived from the benchmark using equivalence scales. The poverty lines are to periods subsequent to the benchmark date using an index of per capita household disposable income. A detailed description of the calculation and use of poverty lines is published in the Australian Economic Review, 4th Quarter 1987 and a

discussion of their limitations is published in the Australian Economic Review, 1st quarter 1996.” (*Poverty Lines: Australia ISSN 1448-0530 March Quarter 2007*)

57. HPLs played no role in wage-setting decisions until the AFPC’s decision in 2006. In the *Safety Net Review Case 1997*, (1999) 87 IR 90, which first introduced the FMW into industrial awards, the AIRC rejected their relevance to wage-fixing. Since then some of the parties to wage review cases (including ACCER) have made various attempts to introduce other evidence or have requested that the AIRC establish a process to identify the needs of low paid workers and their families.
58. The HPL has two contentious features that limit its utility for the understanding of living standards and relative living standards between various income/household units. They are the relativities between households and the dollar amount set for the benchmark family of two adults and two children.

HPL Relativities

59. The poverty lines for various kinds of households, relative to the benchmark household of two adults and two children, establish the amount below which each household will fall into poverty. The HPL for a single person household, for example, is 53% of that which applies to a family of four. Put another way, the costs of the same standard of living are assumed to be 89% higher for a family of four. Only 89% more than the single member household! That is very contentious and is one that ACCER disputed in its 2007 submissions to the AFPC. The AFPC responded to this by referring to the existence of other poverty measures, such as the OECD poverty lines, and said that “the results of those comparisons are not dissimilar to those using HPLs” (2007 Decision, page 70).
60. The AFPC’s claim that its comparison with the OECD measure produces “not dissimilar” results is not sustainable. This is evidenced by a range of publications on this matter, a recent one being the Australian Bureau of Statistics publication *Government Benefits, Taxes and Household Income, Australia, 2003-04*, (6537.0), 13 June 2007. Appendix A of that publication explains “equivalised income” and “equivalence scales”. It uses the “modified OECD” equivalence scale, which it

describes as having “wide acceptance among Australian analysts of income distribution, and is the stated preference of key users of the survey”. It explains:

“The equivalence factor derived using the ‘modified OECD’ equivalence scale is built up by allocating points to each person in a household. Taking the first adult in the household as having a weight of 1 point, each additional person who is 15 years or older is allocated 0.5 points, and each child under the age of 15 is allocated 0.3 points.”

61. Rather than the family of four being 89% more than the single person, the commonly-accepted relativity has the family of four at 110% more than the single person. This approach is more realistic than the HPL comparison of single and family households and demonstrates that, in this important respect at least, the OECD approach produces results that are not at all similar to the HPL result. The AFPC’s claim that Table 1.10 contains commonly-accepted relativities cannot be sustained.
62. This is very significant for the AFPC’s finding in 2007, for example, that the family of four and the single person were 27% and 30%, respectively, above their relevant poverty lines. If we re-calculate the single person’s poverty line according to the OECD approach, the single person’s margin over his or her poverty line is 45%, not 30%, and much more favourable than the 27% for the family. Furthermore, when the Newstart allowance is excluded the figures are 45% and 11%, respectively. These gaps demonstrate very significant standards of living for the two households: a very different picture to that suggested in the AFPC’s table in 2006 that had both of them on the same margin and enjoying the same standard of living.
63. Of course, a wage-setting system cannot, by itself, produce the same standard of living, as measured by an appropriate comparator, for different households. The important question is the capacity of the wage that is set to support the worker and his or her dependants at a minimally acceptable standard of living, without the need for the other parent to seek paid employment. It is inevitable, as it was 100 years ago, that such a wage will pay a single person more than he or she needs for that standard of living. In order for the same standard of living to be achieved by different households, government transfers would be required to equate with the extra costs of various combinations of household groupings. It is useful to know how households compare because it can inform taxation and welfare policies and provide

an informed basis for the targeting of those policies, which, in turn may have an impact on wage-setting decisions.

What Are The Needs?

64. This leads to the second contentious aspect of the AFPC's 2007 Decision: the HPL dollar amounts for the benchmark family and the other households. The AFPC made the following comment on the poverty lines issue:

“It is also worth noting that the original Henderson poverty benchmark for a couple family with one earner and two dependent children was equal to the combined value of the then basic wage and child endowment. In other words, at that time, a family with one earner on the basic wage had an income equal to the HPL. Continued improvements over many years in the extent and coverage of income transfers for working families have resulted in families now having disposable incomes well in excess of relevant HPLs.” (2007 Decision, page 70, footnote omitted.)

65. The footnote at the end of the first sentence of this passage refers to a paper by Professor P Saunders of the Social Policy Research Centre (“SPRC”) of the University of New South Wales. Professor Saunders’ paper, entitled *Defining Poverty and Identifying the Poor: Reflections on the Australian Experience*, contains a very substantial discussion of the value of the HPL, as a measure of poverty and as a basis for public policies. In particular, he discusses the SPRC’s Budget Standards research. (The paper, which is SPRC Discussion Paper No. 84, is available at www.sprc.unsw.edu.au/dp.) I will return to the work of the SPRC. Professor Saunders says that Henderson “originally set the poverty line in 1966 equal to the basic wage plus child endowment for a reference family of two adults and two children” (page 6), but he also makes the point that poverty “was measured using an austere poverty line” (page 5). I should reiterate a point made in the earlier quote from the Melbourne Institute: the HPLs are updated using an index of per capita household disposable income. This has seen the HPLs move at a faster rate than prices. (The Melbourne Institute also publishes quarterly price-adjusted HPLs.) It is a factor that needs to be kept in mind when making comparisons between different time periods.

66. The HPLs that we now use were set at the September quarter 1973 at \$62.70. At that time the (Sydney male) minimum wage was \$60.80 per week. This was a time of

frequent changes to prices and wages. When wage indexation was introduced in September 1975 the minimum wage was \$82.80 per week and the CPI-adjusted HPL for the benchmark family was \$78.30 (as at June 1975). If one were to do the kind of calculations that appear in Table 1.10 there would be two features that no longer apply. First, in the early 1970s tax deductions were the prime means by which wage earners received financial support for their families, perhaps resulting in the breadwinner paying no tax. Second, child endowment was small. Child endowment for two children was small: in 1971 it was 3% of the basic wage; see *The Welfare Stakes: Strategies for Australian Social Policy*, Ronald F Henderson (ed.), Institute of Applied Economic and Social Research, 1981, page 56. (This book contains a useful collection of papers on aspects of the HPL and various wages and welfare issues in the 1960s and 1970s.) These features changed very markedly following the 1976 Commonwealth Budget which gave effect to various recommendations made by the Commission of Inquiry into Poverty. On my “kerbside” view, the disposable income of the benchmark family in late 1975 was a small amount higher than their HPL.

67. The reference to the history of the HPLs makes two matters very clear. First, the basic wage (or, as it was in the early 1970s, the “minimum wage”), supplemented by child endowment, produced a poverty level income that was unacceptable. A principal objective of the Inquiry was to address that matter. The second matter is one that I have made earlier. The income of the benchmark family did not include unemployment benefits for the second parent. The objective was to have an acceptable disposable income for families without the need for the second parent to undertake, or apply for, paid employment. The HPL benchmark measure for the family originally covered the family where the second parent stayed at home in order to look after the children. We have to compare like with like. If we are to be consistent we should not now add the Newstart allowance into the family income. Consistency could not result in the conclusion that the benchmark family is “well above poverty”. This reinforces the point that the benchmark HPL household has not been included in Table 1.10.
68. The comfort and satisfaction shown by the AFPC in the long term improvement in the position of low paid families is misplaced. The real picture is very different, as

measured by the AFPC's preferred yardstick, the HPL. The benchmark family of two adults and two children has now moved to 11% above poverty. Is it any easier now for the single breadwinner family of four to rely solely on the minimum wage? You can't answer the question by now adding in unemployment benefits for the second parent when they were not taken into account in 1973. We should not, however, be diverted by issues about the arithmetical precision of the HPLs and burdened by historical comparisons.

69. In 2006 the AFPC said that there was "general agreement that minimum wages should, in combination with cash transfers, provide an income that is 'well above poverty'." The AFPC was satisfied that, for a variety of household types, their disposable incomes were well above poverty. The disposable incomes were about 30% above their HPLs. This involves a number of questions and a fair amount of estimation. Does about 30% above an estimate of poverty produce an appropriate safety net?
70. As at October 2007, ACCER's estimate is that the family's disposable income is \$859.92, with the Newstart allowance, and \$755.17 without it. Our estimate is that the HPL for the family benchmark, which has not yet been calculated by the Melbourne Institute, will be about \$682.00. \$775.17 is the correct figure for the family where the second parent does not seek employment so as to stay at home to care for the children. In our view, a disposable income of \$775.17 will not provide an acceptable standard of living, does not provide a standard of living which is "well above poverty" and is incapable of enabling the family to "rely solely on a single wage". Some may dispute this; but any dispute only serves to emphasize the importance of appropriate contemporary research.

SPRC Research

71. Knowing what it costs to live is vital to the proper exercise of the AFPC's statutory obligation to have regard to the desirability of providing a safety net for the low paid. Relevant research is just as relevant as research on macroeconomic issues. One of the claims that were made in support of the establishment of the AFPC was that it would bring rigour, investigative skills and resources to the task of fixing minimum wages. That necessarily involves rigorous research on living standards. For the

reasons I have given, the HPL material does not provide a satisfactory basis for the proper exercise of the statutory function.

72. In 2003 ACCER asked the AIRC to establish an enquiry through which an appropriate benchmark could be established for the setting of a fair and equitable FMW. The request was rejected, but the AIRC said that was prepared to consider relevant material adduced by any party. In 2004 the ACTU relied on very detailed statistical material from the SPRC on the costs of living. Professor Saunders prepared a report for the AIRC. The report, *Updated Budget Standard Estimates for Australian Working Families in September 2003*, is available at www.sprc.unsw.edu.au, as report 1/04. The AIRC considered that some of the criticisms of the material prevented it from establishing an Australian benchmark, but said that it would be prepared to receive and consider evidence in future safety net reviews directed at establishing an appropriate benchmark for the adequacy of minimum wages; *Safety Net Review – Wages May 2004*, PR002004, paragraph [286]. No such material was presented to the AIRC in 2005.
73. ACCER has been a strong supporter of the use of Budget Standards research by the SPRC. In each of its 2006 and 2007 submissions to the AFPC, ACCER pressed its view that the SPRC material was the best evidence available and argued in support of the development of that material. In 2006 the AFPC asked parties to advise it on research that might be commissioned by the AFPC. Its 2006 referred to proposals from various parties for research into living costs for the purpose of setting safety net wages. ACCER proposed research on the “needs of single-income couple and single parent families with children” (page 181). We think the position of single parent families needs to be better understood, so as to ensure their proper support. (We are particularly mystified by the entries in Table 1.10 which show that the single parent with one child is 46% above poverty, the single parent with two children is 36% above poverty and the single person is only 30% above poverty. There were similarly mystifying figures in the 2006 Decision.) The Australian Council of Social Services proposed “Benchmarks of adequate living standards, including update of Budget Standards research” (page 181). To my knowledge, no such research has been instigated. Information about research projects and tenders is available on the

AFPC's website: www.fairpay.gov.au. I should note that the Human Rights and Equal Opportunity Commission has recommended that the AFPC "undertake a program of monitoring and research with respect to the federal minimum wage and its impact on women workers"; *It's About Time: Women, men, work and family*, p. 81

74. The SPRC research identifies two standards of living: "Low Cost" and "Modest but Adequate". The Low Cost budget was established as a measure of an acceptable minimum standard of living in the setting of income support payments. It does not take into consideration fairness and incentive factors that should apply to those in the workforce. The Modest but Adequate budget is a budget that seeks to describe a standard that is about the median living standard in the Australian community as a whole. The Low Cost budget was not developed as a minimum wage standard and ACCER argued it was a standard *above which* a minimum wage could be set. ACCER updated the estimate given in the *Safety Net Review Case, 2004* and, based on that research, said that the Low Cost Budget for a family of four in June 2006 was \$774.49, above which the FMW should be set. This was considerably more than the HPL figure of \$621.29 per week used by the AFPC in the 2006 Decision.
75. What do the SPRC figures now show us? Consumer Price Index changes over the year since the June 2006 quarter added 2.1%, yielding a total of \$790.75. This is the updated Low Cost budget figure, above which wages should be set. It contrasts with the HPL of \$650.78 (December 2006 quarter) used by the AFPC in its July 2007 Decision. This updated SPRC figure shows the *claimed* disposable income of \$829.42 (again at December 2006) would be "within the range" for an appropriate safety net if it was a correct estimate of the family.

The Westpac-ASFA Retirement Standard

76. Budget Standards research by the SPRC is now used by Westpac Banking Corporation and the Association of Superannuation funds of Australia, in the *Westpac-ASFA Retirement Standard*; see www.superannuation.asn.au. The background and methodology of this material is explained in a paper entitled *Updating and Extending Indicative Budget Standards for Older Australians*, published by the SPRC in January 2004, which is available at www.sprc.unsw.edu.au. The Retirement Standard contains two standards: a modest

- lifestyle and a comfortable lifestyle. The former is “a better lifestyle than that provided by the Aged Pension, but limited to fairly basic activities”. The standard covers singles and couples and assumes home ownership with ongoing housing costs.
77. The HPL provides a poverty measure, excluding housing, for couples who do not work. At March 2007, it was \$277.88. By contrast, as at March 2007 the modest lifestyle for a couple, excluding the housing costs, in the Retirement Standard was \$428.87 per week. It needs to be kept in mind that the Retirement Standard is specifically for a retired couple and we should avoid drawing precise arithmetical conclusions. But the comparison shows a very substantial difference between the two measures. The Westpac-ASFA retirement standard is a better guide to the costs of a lifestyle “limited to fairly basic activities” for a couple than is the HPL. And it is a better guide to an appropriate standard of living for a working family of four, which would have to add in housing costs, the costs of working and the costs of two children. If one were to use the low figures found in the March 2007 HPL calculations for housing costs, the costs of working and the costs of two children (\$149.42, \$66.61 and \$167.48, respectively) the total budget would be \$812.38. It is also “within the range” of the amount of \$829.42 (at December 2006) used by the AFPC in its 2007 Decision.
78. The Westpac-AFA Retirement Standard is not sufficient for decision-making by the AFPC, but it demonstrates the usefulness of Budget Standards research and the credibility of the SPRC material. It also demonstrates the opportunity to benefit from contemporary research. There is an urgent need for the undertaking of contemporary research on living costs and that research would be best based upon the work already done by the SPRC.

The “Effective Minimum Wage”

79. The discussion to date has made extensive reference to the FMW. The FMW is an important figure. It is required by statute and, as we have seen, a major concern of the AFPC and ACCER. However, most workers are employed in work classifications that attract a higher minimum wage rate. How frequently is the FMW overtaken by another minimum wage?

80. The relationship between the FMW and other award rates has been the subject of submissions before the AIRC. In both 2004 and 2005 the Australian Chamber of Commerce and Industry (“ACCI”) sought to establish that the importance given to the FMW by ACCER and others was overstated. It said that very few workers are employed on the FMW and introduced the concept of the Effective Minimum Wage. In 2005 it referred to a sample of awards which showed that, on average, the lowest award rate (save for some very short introductory rates) was 7.48% higher than the FMW. If we were to apply that percentage to the current FMW the Effective Minimum Wage would now be \$561 per week, some \$39 more than the current FMW.
81. ACCER’s response was that workers on the FMW, however few in number, must have a sufficient wage set for them. Furthermore, it said, because they are a small proportion of the award-dependent workforce, the cost impact of a decision to increase their wages would have a negligible impact on the economy. These points are still valid. If ACCI’s Effective Minimum Wage argument is correct, the scope for disputation about the extent of the shortfall in the wage safety net is substantially reduced.
82. ACCER has also drawn attention in the context of the AFPC’s obligation to review the Australian Pay and Classification Scales. ACCER is concerned that the new classifications following that review (submissions for which close on 14 December 2007) may not recognize the point made by ACCI, ie that the Effective Minimum Wage in Australia is substantially in excess of the FMW. There is a risk that the new classification structures may place more workers on the FMW and reduce the current relativities between the FMW and the higher classifications in which low paid workers are currently employed.

Wages, Taxes and Transfers

83. As we have seen, the setting of a safety net wage that provides for the needs of workers and their dependants must take into account income tax deducted from the pay packet and any government transfer payments paid to the worker and/or to the worker’s dependants.

84. Table 1.10 in the AFPC's 2007 Decision is a useful, if flawed, resource because it adds to our understanding of the respective contributions of the wage packet and the public purse to the disposable incomes of various household groups. It shows, for example, that in December 2006 the contribution made by the public purse to the total disposable income of the FMW-dependent family of four, excluding the contentious Newstart allowance. It was \$275.88, or 37.9% of the family's total disposable income. The public purse contribution includes the effective return of the income tax that would ordinarily be paid on the FMW by a single person. Put another way, the family received the gross amount of the FMW, plus a further \$214.36 per week. If there were no transfer payments the same disposable income would have required a tax-free wage, or after-tax wage, of \$19.11 per hour. The gross hourly FMW rate at December 2006 was \$13.47. Compare this position to that which applied 100 years ago when *Harvester* was decided, when the wage packet was *the* means of family support. It illustrates the need for new thinking on an old issue.
85. As we have argued in *Workplace Relations: A Catholic Perspective*, family assistance changes in the last two decades have been required by, and have facilitated our adaptation to, significant economic change and the globalisation of the Australian economy. Transfer payments mean that the wage necessary to support the worker at the minimally acceptable standard of living may be lower than would otherwise be the case. The working family's safety net is the product of after-tax wages and transfer payments, and the more the public purse contributes, the less will be the cost to the employer.
86. This inevitably raises the question of the appropriate or optimal balance between the respective contributions of the wage packet and the public purse. It prompts a consideration of government budgetary capacities and policies. The issue is also relevant to other advanced market economies. In essence, it is the same as, say, the issue in the United States about whether the costs of health care (other than workers compensation) should be a cost of employment, or a budgetary matter, or a combination of the two. In Australia, similar health care is not a cost of employment,

a matter that is to the advantage of a variety of employers in trade-exposed industries. It highlights the need to examine payroll taxes and similar taxes and imposts. If costs are going to be shifted, there must be some consideration of which taxpayers will bear the burdens, or how the burdens are to be shared.

87. Of course, these are not novel points. There was, for example, substantial discussion about the possibility of a wages/taxation trade-off following the letter of the “five economists” to the Prime Minister in 1998; see *A Plan to Cut Unemployment in Australia: An Elaboration of the ‘Five Economists’ Letter to the Prime Minister, 28th October 1998*, at www.cepr.anu.edu/pdf/dawkins. Although the immediate issue addressed by the letter, unemployment, is not so pressing, the topic remains very relevant. Unfortunately, the issue has fallen off the public agenda.
88. The potential impact of tax relief and transfer payments has prompted the opponents of minimum wage increases to add a new argument to wage case debates: they say that “there are better ways to meet the needs of the low paid than giving them a wage increase”. In the 2005 *Safety Net Review Case* conducted by the AIRC, the Commonwealth said that safety net adjustments “are a poor means of addressing the needs of the low paid”, to which ACCER replied:

“An argument used by some of those opposing the claimed wage increase is that there are other and better means of addressing the needs of the low paid. By this they mean tax relief and government transfer payments. As ACCER has demonstrated in its earlier submissions, the needs of low paid workers and their families are, and must continue to be, addressed through both the wage packet and the public purse. The employment impact of taxation on needs-based wages must also be considered. To the extent that there is a connection between wage and employment levels, income tax levied on low paid workers may be seen as a tax on employment. On the other hand, targeted government transfers will enhance employment opportunities. There is, therefore, a strong economic case for supporting low paid workers and their dependants by way of targeted tax reductions and transfer payments. These measures enhance the competitiveness of Australian businesses.

In our market economy it is the employer and the pay packet and not the government and transfer payments that have the primary responsibility of meeting the needs of the worker and his or her dependants. Government plays a supportive (but vital) role, not the primary role in this regard.

(*ACCER Post Budget Safety Net Review Submission*, 17 May 2005, paragraphs 2 and 5.)

89. The balance between the wage packet and the public purse in the support of dependants is an important policy issue; but it has been given too little recognition in public and political discussion in Australia. The debate generated in minimum wage cases has not carried over to the debate about budgetary policies and into the tax reform debate. Those who have opposed wage increases on the grounds that there are better ways to deal with the needs of the low paid do not appear to have carried the argument through to their pre-Budget submissions to the Commonwealth Government. The real challenge is the integration of economic, wages, welfare and taxation policies. Taxation rates, the equity of the taxation system, the level of transfer payments and the terms on which transfer payments are made cannot be separated from wages policy.
90. All of this means that the vexed issue of the relationship between wage levels and employment opportunities becomes needs to be seen in a different way. More than ever, we should be looking at how income taxation on low paid workers adds to employment costs and reduces employment opportunities. Income tax operates as an impost on the employment prospects of low paid workers because their wages are most directly linked to their basic costs of living. Income tax on these workers is, in effect, a tax on employment. The claim by some that “higher wages mean higher costs of employment and less jobs, and lower wages mean lower costs of employment and more jobs” must confront this reality.
91. As we have said in *Workplace Relations: A Catholic Perspective*, there is no significant claim in Australia that our free market economy is *unable* to provide a decent minimum standard of living, by a combination of wages and transfer payments. If such a claim were to be made, it would raise questions about the operation and justice of the taxation system. We make the point that it would be wrong for low paid workers and their families to be deprived of a decent living where there is the capacity in the nation, as a whole, to provide them with the means to achieve that standard of living.

Income Taxation

92. Taxation can be a *moral* issue as well as an economic issue. The amount of taxation required to be paid by low paid workers in Australia *is* a moral issue. *Workplace Relations: A Catholic Perspective* draws attention to the substantial amount of income tax paid by low income workers and to the risk that they are taxed into poverty. It is wrong to impose an income tax on working families who live in poverty and on those who are unable to achieve the minimally acceptable standard of living. The principle applies equally to those who are without family responsibilities.
93. ACCER has argued that there is an economic case for moving towards zero income tax for those in receipt of income equal to or less than the full time FMW. How that would be best achieved may be debated; for example, and without being exhaustive, by changes to the low income tax offset, by changes to the tax thresholds, or by a combination of the two.
94. I want to stress that the income tax changes of recent years have not favoured lower paid workers relative to high income earners. By way of illustration, in the book we have compared the tax paid by workers on the FMW with the tax (including the Medicare Levy) paid by those with incomes five times the FMW. From July 2000 (the introduction of the GST and the *New Tax System*”) to May 2007, workers on the FMW saw their income tax rate (inclusive of the Medicare Levy and the Low Income Tax Offset) fall from 13.49% to 12.04%. We have shown that in the same period, taxpayers with incomes five times the FMW have seen their income tax rate fall from 35.21% to 32.39%. In May 2007, the annual value of these reductions was \$410 for FMW workers and \$3,763 for those on incomes five times the FMW.
95. Further tax reductions came with the May 2007 Budget. From 1 July 2007 the amount of tax payable on the then FMW was reduced 10.32%, reflecting a saving of \$460 per year. Following the increase in the FMW on 1 October 2007, there has been a slight increase to 10.39%. The 2007 Budget provided for more substantial changes to the higher thresholds. The taxpayer with an income five times the FMW has already received the benefit of changes to the 30% tax threshold and on 1 July

2008 will benefit from the change to the 40% threshold. These reductions will be worth \$1,250 per year. 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 of \$511.86. On the other hand, the value of the tax changes for higher income earners since July 2000 (part of which will come into operation on 1 July 2008) would equate to a saving of \$95.64 per week for the person on an income five times that FMW.

96. I have explained these taxation changes to show that the low income worker on the FMW has not had the benefit of significant taxation reductions, as compared with, other income earners. The taxation changes have not been given as part of a plan to offset wage increases that would be otherwise be made. No such claim has been made in the Budget announcements. The reductions in taxation for all taxpayers have been the product of general economic conditions. It would be wrong for the wages of low paid workers to be discounted on account of them having received their share of the national dividend. Indeed, given the money amounts involved, it is very arguable that they have received less than their fair share.

Has the AFPC maintained real wages?

97. I now wish to turn to the question of whether the AFPC has maintained the real wages of low paid workers. In its 2007 Decision the APFC said:

“On implementation of Wage-Setting Decision 3/2007, the minimum wage [FMW] will be some 7.8 % higher than it was in June 2005, which is broadly in line with growth in wages over the period. When reductions in tax liabilities are taken into account, the disposable incomes of employees receiving the standard FMW have not deteriorated relative to disposable incomes in the community more generally.” (Page 13)

98. This aggregates the FMW increases awarded by the AFPC in its two decisions. But there is more to it. It is helpful to see the longer period. First, in relation to the FMW, the 7.8% increase needs to be compared to the movements in the Consumer Price Index. In the period between the decision in the last *Safety Net Review Case* conducted by the AIRC, in June 2005, and the 2007 decision by the AFPC, the

published index increased by 5.5%. As a result, there was a real increase in the FMW, which enabled it to maintain its relativity with the community movement in wages. But the FMW was not adjusted until 1 October 2007, thereby placing the workers who are dependent upon the FMW at a substantial disadvantage compared to workers who are not so dependent. The AFPC decision was published in early July and the June quarter 2007 figures were published in late July. The 5.5% CPI increase that was relied upon by the AFPC was quickly overtaken by a new figure that took the published total to 6.8%. The next figure will be published within four weeks of the wage increase taking effect. The long delay between the date of the announcement and the operative date has a real impact on the maintenance of the real value of wages. The AFPC proposes to next adjust the wages on 1 October 2008.

99. What does this mean for other workers who rely on arbitrated pay increases? How do they compare with price movements and the community increases of some 8.7%? As we have explained in *Workplace Relations: A Catholic Perspective*, the effect of the AFPC's 2006 Decision was to increase, by varying degrees, the real value of wages below \$595 and to decrease the real value of wages above that figure, particularly for those earning in excess of \$700.00 per week. We said that a classification that paid 50% more than the FMW suffered a real wage reduction of \$11.36 per week.
100. An assessment of the first two AFPC decisions should take into account the published Consumer Price Index change for the June quarter 2007. The index is now 6.8% higher than it was when then AIRC made its decision in June 2005. The real value of the increase in the FMW is \$4.78. The earlier discussion about the Effective Minimum Wage provides another reason to be careful about an assessment of the benefits of the recent wage reviews by reference to the FMW only. To illustrate: the Effective Minimum Wage in June 2005 would have been \$520.63 per week. Taking into account the two wage increases and the price movements to June 2007, the real wage increase in the Effective Minimum Wage would be \$2.31 per week.

101. The effect of the two decisions by the AFPC 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. The reduction in the real value of wages is especially marked in the case of those who were on classification rates in excess of \$700 per week in 2005. For example, worker on a classification that paid \$710 in June 2005 has received two wage increases totalling \$27.34 (which is less than the increases for lower paid workers) and has suffered a real wage reduction of \$30.34 per week.
102. These are very troubling matters because they show that many low paid workers have had a real wage reduction under the new wages system. More so, because it has occurred at a time of very strong economic growth when the benefits of economic growth should have been shared with those workers on minimum wages. We should also be clear about taxation: low paid workers have not had any special treatment under the tax changes in this period. The figures demonstrate that we must reject any claim that the reduction in real wages has been offset by tax cuts.
103. The first two decisions of the AFPC have lowered the safety net for those workers who do not have the capacity to bargain for higher wages. About 12% of Australian workers are directly dependent on the wage rates set by the AFPC and receive no more than them. The decisions have also lowered the safety net for those workers who depend on these rates in their bargaining for higher wages. Their bargaining positions may have been weakened. Furthermore, as the principal arbitrator of wages in Australia, the AFPC will have an indirect, albeit variable, effect on the wage rates that can be set by the AIRC and State tribunals for about another 8% of the workforce who are only paid the minimum rates that are set by those bodies.

Transfer Payments and Welfare policies

104. I will now turn to some of the impacts that transfer payments and government welfare policies may have on wage-setting decisions. The starting point for this discussion is that, when setting a safety net wage, proper account has to be taken of

the income taxation paid by the worker and the transfer payments received by the worker and/or the worker's dependents. If, as I have argued, the benchmark is the family of two adults and two children, it will be necessary to consider the financial circumstances of such a family. Inevitably, this will involve a degree of averaging, of the differing circumstances. It is a task much more limited than some kind of averaging of the circumstances of all workers. For the reasons I have explained, the Newstart allowance should be excluded from this process. However, some other matters are not so easy to resolve. I will start with rental assistance.

105. The AFPC has taken into account the maximum amount of rental assistance that may be paid to an eligible person, even though some workers would not be eligible for the assistance or the maximum amount. In its 2007 submissions ACCER said the maximum rental was inappropriate for at least four reasons; first, some families might be unable to afford the rent that would attract the maximum figure; second, rental assistance is not available to people who are paying rent to a government housing authority; third, some low income families will be living with a relative because they cannot afford to rent or wish to save for a deposit on their own home; and, fourth, rent assistance is not available to low income earners who are buying their own homes. The AFPC rejected the arguments on rental assistance and continued to use the maximum level, but there was no reasoned response. This is an area where evidence should be available, if requested, about average levels of assistance, even if only among those who are in receipt of rental assistance.
106. To assume the maximum rental (now at \$61.78 per week) is to build into the assessment an amount that will have the effect, or tend to have the effect, of reducing the safety net FMW. There is, however, a more fundamental matter that is worthy of discussion: if minimum wages are effectively discounted because workers receive, or are assumed to receive, rental assistance, an element will be built into the wage-setting process that reinforces renting and makes home ownership less affordable.
107. Another differential payment that is available to families is Family Tax Benefit B. This benefit reduces by \$18.34 per week once the youngest child turns five years of

age. It is a significant amount of money. The Family Tax Benefit B figures used by the AFPC are the lower figures applicable to school age children. No averaging has taken place; but, very arguably, there should be averaging, unless the costs of children reduce by a similar amount once they reach school age.

108. The reduction in Family Tax Benefit B once children reach school age raises a fundamental question about the withdrawal of family support benefits from parents once their children reach school age, or thereabouts. There is a risk that the withdrawal or reduction of benefits will be used to force the second parent into employment, or to seek employment. Low income families are particularly susceptible to this kind of prejudice: the second parent would be forced into employment if the breadwinner's wage and the reduced transfer payments are insufficient to support the family. We discussed this in *Workplace Relations: A Catholic Perspective*, where we said that a "welfare system that places undue pressure on both parents to seek paid work outside the home is unjust" (para. 101).
109. This provides a useful introduction to the difficulties presented for wage-setting by the Parenting Payment (Partnered) ("PPP"). The PPP is a means-tested Centrelink payment that is paid to a parent who has the care of a child. The income of the carer's partner (who need not be a parent of the child) is taken into account for the purpose of calculating the payment. Assuming the carer parent is not in receipt of an income and the other partner is, the maximum payment of \$189.00 per week is payable when the partner's income is less than \$370.00 per week. The payment is reduced at a very rapid rate: 60 cents for each dollar of gross income received by the partner. It is not payable if the partner's income exceeds \$693 per week, or \$36,133 per year. Where the breadwinner is paid the FMW, the amount payable will be \$107.63 per week; a similar amount to the Newstart allowance. So an increase in the breadwinner's income will have a marked impact on the level of payment received by the carer parent. In addition to the loss of 60 cents for every extra dollar received by the wage earner, the wage earner may have to pay tax on that extra dollar at a marginal rate as high as 30%. This produces a high effective marginal rate of taxation. It also has the effect of reducing the contribution of the public purse as the

contribution of the wage packet increases over the relevant range. More importantly, it has the effect of blunting the impact of wage increases that are granted to this group of workers and their families. What that means in overall terms depends on the extent to which the PPP is payable.

110. The PPP is not available to all parents in the relevant income groups. As a result of the recent “welfare to work” changes made by the Commonwealth, the terms upon which it may be paid depend on the age of the parent’s youngest child. Where a PPP was first claimed after 1 July 2006 the applicant is required to enter into a “Parenting Payment Activity Agreement” once the youngest child turns six years of age. Parents who first claimed the Parenting Payment before 1 July 2006 will be required to enter into a “Parenting Payment Activity Agreement” after 1 July 2007 or once the youngest child turns seven, whichever happens later. The Parenting Payment Activity Agreement operates in a similar way to the Newstart activity agreement. It is also an unemployment payment, and one to which a stay at home parent is not entitled, at least after the child turns six (or seven in transitional cases).
111. The entitlement to receive the PPP was raised in the *Safety Net Review Case 2005* because the Commonwealth had relied on it in a calculation of the disposable incomes of a family of four, with one parent was employed on the FMW. The Commonwealth did not seek to rely on the Newstart allowance, as the AFPC now has. ACCER argued that the PPP was not a general entitlement to stay at home parents, but was a payment in the nature of an unemployment benefit. The AIRC did not, however, make a finding on the issue. I note that, in the course of the argument, ACCER referred to material from the Family Assistance Office’s website which set out the various forms of assistance that is available to families, but which didn’t even refer to this benefit. This is still the case; see www.familyassist.gov.au.
112. If the PPP is payable to the parent who wishes to stay at home to care for a child who is under six years of age, it will yield a family disposable income, for relevant families, that is similar to that set out in the relevant tables of the two AFPC decisions. However, it has other significance. It suggests that a policy decision has

been made that parents in this situation *require* that level of support from public funds. These amounts are not provided without good reason. This is evidence of the level of support needed for families, including families with older children. It begs the question as to why the benefits are withdrawn.

113. If the PPP is a general entitlement for low income families with a child under six years of age, and is an entitlement that is conditional upon the obligation to seek and accept work after that age, then it is a payment that will be withdrawn from a parent who wishes to stay at home to care for his or her children. As I mentioned earlier in the context of the discussion on the Family Tax Benefit B, our position is that a “welfare system that places undue pressure on both parents to seek paid work outside the home is unjust”. In the case of the PPP, the issue also involves much greater pressure, the withdrawal from a FMW-dependent family of an amount in excess of \$100 per week. I know that some people will disagree with this and say that more will be achieved for the family by the second parent if he or she goes out to work, even if pressured. We should have more discussion about this matter.

114. The withdrawal of transfer payments from some families raises a question as to how these transfers should be treated in wage-setting. How do you build a wages system on uneven foundations that are established by government? We discussed this matter in *Workplace Relations: A Catholic Perspective* at paragraphs 155 to 159. We suggested that averaging is the appropriate way to deal with it. By reference to the *Family Characteristics Survey 2003, (4442.0 Family Characteristics, Australia, Jun 2003, Australian Bureau of Statistics)* we looked at the proportion of families in which the youngest child would be under the age at which the job search obligation would come into effect. It turned out to be less than 50%, which meant that the PPP, if it were to be taken into account, should be discounted by more than 50%. ACCER put this to the AFPC, but we received no response, presumably because decided to take into account the Newstart allowance. It is an issue which needs to be addressed. Once the Newstart allowance is removed, as I think it must if wage setting is to be rigorous, the PPP issue must come into play.

Conclusion

115. In their November 2005 Statement on the then proposed *Work Choices* legislation the Australian Catholic Bishops said:

“The Commonwealth Government’s proposals for reforms to Australian employment law have prompted wide debate throughout the country. It is a debate that has caused many of us to reflect on the fundamental values that should underpin our workplaces and society as a whole.

Economic growth is needed to provide prosperity and economic security for all and to provide equity and social cohesion. Economic growth is needed to enhance social justice.”

116. The central concern of this paper is with the goal of maintaining an adequate minimum wage in an increasingly globalised world. The achievement of this goal will enhance equity, social cohesion, economic security and social justice. Indeed, its achievement is necessary for those outcomes. Our commitment to it depends on the fundamental values by which we live. Our capacity to deliver it depends on the strength of our economy and the capacity of our governmental institutions to support the economy and to reconcile the sometimes competing interests of its citizens.
117. The achievement of this goal cannot be exclusively within the power of a wage-setting tribunal. Many issues and policies outside the wage-setting system need to be considered and implemented. Much of this paper has been concerned with the exploration of the policies and processes that are needed in order to set wages at an appropriate level. The wages safety net must operate within a broader social safety net. The height and strength of a safety net depends on economic capacity and the values by which the community lives. Our nation is capable of providing a reasonable wages safety net. Whether we do it or not will depend on our views on the way in which people should be treated and about our mutual obligations.
118. I referred earlier to the very marked contrast between the views propounded by the H R Nicholls Society and ACCER in the 2006 wage review case in the AFPC. As you will have appreciated, there were some profound differences. The important question is whether they arise from differing fundamental values about work and society or from the application of agreed values about work and society to a changing world.