

**Fair Work Commission**

*Fair Work Act 2009*

**Annual Wage Review 2012-13**

**Submission in Reply  
by the  
Australian Catholic Council for Employment Relations**

**April 2013**

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**A. Introduction**

1. The principal submission of March 2012 by the Australian Catholic Council for Employment Relations (ACCER) in the *Annual Wage Review 2012-13* placed considerable emphasis on the needs of low paid workers and their families in the context of increasing costs of living, relative living standards, rising poverty lines and the statutory and policy objective of social inclusion.
2. We have made extensive submissions on the failure of minimum wages to: meet price increases; reflect productivity increases; retain relativity with wage and income outcomes across the community; and avoid poverty among those families who depend on safety net wage rates. Many safety net-dependent families are living in poverty. Our focus has been on the failure of the National Minimum Wage (NMW) and other low safety net wage rates

to meet the needs of workers with family responsibilities and on the best way to address that situation over time.

## **B. Superannuation**

3. From 1 July 2013 the compulsory superannuation contributions by employers will rise from 9.0% to 9.25%. This will be followed by further annual increases that will raise compulsory superannuation contributions to 12.0%. Some parties have argued for safety net wage increases to be discounted by the superannuation increases. ACCER submits that this issue has to be considered in the context of the matters mentioned in paragraph 2, including the fact that the substantial productivity increases of recent years have not been distributed to safety net-dependent workers. In the light of those matters, it would be unfair and inconsistent with the legislation to discount safety net wage increases on account of the superannuation changes. Furthermore, this kind of discounting should not be considered unless it can be demonstrated at a future review that wage increases in the public sector and in collective bargains in the private sector have been based on the discounting of increases in superannuation.

## **C. Submissions by the Australian Government**

4. ACCER has made substantial criticisms of the Commonwealth's submissions in past annual wage reviews and in our March 2013 submissions. The Commonwealth's submissions in 2013 are in similar form to its past submissions and give us no reason to change the views expressed in our March 2013 submission.

## **D. Revised and Updated Poverty Lines**

5. ACCER has revised and extended the material regarding relative poverty lines and disposable incomes of safety net workers and their families at Tables 26 and 28 of our March 2013 submissions. We had hoped that this could be done by using data for December 2012 from the Melbourne Institute's *Poverty Lines Australia* newsletter for December 2012. The newsletter for December is due in April 2013, but was not available at the time of the preparation of this submission. In the absence of the December 2012 data we have used the Institute's September 2012 data as a proxy for December 2012.

6. When data for December 2012 is published we will recalculate the poverty lines in Table 26A and revise Graph 3 accordingly. ACCER seeks leave to file that material by way of a supplementary submission which we expect to be able to do shortly after the release of the new data.
7. The following tables and graph are prepared in the context of the matters set out in Chapter 3J of ACCER's March 2013 submission (paragraphs 408-48), in particular the paragraphs dealing with relative poverty lines and the 60% of median poverty line.
8. Table 26A revises and extends Table 26 of the March 2013 submission. It covers the period December 2000 to December 2012 and calculates the poverty lines for single workers, couples with two children and sole parents with two children.

**Table 26A**  
**Poverty lines for workers and families**  
 (60% of median relative poverty line)  
**2000-2012**  
 (\$ per week)

	<b>Household Disposable Income per head</b>	<b>Median equivalised disposable income</b>	<b>Poverty Line Single</b>	<b>Poverty Line Couple and 2 children</b>	<b>Poverty Line Sole parent and 2 children</b>
<b>December 2000</b>	418.53	438.32	262.99	552.28	420.78
<b>December 2001</b>	451.76	473.12	283.87	596.13	454.20
<b>December 2002</b>	448.62	469.83	281.90	591.99	451.04
<b>December 2003</b>	477.43	499.90	299.94	629.87	479.90
<b>December 2004</b>	505.46	519.12	311.47	654.09	498.36
<b>December 2005</b>	519.37	568.46	341.08	716.26	545.72
<b>December 2006</b>	574.68	632.67	379.60	797.16	607.36
<b>December 2007</b>	622.53	688.25	412.95	867.20	660.72
<b>December 2008</b>	679.86	714.87	428.92	900.74	686.28
<b>December 2009</b>	680.33	715.00	429.00	900.90	686.40
<b>December 2010</b>	724.03	760.93	456.56	958.77	730.49
<b>December 2011</b>	754.32	792.76	475.66	998.88	761.05
<b>December 2012</b>	776.11	815.66	489.40	1027.73	783.03

Household Disposable Income (HDI) per head figures are taken from *Poverty Lines Australia, September 2012*, published by the Melbourne Institute. The published figure for September 2012 is used as a proxy for December 2012.

The median equivalised figures for 2003, 2005, 2007 and 2009 are taken from the calculations for 2003-04, 2005-06, 2007-08 and 2009-10 in *6523.0 Household Income and Income Distribution 2009-10*, at Table 1. As the published figures for all of those years are in 2009-10 prices, the earlier years have been re-calculated in accordance with the disclosed price adjustments. The figures for each financial year are used for December in each of those years (a practice adopted by the Australian Fair Pay Commission and by the research section of the Fair Work Commission).

The median equivalised figures for 2000 to 2002 and 2010 to 2012 have been adjusted in accordance with movements in Household Disposable Income (HDI) per head, published by the Melbourne Institute in *Poverty Lines Australia, September 2012*, with 2003 and 2009 as the respective reference figures. The calculation of non-survey year figures is also by the use of the Melbourne Institute's HDI estimates. For each of the years between the ABS surveys, ie 2004, 2006 and 2008 the calculation has been made to reflect the proportionate changes in HDI over the 12 months before and after December of those years.

9. The poverty lines in Table 26A have been calculated on the basis of ABS material in *6523.0 Household Income and Income Distribution 2009-10*, supplemented by the Melbourne Institute's estimates of Household Disposable Income per head. The methodology for the calculations is the same as that adopted by the Australian Fair Pay Commission and the Fair Work Commission (FWC) (see, for example, the poverty line calculations in Table 8.2 of the Statistical Report of 18 April 2013). To our knowledge this is the first time these poverty lines covering the period 2000 to 2012 have been calculated and, we submit, Table 26A is the best evidence available to the FWC on this subject and is evidence upon which it should act.
10. In Tables 28A, 28B and 28C we have extended the data in Table 28 of the March submission by calculating the disposable incomes of three sets of safety net-dependent workers over the period December 2000 to December 2012. The workers are those paid at the NMW, C12 and C10 rates. For single workers, the disposable incomes are those in the "net" columns. For those workers with family responsibilities we have provided the detail of the various kinds of family transfers, with a disposable income calculated for each year. Consistent with our March 2013 submissions, we have made those calculations on the basis of each family having two children. As we have explained, the transfer payments are the same for couple parent and sole parent families. This has the effect of suggesting that sole parents have a higher standard of living than the family of four, but the figures fail to take into account the need for sole parents to pay for childcare services, a cost that is not required of families where one parent stays at home to care for the children.

11. Table 28A shows wage, tax and family payment calculations for NMW-dependent workers and families over the period December 2000 to December 2012.

**Table 28A**  
**Wages, taxes and family payments for NMW-dependent workers and families**  
**2000-2012**  
(\$ per week unless otherwise indicated)

Year	NMW	NMW per year	NMW net	Medicare exemption	FTB A	FTB B	FTB A Supp.	FTB B Supp.	Rental assist. max.	Disposable income
<b>2000</b>	400.40	20,893	343.65	6.00	116.20	34.79	-	-	50.43	551.07
<b>2001</b>	413.40	21,571	354.76	6.20	122.92	36.82	-	-	52.46	573.16
<b>2002</b>	431.40	22,510	366.37	6.47	126.70	37.94	-	-	53.93	591.41
<b>2003</b>	448.40	23,397	377.93	6.73	130.48	39.06	-	-	55.40	609.6
<b>2004</b>	467.40	24,389	396.78	7.01	133.56	39.97	23.50	2.87	56.80	660.49
<b>2005</b>	484.40	25,276	412.84	7.27	139.06	41.02	24.06	5.88	58.27	688.40
<b>2006</b>	511.86	26,709	449.93	7.68	140.84	42.14	24.76	6.02	60.58	731.95
<b>2007</b>	522.12	27,244	467.59	7.83	147.46	43.54	25.60	6.23	61.84	760.09
<b>2008</b>	543.78	28,374	494.29	8.16	151.34	44.87	26.20	6.44	64.63	795.93
<b>2009</b>	543.78	28,374	497.17	8.16	156.94	46.55	27.28	6.65	65.61	808.36
<b>2010</b>	569.90	29,737	521.86	8.55	160.30	47.53	27.84	6.79	67.57	840.44
<b>2011</b>	589.30	30,750	537.49	8.84	164.64	48.79	27.84	6.79	70.02	864.41
<b>2012</b>	606.40	31,642	556.87	9.10	193.25	50.53	27.84	6.79	71.16	915.54

The figures are at December of each year.

The family comprises a couple where one parent stays at home to care for two children or a working sole parent with two children. The breadwinner in each family is employed full time and is paid the safety net rate. The incomes of both families are the same because FTB B, which is paid to the stay at home parent, is also paid to the sole parent. The children are aged 8 and 12 and, for the purposes of calculating the Schoolkids bonus in 2012, one is at primary school and the other at secondary school. The weekly value of the schoolkids bonus (calculated at 52.18 weeks per year) is included in the FTB A column.

Family Tax Benefits are taken from Table 16 in ACCER's submission of March 2013.

Rent assistance, is calculated on the basis of 52.18 weeks per year.

The "net" amount includes the Medicare levy, and is applicable to single workers. For families, the exemption from the Medicare levy (all fall under the prescribed thresholds) is taken into account by it being treated as a transfer in the "Medicare exemption" column.

12. Table 28B shows wage, tax and family payment calculations for C12-dependent workers and families over the period December 2000 to December 2012. This wage classification is very close to the base cleaner's wage rate that ACCER has argued should be adopted as the target level for the NMW pending the completion of research into the financial needs of low paid workers and their families. The C12 rate is currently \$648.00 per week, 20 cents a week more than the base cleaner's rate.
13. Table 28C shows wage, tax and family payment calculations for NMW-dependent workers and families over the period December 2000 to December 2012.

**Table 28B**  
**Wages, taxes and family payments for C12-dependent workers and families**  
**2000-2012**

(\$ per week unless otherwise indicated)

Year	C12	C12 per year	C12 net	Medicare exemption	FTB A	FTB B	FTB A Supp.	FTB B Supp.	Rental assist. max.	Disposable income
<b>2000</b>	439.60	22,938	370.50	6.59	116.20	34.79	-	-	50.43	578.51
<b>2001</b>	452.60	23,617	380.05	6.79	122.92	36.82	-	-	52.46	599.04
<b>2002</b>	470.60	24,556	391.74	7.06	126.70	37.94	-	-	53.93	617.37
<b>2003</b>	487.60	25,443	408.93	7.31	130.48	39.06	-	-	55.40	641.18
<b>2004</b>	506.60	26,434	421.18	7.60	133.56	39.97	23.50	2.87	56.80	685.48
<b>2005</b>	523.60	27,321	438.14	7.85	139.06	41.02	24.06	5.88	58.27	714.28
<b>2006</b>	551.00	28,751	475.17	8.26	140.84	42.14	24.76	6.02	60.58	757.77
<b>2007</b>	561.26	29,287	500.28	8.42	147.46	43.54	25.60	6.23	61.84	793.37
<b>2008</b>	582.92	30,417	526.67	8.74	151.34	44.87	26.20	6.44	64.63	828.89
<b>2009</b>	582.92	30,417	529.54	8.74	156.94	46.55	27.28	6.65	65.61	841.31
<b>2010</b>	609.00	31,778	553.15	9.14	160.30	47.53	27.84	6.79	67.57	872.32
<b>2011</b>	629.70	32,857	569.59	9.45	164.64	48.79	27.84	6.79	70.02	897.12
<b>2012</b>	648.00	33,813	589.96	9.72	193.25	50.53	27.84	6.79	71.16	949.25

See notes to Table 28A.

**Table 28C**  
**Wages, taxes and family payments for C10-dependent workers and families**  
**2000-2012**

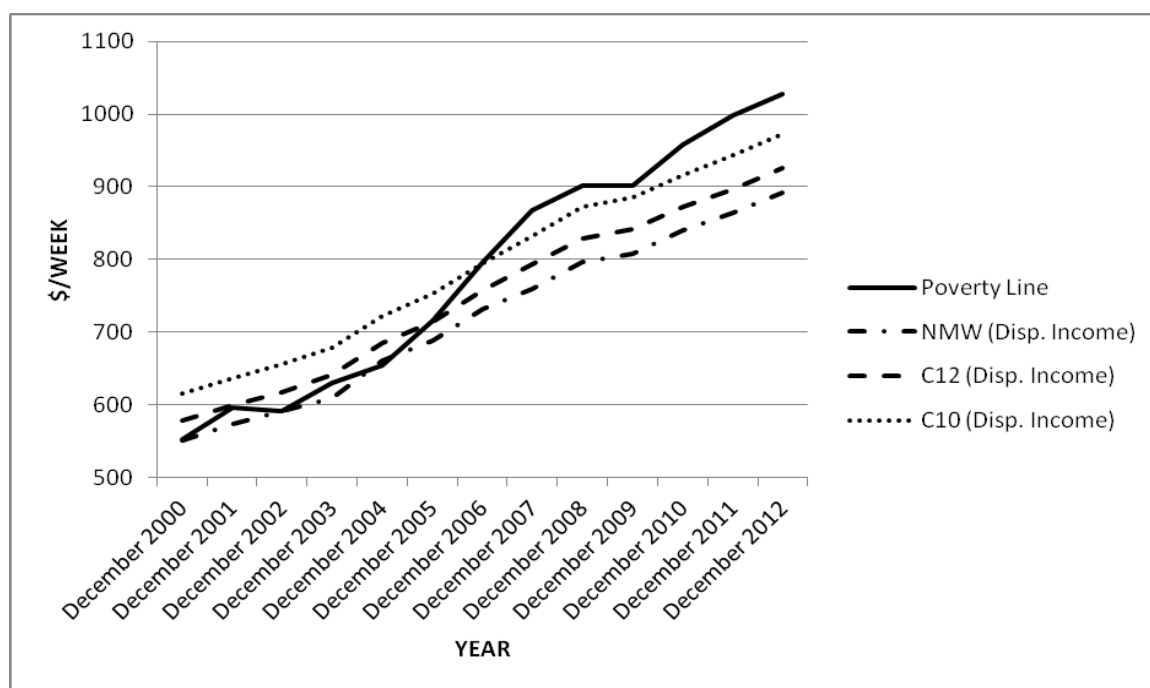
(\$ per week unless otherwise indicated)

Year	C10	C10 per year	C10 net	Medicare exemption	FTB A	FTB B	FTB A Supp.	FTB B Supp.	Rental assist. max.	Disposable income
<b>2000</b>	492.20	25,683	406.53	7.38	116.20	34.79	-	-	50.43	615.33
<b>2001</b>	507.20	26,466	416.81	7.61	122.92	36.82	-	-	52.46	636.62
<b>2002</b>	525.20	27,405	429.14	7.88	126.70	37.94	-	-	53.93	655.59
<b>2003</b>	542.20	28,292	444.77	8.13	130.48	39.06	-	-	55.40	677.84
<b>2004</b>	561.20	29,283	457.78	8.42	133.56	39.97	23.50	2.87	56.80	722.90
<b>2005</b>	578.20	30,170	475.40	8.67	139.06	41.02	24.06	5.88	58.27	752.36
<b>2006</b>	605.56	31,598	510.94	9.08	140.84	42.14	24.76	6.02	60.58	794.36
<b>2007</b>	615.82	32,133	538.06	9.24	147.46	43.54	25.60	6.23	61.84	831.97
<b>2008</b>	637.48	33,263	570.03	9.56	151.34	44.87	26.20	6.44	64.63	873.07
<b>2009</b>	637.48	33,263	572.90	9.56	156.94	46.55	27.28	6.65	65.61	885.49
<b>2010</b>	663.60	34,627	596.56	9.95	160.30	47.53	27.84	6.79	67.57	916.54
<b>2011</b>	686.20	35,806	614.52	10.29	164.64	48.79	27.84	6.79	70.02	942.89
<b>2012</b>	706.10	36,844	636.14	10.59	193.25	50.53	27.84	6.79	71.16	996.30

See notes to Table 28A.

14. In Graph 3 we have plotted the relative changes in the poverty lines and disposable income for families of two adults and two children over the period 2000 to 2012 by reference to each of the three wage rates in Tables 28A, 28B and 28C.

**Graph 3**  
**Disposable Incomes of Safety Net-dependent Families Relative to Poverty Line**  
**(Couple and two children)**  
**December 2000 - December 2012**



15. Graph 3 and the foregoing tables show that in December 2000 the NMW-dependent family of four was virtually on the poverty line, with a poverty gap of only \$1.21 per week; but by December 2012 the poverty gap had grown to \$112.19 per week. From being 0.02% below the poverty line, the family fell to 10.9% below the poverty line. In December 2000 the C12-dependent family was 4.7% above the poverty line and in December 2012 it was 7.6% below it, with a poverty gap of \$78.48 per week. The C10-dependent family has fallen from 11.4% above the poverty line to 3.1% below it, with a poverty gap at December 2012 of \$31.03 per week.
16. Graph 3 shows that the poverty gaps began to emerge just before the *Work Choices* legislation came into operation and were substantial by the end of that legislation in 2009.

However, the poverty gaps have grown slightly since the *Fair Work* legislation came into operation.

17. We have not included other higher paid classifications, but as indicated at Table 17 and the surrounding paragraphs of our March 2013 submissions, the losses for safety net-dependent workers in these classifications have been greater. By contrast to the growing poverty gaps for safety net-dependent families, Table 17 and Table 28A show that the AWOTE family has moved from 24.7% to 26.5% above the poverty line. This illustrates the growing inequality within the workforce, which, we submit, has been largely brought about by the failure of the wage-setting system to provide fair safety net wages.
18. Similar calculations can be done for sole parent families and single workers. In the case of the NMW-dependent single worker, the decline has been greater: from 30.7% above poverty in 2000 to 13.2% above poverty in 2012. C10-dependent singles have fallen from 54.6% to 30.0%. These falls have been greater than those suffered by families because families have received some support from the Commonwealth by way of increased family payments.
19. The decline in the position of sole parents is illustrated by the changes to the C12-dependent sole parent family, where the fall has been from 37.5% above poverty to 21.2% above it. As we have discussed in our March 2013 submissions, these kinds of calculations do not take into account the high costs of childcare. Childcare costs can put the family into poverty.
20. Our examples of changes across safety net rates and households have been made on the basis of the workers being engaged in full time ongoing employment. Sole parents who are unable to secure full time work (because of limited job opportunities or child care availability and costs) will have been more seriously impacted by these changes; and many sole parents and their children will have fallen below, or further below, the poverty line.