

Fair Work Commission

Fair Work Act 2009

Annual Wage Review 2014-15

Submission in Reply

by the

Australian Catholic Council for Employment Relations

17 April 2015

Table of Contents

| | Paragraph |
|--|------------------|
| A. INTRODUCTION | 1 |
| B. THE SINGLE PERSON BENCHMARK | 3 |
| B.1. ACTU | 4 |
| B.2. United Voice | 5 |
| B.3. The Australian Government | 8 |
| B.4. The Federal Opposition | 12 |
| B.5. The South Australian Government | 17 |
| B.6. ACOSS | 19 |
| B.7. ACCI | 21 |
| B.8. Ai Group | 27 |
| C. OTHER MATTERS IN THE INITIAL SUBMISSIONS | |
| C.1. Introduction | 28 |
| C.2. The Australian Government | 30 |
| C.3. The efficiency of minimum wages in addressing needs | 41 |
| C.4. Table 9.1. The effectiveness of wage increases | 47 |
| C.5. Table 9.4. Support for Families | 59 |
| C.6. Table 9.5. Benefits of the tax-transfer system over time | 74 |

A. INTRODUCTION

1. This submission by Australian Catholic Council for Employment Relations (ACCER) is made by way of reply to some of the initial submissions lodged in the Annual Wage Review 2014-15 (the current review) during March 2015.

2. The submission comprises two sections: responses to submissions in regard to the single person benchmark and responses to a number of other matters that have been raised in the submission filed on behalf of the Australian Government.

B. THE SINGLE PERSON BENCHMARK

3. Some of the initial submissions filed by the parties have addressed the single person benchmark issue, either explicitly or implicitly. Consistent with ACCER's initial submission, we use the term "single person benchmark" to describe the June 2014 decision by the Fair Work Commission (FWC) that the "appropriate reference household for the purposes of setting minimum wages is the single person household".

B.1. ACTU

4. The Australian Council of Trade Unions (ACTU) refers to the single person benchmark and has accepted the FWC's decision to adopt it; see paragraphs 171-177. That position was taken without the benefit of the matters of law, principle and precedent set out in ACCER's initial submissions. We trust that the ACTU will return to, and argue for, what has been a fundamental principle of wage setting for more than a century, i.e. minimum wages should take into account the living standards and needs of workers with family responsibilities. The pursuit of fairness and justice for workers with family responsibilities has been a key driving force of the trade union movement's representation of working Australians.

B.2. United Voice

5. The Victorian Branch of United Voice, an ACTU affiliate, has filed a submission that includes the views of several of its members on the insufficiency of their wages to provide for their families. It is implicit in the United Voice submission that it does not accept the single person benchmark.
6. The submission cites paragraph 323 of the 2014 decision, in which the FWC accepted that "if the low paid are forced to live in poverty then their needs are not being met" and that "those in full-time employment can reasonably expect a standard of living that exceeds poverty levels". United Voice argues that "for many full time cleaners the expectation of a standard of living that exceeds poverty levels is simply not met". It gives the examples of Myriam and Olisa who have family responsibilities that cannot be met on their low wages.

Anal and his wife both work, but Anal says that if they were to have children he would have to get a second job. The minimum wage for cleaners is \$684.50 per week, \$43.60 more than the National Minimum Wage (NMW).

7. The single person benchmark rejects this kind of evidence in wage setting decisions. The single person benchmark tells Myriam and Olisa that their minimum wage rate will not take into account any of the demands and responsibilities that they and others have as parents. It might be said that they could, and should, try to bargain for extra pay to take into account their particular circumstances. The FWC can be sure that the union has tried its hardest on their behalf. If the FWC takes no account of family responsibilities it is likely that an employer knowing this would say, in effect, that it has no obligation to recognise family responsibilities either.

B.3. The Australian Government

8. The Australian Government's submission is written as if its authors have not realised that the FWC adopted the single person benchmark in its June 2014 decision. Nor is there any suggestion that the Government has reserved its position pending the delivery by the FWC of Questions on Notice regarding this issue, as foreshadowed in the FWC's Statement of 15 August 2014 ([2014] FWCFB 5605).
9. If the drafters of the Government's submission did know that the single person benchmark has been adopted, the terms of the submission show a contrary view regarding minimum wage setting under the *Fair Work Act*.
10. The Australian Government's submission has substantial reference to the impact of the tax-transfer system on a range of households, with particular emphasis being given to the position of workers with family responsibilities. That approach is inconsistent with the single person benchmark.
11. The Government submission seeks to show that the tax-transfer system operates in a way that provides family households with a comparable standard of living to single person households. For reasons which we refer to later, the material advanced is erroneous and the transfers provided to families do not result in comparable or adequate living standards. The submission tries to establish a position that is not consistent with the Government's stated position. When delivering the May 2014 Budget, the Treasurer, Mr Hockey, in explaining

the cuts to family benefits said that “family payments are an income supplement to help with *some of the costs* of raising a family” (emphasis added).

B.4. The Federal Opposition

12. The Federal Opposition submission does not specifically refer to the single person benchmark, but it is clear from the submission that the single person benchmark is inconsistent with its view of the wage setting function under the *Fair Work Act*, legislation that was enacted when it was in government.

13. The first part of the Federal Opposition’s submission concerns the impact of the 2014 Budget on low income families. In referring to modelling by NATSEM, the submission states:

“20. The outcome of this modelling was clear. The fiscal consolidation proposed in the 2014-15 Budget disproportionately targeted low income families – families more likely to rely on the minimum wage in their employment.”

14. In paragraph 38 of its 2014 decision the FWC referred to the submissions made to it about the implications of the Budget’s proposals for families:

“We note that a number of the proposed changes to tax-transfer payments announced in the 2014–15 Budget will particularly impact on families, rather than individuals. The appropriate reference household for the purposes of setting minimum wages is the single person household, rather than the couple household with children. For this reason, it should not be assumed that the tax-transfer payments announced in the Budget will automatically be taken into account in determining the level of the increase in next year’s Review.”

15. Consistent with the single person benchmark, changes in family-specific tax and transfer arrangements will not be taken into account by the FWC. But that is not the way the Federal Opposition sees the operation of the legislation:

“24. The tax and transfer system has a significant role to play in alleviating the impact of earnings inequality and supporting the living standards of low paid workers. Accordingly, policy changes that are implemented and policy changes that are proposed need to be considered as part of the AWR assessment especially in the context of addressing relative living standards and needs of the low paid.”

“25. Household living standards depend on their total disposable household income, including both wage earnings and transfer payments. The Australian tax-transfer system provides financial support to low wage workers through the family payments system and Family Tax Benefit.”

“27. If the Government’s plans were to be legislated in full, low income parents would lose up to one-tenth of their disposable incomes. In these circumstances, the NMW acts as an important bulwark for living standards.”

“29. The Federal Opposition understands that ‘the prospect of legislative change’ is something the Panel has previously not taken into account. However we would urge the Panel to scrutinise carefully any argument by the Government that the tax and transfer system can be solely relied upon to provide targeted support to the lowest-paid workers given their wholesale attempts to undermine the tax and transfer system. If the Government’s plans were legislated in full, low income Australians – particularly single parents who would lose one-tenth of their disposable incomes – would be significantly and disproportionately worse off. The compounding effect of a reduction in the real value of her minimum wage - as proposed by some - would have significant negative impacts.” (Footnote omitted)

“61. A decent NMW is fundamental to the Australian safety net. It can also provide a foundation for the determination of award wages, and may, in amongst a range of broad factors, provide support for low and middle income families and their consumption, with the flow-on benefits to economic growth more generally.”

16. The Federal Opposition is advocating a position that is inconsistent with the single person benchmark. It is one that requires wages to be set by reference to the position of workers with family responsibilities, with necessary consideration being given to impact that the tax-transfer system has on families. It may be described as the “traditional” view of wage setting in Australia.

B.5. The South Australian Government

17. The South Australian Government does not specifically address the single person benchmark, but it addresses the nature and purpose of the protection given to workers under the legislation:

“25. The Government of South Australia has consistently maintained a position in minimum wage reviews at state and national level that a wage safety net must reflect community standards for decent work, should maintain the real value of minimum wages, and should be adjusted to reflect the financial difficulties faced by those reliant on minimum wages.

26. The safety net of a minimum wage, either through a statutory minimum wage and/or statutory arrangements for determining increases to the minimum award wage and award wages in general, has been a fundamental principle of national and state workplace relations systems since the *1907 Harvester Case*.

27. The essential role of a statutory minimum wage is to ensure that the lowest paid in our community can still earn an income that enables them to participate fully in society.”

18. The single person benchmark does not meet the objectives set out in these passages. It excludes from consideration the neediest of the workers who are reliant on minimum wages, i.e. low paid workers who have family responsibilities. There can be no genuine safety net if the responsibilities of family life are excluded from consideration. The essential role of the NMW and other minimum wage rates, i.e. of enabling full social participation, cannot be pursued if the position of families is ignored.

B.6. ACOSS

19. The Australian Council of Social Service's position remains the same as it was in 2014, and previous years:

“Decisions on the level of minimum wages should be informed by ‘benchmark’ estimates of the cost of attaining a ‘decent basic living standard’ for a single adult according to contemporary Australian standards.

The combined effect of the minimum wage and family payments on the extent of poverty among families should also be taken into account in setting minimum wages.” (Page 6)

20. This position does not support the single person benchmark, as explained in paragraphs 170-3 and 198-208 of the Attachment to ACCER's initial submission of March 2015.

B.7. ACCI

21. The Australian Chamber of Commerce and Industry (ACCI) refers to the single person benchmark in the context of referring to a number of passages in the 2014 decision; see paragraphs 147 to 151. This section is introduced by the following:

“145. A key step in evaluating relative needs and living standards is determining whose needs and living standards are being considered – i.e. who should be the reference point?

22. The FWC's views on the single person benchmark are not treated as decisive because of other apparently inconsistent passages:

“149. The relevance of hours worked and the various factors that determine the difference between earnings and income depends on whose needs and living standards are being considered. One approach to choosing a reference point is to use the actual circumstances typically found in award-reliant households; another other option is use the circumstances of some hypothetical household or group of households as a benchmark.

150. In some places, the Panel suggests that it is concerned about the actual circumstances of award-reliant households, for example:

151. Elsewhere, the Panel suggests that it is concerned with the circumstances of hypothetical award-reliant households. For example, the Panel references figures produced by the Australian government on changes in living standards for certain

hypothetical households on the minimum wage. The Panel also states that it uses the single person household as its benchmark in setting the minimum wage.” (Footnotes omitted)

23. ACCI proposes an approach that is inconsistent with the single person benchmark:

“152. ACCI submits the most appropriate approach is to use the typical circumstances of award-reliant employees as the benchmark. This means that the Panel’s considerations will be focused on the circumstances of those who will be most affected by its considerations.

153. Considering the actual circumstances of award-reliant employees also allows the Panel to take into account the fact that the circumstances of award-reliant households change over time. For example, the Harvester decision sought to allow a single primary income earner to comfortably support an entire family including a dependent spouse and three children, but clearly that sort of family arrangement is much less typical in modern households.

154. A further implication of considering the actual circumstances of award-reliant households is that the effectiveness of the Panel’s decisions in addressing their needs and changing their living standards should be taken into account. If the Panel’s decision has a limited effect on living standards, then this consideration should be given less weight.”

24. The suggestion that there should be benchmarks established for award reliant households is worthy of consideration. Obviously, if established, they would not be intended to be applied in a formulaic way, but they would provide a framework for assessing the impact of the combined effect wages, taxes and transfers on particular kinds of households.
25. ACCER has identified three households, the single person, the sole parent with two children and the couple with two children (see paragraph 73 of the Attachment to ACCER’s March 2015 submission), which could be used as benchmarks. ACCER’s argument is that each of these ordinary and expected must be considered and that a fair wage safety net must be set for the neediest household. An averaging across all three, for example, would not be acceptable.
26. ACCER has proposed a section 290 inquiry for the purpose of obtaining evidence regarding the needs and relative living standards of low paid workers and their families. This would be an appropriate context in which parties could advance views and proposals about benchmark households.

B.8. Ai Group

27. The Australian Industry Group does not refer to the single person benchmark, but its approach to wage setting is clearly inconsistent with it:

“Relative living standards and the needs of the low paid are shaped by a very wide variety of factors. These include wage rates, hours worked, continuity of employment and the family/household situation of low paid employees.

This range of factors includes access to the broader social safety net. In addition to the public health and education systems and public-funding of childcare, the broader social safety net includes Australia’s well-developed and highly-progressive income tax and transfer systems.

The sharply re-distributional nature of the Australian tax and transfer systems is clearly relevant to considerations of relative living standards and the needs of the low paid. Ai Group has long maintained that changes to the social safety net and in particular the income tax and transfer systems should be taken into account in considering the role of minimum wage adjustments in addressing relative living standards and the needs of the low paid. Notwithstanding the rhetoric surrounding the 2014-15 Budget, of enacted measures, the one with most impact on relative living standards would appear to be the three-year income tax surcharge on higher incomes.” (Pages 26-7)

C. OTHER MATTERS IN THE INITIAL SUBMISSIONS

C.1. Introduction

28. The other matters that ACCER raises by way of reply to the initial submissions are from the Australian Government’s submission. The first matter concerns the Government’s submissions on inequality in Chapter 10, which fail to deal with the position of minimum wage workers and their families.
29. The other matters relate to the efficiency and effectiveness of minimum wage increases in addressing the relative living standards and needs of the low paid. Chapter 9 of the Government’s submission is based on a series of selective and misleading presentations that do not reflect the ordinary impact that the tax-transfer system has on the incomes and living standards of low paid workers and their families. This is evidenced by the content of Tables 9.1, 9.4 and 9.5 and the associated commentary. A large part of Chapter 9 can be characterised as “spin”.
30. Because of both the detail of the matters raised and the lack of detail in some important aspects, our response is lengthy. ACCER contends, to the contrary of the Government, that minimum wages are an effective means of providing support to the low paid and their families. Properly understood, the data demonstrates the point made by the Queensland

Government:

“Minimum and award wage increases serve an important social function by directly targeting and benefiting those employees who are not able to negotiate wage increases with their employer through enterprise bargaining. This helps to ensure that those workers with little or no bargaining power are not left behind.” (Page 9)

C.2. Increasing inequality

The impact of the changing skills mix on earnings

31. In its initial reference to the changing skills mix within the labour market the Australian Government states:

“This structural change in demand for skills *might* have contributed to the increase in earnings inequality, as shown in Chapter 10 [“Impact on inequality”].” (Paragraph 141, emphasis added.)

32. In Chapter 10 a different kind of comment is made:

“One of the main drivers behind the increased dispersion of hourly wages has been changes in the composition of employed people, such as changes to the skill mix of employees.” (Paragraph 350)

33. ACCER has addressed this issue and attempted to quantify the impact of the change in skills mix; see ACCER’s March 2015 submission, at section C5 and Chapter 5D of the Attachment. ACCER accepts that the changing skills mix has had some impact on earnings inequality, but it has been relatively small. This is a matter that may justify further investigation. However, an increasing skills mix does not justify the setting of relatively lower minimum wages. The objective of providing a wage safety net that delivers an acceptable standard of living is not compromised by these kinds of changes. Indeed, the capacity to deliver an acceptable standard of living is enhanced by an increasing skills mix.

Earnings and Income inequality

34. The Government’s submission emphasises the modifying impact that the Australian tax-transfer system has had on increasing inequality. However, the Government’s discussion of inequality pays no regard to the relative position of minimum wage workers and their families, even after due allowance is made for transfer payments.
35. The Government’s discussion of earnings inequality is based on the data in Table 10.1. This does not identify minimum wage workers, who are incorporated into broader categories. The Government does not attempt to compare the changes in minimum wages and average wages, which should be part of this kind of analysis in a minimum wage submission. The

relative loss of earnings by minimum wage workers remains hidden in Table 10.1. This contrasts with ACCER's analysis, partly based on the FWC's own material, in Figure 3 and paragraphs 424-7 of the Attachment to ACCER's March 2015 submission. The FWC should, we submit, give close attention to these matters omitted from the Government's submission.

36. The Government's discussion of income inequality suffers from the same kind of shortcoming. Chart 10.1 and Tables 10.2 and 10.3 deal with aggregates and, again, hide what has been happening to minimum wage workers and their families. The positions of minimum wage workers and their families are lost in aggregates that shed no light on what has happened to their relative living standards. Once they are identified, as ACCER has shown in its submission (see paragraphs 139-153 and Chapter 8A to C of the Attachment), important comparisons can be made between the living standards of workers who rely on minimum wages and the broader community.
37. The Government has the knowledge and the resources to present more relevant data in a submission about minimum wages. The presentation might be quite sufficient in other contexts, but it is not sufficient in a wage claim that is concerned with the relative living standards of minimum wage workers.
38. Table 10.2 shows changes in real equivalised weekly disposable household income over the period 2000-01 to 2011-12. These figures are based on calculations of median equivalised disposable household income (MEDHI). The Australian Government has (in the Australian Bureau of Statistics) very sophisticated and extensive data on MEDHI. ACCER has shown how the (nominal) disposable incomes of three households (single worker, sole parent with two children and couple parent with two children) at three minimum wage levels have moved relative to MEDHI over the period since January 2001; see Tables 26 to 30 of ACCER's March 2015 submission. We expect that the Government could also present similar data for any other households that it regards as relevant to minimum wage setting.
39. The evidence which the Government has stopped short of presenting would show a serious deterioration in the disposable incomes of minimum wage workers and their families and their falling living standards relative to the rest of the community. Figure 4 in ACCER's March 2015 submission illustrates the fall in living standards.

40. In referring to earnings inequality, the Government's submission states:
- “When analysing earnings inequality it is important to keep in mind that low-paid work often acts as a stepping stone into higher paid work and therefore people are expected to move across the earnings distribution over time.” (Paragraph 346).
41. It is true that many workers are able to progress to higher paid positions, but this is no reason to deny them a decent standard of living when they are on the first stone. Furthermore, when the data on earnings and income inequality is disaggregated in order to consider the position of minimum wage workers standing on those stones over a period of time, it is obvious that those stones are now placed lower than they were in the past.

C.3. The efficiency of minimum wages in addressing needs

42. At paragraph 35 of its submission the Government claims that “only a portion of an increase in the minimum wage and award classification wages flows through to employees when taxes and transfers are taken into account” and says that it agrees with the passage in paragraph [360] of the 2014 decision that “increases in minimum wages are a blunt instrument for addressing the needs of the low-paid”. We return to the former claim later.
43. The “blunt instrument” passage in the 2014 decision was a repetition of a passage in the 2013 decision ([2013] FWCFB 4000, 57). The passage in the 2013 decision had a footnote to a passage in the *Safety Net Review Case, 2004*:

“As noted in the May 2003 decision, the Commission acknowledges that increases in award wages are a blunt instrument in addressing the needs of the low paid in employment. We accept that a significant number of households with minimum wage earners lie in the middle or high income bands. Moreover, we recognise that adjustments to award wages are a relatively inefficient means of increasing the disposable income of the low paid. On-costs mean that for every dollar awarded by the Commission, employers must spend more than \$1, whereas the impact of tax and tax transfer arrangements means that, in many cases, the employee receives substantially less than \$1 as additional disposable income. Nevertheless, increasing award wages is the only instrument that the Parliament has conferred upon the Commission in order to discharge its statutory obligation to maintain a system of enforceable awards that act as a safety net of fair minimum wages and conditions of employment in the context of living standards generally prevailing in the Australian community.” (*Safety Net Review Case, 2004*, PR002004, paragraph [308])

44. The inefficiency or bluntness relates to the fact that some low paid workers live in higher income households and that part of a wage increase does not end up in the wage packets of workers. That some workers have fewer financial needs than those who most need minimum

wages and are, therefore, “overcompensated” by a wage that takes into the position of workers with family responsibilities has been known and appreciated since minimum wages were first set. Parliaments have enacted this kind of legislation, most recently in 2005 and 2009 by the Australian Parliament, because of the need for an effective safety net for those workers and families who need it.

45. The common good of Australian society is promoted by a wage system that provides an adequate standard of living for workers with family responsibilities, even when those wages are paid to workers who do not have the same level of need, such as singles or workers who have grown children.
46. The more specific targeting of needs through increased transfer payments has been a feature of Australian budgetary policy over the last four decades, so that the work that is required of the ‘blunt instrument’ is much reduced. As a result of the changes, minimum wage increases are less blunt and less inefficient than they once were.
47. In paragraph 36 the Government argues that “there are better ways to address inequality than increases to the minimum wage and award classification wages”. This is an argument for more government expenditure and higher taxes and it is a matter about which there is no consensus. The consensus that has seen increasing expenditure over the past four decades to achieve a “better way” of targeting the needs of families may have run its course. In any event, this argument now has no practical relevance to wage setting as there is no prospect of any increases in transfers given the Commonwealth’s budgetary position. Already, many workers and their families are facing a reduction in disposable income as a result of the decision to abolish the Schoolkids Bonus from the end of 2016.

C.4. Table 9.1. The effectiveness of wage increases.

48. One of the introductory “key points” in Chapter 9 is the claim: “After taxes have been paid, minimum wage increases are not passed through in full to household disposable income and are not particularly effective at boosting the incomes of families at the lower end” (page 64). The matters in support of the Government’s claim that wage increases are ineffective are in Table 9.1. This table is in similar form to Table 6.8 in the Government’s 2014 submission.
49. Table 9.1 considers the impact on household disposable income of the NMW increase of \$18.70 per week in 2014.

50. The reference point for this argument is the increase in disposable income of singles and couples without children. These workers retained 79.0% of the increase, or \$14.77 per week. Table 9.1 includes these two households and another 12 households, two of them being part time workers (one being a student) on 15 hours per week and the others families with one or two children. No information is given apart from a note that payments rates are at 1 July 2014. The source for the table is “Government modelling”. There is no information supplied regarding the relevant facts.
51. The submission refers to one of the two households without children: “For single income couples, without children, and with one partner working full-time on the national minimum wage, only 15.8 per cent (or \$2.96) of the \$18.70 increase in the national minimum wage was retained” (paragraph 301). No details are given. It appears, however, that this reduction has occurred because the non-working partner was treated as being on the Newstart allowance. This allowance is affected by the earnings of an employed partner. The change in the rate of payment simply reflects legislation that provides a means test for this kind of payment. The applicable threshold and taper rate might be contentious, but it is generally accepted that the Newstart allowance needs to be means tested by reference to household income. The provision returns \$11.81 to the public purse; but only for a limited time.
52. What the table and the commentary do not say is that thresholds are typically indexed so that, while the immediate effect is to make a return to the public purse, the payment is increased at a later time. This is a very significant aspect, which should have been acknowledged by the Government’s submission. The footnote that the figures were at 1 July 2014 is no excuse.
53. This adjustment to withdrawal rates is well-known to the Government and those drafting the submission should have included it as a matter of fairness. Table 9.1 and the commentary around it present information that is not only selective, but is misleading. It is inconsistent with the well-accepted notion that the Commonwealth Government should act as a model litigant. The FWC, the parties to the Annual Wage Review and any member of the public reading the Government’s submission, should be able to rely on the accuracy and fairness of the evidentiary matters presented by the Government.

54. It is apparent that the scenarios in the other 12 households in Table 9.1 are also based on the Newstart allowance or some other income support arrangement, all of which are means tested, either by reference to the person's own income (the part-timers) or the partner's income. As with the single income couple without children, a return to the taxpayer (in the form of a reduced support payment), is followed by a subsequent increase in the payment..
55. Table 9.1 claims that a single income couple with two children would only receive an increase in disposable income of \$6.16 per week, or 32.9% of the 2014 increase of \$18.70 per week. It is apparent that the disposable income must include a means tested income support payment, such as the Newstart allowance, which initially returns \$8.61 to the public purse, but later, following the indexation of thresholds, this (and more) will be returned to the family.
56. The real position is shown in the FWC's Statistical Reports of 26 February 2014 and 20 March 2015. Table 8.2 in each report includes the disposable income of the family of four where the second parent is in receipt of the Newstart allowance. At September 2013 the disposable income was \$1,042.65 per week and at September 2014 it had risen to \$1,079.50 per week. This is an increase of \$36.85 per week, considerably more than the \$18.70 (gross) increase in the NMW during that time. Clearly, the indexation of the Newstart allowance was responsible for much of this increase. By way of contrast, the increase shown in both tables for the family of four where the parent stays at home to care for the children (and is, therefore, not eligible for the Newstart allowance) was \$23.94 per week, with disposable income rising from \$929.69 to \$953.63 per week. A comparison between the two sets of figures shows the significance of the undeclared Newstart allowance. In September 2014 the difference was \$125.87 cents per week.
57. The impact of the 2014 NMW increase on the family of four that is not in receipt of the Newstart allowance can also be seen in Table 28 of ACCER's submissions. Table 28 shows that the disposable income of this family increased by \$23.46 per week, a slightly lower figure than the one given in the Statistical Report. This amount comprises the net increase received by single workers, plus indexed changes to family benefits. Furthermore, a sole parent who is also paid the NMW and has two children of a similar age will receive the same increase (see Table 28). These are the ordinary and expected situations that should inform the FWC's decision-making.

58. Table 9.1 does not present the ordinary and expected situations of a family with one full time worker. For example, it is unusual in couple parent families for the second parent to be unemployed and, therefore, eligible for the Newstart allowance. In Table 32 of ACCER's submissions, which shows Census data regarding low income couple parent families with two children, only 3.6% of those families have a full time worker and an unemployed parent. The data in Table 28 is to be preferred over unrepresentative data in Table 9.1.
59. In both couple parent and sole parent families, the minimum wage increase is very effective in delivering a benefit to low paid workers and their families.

C.5. Table 9.4. Support for Families

60. The Government introduces the section on support for families with the following:
- “The tax-transfer system supports low income families with children through targeted payments such as the Family Tax Benefit. These payments help to provide for the additional expense of raising children and hence provide a comparable standard of living across a range of low income household types.” (Paragraph 317)
- “These family payments mean that many low income families with a minimum wage earner have an equivalised disposable income that is higher than that of a single person, without children, on the minimum wage.” (Paragraph 318)
61. The Government's submission then illustrates these claims in Table 9.4, which is an updating of Table 6.6 of its March 2014 submission. In our Reply of April 2014, we made a number of criticisms of Table 6.6., which remain valid for Table 9.4.
62. The first point to be made about Table 9.4 is that it has no notes of explanation. Its source is “Government modelling”. We are left to guess about the basis of the calculations. The second point to be made is the title of Table 9.4 is “Weekly earnings and income of selected household types, as of 1 January 2015”. It does not claim to be representative and does not present any data on the numbers or percentages of families covered.
63. The submission states that “the Government has modelled the equivalised earnings and equivalised disposable household income for a number of hypothetical households where parents work in full-time minimum wage employment. These figures have then been compared to that of a single person without children to provide a comparator of living standards across households” (paragraph 319).
64. This method of comparing households by reference to equivalised earnings and disposable incomes is a variation on the one used for some years by the Australian Fair Pay

Commission (AFPC) and the FWC to illustrate the differential impact that the NMW (and other wage rates) have on the disposable incomes of various kinds of households. The table shows the kind of calculations underpinning Table 8.2 of the FWC's current Statistical Report, which is entitled *Comparison of 60 per cent median income poverty lines with disposable income of selected households earning various wage rates, September 2014*

65. Table 9.4 contains single, sole parent and couple households. The households with children cover families with one and two children. The couple households also cover both parents working and one parent working with the second parent on the Newstart allowance.
66. The example of the sole parent with one child and employed on the NMW is extracted from Table 9.4 for comment (at paragraph 321). The Government points out that, after taxes and transfers, this sole parent family has an equivalised disposable income 10.6% higher than a single person on the NMW. This kind of comparison is also found in Table 8.2 of the FWC's Statistical Report, which compares households by reference to their positions relative to the applicable 60% of median poverty line. Table 8.2 has the sole parent family at 29% above the poverty line and the single person only 16.0% above the poverty line. A sole parent with two children is at 19% above the poverty line.
67. Since these kinds of calculations were first introduced by the AFPC in 2008, each year they have shown that sole parents have a higher standard of living than single workers. ACCER has been concerned about the calculation because it gives a misleading impression of the actual living standards of sole parent families. Its first complaint about the figures was to the AFPC and it has raised the issue in the FWC. For example, the issue was raised by ACCER in its submissions of August 2013 regarding research for the Annual Wage Review 2013-14. ACCER's submissions at the time are relevant to Table 9.4:

“The equivalence scales used in the poverty lines table do not take into account the necessity for working sole parents to provide for child care: the calculations of the single parents position relative to the poverty line assume no, or no net, child care costs and, we submit, give the misleading impression that these families enjoy a standard of living that is substantially in excess of poverty. The poverty lines table even makes the nonsensical claim that the sole parent with two children has a higher standard of living than the single person. It is misleading. Pending the gathering of relevant data, we propose a notation be added to the table drawing attention to this matter. Adopting the words used in the Australian Government submission of March 2013 (at the Appendix) we propose the insertion of the words:

‘For simplicity, the disposable income for families with children does not take into

account child care costs, nor the Child Care Benefits or Child Care Rebate” (ACCER submission on Research Proposals, 22 August 2013, paragraph 19)

68. The footnote used by the Government in 2013 was “For simplicity, the disposable income for families with children does not take into account the child care costs, nor the Child Care Benefits or Child Care Rebate.” It alerted readers to this important issue for working parents, particularly sole parents. Readers could then make their own judgments about the costs of child care and the impact that it would have on the relative living standards. The alert in 2013 was omitted from the relevant tables in 2014. We note that ACCER’s suggestion in August 2013 has not been taken up by the FWC.
69. Drawing attention to this aspect is important because, in the absence of this knowledge, a reader might draw the conclusion that sole parents are doing well. This misleading data might make it harder to get more appropriate child care policies. As the Government’s submission shows, it is capable of being used in minimum wage advocacy.
70. Pre-school care and, for older children, before and after school care and vacation care are critically important in sole parent families and in couple parent families where the second parent works full time. We have made the point in our substantive submissions (as we do each year) that child care costs have the capacity to drive families into poverty and/or to adopt unacceptable latch key arrangements.
71. The claim in Table 9.4 and paragraph 321 that the sole parent has a higher equivalised disposable income than the single person is untenable.
72. In regard to single income couple families, Table 9.4 includes the Newstart allowance in the family’s disposable income. We saw earlier that this allowance was \$125.87 per week in September 2014. The Newstart allowance is an unemployment benefit and is only payable if the recipient is seeking employment, is unable to obtain it and has complied with the relevant work search requirements. The allowance is not payable where one of the parents stays at home to care for the children and does not seek employment.
73. Table 9.4 does not establish comparability in regard to couple parent families. Even with the inclusion of the Newstart allowance the couple family does not have an equivalised disposable income that is comparable to the single worker. The couple with two children have 16.5% less. In order for them to be comparable, the family would need to have a disposable income 2.1 times the single person’s, ie \$1,220.88 per week. The disposable income of

\$1,019.73 per week shown in Table 9.4 (which includes the Newstart Allowance) is \$201.15 per week less than that figure. Furthermore, when the Newstart allowance is taken out, the gap between the two is \$327.02 per week.

74. These figures demonstrate the error of Government's claim that family payments "provide a comparable standard of living across a range of low income household types" (paragraph 319).
75. A further criticism of Table 9.4 is that it does not quantify the number of people in each scenario. There is no information about how many families fall into each of the categories and no basis for the assertion in paragraph 318 that "many low income families with a minimum wage earner have an equivalised disposable income that is higher than that of a single person, without children, on the minimum wage".

C.6. Table 9.5 Benefits of the tax-transfer system over time

76. Table 9.5 is an update of Table 6.7 in the Australian Government's 2014 submission. The table refers to increases in the real value of the NMW and disposable incomes for households in receipt of transfers. The purpose is to show that increases in the real value of the NMW has resulted in the reductions in the real value of transfer payments.
77. Again, the source of this table is "Government modelling" and we can only speculate on the basis upon which all of the figures are calculated. In regard to the calculations of the real value of the NMW increase over the five years, we presume that it covers the CPI increases from December 2009 to December 2014. If that is the case, it takes no account of the fact that there was a wage freeze in 2009; and that the previous NMW increase in 2008 was based, in part, on the CPI at March 2008; so it would not be appropriate to use the data for the purpose of making a judgement about the FWC's decision-making over these years.
78. The reference point in Table 9.5 is the single person, who is not in receipt of transfer payments. The full time single person on the NMW had a 3.4% increase in real disposable income. Had the NMW retained its real value, the real value of the disposable income would have declined by 0.3%, presumably because of bracket creep and, more importantly, the increase in the Medicare levy. The last column of Table 9.5 looks at the net impact of the real NMW increase. The single person (absent increased tax) is at 3.7%, being the sum 3.4% and minus 0.3%. The same figure applies to dual income couples where both are paid the NMW.

The other 12 households are the same as those in Table 9.1.

79. By contrast, to this 3.7% increase, the other 12 households had increases of 0.6% to 1.7%. The implicit point, which was made explicitly in 2014, is that “the real increase in the NMW only increased household incomes by a small amount” (Australian Government submission, March 2014, paragraph 309). As discussed earlier in regard to Table 9.1, this is the expected and accepted result in those households that receive means-based income support benefits.
80. The choice of households in Table 9.5, like Table 9.1, is selective and does not deal with households that do not have income support supplements. We illustrated this earlier in regard to the single income NMW dependent family in Table 28 of ACCER’s March 2015 submission. Table 28 also shows that couple parent and sole parent families had a 19.0% increase in disposable income from January 2010 to January 2015, compared to a CPI increase of 13.0% over the period December 2009 to December 2014 (see Table 1, ACCER submission, March 2015). Over the five years the single person’s increase was 16.9% (see Table 28). The increase in family support over this five year period is being wound back by policy changes: for example the Schoolkids Bonus, worth \$23.57 per week to the families in Table 28, will cease in December 2016.
81. These figures confirm that wage increases for low paid workers are an effective means of improving living standards for those workers and their families.