

Fair Work Commission

Fair Work Act 2009

Annual Wage Review 2012-13

**Post-Budget Submission by the
Australian Catholic Council for Employment Relations**

May 2013

1. The Australian Catholic Council for Employment Relations (ACCER) has two matters arising from the delivery of the Commonwealth Budget for 2013-14: the widening gap between safety net wages and average earnings and the prospective reduction in family transfers.
2. We preface those responses with a general observation that draws on a commentary on the Budget by the Executive Director of Catholic Social Services Australia, Paul O'Callaghan:

"The Treasurer has emphasised his belief that Labor's values and priorities are reflected in this Budget. He is keen to help the battler. Yet there is a sharp dissonance between the Government's promotion of a 'fair go' through big reforms and its evident disinterest in so many citizens whose daily financial struggles are profound." (*Flawed beauty in back-to-the-wall Budget*, *Eureka Street*, 15 May 2013)
3. In his view, this is demonstrated by the failure of the Budget to deal with the plight of those who rely on the poverty-inducing Newstart allowance. It is also evident in the Commonwealth's earlier decision to transfer sole parents from the Parenting Payment to the Newstart allowance, thereby forcing many families into poverty, even those where the parent has the capacity and opportunity to obtain substantial employment. Notwithstanding the enormous value promised by its DisabilityCare scheme, the Commonwealth has failed to see life through the eyes of the battlers and those who are on the margins of society.
4. The *Fair Work Act 2009* was a "big reform", which, at least in regard to the setting of safety net protections, we supported and welcomed. However, the Commonwealth's submissions to, and participation in, annual wage reviews have demonstrated that it is blind to the needs of the working poor and the poverty of low paid workers with family responsibilities. ACCER's Submission of March 2013 (at paragraphs 129 to 136)

describes the Commonwealth's resistance to any serious attempt to ascertain the needs of low paid workers and their families and to estimate what income they need in order to achieve a basic acceptable standard of living. To adapt Paul O'Callaghan's commentary, the Commonwealth has demonstrated (at the least) a profound disinterest in the daily financial struggles of marginal and vulnerable workers.

The widening gap between safety net wages and average weekly earnings

5. Table 31 is extracted from Appendix C of *2013-14 Commonwealth Budget-Overview* and sets out estimated changes in real disposable income for various households over the 2007-08 to 2013-14 period, using 2012-13 prices. These figures are calculated by reference to changes in average weekly ordinary time earnings (AWOTE) and show the projected impact on these households of changes in wages, taxes and transfers.

Table 31

Projected improvement in the real disposable incomes and the net tax thresholds of different household types from 2007-08 to 2013-14

Household type (wage as a percentage of the average wage)	Real annual disposable income (\$2012-13)		
	2007-08	2013-14	% Change
Single person (67%)	\$36,679	\$40,999	11.8%
Single person (100%)	\$51,021	\$56,758	11.2%
Single person (167%)	\$78,687	\$87,245	10.9%
Sole parent (0%)	\$30,428	\$33,360	9.6%
Sole parent (67%)	\$51,682	\$57,480	11.2%
Single income couple (133%)	\$68,050	\$74,304	9.2%
Single income couple (167%)	\$81,079	\$89,664	10.6%
Dual income couple (100 & 33%)	\$71,084	\$79,851	12.3%
Dual income couple (100 & 67%)	\$87,700	\$97,757	11.5%
Single income couple with children (100%)	\$61,573	\$66,737	8.4%
Single income couple with children (133%)	\$74,047	\$80,545	8.8%
Single income couple with children (167%)	\$86,781	\$91,639	5.6%
Dual income couple with children (100 & 33%)	\$79,801	\$89,392	12.0%
Dual income couple with children (100 & 67%)	\$97,495	\$106,596	9.3%
Dual income couple with children (167 & 100%)	\$135,940	\$151,345	11.3%
Single pensioner (0%)	\$16,538	\$20,878	26.2%
Pensioner couple (0 & 0%)	\$27,204	\$31,476	15.7%

6. The evident purpose of Appendix C is to promote the Commonwealth's record in improving the lives of individuals and families. This kind of analysis has been used for a number of years in order to show how the Budget and the projected increase in wages will grow through to the Budget year.
7. Table 31 reflects average wages across the workforce, including the wages received by safety net-dependent workers. Aggregate figures such as these can hide trends within sectors of the workforce; and do so in the case of safety net-dependent workers and their families. Furthermore, a comparison between safety net-outcomes and overall outcomes does not reflect the fact that, absent the safety net figures, the contrast would be greater.
8. The data contained in Table 31 is relevant to the FWC's consideration of relevant living standards and their changes over time. ACCER submits that considerable weight should be given to these Budget calculations, including the increases in safety net pensions, which have far outstripped safety net wage increases.
9. Table 28C of ACCER's Supplementary Reply of April 2013 includes data regarding C10-dependent workers for the period December 2007 to December 2012. Adjusting the December 2007 figures by the CPI movement to December 2012 (14.5%), we can calculate the real increases in the disposable incomes of C10-dependent single workers and families. For single workers the increase was 3.1% and for the family of four the increase was 4.6%. More than half of the increase in the family's income was the result of the introduction of the Schoolkids Bonus. Absent that payment, the increase would have been 2.1%.
10. Table 31 projects a real increase of 11.8% for a person on 67% of AWOTE, a considerably greater figure than the increase to date of 3.1% for the C10-dependent worker. For the AWOTE-dependent family, the projected real increase is 8.4%, compared to 4.6% to date for the C10-dependent family.

Prospective reductions in family transfers

11. The Commonwealth Budget 2013-14 confirms that the capacity and preparedness of the Commonwealth to support workers with family responsibilities is limited and that, in the foreseeable future, family transfers will not increase in real terms and the proportion of family disposable income that comes from family transfers will continue to fall.
12. This is particularly evident in the decision of the Commonwealth to abandon the post-1 July 2013 increases in Family Tax Benefit A that were announced in last year's Budget. This will mean a loss of \$300 per year for families with one child and \$600 per year for

families with two or more children. The weekly payments component of Family Tax Benefits A and B will continue to be indexed, but the supplementary payments components of both will remain frozen.

13. Furthermore, the Opposition has announced that, if elected, it will abolish the Schoolkids Bonus which is set at \$410 per year for primary students and \$820 per year for secondary students. This would have a greater impact on the living standards of low income families than the withdrawal of the promised increases in Family Tax Benefit A. In the case of a family with one child at primary school and another at secondary school, this would amount to a cut of \$23.57 per week.
14. The proportion of family disposable income that comes from family transfers will continue to fall over the foreseeable future. This trend is evident in Appendix C of *2013-14 Commonwealth Budget-Overview* (part of which is reproduced above), which sets out estimated changes over the 2007-08 to 2013-14 period. It is estimated that the single person on AWOTE will see a real increase of 11.2% in disposable income, compared to 8.2% for the single breadwinner family of four. At 167% of AWOTE these figures are 10.9% and 5.6%, respectively.
15. The current estimates contrast to the figures in the 2007-08 Budget which covered the 11 years prior to those covered by Appendix C. Appendix A of *2007-08 Commonwealth Budget-Overview* estimated that the real disposable increase for the single person on AWOTE was 25.6%, with the increase for the AWOTE-dependent family being 25.8%. At 167% of AWOTE the estimates were 30.7% and 32.6%, respectively. The larger increases for families were mostly the result of the extension of eligibility into middle income groups, but also reflected the introduction of substantial annual supplements into the family tax benefit scheme. The budgetary circumstances that enabled those changes will not return in the foreseeable future.
16. Family transfers do not cover, and were not intended to cover, the extra costs of workers with family responsibilities. The proportion of a family's disposable income coming from the public purse has peaked and faces a decline. The Budget of May 2013 demonstrates that the wage packet will need to provide a larger component of a low income family's disposable income than it has in the recent past. Any minimum wage submission based on an increased role for the public purse in the support of families fails to understand this new reality.