

# Congress on the Occasion of the 50<sup>th</sup> Anniversary of *Mater et Magistra*

## From *Mater et Magistra* to *Caritas in Veritate*

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**Topic:** *Applying Catholic Doctrine on Minimum Wages in the Context of Globalization: The Australian Experience*

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#### **A. Introduction**

1. The purpose of this paper is to address the topic through a reference to the issues and reflections from the experience of the Australian Catholic Council for Employment Relations (ACCER) in its pursuit of a decent minimum wages for low paid Australian workers. In doing this I will look at four inter-related areas: the impact of globalization on wages; the rise of the social wage; the increased role of women in the workforce and the relevance of the *family wage*.
2. These four areas are discussed in the light of the Australian experience, shaped in large part by its changing economic relations with Asia; but also shaped by endogenous changes within Australian society which are the kind of changes that are being felt to a greater or lesser extent in other countries. I have tried to present the issues in a way that will be useful to readers in other countries who are engaged in social justice for workers and their families.
3. This paper is given as part of a conference to celebrate the 50<sup>th</sup> anniversary of *Mater et Magistra*. As we know, the anniversary of a number of other encyclicals occurs at the same time, including the seminal social encyclical *Rerum Novarum*. My topic starts with *Rerum Novarum*. The social question to which the encyclical was directed was the relation between Labour and Capital, but the encyclical was about much more than that: “[*Rerum Novarum*] expounds ... the Catholic doctrine on work, the right to property, the principle of collaboration instead of class struggle as the fundamental means for social change, the rights of the weak, the dignity of the poor and the obligations of the rich, the perfecting of justice through charity, on the right to form professional associations” (*Guidelines for the Study and*

*Teaching of the Church's Social Doctrine in the Formation of Priests*, Congregation for Catholic Education, quoted at Compendium of the social Doctrine of the Church, paragraph 89.)

4. My topic has to be seen in the broader context of these issues, but it will remain focused on what is often regarded as the central message of *Rerum Novarum*. On the centenary of *Rerum Novarum*, the Australian Catholic Bishops published a Pastoral Letter in which they summarised the central message:  
"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*)
5. No doubt, this kind of formulation has been framed on many occasions. It speaks of a basic right of workers and is widely accepted as the basis for the establishment of a legal minimum wage. This minimum wage may be described as a *living wage*. It is not necessarily the same as a *just wage*. A just wage for a particular worker may be in excess of the living wage because it will need to take into account a number of additional factors related to skills, work environment and the like.
6. ACCER is an agency of the Australian Catholic Bishops Conference which provides the Bishops with advice on employment relations issues and which acts as a public advocate for good employment relations. The Catholic Church in Australia employs well over 130,000 (in health, aged care, education, welfare and administration) out of a national workforce of 11.44 million (at January 2011). It is one of the largest employers in the country. One of ACCER's principal activities has been the advocacy of adequate *safety net* wages for low paid workers and this paper includes some passages that I have drafted in various submissions over the past nine years. About one in six Australian workers receives no more than the prescribed safety net wage. These workers are unable to bargain for a higher rate, either individually or collectively, and most usually are not union members. Many low paid workers who are able to bargain for a higher wage are still left with inadequate wages.

## **B. Catholic doctrine on minimum wages: the Australian experience**

### *Rerum Novarum and early Australian industrial relations*

7. *Rerum Novarum* came at a momentous point in Australian political, social and economic history. In 1891 Australia did not exist as a political entity. Australia was then six self-governing British colonies, far removed from the mother country. European settlement of the continent was just over a century old. As the Australian Bishops pointed out in the abovementioned Pastoral Letter:

"The publishing and dissemination of *Rerum novarum* in 1891 coincided with a period of serious social, political and industrial upheaval in Australia. At the time, the Archbishop of Sydney, Cardinal Moran, was seen as one of our country's outstanding defenders of the rights of workers, many of whom were suffering from the very kind of exploitation denounced by Leo XIII. A number of the lay Catholics who contributed to the historical growth of those political and industrial organisations which were created to win a more just deal for working people in the following years and the early decades of the twentieth century were influenced by *Rerum novarum*."

8. Most of the Australian colonies had been established as penal settlements. The convicts usually stayed in Australia after their release, and many raised families. A significant number of the convicts were Irish Catholics, mostly convicted in British-occupied Ireland, with experience of injustice. Large scale emigration from Ireland in the mid-nineteenth century following the Great Famine sustained a strong Irish Catholic identity for another century. The great gold rushes of the mid-nineteenth century drew many people from outside Britain and Ireland; and by the time of the economic crash of the 1890s Melbourne and Sydney were world-ranking cities.
9. The fact that the majority of Australians were urban dwellers at that time, mostly found in the six colonial capitals, was the result of the harshness of much of the country. Yet the connection with the bush was real in the shaping of Australian identification; it was so close to city dwellers and there were strong family connections between the city and the bush.
10. The European settlement of Australia came at very great expense to the indigenous peoples of Australian. In areas of white settlement they lived on the margins of society and elsewhere they were found in marginal lands that could not be farmed. There was violence and death, but the white occupation of aboriginal lands met with limited and ineffective resistance.
11. When the colonies talked in the 1890s about an Australian Federation there was a sharp divide between the Protectionists and the Free Traders about the powers of the proposed Commonwealth. In particular, there was a debate between those who supported the protection of working people through a system of conciliation and arbitration of industrial disputes and those who would leave these matters to the market.
12. *Rerum Novarum* struck a chord with more than Catholics, who were just over one-fifth of the population at the time. Two factors came into play: the strong egalitarian spirit and the bonds of *mateship*. *Rerum Novarum* fell on fertile ground in Australia; free trade and individualism did not.
13. The prevailing common philosophy in Australia, based on egalitarianism and mutual support, has been, and remains, very different to, for example, the dominant common philosophy of the United States. The social safety nets that have been set up in Australia, largely without ideological debate, are evidence of this. “Fairness” has been and remains a touchstone for much of Australia’s public debate and legislation. But there remains a question as to how Australian egalitarianism will be affected by globalization.
14. Protectionism won out in the Federation debates. The argument that Australia needed to support and foster local industry in order to maintain its independence had popular appeal. Industrial regulation also won out. The constitution and legislation of the Commonwealth of Australia established the basis for the adoption of the living wage in Australia, and it was delivered in the *Harvester* case in 1907, an excise taxation case under legislation that tied tariff protection for the employer to employment protection for the worker. The words of the judge in delivering his reasoning echoed the words of Pope Leo XIII. To many Catholics, *Harvester* was *Rerum Novarum* in action. The decision flowed to industrial awards covering workers’ wages.
15. The economic and legal framework adopted in the early years of Federation was a kind of social compact which required employers to pay a living wage, in return for which their businesses would be supported by tariffs. The conciliation and arbitration system (which operated nationally, with counterparts in the States covering the gaps in Federal coverage) produced “awards” that set wages for a multiplicity of work classifications. Minimum wages comprised a basic wage, based on needs and, where applicable, a margin for skill.

16. The *Harvester* wage was a wage that would be sufficient for a worker with a wife and three children; but it did not keep up its value over the following decades. When faced with straightened economic circumstances its value fell away.
17. In 1941 the Social Justice Statement of Australian Catholic Bishops complained of the fact that it had ceased to be a family wage and argued for the expansion of child endowment payments (which had been introduced in 1940) to supplement the inadequate wage. The Bishops' Social Justice Statement of 1954 proposed the adoption of a new wages and family payments system, with the support of dependants being provided out of the public purse and wages being set on the basis of the needs of the single person, with men and women being paid the same rate. The last of these was especially important because different rates of pay usually applied to men and women. Women usually received only 75% of the basic wage because, unlike men, they were regarded as not having a family to support. The principle of equal pay was not adopted until the early 1970s.
18. The proposals in the Bishops' Social Justice Statements of 1941 and 1954 were significant because they showed openness to a wages system that was not based on a family wage in the way it was articulated by *Rerum Novarum*. It was borne out of frustration with the decisions of the "independent umpire" and may have been based on a view that more could be achieved through the parliamentary process. But it was not based on an assessment of the implications of globalization; the tariff wall around Australian industry was unmoved.
19. It should be noted that the Catholic Bishops played a prominent role in social affairs and Catholics were influential in political affairs, mainly through the Australian Labor Party, which attracted strong support from the mainly working class Catholics. For the Church, "the Split" of Catholics within the political and union arms of the labour movement in 1955, over the issue of the appropriate response to communists in the trade union movement, was catastrophic for the continued articulation of its social message. Catholics were divided as never before, with deep and wide chasms developing within families and parishes throughout the country.

*The globalisation of the Australian economy*

20. By the time of *Mater et Magistra*, Australia had experienced over half a century of minimum wage setting in the context of a protected manufacturing industry and a reasonably strong rural sector.
21. In 1961, the primary institution for the setting of wages in Australia was the Australian Conciliation and Arbitration Commission, an independent statutory body that was a court in style and form, though not in law (because of the separation of powers doctrine), in which a variety of industrial disputes were conciliated and arbitrated. The most important were the Basic Wage Cases and the Margins Cases. These were major cases in the political, economic and industrial life of the country. The trade union advocate at this time (Bob Hawke) later became President of the Australian Council of Trade Unions and, subsequently, Prime Minister of Australia.
22. In the 1960s the aspiration for workers and businesses was much as it was fifty years earlier: a living wage, with businesses protected by tariffs. The tariffs and other forms of industry assistance had great success in building up industries and exporting some products. In the 1970s more questioned this economic model. And it was clear to many that the wages system was failing low income working families. So much so that it was one of the reasons for the Commonwealth Government deciding in 1972 to establish a national Commission of Inquiry into Poverty in Australia.
23. The Commission of Inquiry into Poverty proposed increased family payments. Child endowment payments, which had been introduced in 1940, had lost their real value by

- the 1970s. Significant increases in family payments were introduced in 1976, and they have grown since then. Family payments are significant in wage-setting because they reduce the component of the wage packet that is required for the support of a family. The old gender-based benchmark for setting wages (a man with a wife and children at home) was questioned, but had little noticeable impact on subsequent decisions: women were paid the male rate and wages were increased by reference to a range of macroeconomic factors, principally prices and productivity. Strange as it may seem, in all of the years since then there has been no substantial review of the needs of workers and their families for the purpose of setting the lowest of the minimum wage rates.
24. The transfer of a substantial amount of family support from the wage packet to the public purse accompanied, indeed made possible, a transition to an economy that was more open to the world. This kind of change required political and community preparedness to support workers with family responsibilities through the taxation system.
  25. Fifty years after *Mater et Magistra* Australia has all but lost its tariff barriers. There are some areas of protection (for example, parts of passenger vehicle production) but the levels are low and declining. The change came about through a series of national decisions in the 1980s, under the leadership of Prime Minister Bob Hawke and Treasurer Paul Keating (later Prime Minister 1991-96), to expose Australian industries to international competition and the opportunities that come with it. The initiative came from a Labor government, with a high degree of support from the trade union movement, in return for increases in the “social wage”.
  26. Another part of the Federation social compact to which I referred earlier was the White Australia Policy, a national system of immigration control which all but excluded non-European migration to Australia. This policy came under increasing public pressure, especially in the 1960s and was formally abandoned in 1973. Since then the number of migrants coming from non-European countries has increased steadily. In 2009-10 168,623 migrants were settled under the national Migration Program, of whom 21.7% came from North Asia, 19.7% from the Indian subcontinent, 15.3% from the United Kingdom and 11.5% from Philippines, Vietnam and Malaysia. Migration from New Zealand (with which there is unrestricted migration) and refugee admissions are not included in these figures.
  27. So with the trade barriers lowered and migration from Asia, Australia sees its economic future as being closely tied to Asia. The globalising of Australian industries will continue, with widespread support across the political spectrum; but there are concerns about the longer-term impact on the balance of the Australian economy.
  28. Australia’s reliance on revenue from the export of raw materials has a downside for other industries. The rising Australian dollar makes it increasingly harder for exporters and inbound tourism businesses. The Australian dollar is now worth more than the U.S. dollar, higher than it has been since it was floated in December 1983 and the terms of trade are the best they have been since the early 1950s. In early May 2011 the Australian dollar bought \$US1.10 and 0.73 Euros.
  29. The four major Australian banks have AA ratings. Internationally there are only nine banks with AAA or AA ratings. Australia has the fourth largest pension fund pool globally, largely the product of a national law that requires employers to make payments for the benefit of their employees at the rate of 9% of earnings. These superannuation funds have about \$1.3 trillion dollars invested, including about \$250 billion in non-profit “industry” funds which are jointly controlled by employer and employee trustees. The national government’s prospective superannuation liabilities are covered by a special fund, with widespread investments in Australia and

internationally. On the other hand, Australia's international debt is substantial. Australia's net foreign debt liability at December 2010 was \$650.3 billion and its net foreign equity liability was \$131.8 billion.

30. In March 2011 unemployment dropped to 4.7%, reflecting a strong recovery from the Global Financial Crisis (GFC). Unemployment had fallen to 3.9% before the GFC and rose to 5.8% during it. It is likely to fall to about 4.5% over the next year. This has produced substantial skills shortages (especially in the booming mining and resources sector) and predictions of strong wages growth, and inflationary pressures. Yet there were 606,500 unemployed in January 2011, including 112,200 long term unemployed. This appears at first to be a contradiction, but it is a sign that many people do not have the skills for workforce participation.
31. The Australian unemployment figures present only part of the picture of exclusion from the labour force. Australia provides a national disability pension scheme for people who are unable to undertake work. In December 2010 there were 808,878 people on a disability pension, more than those who are unemployed and very significant compared to the workforce of almost 11.5 million. One reason for the high number is that, in the case of the single person, for example, the disability pension pays \$123.20 per week more than the unemployment benefit, thereby encouraging people to find a reason why they cannot work. It is expected that the forthcoming Federal Budget will tighten the eligibility rules for this benefit.
32. Australia has an underclass of people who are not employed in any or any substantial work. Many are engaged in irregular casual and part time work, which is not a way out of poverty. Many are young, often with children, in dysfunctional domestic arrangements. They will never enter the mainstream of society through their engagement in work which pays a decent wage and which recognises their innate dignity. In June 2010 there were 2.32 million families with children and 13.4% of them were without jobs. At the same time 580,000 children were in jobless families, including 382,000 in sole parent families.
33. More worrying is that marginal and vulnerable people are not relevant to the economic process and the economic well-being of most Australians. Full employment is now seen as something above 4.0%. A significant level of unemployment is seen as a means of macroeconomic management or, to put another way, low unemployment is a threat to macroeconomic management. This level of institutionalised unemployment necessarily carries huge personal and social costs, which are exacerbated by the fact that entrenched and long term unemployed families are paid poverty benefits. The single person's entitlement, for example, is only \$234.85 per week, compared to an after tax lowest minimum wage of \$521.86 per week. The children are most unlikely to find their way out of poverty. The road, if any, to a decent life for the unemployed and workers who have a marginal connection with work will be complex and expensive. They are poor and vulnerable in many respects. Neither side of politics shows any commitment to the task or to the resources necessary to support them in their transition to productive work.
34. The globalisation of markets has continued post-GFC. There are many who question the opening of so many markets to international competition because of its impact on the quality and quantity of employment. The professional, technical and intellectual skills in manufacturing are an important resource for any country. However, their loss is unlikely to generate much public concern when the overall quantity of jobs is being maintained. This is what has happened in Australia. The concern about the loss of industries, skills and employment opportunities is not cutting through the public debate

at the moment, mainly for the reason that globalization is generally seen as bringing more gains than losses.

*The impact of globalisation on workplace relations and the Bishops' Statement*

35. Globalisation has had an impact on Australian workplace relations as a result of the decisions to open the economy to international competition. Under successive Labor Governments (until 1996), limited "labour market flexibility" was introduced with varying degrees of union support. Those changes could be best described as the abandonment of the expectation that industrial awards would set the *going rates* of employment across industries and the adoption of awards as *safety net awards*, above which unions and/or employees could bargain for better terms and conditions, either through collective or individual agreements. More emphasis was given to collective bargaining, underpinned by safety net awards, in the expectation that the collective bargaining process would foster productivity improvements and provide increased labour market flexibility. Initially some industries saw substantial productivity increases because of the removal of a variety of unnecessary rigidities that had built up in awards and local work practices over the previous decades.
36. Most Australian workers are covered by a collective or individual work agreement. About one in six receives only the prescribed rate of pay in their safety net award. In addition to wage rates, awards provide a range of benefits: for example, overtime pay; penalty rates for working in the evening and at night; and penalty rates for weekend and public holiday work. These provisions can be rolled into an agreement, provided the worker is better off overall. This regulatory model produces a number of issues about which there is no consensus. What are the rules for making of individual and collective agreements? How do you calculate whether the re-bundling of the terms and conditions of employment in an agreement is better than the award safety net? How do you monitor, scrutinize and, possibly, correct a multiplicity of agreements?
37. The election of a Liberal/National coalition Government in 1996 sought to address some of these issues, to the approval of the business community and the disapproval of unions. But it was the Coalition Government's victory in the October 2004 election, with the control of both houses of Parliament, which prompted much more substantial changes. The amending legislation was commonly known as *Work Choices*, based on the notion that employers and employees should be able to make their own choices over a much wide range of matters. It meant, for example, that penalty rates for weekend work could have been bargained away, with little or nothing in return. It was a substantial lowering of the employment safety net.
38. The Australian Catholic Bishops made a Statement in November 2005 about aspects of the *Work Choices* proposals. They noted that the proposals had caused "many of us to reflect on the fundamental values that should underpin our workplaces and society as a whole" and the need for economic growth to "provide prosperity and economic security for all and to provide equity and social cohesion". The basis of the Bishops' Statement was Catholic social teaching on work, the employment relationship and the role of governments. Governments, they said, "have a responsibility to promote employment and to ensure that the basic needs of workers and their families are met through fair minimum standards".
39. The Bishops expressed their concern that the proposed legislation did not provide a proper balance between the rights of employees and employers in several respects and said that changes were "necessary to alleviate some of the undesirable consequences of the legislation, especially in regard to its potential impact on the poor, on the vulnerable and on families". The particular matters raised by the Bishops were minimum wages,

minimum conditions of employment and bargaining, unfair dismissals and the role of unions.

40. In regard to minimum wages, the Bishops said:

“Workers are entitled to a wage that allows them to live a fulfilling life and to meet their family obligations. We are concerned that the legislation does not give sufficient emphasis to the objective of fairness in the setting of wages; the provision of a fair safety net by reference to the living standards generally prevailing in Australia; the needs of employees and their families; and the proper assessment of the impact of taxes and welfare support payments.

In our view, changes should be made to the proposed legislation to take into account these concerns.”
41. No such changes were made. In the subsequent election in 2007 the Coalition Government lost office. One of the main reasons for its defeat was the Work Choices legislation. In 2009 the Labor Government’s *Fair Work* legislation, which is a comprehensive re-writing of employment legislation, passed through Parliament. On the face of it, the legislation provides a sounder basis for the setting of minimum wages. However, as we have explained in ACCER’s submission to the current wage review, there is not yet a basis for optimism. ACCER’s submission to the *Annual Wage Review 2011* is available on line at [www.acer.asn.au](http://www.acer.asn.au). (The submission is a comprehensive document of 151 pages that is written with the intention that prior knowledge of the field is not required.)
42. The current Australian legislation provides that the new national statutory body, Fair Work Australia:

“... must establish and maintain a safety net of fair minimum wages, taking into account:

  - (a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and
  - (b) promoting social inclusion through increased workforce participation; and
  - (c) relative living standards and the needs of the low paid; and
  - (d) the principle of equal remuneration for work of equal or comparable value; and
  - (e) providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.”
43. The reference to social inclusion in the legislation is new. Elsewhere in the legislation it is stated that one of its principal objects is social inclusion. Some have argued what could be a narrow view of social inclusion, emphasising that social inclusion is best promoted through employment, and the tribunal should not increase wages to the point where they have an adverse impact on employment levels. The counter argument is that work that pays a decent wage is a precondition for social inclusion. Social inclusion has much in common with the Catholic teaching on the common good.
44. The substance of ACCER’s submissions to the current minimum wage case is that minimum wage-setting has failed low income earners in recent years. This outcome seems to be the product of an unstated view that the safety net rates need to be reduced in real terms, or relative to community rates, because of the demands of globalization.
45. I should also note that less than one in fifty workers is covered by the lowest minimum wage, the National Minimum Wage (NMW) or an equivalent rate in an award. This wage is currently \$569.90 per week, or \$15.00 per hour, based on the standard 38 hour



week. The rest of the workforce (with only limited exceptions) is covered by awards which provide a higher rate of pay; for example, the base classification rate for a cleaner is \$608.80 per week and for a shop assistant it is \$626.00 per week. ACCER has argued that the base cleaner's rate should be the lowest minimum rate pending the completion of research into the needs of the low paid.

46. One of Australia's leading academics in employment relations, Professor Ron McCallum, recently described the current legislation as an armistice in a legislative war on employment regulation. I think he is right. With this armistice each side (employers and unions) is too tired to fight on, is able to live with the system, and is keen to get on with the job of making workplaces more productive and/or better paying. There will be some minor changes to the legislation and some issues will be raised in public debate in order to reassure particular constituencies that they are being heard.
47. The real threat to this armistice comes not from the employer and employee interests, but from a large section of the *commentariat*, mainly in the newspapers, who frequently know little about the realities of the give and take of workplaces and the need to develop laws and practices that balance the interests of employers and employees and promote a cooperative workplace. Typically these commentators profess concern for those who are "priced out of work" by minimum wages, but are silent on policies that will make a difference to the lives of the unemployed. They emphasise the need for wages to meet the demands of a globally competitive economy, but are unsympathetic to changes in the social safety net which may be used to reduce the need for those wages to rise.
48. Many are *free-marketeers* who have a philosophical objection to a regulated labour market. For example, in the months following the announcement that the Government would introduce the *Work Choices* amendments, various church leaders, including Catholics, expressed opposition to the proposals. There was a reaction to that, sometimes on the basis of the alleged ignorance of church leaders of worldly economic matters, but sometimes on more fundamental grounds. Shortly after the *Work Choices* legislation was introduced into the Australian Parliament in 2005, Paul Kelly, the editor-at-large of the national daily, *The Australian*, and a well-known author on politics, referred to the expectation of "economically sustainable wage-setting provisions" in the new legislation, and said this of the churches:

"The intellectual failure of the churches to accept the moral foundations of a market economy and market-based mechanisms to deliver equity dooms them to a historic marginalisation... When will it [the Catholic Church] discover one of the elementary precepts of the 18th century, namely the moral laws built into economic liberalism?" (*The Australian*, 26 October 2005, page 16)
49. This is the result of ignorance about what Catholic social doctrine has to contribute to these issues; see for example, *Centesimus Annus*. The comment does emphasise that there is a continuing divergence between the role and limitations of markets, as understood in Catholic social doctrine, and pro-market views in some sections of the community. Of course, near blind faith in markets has taken a battering with the GFC. As you would expect, these kinds of attacks on the churches did not dissuade the Bishops from making a response, as they did a month later.

### **C. Foundational Catholic doctrine on minimum wages**

50. In this section I will refer to key passages in Catholic social doctrine which articulate bedrock principles, rights and obligations in regard to minimum wages. I will conclude with a brief discussion of internationally recognised rights concerning minimum wages.

51. *Rerum Novarum* was concerned with a range of issues that affected newly-industrialised societies in general, but principally the respective rights of capital and labour, of employers and employees. It was written in the context of widespread deprivation among industrial workers and their families, a prevailing free market economic philosophy and widespread agitation for dramatic and violent social change. In referring to the social and philosophical context of that encyclical, Blessed John XXIII wrote:
- “As is well known, the outlook that prevailed on economic matters was for the most part a purely naturalistic one, which denied any correlation between economics and morality. Personal gain was considered the only valid motive for economic activity. In business the main operative principle was that of free and unrestricted competition. Interest on capital, prices—whether of goods or of services—profits and wages, were to be determined by the purely mechanical application of the laws of the market place. Every precaution was to be taken to prevent the civil authority from intervening in any way in economic matters. The status of trade unions varied in different countries. They were either forbidden, tolerated, or recognized as having private legal personality only.” (*Mater et Magistra*, 11)
52. Pope Leo XIII realised the significance of his message:
- “The discussion is not easy, nor is it void of danger. It is no easy matter to define the relative rights and mutual duties of the rich and of the poor, of capital and of labor. And the danger lies in this, that crafty agitators are intent on making use of these differences of opinion to pervert men's judgments and to stir up the people to revolt.” (No. 2)
53. The fact that Leo XIII saw this danger was recognition of the power that his encyclical would carry. The relative rights and duties that are spelt out in the encyclical cover a range of matters, only one of which is wages. The question of wages comes up in two parts of the encyclical. The first is in the context of the mutual obligations of employers and employees and the second is in the context of the obligations of the State. In the course of the discussion on mutual obligations, the position is put quite succinctly:
- “20...His [the employer's] great and principal duty is to give every one what is just. Doubtless, before deciding whether wages are fair, many things have to be considered; but wealthy owners and all masters of labor should be mindful of this - that to exercise pressure upon the indigent and the destitute for the sake of gain, and to gather one's profit out of the need of another, is condemned by all laws, human and divine. To defraud any one of wages that are his due is a great crime which cries to the avenging anger of Heaven.”
54. The role of the State in the protection of the worker is discussed at length. The encyclical covers a number of aspects of work (religious duties and health and safety issues) before coming to the question of wages. It is helpful to set out this aspect at some length:
- “43. We now approach a subject of great importance, and one in respect of which, if extremes are to be avoided, right notions are absolutely necessary. Wages, as we are told, are regulated by free consent, and therefore the employer, when he pays what was agreed upon, has done his part and seemingly is not called upon to do anything beyond. The only way, it is said, in which injustice might occur would be if the master refused to pay the whole of the wages, or if the workman should not complete the work undertaken; in such cases the public authority

should intervene, to see that each obtains his due, but not under any other circumstances.

44. To this kind of argument a fair-minded man will not easily or entirely assent; it is not complete, for there are important considerations which it leaves out of account altogether. To labor is to exert oneself for the sake of procuring what is necessary for the various purposes of life, and chief of all for self preservation. "In the sweat of thy face thou shalt eat bread." Hence, a man's labor necessarily bears two notes or characters. First of all, it is personal, inasmuch as the force which acts is bound up with the personality and is the exclusive property of him who acts, and, further, was given to him for his advantage. Secondly, man's labor is *necessary*; for without the result of labor a man cannot live, and self-preservation is a law of nature, which it is wrong to disobey. Now, were we to consider labor merely in so far as it is personal, doubtless it would be within the workman's right to accept any rate of wages whatsoever; for in the same way as he is free to work or not, so is he free to accept a small wage or even none at all. But our conclusion must be very different if, together with the personal element in a man's work, we consider the fact that work is also necessary for him to live: these two aspects of his work are separable in thought, but not in reality. The preservation of life is the bounden duty of one and all, and to be wanting therein is a crime. It necessarily follows that each one has a natural right to procure what is required in order to live, and the poor can procure that in no other way than by what they can earn through their work.

45. Let the working man and the employer make free agreements, and in particular let them agree freely as to the wages; nevertheless, there underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-earner. If through necessity or fear of a worse evil the workman accept harder conditions because an employer or contractor will afford him no better, he is made the victim of force and injustice. In these and similar questions, however - such as, for example, the hours of labor in different trades, the sanitary precautions to be observed in factories and workshops, etc. - in order to supersede undue interference on the part of the State, especially as circumstances, times, and localities differ so widely, it is advisable that recourse be had to societies or boards such as We shall mention presently, or to some other mode of safeguarding the interests of the wage-earners; the State being appealed to, should circumstances require, for its sanction and protection.

46. If a workman's wages be sufficient to enable him comfortably to support himself, his wife, and his children, he will find it easy, if he be a sensible man, to practice thrift, and he will not fail, by cutting down expenses, to put by some little savings and thus secure a modest source of income." (Footnote omitted.)

55. The substance of these passages was captured in the passage that I quoted earlier from the Pastoral Letter issued by the Australian Catholic to commemorate the centenary of *Rerum Novarum*.
56. There is an important distinction in *Rerum Novarum* in regard to the conditions of employment and the just wage in particular: between the making of employment (and wage) agreements generally and the obligation of the State to intervene in respect of agreements that do not meet what might be called the minimum requirements of an employment agreement. The discussion at the first of the two extracts that I have quoted is about the general requirements of employment, including the just wage. In the second quote is the call for some kind of State intervention (which may be through

intermediate bodies) to ensure the minimum requirements of employment, including a just wage capable of supporting a family. The wage that is spoken about in this crucial part of *Rerum Novarum* is the *just minimum wage*. The role of the State is to secure the payment of the wage necessary for the proper support of the worker and the worker's family through some form of regulation that will protect that basic right.

57. *Quadragesimo Anno* was written in the context of the Great Depression and the emergence of revolutionary communism. The implications of both are found in the discussion of wages. Quite apart from those new circumstances, the debate of the previous 40 years had given rise to other issues, including several matters of relevance to the development of Catholic doctrine on wages.
58. First, Pope Pius XI had to clarify Catholic teaching on the origin of wealth. *Rerum Novarum* had made the point that wealth is the creation of labour. The problem was that some, including those with revolutionary ambitions, had argued that the worker who hires out his labour has the right to demand all that is produced through his or her labour. Pius XI pointed out that that the just amount of pay "must be calculated not on a single basis but on several" and referred to Pope Leo XIII's declaration: "To establish a rule of pay in accord with justice, many factors must be taken into account."
59. Second, the claimed right to appropriate all of the product of labour gave Pius XI the opportunity to go to the nature of work and the necessary cooperation of labour and capital. Labour cannot claim all that it produced is because "... there is a social aspect also to be considered in addition to the personal or individual aspect... [so that] where the social and individual nature of work is neglected, it will be impossible to evaluate work justly and pay it according to justice." The social and the individual nature of work have ramifications:

"70. Conclusions of the greatest importance follow from this twofold character which nature has impressed on human work, and it is in accordance with these that wages ought to be regulated and established.

71. In the first place, the worker must be paid a wage sufficient to support him and his family... Every effort must therefore be made that fathers of families receive a wage large enough to meet ordinary family needs adequately. But if this cannot always be done under existing circumstances, social justice demands that changes be introduced as soon as possible whereby such a wage will be assured to every adult workingman. It will not be out of place here to render merited praise to all, who with a wise and useful purpose, have tried and tested various ways of adjusting the pay for work to family burdens in such a way that, as these increase, the former may be raised and indeed, if the contingency arises, there may be enough to meet extraordinary needs.

72. In determining the amount of the wage, the condition of a business and of the one carrying it on must also be taken into account; for it would be unjust to demand excessive wages which a business cannot stand without its ruin and consequent calamity to the workers. If, however, a business makes too little money, because of lack of energy or lack of initiative or because of indifference to technical and economic progress, that must not be regarded a just reason for reducing the compensation of the workers. But if the business in question is not making enough money to pay the workers an equitable wage because it is being crushed by unjust burdens or forced to sell its product at less than a just price, those who are thus the cause of the injury are guilty of grave wrong, for they deprive workers of their just wage and force them under the pinch of necessity to accept a wage less than fair.

73. Let, then, both workers and employers strive with united strength and counsel to overcome the difficulties and obstacles and let a wise provision on the part of public authority aid them in so salutary a work. If, however, matters come to an extreme crisis, it must be finally considered whether the business can continue or the workers are to be cared for in some other way. In such a situation, certainly most serious, a feeling of close relationship and a Christian concord of minds ought to prevail and function effectively among employers and workers.

74. Lastly, the amount of the pay must be adjusted to the public economic good. We have shown above how much it helps the common good for workers and other employees, by setting aside some part of their income which remains after necessary expenditures, to attain gradually to the possession of a moderate amount of wealth.” (Footnote omitted)

60. We can see in this passage the emergence of the requirement of social justice to remedy the shortcomings of the wages system, though it is still in a rudimentary form. The claim for wages to be sufficient to provide for the modest accumulation of wealth continues the principle established in *Rerum Novarum*. The discussion on wages refers to the particular circumstances of the times, unemployment and the risk that wages will be an obstacle to employment if it is not “kept within proper limits”. Reflecting the policies of the times, it is said that:

“...everyone knows that an excessive lowering of wages, or their increase beyond due measure, causes unemployment....Hence it is contrary to social justice when, for the sake of personal gain and without regard for the common good, wages and salaries are excessively lowered or raised; and this same social justice demands that wages and salaries be so managed, through agreement of plans and wills, in so far as can be done, as to offer to the greatest possible number the opportunity of getting work and obtaining suitable means of livelihood.” (*Quadragesimo Anno*, 74.)

61. *Quadragesimo Anno* was grappling with a situation (or rather a multitude of situations across the nations) where the requirements of social justice, and the way in which it would be achieved, were little understood, contentious and unaffordable. There was no social safety net as we would now describe it. Principle was confronted by reality in a major way.

62. The just wage, like the just price, concerns the way in which people should act towards each other and, accordingly, it has to be distinguished from the just minimum wage, which is the concern of governments. It is clear that the obligation to pay a minimum just wage does not necessarily exhaust the obligation to pay a just wage. The distinction between the just minimum wage and the just wage appears again in *Mater et Magistra*:

“71. We therefore consider it Our duty to reaffirm that the remuneration of work is not something that can be left to the laws of the marketplace; nor should it be a decision left to the will of the more powerful. It must be determined in accordance with justice and equity; which means that workers must be paid a wage which allows them to live a truly human life and to fulfill their family obligations in a worthy manner. Other factors too enter into the assessment of a just wage: namely, the effective contribution which each individual makes to the economic effort, the financial state of the company for which he works, the requirements of the general good of the particular country—having regard especially to the repercussions on the overall employment of the working force in the country as a whole—and finally the requirements of the common good of the universal family of nations of every kind, both large and small.

72. The above principles are valid always and everywhere. So much is clear. But their degree of applicability to concrete cases cannot be determined without reference to the quantity and quality of available resources; and these can—and in fact do—vary from country to country, and even, from time to time, within the same country.

63. So, as a matter of principle, workers are to be “paid a wage which allows them to live a truly human life and fulfil their obligations in a worthy manner”. What that means in practice will vary according to the economic circumstances; from country to country and from time to time. Catholic teaching does not require a minimum standard of living that a well-governed and just society cannot afford. Consistent with *Rerum Novarum*, *Mater et Magistra* does not deal with the question of whether, and, if so, how, the State might address other just wage issues or disputes.

64. Since *Mater et Magistra*, and especially since *Rerum Novarum*, the role of governments in many countries has been broadened by the provision of what are often called social safety nets. The development of social safety nets came to have an impact on wage protection, especially after the Second World War. In *Laborem Exercens* Blessed John Paul II said:

“It should also be noted that the justice of a socio-economic system and, in each case, its just functioning, deserve in the final analysis to be evaluated by the way in which man’s work is properly remunerated in the system... Hence, in every case, a just wage is the concrete means of *verifying the justice* of the whole socio-economic system and, in any case, of checking that it is functioning justly. It is not the only means of checking, but it is a particularly important one and, in a sense, the key means.

This means of checking concerns above all the family. Just remuneration for the work of an adult who is responsible for a family means remuneration that will suffice for establishing and properly maintaining a family and for providing security for its future. Such remuneration can be given either through what is called a *family wage* - that is, a single salary given to the head of the family for his work, sufficient for the needs of the family without the other spouse having to take up gainful employment outside the home - or through *other social measures* such as family allowances or grants to mothers devoting themselves exclusively to their families. These grants should correspond to the actual needs, that is, to the number of dependents for as long as they are not in a position to assume proper responsibility for their own lives.” (*Laborem Exercens*, 19, italics in original)

65. This second kind of arrangement was the one advocated in the Australian Bishops’ Social Justice Statement of 1954, to which I referred earlier. It is a development that needs to be considered in the context of the principle of subsidiarity and the fundamental relationship in Catholic social doctrine of the obligations of parents towards their children. For example, see the following in *Mater et Magistra*, under the heading *Personal Initiative and State Intervention*:

“53. And in this work of directing, stimulating, co-ordinating, supplying and integrating, its guiding principle must be the "principle of subsidiary function" formulated by Pius XI in *Quadragesimo Anno*. "This is a fundamental principle of social philosophy, unshaken and unchangeable. . . Just as it is wrong to withdraw from the individual and commit to a community what private enterprise and industry can accomplish, so too it is an injustice, a grave evil and a disturbance of right order, for a larger and higher association to arrogate to itself functions which can be performed efficiently by smaller and lower societies. Of

its very nature the true aim of all social activity should be to help members of the social body, but never to destroy or absorb them." (Footnotes omitted.)

"55. But however extensive and far-reaching the influence of the State on the economy may be, it must never be exerted to the extent of depriving the individual citizen of his freedom of action. It must rather augment his freedom while effectively guaranteeing the protection of his essential personal rights. Among these is a man's right and duty to be primarily responsible for his own upkeep and that of his family. Hence every economic system must permit and facilitate the free development of productive activity."

66. *Centesimus Annus* came at an opportune time, soon after the collapse of communism, to deal with a range of issues about private property, markets, the social obligations of enterprises and the treatment of workers. The "free market" economy is of value because it can serve the needs of society as a whole and workers in particular; but this is not always the case. Pope John Paul II wrote:

"It would appear that, on the level of individual nations and of international relations, the *free market* is the most efficient instrument for utilizing resources and effectively responding to needs. But this is true only for those needs which are "solvent", insofar as they are endowed with purchasing power, and for those resources which are "marketable", insofar as they are capable of obtaining a satisfactory price. But there are many human needs which find no place on the market. It is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied, and not to allow those burdened by such needs to perish. It is also necessary to help these needy people to acquire expertise, to enter the circle of exchange, and to develop their skills in order to make the best use of their capacities and resources. Even prior to the logic of a fair exchange of goods and the forms of justice appropriate to it, there exists *something which is due to man because he is man*, by reason of his lofty dignity. Inseparable from that required "something" is the possibility to survive and, at the same time, to make an active contribution to the common good of humanity." (*Centesimus Annus*, 34, italics in original)

67. This passage makes a general point about the operation and limitations of the market economy. But its message about workers is very relevant to the exposure of some workers to the operation of the labour market: some of them come to the job market disadvantaged. It means that their dignity needs to be protected against the market and, importantly, that there be appropriate intervention so that they may develop their skills in order to make the best use of their capacities and resources.

68. Along with many other influences, *Rerum Novarum* and Catholic social doctrine have had an impact on the modern articulation of workers' rights. *Centesimus Annus*, which commenced with a comprehensive review of the context and message of *Rerum Novarum*, noted that much remains to be done, despite the development of standards not seen a century before. In referring to wages Pope John Paul II said:

"A workman's wages should be sufficient to enable him to support himself, his wife and his children. "If through necessity or fear of a worse evil the workman accepts harder conditions because an employer or contractor will afford no better, he is made the victim of force and injustice".

Would that these words, written at a time when what has been called "unbridled capitalism" was pressing forward, should not have to be repeated today with the same severity. Unfortunately, even today one finds instances of contracts between employers and employees which lack reference to the most elementary justice regarding the employment of children or women, working hours, the hygienic

condition of the work-place and fair pay; and this is the case despite the *International Declarations and Conventions* on the subject and the *internal laws* of States. The Pope attributed to the "public authority" the "strict duty" of providing properly for the welfare of the workers, because a failure to do so violates justice; indeed, he did not hesitate to speak of "distributive justice". (8, footnotes omitted.)

69. The principal international declaration to which he refers is the *Universal Declaration of Human Rights*. Article 23 has echoes of *Rerum Novarum*:
- (1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
  - (2) Everyone, without any discrimination, has the right to equal pay for equal work.
  - (3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
  - (4) Everyone has the right to form and to join trade unions for the protection of his interests.
70. It will be seen that the declaration refers to the supplementation, if necessary, of the wage. The *Minimum Wage Fixing Convention, 1970* of the International Labour Organization (ILO) seeks the setting of wages having regard to the interests of workers *and their families* and the general economic circumstances. Social security benefits are to be taken into account. Article 3 provides:
- “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.”
71. The *Minimum Wage Fixing Convention, 1970* has only been ratified by 51 countries, including Australia. An earlier convention, the *Minimum Wage Fixing Machinery Convention, 1928*, which is still in operation, has been ratified by 103 countries, but its scope is rather restricted. The limited number of ratifications of the 1970 convention is troubling, especially in view of the terms of Article 23 of the *Universal Declaration of Human Rights*. On a more positive note, the *Right to Organise and Collective Bargaining Convention, 1949* has been ratified by 160 countries. However, this convention, while of great importance is concerned with a process, not an outcome.
72. The ILO’s Decent Work agenda is now the principal means by which the ILO seeks to raise standards around the world. Juan Somavia, Director-General of the International Labour Office, has described it in the following terms:
- “When we speak of decent work, we mean work on which women and men can raise their family and send their children to school. Work in which people are respected, can organize and have a voice. Work that will provide for a reasonable pension at the end of a working life. Policies that generate quality work throughout society. We call it decent work because we know work is a source of dignity. Work is fundamental to family stability. Work is linked with peace. A community that works well is a community in peace. Decent work recognizes you cannot have stable societies based on persistent social inequality, as there can be



no social development based on unstable economies.” (*The Challenge of a Fair Globalization*, Pontifical Lateran University, 25 February 2005.)

73. The ILO’s Decent Work agenda was referred to in *Caritas in Veritate*:  
“63. No consideration of the problems associated with development could fail to highlight the direct link between *poverty and unemployment*. In many cases, poverty results from a *violation of the dignity of human work*, either because work opportunities are limited (through unemployment or underemployment), 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”. For this reason, on 1 May 2000 on the occasion of the Jubilee of Workers, my venerable predecessor Pope John Paul II issued an appeal for “a global coalition in favour of ‘decent work’”, supporting the strategy of the International Labour Organization. In this way, he gave a strong moral impetus to this objective, seeing it as an aspiration of families in every country of the world. What is meant by the word “decent” in regard to work? It means work that expresses the essential dignity of every man and woman in the context of their particular society: work that is freely chosen, effectively associating workers, both men and women, with the development of their community; work that enables the worker to be respected and free from any form of discrimination; work that makes it possible for families to meet their needs and provide schooling for their children, without the children themselves being forced into labour; work that permits the workers to organize themselves freely, and to make their voices heard; work that leaves enough room for rediscovering one’s roots at a personal, familial and spiritual level; work that guarantees those who have retired a decent standard of living.” (Footnotes omitted.)
74. The passage referred to at the start of this extract from *Caritas in Veritate* was taken from *Laborem Exercens*. It is taken from a passage that I have found best summarizes the concern of the Church for the poor and their rights:  
“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.)
75. This passage is a powerful summary of the nature and purpose of Catholic social doctrine and our own understanding of the reality of life for many. The promotion of justice in employment relations is part of the social mission of the Church. The concluding words of this passage highlight and bring together three important aspects of the plight of poor and vulnerable workers: lack of employment opportunities, inadequate wages and the lack of job security. Pope John Paul II makes it clear that jobs alone are not sufficient to achieve social justice. The dignity of the worker requires a just minimum wage and personal security. While the position of the low

paid workers requires greatest attention, the fundamental principles apply to all workers.

#### **D. The application of Catholic doctrine on minimum wages in contemporary Australia**

##### *Introduction*

76. There are three inter-related developments since *Rerum Novarum*, and especially since *Mater et Magistra*, that have had an impact on the way in which we seek to pursue the just minimum wage objectives in those and other encyclicals.
- First, the globalization of markets for goods and services has exposed many industries to new sources of competition, causing some to decline and others to grow and generally causing more scrutiny of labour costs.
  - Second, women have entered the workforce in increasing numbers, with many of them balancing work and family commitments.
  - Third, the emergence of social safety nets that supplement wage income and, to varying degrees, now meet some of the living costs of workers and their families.
77. *Rerum Novarum* was written at a time when, typically, the husband and father was the sole or major breadwinner, whether in employment or self employed. There was no social safety net, as we would now describe the various governmental policies that sustain and support workers and their families. In our globalised world, with its added scrutiny of labour costs, there is an economic case for the wages of low paid workers with family responsibilities to be supplemented by family payments of one kind or another in order to promote employment and enhance national competitiveness. This requires closer consideration to be given to the role of governments, and public finance in particular.
78. We need to be presenting an early 21<sup>st</sup> century application of the underlying principles of *Rerum Novarum*. We have had the opportunity to do this in Australia over a period of time through ACCER's involvement in the minimum wage-setting process.
79. For decades Australia has had an annual wage review process conducted by an independent statutory body. This has provided a forum for the development of a body of knowledge covering the range of economic and social matters that bear on the setting of minimum wages. It provides a forum in which an important part of Catholic social teaching can be tested and advanced. Although ACCER has been an active participant in this process, we are not able to claim any great success in outcomes because, as we have explained again in our submissions to this year's Annual Wage Review, minimum wage-setting has failed low paid workers and their families. I will return briefly to this aspect later. On the other hand, I believe we have been able to articulate a contemporary, principled and realistic position on the setting of minimum wages. This is a pre-condition for any future success in addressing what we have identified as systemic deficiencies in Australian minimum wage setting.
80. This work is also important because it has the *potential* to activate Catholics on this important issue. Work and the rights that flow from work, including the right of families to be supported, is at the very heart of Catholic social doctrine and is the central message of *Rerum Novarum*. Yet it is often given little coverage in articles and books on Catholic social doctrine.
81. Work and the minimum wage are also important because they have the greatest potential to unify Catholics on socio-economic matters. Minimum wages is an issue where the political differences among Catholics are most likely to be put aside. In *Mater et Magistra* Pope John XXIII said of the application of Catholic social doctrine:

- “Differences of opinion in the application of principles can sometimes arise even among sincere Catholics. When this happens, they should be careful not to lose their respect and esteem for each other. Instead, they should strive to find points of agreement for effective and suitable action, and not wear themselves out in interminable arguments, and, under pretext of the better or the best, omit to do the good that is possible and therefore obligatory.” (Paragraph 238)
82. Another theme that comes through various encyclicals and *Gaudium et Spes* is the importance of starting from life. *Applied* Catholic social doctrine is a response to changing realities. In *Mater et Magistra* John XXIII wrote:  
 There are three stages which should normally be followed in the reduction of social principles into practice. First, one reviews the concrete situation; secondly, one forms a judgment on it in the light of these same principles; thirdly, one decides what in the circumstances can and should be done to implement these principles. These are the three stages that are usually expressed in the three terms: look, judge, act. (Paragraph 236)
83. A similar structured approach appears in *Centesimus Annus*:  
 “The Church, in fact, has something to say about specific human situations, both individual and communal, national and international. She formulates a genuine doctrine for these situations, a corpus which enables her to analyse social realities, to make judgments about them and to indicate directions to be taken for the just resolution of the problems involved.” (Paragraph 5)
84. In his message to a recent Plenary Assembly of the Pontifical Council for Justice and Peace, Pope Benedict XVI emphasised the need to apply the Church’s social message:  
 “With regard to an ever more interconnected social question in its varied spheres, the commitment to form the Catholic laity in the social doctrine of the Church seems particularly urgent. In fact, it is the immediate duty of the lay faithful to work for a just social order. As free and responsible citizens, they must commit themselves to promoting a correct configuration of social life with respect for the legitimate autonomy of earthly realities....  
 After the promulgation of the *Compendium* and of the Encyclical *Caritas in Veritate*, it is natural that the Pontifical Council for Justice and Peace should be dedicated to studying new elements in depth, and, in collaboration with others, to seeking more suitable ways to convey the content of the social doctrine, not only in the traditional Christian formative and educational courses of every kind and at every level, but also in the important centres of the formation of world thought — such as the great organs of the secular press, the universities and the numerous centres for economic and social reflection — which in recent times have developed in every corner of the world.” (Letter of Pope Benedict XVI to Cardinal Peter Turkson, 3 November 2010.)
85. This passage makes a very important point. Speaking from the Australian experience, I think it is clear that we cannot limit ourselves to the past methods of disseminating and applying Catholic social doctrine. Australian public policy is highly influenced by, and sometimes driven by, “think tanks” with skilled media personalities. A modern and persuasive campaign for policies that justify and promote the dignity of work and the right of workers and their families to a decent standard of living requires a strong and rigorous intellectual case, drawing on aspects of social research, public finance (taxation and transfer payments), macroeconomics, microeconomics and industrial relations. Unfortunately, too little has been done and there is no body that is readily able to take up these matters within a framework of Catholic social doctrine.

86. The establishment of a policy institute to pursue these matters should not be a hard task; but the real challenge is to enliven and activate parish and community groups around the nation to take up the challenge that the Pope refers to.

*Identifying core values*

87. In this section I will set out what I regard as the key features and requirements of a minimum wages strategy based on Catholic social doctrine.
88. The first requirement for the application of Catholic social teaching on minimum wages is a clear articulation of the teaching and its underpinnings. This is necessary to inspire and educate lay people to pursue those goals and for them to form the necessary alliances with others in the community. It also needs to be ‘operational’: there must be the sense that it is realistic, practical and achievable. I think this would be especially important where minimum wages are set by legislation and where lobbying and public advocacy are necessary.
89. The message has to be based on the dignity of work, including the most humble of work. The people who do this kind of work have to be our highest priority, and care should be taken not to devalue their work. The Catholic theology of work emphasises the importance of work to human development. Work is a duty and unemployment is a scourge. It has to be remembered that it is work in general and not just the work of an employee that needs to be recognised. Work includes unpaid work within the home and voluntary work in the community. Workers, in the broadest sense, include employees, managers, employers and the self-employed.
90. Work is an obligation and a source of rights for employees. The rights of workers include the right to a decent material standard of living. *Rerum Novarum* talks about more than wages. Over the years the scope of workplace rights has expanded, as evidenced by the International Labour Organisation’s Decent Work agenda, which has been supported by the Holy See. A Catholic position on minimum wages has to be put in the broader context, and the Decent Work agenda does that.
91. The decent minimum wage is required for a worker, and more so when the worker has a family to support. Wages and family welfare are inextricably linked. The case for a minimum wage must emphasise the valuable social role that work and the income from work play in the formation and sustenance of the family. We know that employment in work which pays a decent wage will promote the proper care of children, the stability of families, social inclusion and social cohesion.
92. The term “social inclusion” has been widely used in Australian public policy, mainly as a result of British and other European usage. It is a useful concept in regard to the objectives of minimum wages. A decent wage is a precondition for social inclusion. Social inclusion has much in common with the Catholic concept of the common good and it is important to make the connection between the two.

*Defining and quantifying the minimum acceptable living standard*

93. The minimum acceptable standard of living is usually described in qualitative terms such as “living in dignity”, “a decent standard of living”, “a living wage”, “a socially inclusive wage” etc. All are based on the innate dignity and rights of citizens. The *Rerum Novarum* “standard” has been described as a wage which has the “benefits of survival, good health, security and modest comfort” (see paragraph 4, above). Useful as these terms are, they are not readily operational. They do not provide a universally agreed figure. They need to be determined in an economic context, usually national.
94. The fundamental task in minimum wage advocacy is to be found in the question “How much income does the worker and his or her family need to live a decent life?” This immediately raises an issue about the size and composition of the family unit. In order to determine whether the minimum wage is adequate, or to make a case for the

- introduction of a minimum wage, it is necessary to have some idea of living costs in a particular society.
95. A requirement for the setting of a minimum wage with reference to needs is information on the costs of living and measures such as poverty lines. One of our shortcomings in Australia has been the absence of widely accepted poverty lines or some other measure of needs, based on contemporary research. Some of what we have is quite useful, but more work is needed.
  96. A paper of this length cannot do justice to the issues that arise in defining and measuring concepts such as a “minimum acceptable standard of living”, “poverty”, “living in dignity”, etc. However, we need to keep in mind two points of reference: “poverty” and a “decent” standard of living.
  97. Poverty lines may be “absolute” or “relative”. The absolute measure is based on a basket of goods and services that represents the minimum expenditure required to meet a basic standard of living appropriate to that society, and one beneath which people should not have to live. The relative poverty line is fixed by reference to some measure of community income, such as 50% or 60% of median disposable income, which reflects relative living standards and carries implicit judgments of income adequacy. The relative poverty line moves in line with changes in that measure of income. An absolute poverty line is usually adjusted by reference to changes in prices or general movements in community income, on the basis that poverty is also a relative concept. It is very difficult and costly to re-calculate a basket of goods and services. However, this kind of research is important in estimating if 50% or 60% is appropriate, or somewhere in between. Two of the advantages of relative poverty lines is that they enable comparisons to be made between different households (especially to highlight the relative position of families) and between different countries. However, the relative poverty percentage that is chosen has to be credible and supported by empirical research.
  98. By the use of *equivalence scales* it is possible to adjust a poverty line over a range of different kinds of households. The ones most commonly used in Australia are the “modified OECD” equivalence scales. With the single person at 1, two adults are at 1.5, an adult and two children at 1.6 and a couple with two children at 2.1. The figure for the family of four is 31.25% higher than the sole parent family of three.
  99. The standard of living described by *Rerum Novarum* and subsequent articulations is something better than a poverty level standard of living. It would include compensation for the costs of work and a reward for work. A poverty wage is unacceptable.
  100. In recent years the Australian Fair Pay Commission and its successor, Fair Work Australia, have published data comparing the disposable incomes (wages, less taxation, plus transfers where relevant) of various households with their respective 60% relative poverty lines. Table 1 is extracted from published data, and updated to December 2010. It shows the disposable incomes at various wage classification levels, and the margins above or below the poverty line.
  101. Table 1 also illustrates a notable feature of the Australian family transfer system: the sole parent receives the same family transfers as the couple where one parent stays at home to care for the children and, therefore, is not eligible for unemployment benefits. In each case the amount of the benefit depends on the number and ages of the children. The ages of the children in the table are in the range 8 to 12. Applying the standard equivalence scales, this will result in the sole parent family having a higher standard of living. However, the equivalence scales do not take into account the costs of child care that are incurred by sole parents.

102. Table 1 shows that, in December 2010, the single income family of two adults and two children, where the breadwinner was on the lowest minimum wage and the other parent stayed at home to care for the children, was *16% below* the poverty line.

**Table 1**

**Comparison of 60 per cent median income poverty lines (PLs) with disposable income of selected households earning various wage rates**

**December 2010**

Household type	60% median income PL (\$pw)	Disposable income (\$pw)				Disposable income as proportion of PL (%)			
		C14	C13	C10	C4	C14	C13	C10	C4
Single adult	473.68	522.02	535.50	596.79	690.16	1.10	1.13	1.26	1.45
Single parent, two children	757.89	840.67	854.40	916.85	1003.51	1.11	1.13	1.21	1.32
Single earner couple, two children	994.73	840.67	854.40	916.85	1003.51	0.84	0.86	0.92	1.01

Notes:

- (1) The figures are drawn from Table 10.1 in Fair Work Australia's *Statistical Report – 2010-11 Annual Wage Review, 31 March 2011*. The poverty lines have been adjusted to take into account the small increase in household disposable income as recorded in *Poverty Lines: Australia, December Quarter 2010*, which was published by the Melbourne Institute of Applied Economic and Social Research on 12 April 2011. This is the kind of adjustment made by Fair Work Australia in the report of 31 March 2011.
- (2) The work classification rates (C14, etc) are widely used as a reference point in the setting of national wage rates. The C14 rate is the same rate as the National Minimum Wage. The gross (pre-tax) weekly rates are: C14, \$569.90; C13, \$586.50; C10, \$663.60; and C4, \$797.20.
- (3) The transfers to the two families include maximum rent assistance payments of \$67.62 per week.
103. The 60% relative poverty line is not universally accepted as an appropriate economic indicator of policy and some urge the use of 50%. But even if we were to use the 50% relative poverty line, the re-calculated figures for the family in receipt of the lowest minimum wage would only be 1.1% above that unacceptably low poverty line. Furthermore, this does not reflect a proper margin over poverty for a working family. If we used a relative poverty line of 55% (\$911.83 per week), the family of four would be \$72.78 per week below the poverty line. In the current wage claim we have argued for an Australian family poverty line (for a family of four) of \$897.00 per week, pending further research.
104. Table 1 shows a very serious situation for families who depend on a low wage. The position would also be very serious if the 55% relative poverty line were to be used. It is evident that it places extreme pressure on these families to have both parents work. It demonstrates one of the major reasons, if not the major reason, for the declining numbers of low paid single income families, and demonstrates that the argument for a family wage is not weakened by those declining numbers.

*The family wage*

105. The application of Catholic social doctrine requires the setting of a family wage. In Australia there is resistance in some areas to the concept and use of the term family wage, because of its association with a particular kind of family and claimed gender inequality. The *Harvester* minimum wage (which I discussed earlier) was based on the

needs of a worker, his wife and three children. The opposition to the notion of the family wage confuses form and substance. Yet the same people who criticise *Harvester* often easily talk about the need to assist and support workers with “family responsibilities”. This term has become popular in recent years partly because of the use of the International Labour Organization’s *Workers with Family Responsibilities Convention, 1981* in national legislation to support family-related employment policies and the incorporation of “family responsibilities” (along with race, sex, religion, etc) into anti-discrimination laws.

106. The debate over the family wage and the protection of family responsibilities is not so much about the support and protection of children as it is about “stay at home parents”. In some circles there is strong opposition to the notion that a parent should stay at home to care for the children, or be paid for it either through the wage system or through government support.
107. The Catholic Church in Australia is in a unique position. It has a strong tradition of support for parents who stay at home to care for their children (as *Rerum Novarum* shows) and it is one of Australia's largest employers of women with family responsibilities. The Church has practical experience in developing a proper balance between work and family responsibilities.
108. The heart of this issue is the freedom of parents to choose how they will exercise their family responsibilities. As I mentioned earlier, the expansion of the Australian family payments system was the result of recommendations of the national Commission of Inquiry into Poverty in the early 1970s. Its report made an important contribution to family policy in Australia and the articulation of the values that underpin good family policies. Providing parents with a choice about how they care for their children was usefully summarised in the context of its discussion of the extent of poverty among families in which there was a full time breadwinner:

“Inadequate wages and pensions place considerable pressure on mothers to work...The mere fact of a mother working is not necessarily detrimental to the family. The relationship between a mother working and child development has been hotly debated in recent years, but the research on the subject has been inconclusive. The pertinent issue is the freedom of mothers to choose whether or not to work, so that each family can reach a solution which is satisfactory for its members. The pressure to work created by an inadequate income means that some mothers are less free to choose.” (*First Main Report, April 1975, volume 1, page 204.*)
109. This passage was written in the context of a higher proportion of stay-at-home mothers in two parent families than is presently the case. Whether the changes since that time in workforce participation by mothers are the result of free choice or economic pressure is a matter of debate. However, the substantive point made in the passage remains true: parents should have the ability to choose that one of them will stay at home and care for the children and not engage in employment. And this remains true regardless of the proportions who exercise that choice. A decision by parents that one of them will stay at home to care for their children and not seek employment is not an unreasonable choice. Families should not fall into poverty for exercising the choice that one of them will stay at home to care for the children.
110. Over the years we have emphasised that our advocacy for a wage that takes into account the needs of parents with family responsibilities, and allows for a parent to stay at home to care for the children, does not raise any gender-specific issue. ACCER has made three important points about this 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 principle 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. Whether the second parent takes a job will depend on a variety of factors, including the availability and cost of good child care.
  - Second, the principle applies whether the breadwinner, or principal breadwinner, is male or female. Parents should be able to choose which one of them will be the breadwinner and which one of them will stay out of the employed workforce in order to care for their children.
  - 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 when they choose to do so.
111. Another feature of the Australian workforce is the growing number of sole parents. These workers are mostly women who have the day to day care of one or more children. Government support is provided to unemployed sole parents; for example a sole parent with two children under 13 years of age is entitled to a total payment of \$581.40 per week. However, once the younger child turns 6 years, there is an obligation imposed on that parent to search for work and accept appropriate job offers. This is one of the areas where the major political parties are seeking changes in order to improve workforce participation. There is the potential for economic and personal benefits from workforce participation, provided the interests of the children are met. The difficulty is that the cost of good quality child care is likely to be prohibitive for low income parents.
  112. Commercial child care arrangements have expanded greatly as a result of the increased participation of women in the workforce. However, the quality varies considerably and the costs are substantial. The absence of affordable child care is a reason why many women do not seek employment or more hours if they are working part time. Many employers provide child care, or subsidise child care, but the provision of child care is now well-accepted as a government responsibility. The Australian Government provides funding and sets accreditation standards. This extension to the social safety net is the result of various factors, not the least of which are businesses which are keen to attract staff and shift the cost to the public purse. The government expenditure on child care services is substantial. A parent with two children in “before and after school care and vacation care” (which is equal to 2800 hours per year) is entitled to a subsidy of over \$9,000.00 per year, and can claim a tax rebate equal to 50% of the actual costs incurred after the payment of the subsidy.
  113. The participation of both parents and sole parents in the paid workforce requires the availability of quality and affordable child care, for both pre-school and school-aged children. Despite the government assistance, child care costs can be prohibitive. Many women who work while raising children say that, after taking child care costs into account, they are working for nothing; but they believe they have to do it to maintain their careers. For women who are in the low paid workforce, the shortfall after the subsidies prices them out of child care and leaves children exposed through “latch key” arrangements, where children are left to look after themselves.
  114. The current emphasis in Australia on workforce participation and the tightening of welfare eligibility is not necessarily in the interests of children. The cost of child care has relevance to minimum wage-setting. How it should be done (or, for some, whether



it should be done) will be a matter of contention. It is a cost of working and is one of the factors that should be taken into account when estimating the basic and essential needs of low paid workers. This is an area where some kind of averaging will be needed. However, the necessary research has not been done to date.

*What is a safety net?*

115. The purpose of a wages safety net is to provide an identified standard of living. It could be to prevent the worker (and his or her family) having to live in poverty or, as we would argue, to enable them to attain an acceptable standard of living. Consistent with Catholic doctrine, it should be sufficient to meet the needs of low paid workers, including those with family responsibilities, so that they can live in dignity. The safety net does not have to cover exceptional cases, but it must cover ordinary and foreseeable cases and circumstances. Our submissions in wage reviews are based on families with two children because that is the number that best approximates the number of children in Australian families.
116. Although we have identified the single income family of four as the primary reference point for the setting of the minimum wage, it is not done to the exclusion of sole parent families. We need to be satisfied that the safety net wage will also cover the needs of low income sole parent families. As we noted earlier, the transfers are the same for both kinds of families and, as Table 1 shows, the couple parent family is, at first sight, at a disadvantage relative to the sole parent family. However, the comparison in that table does not take into account child care costs for the working sole parent, costs which are not incurred by the family in which one parent stays at home to care for the children.
117. None of this is contrary to the necessary commitment that Catholics have to marriage and the raising of children by both parents in a stable and secure family life. Where that family situation is not possible we must ensure that children are protected and supported, as best they can be, by the wages system. Our fundamental concern in fixing a minimum wage to meet the needs of families is to provide an economic environment for children that supports their emotional and intellectual development. As a general rule, we cannot differentiate between the treatment of children in sole parent families and children who live with both of their parents. However, more can and should be done to strengthen the economic well being of couple parent families without prejudice to this objective.
118. A wage which is based on the needs of a family will over-compensate the worker without dependents, save in the case where government transfers are equal to the actual costs of family members. This over-compensation is an acceptable cost of the protection given to the family. We set a safety net wage because the living standards of workers and their families matter; and this value outweighs any perceived detriment in the setting of a wage that will provide more than is necessary for workers without family responsibilities. Of course, the State is able to provide families with targeted support which will reduce the wage level and the degree of over-compensation for those without family responsibilities. The solution to any concern about over-compensation is in the hands of the State.
119. So the safety net wage has to be sufficient to cover a family of two adults and two children, where the second parent stays at home to care for the children, and a sole parent with two children, where the parent will necessarily incur child care expenses. It would not be acceptable to set a wage that is sufficient for one of these families, but not for the other.
120. Table 1 also demonstrates that family payments in Australia are not sufficient to cover the needs of dependants. Yet there is a myth in Australia that the needs of dependants

are covered by family payments and that the wage level is only required to cover the needs of the single worker. For example, last year I submitted an article to a newspaper setting out some of the matters referred to above, stressing the inadequacy of family payments and, in the absence of the Australian Government having the capacity to provide significant improvements, the necessity for wages to be adjusted to meet basic needs. It was rejected, with the comment that “I think it is widely accepted that the proper route for justice for the low paid is via family assistance rather than...wage hikes”. This is not how the public and, especially, low paid workers see it, because they know how that transfers are patently inadequate. There is no public agitation for transfers that reflect the newspaper’s view. However, the newspaper did reflect a certain view within some circles. For example, in 2005 ACCER produced a wages and tax discussion paper, which was forwarded to the office of the then Federal Treasurer for comment. Part of the response was:

“Wages should reflect output and productivity for single workers – this will minimise costs to employers and other things being equal lead to more jobs. In addition to wages, the Government provides family benefits and other welfare payments which recognise the family situation – this is not the role for employers”.

121. We have a disconnection between policy-makers and the reality of the daily lives of ordinary Australians, where policy goals are diverting attention from the realities of life for low income families. The extraordinary feature of this is that these matters rarely come to the surface in public discussion. While there is debate about the merits of proposed wage claims and wage decisions, the parameters of the debate are the rising costs of living and the macroeconomic decisions. There is little on the basic needs of low paid workers and a virtual absence of the question of whether family payments are sufficient to cover the needs of non-working family members.
122. A wages policy that is predicated on the needs of the single person without dependants cannot be consistent with the protection of workers with family responsibilities. This is so in regard to sole parent families and to families where one parent works and the other does not seek paid employment in order to care for their children. To have wages fixed by reference to the more limited needs of single workers without dependants places those who have family responsibilities at a disadvantage and discriminates against them.
123. An argument commonly used in Australia against minimum wage increases is that there is a diversity of household and domestic circumstances and that a lot of workers live more cheaply than a benchmark family. Figures are given to show that many low paid workers live in relatively well-off households. An example would be the case where the spouse of a highly paid manager obtains employment as a shop assistant. However, the point about a safety net is that it is there for the people who need it, and that it is not reduced by some kind of averaging across those who need it and do not need it. The increasing number of families in which both parents are working is also cited. Again the point is that the safety net is set for those who need it, and the fact that some parents work out of economic necessity, rather than stay at home to care for the children, cannot derogate from the setting of a proper safety net. The rationale for the safety net is the community’s commitment to the support of families. It is at this point that those in opposition to wage increases switch to the proposition that “there are better ways to help low income families than by giving a wage increase”. By this the proponents mean that the government should pay through family transfers and/or tax cuts.

*The rise of the social wage and the social safety nets*

124. The term *social safety net* is a common and useful term to describe a wide range of government measures to support citizens who are in need or to prevent them falling into unacceptable situations. One of the far-reaching effects of the twentieth century that Pope Leo XIII and others of his time could not have appreciated was the development of governmental social safety nets. In *Laborem Exercens* Pope John Paul II referred to the importance of the family wage, but recognised that it need not be paid if there are social measures that cover the actual costs of the dependants. This was apparently in recognition of the increases in the social safety net in many countries.
125. The changes in the balance between wages and social measures (ie the pay packet and the public purse) in Australia is illustrated in the following table for single wage earner and a family of four that is dependent on the lowest minimum rate of pay from 1973 to 2010.

**Table 2**  
**Changes in wages and transfer payments in Australia 1973 to 2010**  
**(\$ per week)**

Year	Income unit	Lowest Minimum Wage	Min wage after tax	Family payments	Total	Transfers as a % of disposable income
August 1973	Couple, 2 children	60.00	54.00	4.50	58.50	7.7%
August 1973	Single person	60.00	54.00	-	54.00	-
December 2010	Couple, 2 children	569.90	521.86	318.63	840.49	37.9%
December 2010	Single	569.90	521.86	-	521.86	-

This table is extracted from figures in ACCER's submission to the Annual Wage Review 2011. The family payments for 2010 are calculated on the basis that the children are in the 8 to 12 age group. Family payments include the Medicare Levy exemption and maximum rental assistance. The net wage for December 2010 is 16 cents per week less than the calculation in Table 1, a discrepancy apparently caused by the conversion between annual and weekly rates.

126. These figures demonstrate a very substantial increase in social measures. The family income is now 14.4 times the 1973 figure. The single person's income is now 9.7 times the 1973 figure. By comparison, the per capita household disposable income in Australia increased by 12.8 times over the relevant period. The lowest minimum wage has lagged behind increases in community disposable income. It should be noted that, apart from a minor benefit (relating to the compulsory Medicare Levy of 1.5% on taxable income), these payments are not conditional upon paying tax. They are not earned income tax credits as are found in, for example, Britain and the U.S. While the substantive payments are called Family Tax Benefits, they can be paid directly to a parent, and are only linked to the tax system because they are income-tested and taxation records provide appropriate verification of the level of the recipient's entitlement.
127. The increase in family payments has accompanied the decrease in the general wage level in Australia. They have made possible the decrease. The increase in family payments and the more recent tax cuts have been financed by the Australian resources boom; by the "rivers of gold" as these income streams have been called. The capacity to maintain these expenditures is being questioned at the moment because the current resources boom is producing smaller rivers of gold. More are asking if this is sustainable and whether the benefits of the resources boom should be invested in

industry development. As the advice from the Federal Treasurer's office (see above) indicates, there was most probably an economic benefit to be gained from this decision. However, political considerations have also entered into the decisions. This is evident from the Table 3, which summarises the relative wage and transfer outcomes of workers and families on the National Minimum Wage (NMW) and the average wage-earner and family, as measured by the Australian Bureau of Statistics Average Weekly Ordinary time Earnings (AWOTE) series.

**Table 3**  
**Relative losses of Safety Net-dependent Workers and their Families**  
**2000-2010**

Household	Disposable Income 2000 Per week	Disposable Income 2010 Per week	Increase in Gross Wage	Increase in Disposable Income
NMW single	346.38	521.86	42.3%	50.7%
NMW 2+2 family	503.37	772.87	42.3%	53.5%
NMW 1+2 family	503.37	772.87	42.3%	53.5%
AWOTE Single	616.48	996.17	59.3%	61.6%
AWOTE 2+2 family	688.65	1188.23	59.3%	72.5%
AWOTE 1+2 family	688.65	1188.23	59.3%	72.5%

The figures are drawn from Tables 8 and 12. The family transfers to couple parent and sole parent families are the same. These figures do not include rental assistance.

128. Table 3 is taken from ACCER's submissions to the *Annual Wage Review 2011*. The purpose of the table was to show the relative loss of workers on the lowest rate of pay. Over the decade the gross (pre-tax) NMW increased by 42.3%, the net NMW by 50.7% and, for the families, the increase in disposable incomes (net NMW and family payments) was 53.5%. (The increase in the gross NMW was basically in line with price and productivity increases over the decade.) For the average income earner and his or her family, the increases were 59.3%, 61.6% and 72.5%, respectively. The reason for the large increase for middle income families was the extension of income-tested eligibility for these payments. In addition, even the AWOTE family is entitled to rental assistance if it is renting.
129. The benefits to middle class families are controversial: "middle class welfare" is a pejorative term in Australia and the forthcoming Federal Budget is likely to tackle it, but it will come with political costs. I should note that the income-testing of benefits has an economic cost (administration, disincentives to work and save, etc) and in an ideal world it would make economic sense to make family payments universal. However, this is presently unaffordable (in the absence of a change to the top rate of tax) and would be even less affordable if the payments were made at a rate that reflected the true costs of the non-employed family members.
130. In a radio interview on 14 May 2010 the Australian Opposition Leader Tony Abbott said "low and middle income families with kids are Australia's new poor". The figures show that he was half right. He was half right, in regard to *low* income families who are dependent on a safety net wage for their standard of living. They are newly poor

because of changes that have occurred in the Australian wages system over the past decade or so; a period which should have delivered better outcomes. He was half wrong because the changes for middle income Australians do not support his claim. No doubt there are considerable stresses on middle income families, but they have not suffered as low income families have.

131. Economic benefits can flow from targeted social measures, providing the community is prepared to pay through the taxation system. However, the transition to an Australia family support system that is less reliant on the wage packet has resulted in a poverty wage for low paid workers and their families. In the case of single workers, I think it is clear that the wage rate has gone too close to their poverty line. A result of this is the added difficulty of saving and preparing for family life. At the same time increased family benefits and reduced wage rates have not improved the position of low paid workers and their families. Safety net wage cuts have gone too far, while transfer payments have not gone far enough.

*Integrating wage and welfare policies*

132. The discussion of the role of wages in the promotion of a decent standard of living for workers and their families shows that any discussion about wages policy must raise issues about social policy more generally. A matter of increasing concern is the agitation by some to reduce or eliminate payments to the second parent who stays at home to care for the children of the family.
133. The dependent spouse and dependent child tax rebates were established many years ago to cover spouses and children. Family Tax Benefit A now covers the children. The spouse rebate for spouses who stay at home to care for children has been replaced by Family Tax Benefit B, which is also payable to a sole parent. Family Tax Benefit B is phased out if the second parent obtains employment, but, curiously, it remains payable in full if the sole parent obtains employment. This benefit of \$68.18 per week is a lot less than the living costs of the spouse, emphasising that the wage packet must be relied on to support the spouse in providing care for the children. The reduction of just over \$20.00 per week once the youngest child turns 5 years of age seems designed to encourage paid employment.
134. The agitation for the reduction or elimination of the dependent spouse/parent payment comes from those who want to maximise workforce participation and those who are opposed to public support for a practice that, they claim, reinforces gender inequality. This kind of change would be very contentious because it would prejudice those parents who choose to have one of them stay at home to care for their children, and remove the possibility of an effective choice that parents should be able to make as to how they will exercise their parental responsibilities. The major problem is that our economic and political systems do not recognise the value of child care by parents. After school care, for example, is not treated or recorded as having any economic value when performed by a parent, but it is when the child attends an after school care program for which the parent pays a fee.
135. The increased role of governments in providing social safety nets, including supplementing wages income, raises important policy issues about the treatment of different groups within the community, some of which can be compared with working families. I referred earlier to the payments for sole parents who are and gave the example of a sole parent with two children under 13 years of age being entitled to a total payment of \$581.40 per week.
136. Another vital social safety net is the pension system. Australia has a universal means-tested age pension system. Pensions are payable at the single rate or at a couple rate. In December 2010 the single pension was \$358.05 and \$415.65 per week with rental

assistance. (Both are under the 60% median poverty line.) The disposable income of family of four is \$840.67 per week, with rent assistance. Using the standard equivalence scales for a single and the family of four (2.1 times), the single pensioner has a higher relative living standard than the family. The family would need \$872.80 per week to equal this pension standard. The working family is entitled to more in order to cover the costs of work and to provide a reward for working.

137. This kind of comparison is brought home by the fact that the disability pension to which I referred earlier is paid at the same rate as the age pension. The comparison demonstrates that there is no financial incentive to work and no reward for working in a very low paid job.

*The Role of Governments*

138. In Australia the role of government in employment related matters has changed dramatically in the 120 years since *Rerum Novarum* and since the *Harvester* case which introduced a minimum wage in similar terms to those articulated in the encyclical. In addition to the kind of social measures discussed above, Australia has a national hospital and medical scheme and nationally mandated private pension arrangements, based on a national government pensions. These two initiatives cover part of the scope of the *Rerum Novarum* wage. There is controversy over aspects of the social safety net, but in substance they have wide community and cross-party support. They promote the common good and the application of the principle of solidarity across the community. Most would agree that they are being handled at the appropriate level of government.
139. Church teaching on the subject of workers' rights is part of a broader teaching on the great importance of work for human development and social progress and on the obligation of governments to promote an economy that provides jobs and decent work.
140. Governments, and the community as a whole, need to confront the fact that in the globalised world of the early 21st century a wage that is capable *on its own* of supporting a family of average size at a decent standard of living may be beyond the economic capacity of some industries to pay. So a burden falls on the broader community, through government, to supplement wages through the taxation and family payments systems. It is through the national Budget that the *nation* shares the burdens of job creation and supports the wages system.

*Cost-shifting to the public purse*

141. When employers argue that "there are better ways to help the low paid than by a wage increase" they mean by tax cuts and/or improved family benefits. Advocates of this approach point to the increasing gap between the benefits received from employees as a result of a wage increase and the costs to employers of that increase. The tax take and the increase in on-costs may be substantial. This is essentially an argument for cost-shifting, from the wage packet to the public purse for the mutual benefit of employers and employees.
142. Increasing transfer payments for the support of dependants have enabled wages to be considerably less than they otherwise would have been. This is illustrated by the figures in Table 2. If the family of four did not receive family benefits of \$318.63 per week, then, for the same standard of living the net wage would need to be \$840.67 per week. It doesn't matter whether this is regarded as a subsidy to the employer or a benefit to the employee; it is a means by which employment is promoted across the community.
143. In Australia the employer promotion of "better ways" in the wage tribunals has not resulted in the same organizations engaging in public advocacy for these initiatives and the tax burden that goes with it. Indeed, employer bodies typically argue for reduced taxes. The fact of the matter is that there has never been a debate in Australia about the

appropriate balance between the wage packet and the public purse in providing for the needs of a worker's dependants. The myth that I referred to earlier that transfers are sufficient is a myth because it would not survive public scrutiny.

144. There is a range of government policies that add to the costs of employment and which should be subjected to scrutiny. An obvious one is income tax on the very low paid. A safety net wage has to be set by reference to after-tax incomes, not pre-tax wages. Income tax, like payroll taxes, has the effect of increasing the lowest safety net wage rates to a level that is higher than that necessary to sustain workers and their families. Income tax on low paid safety net wages operates as a tax on employment. The income tax on the lowest minimum wage rate is \$48.04 per week, or 8.4% (see Table 2). Without that tax, the cost of employing labour would be around \$48.00 per week less, at the same standard of living for the worker. Alternatively, if no tax were payable, workers and their families could have a substantial increase in their standards of living with no extra cost to the employer. This is not the kind of change that can be brought in overnight, but the logic of moving in this direction comes from the "better ways" argument. Indeed, the logic would lead to broad-based measures to subsidise employment costs.

#### *Fairness in Public Finance*

145. The "better ways" argument for the transfer of employment costs to the public purse raises, and depends on, judgments about government revenue and spending, including *budgetary fairness*.
146. Catholic doctrine on taxation is summarised in the *Compendium of the Social Doctrine of the Church* at paragraph 355. Perhaps one of the main challenges in modern Catholic social doctrine is to make the taxation aspect operational. The difficulty is that this requires concrete situations, which will vary from country to country. In July 2000 Australia introduced a Goods and Services Tax as the central feature of a fundamental change to the Federal taxation system. In 1998 the Central Commission of the Australian Bishops published a paper on the then proposed changes; *A Position Paper of the Central Commission of the Australian Catholic Bishops on the Moral Reference Points for Taxation Reform*. The purpose of the paper was to "outline a broad framework, based on moral principles, in the light of which the proposals for taxation reform can be analysed". The statement was "predicated upon three fundamental principles that the Catholic Church holds as essential to achieving a just society". The principles were the common good, distributive justice and the preferential option for the poor. Most of the document was concerned with the application of those principles.
147. These are important matters because they bear on a fundamental point: government, and the Australian Government in our case, is critical to the achievement of work opportunities and fair safety net wages through its capacity to reduce the costs of employing labour.
148. An ethical approach to sharing the burdens of job creation and the treatment of low-paid workers would question why income tax is payable on the lowest minimum wage and why transfers are so low when some families are unable to live a decent life. It is immoral to hold back wage increases or drive wages down below a decent level on account of economic circumstances when there are other ways to promote job protection and the creation of employment opportunities, ways that are consistent with an equitable sharing of the burden of creating and sustaining jobs.

#### *Decent wages and jobs for all*

149. I now turn to two of the most vexed issues in minimum wage cases: the relationship between wage levels and employment prospects and the economic impact of a

particular wage increase. I have left these issues to this point because they need to be put in context of the matters in the foregoing discussion.

150. It must be kept in mind that minimum wages are set by reference to the basics that are necessary for a decent life and that workers should have a decent wage by reference to the standards and capacities of the societies in which they live. If the prices of the basic needs rise, so do the costs of those needs. We are not talking here of the higher wages that are set by the operation of market forces and/or a collective bargaining process where it may be said that there is a capacity to restrain wages when economic conditions are tight or to increase wages when economic conditions are buoyant. That kind of labour market flexibility may be required to manage the highs and lows of the business cycle, but it does not apply to the rates of pay that provide only for the minimum acceptable standard of living.
151. There is an element of selective thinking in the debate about minimum wage rises as a result of price increases. If a business was facing higher power bills because its power supplier needed to cover rising costs and provide a reasonable return on its investment, the increase would be accepted as a cost of doing business. We could expect complaints if the supplier was exacting super profits, but otherwise not. Yet claims by low paid workers to maintain the real value of their wage in order to provide them and their families with the minimum acceptable standard of living are most often met with opposition; and the comment that businesses would have to reduce their demand for labour. Sometimes workers are even told that their increase will cost another his job, as if they have the burden of job creation. It is an argument that is not put to power companies, for example. Workers and their families are often treated with less regard than inputs into the production process.
152. The connection between wage and employment levels and the economic impact of particular increases on employment have been debated in Australian minimum wage cases on a number of occasions. The state of the research was reviewed by Fair Work Australia in its 2010 decision, where it concluded:

“Although a matter of continuing controversy, many academic studies found that increases in minimum wages have a negative relationship with employment, but there is no consensus about the strength of the relationship. Strong employment growth over the past decade in Australia, in the context of annual increases in minimum wages (other than in 2009) suggests that any impact of moderate minimum wage increases on employment levels is swamped by other factors affecting the demand for labour.” (*Annual Wage Review 2010-11*, [246])
153. The issues are not resolved by the fact that excessive wage increases can have a deleterious effect in a particular case and that a cut in wages in some circumstances might create more jobs in a firm or a sector. Wages need to increase to cover increased prices and to reflect increasing community wealth. Quantifying the impact will always be difficult because of the dynamics of economic life. Change is endemic in the economic system.
154. The fundamental question in this dynamic context must be whether the economy as a whole is able to generate sufficient jobs, through all of the factors that determine employment opportunities. Minimum wage levels are just one part. The connection between the costs of labour and employment opportunities, whether strong or weak, should result in an examination of the government imposts on employment. If the economy is unable to generate sufficient job opportunities it is incumbent on the community, through government, to do what it can within its substantial powers to address the situation. This involves a proper appreciation of how the economy can best respond to the impact of globalisation, by creating and sustaining decent work.



155. A modern economy has to be flexible and adaptable. Economic flexibility and adaptability is much more than labour market flexibility and adaptability. Australia, like the rest of the world, must respond to changing economic circumstances, whether the changes are generated domestically or by the globalisation of markets. The issue was addressed by the Director-General of the International Labour Organization, Juan Somavia, in a 2004 report on globalisation, part of which reads:
- “All economies are exposed to constant adjustments in production owing to differential sectoral growth rates, changing technologies and patterns of trade and domestic demand. These interact with changes in the labour force, such as the increased participation of women workers and the growth in informal employment. To respond to these changes, a set of mutually reinforcing policies is required. These include technological innovation, enterprise restructuring, labour market information, skill upgrading, effective social security policies and a sound system of social dialogue. The State has a key role to play in creating an enabling institutional framework to balance the need for flexibility for enterprises and security for workers in meeting the changing demands of a global economy. Dynamic labour market policies enhance a country’s ability to move up the technology ladder, expand its share of value added in the global production chain, and create new competitive enterprises and more and better jobs.” (*A Fair Globalization: The role of the ILO*, International Labour Organization, 2004, page 16.)
156. It is evident from this passage that labour market flexibility is only part of the raft of policies that must be pursued by national governments in their response to changing economic circumstances. A labour market policy requires more than a policy on wages and the basic conditions of employment and labour market flexibility does not require the reduction of wages and other basic conditions of employment. A labour market policy that reduces wages and other basic conditions of employment would impose the burden of economic adjustment on low paid and vulnerable workers.
157. Catholic social doctrine does not require a standard that a well-governed and just society cannot afford. But the goal of a decent standard of living by reference to the standards of the community is a feasible one. If a minimum wage is unable to provide a decent standard of living for workers and their families, and there is a reason why wages cannot be increased to provide that benefit, the obligation moves to the community to intervene, to provide the conditions that will permit wages to increase or to provide benefits through the social safety net.
158. This is the basis for seeing minimum wages in moral terms. In their Statement on the proposed changes to the national employment laws in 2005, the Australian Catholic Bishops said:
- “Our experience emphasises the importance that employment, fair remuneration and job security play in providing a decent life for workers and their families. They are particularly important for those who have limited job prospects and who are vulnerable to economic change. It is not morally acceptable to reduce the scourge of unemployment by allowing wages and conditions of employment to fall below the level that is needed by workers to sustain a decent standard of living.”

### *Conclusion*

159. In this and the earlier sections of the paper I have tried to paint a picture of the support given by the Catholic Church in Australia to low paid workers and their families. The traditions and characteristics of this country shaped the way in which the Church has engaged with Catholic workers and their families and the broader community. In turn,

the values of *Rerum Novarum* reinforced and, for Catholics at least, shaped values and attitudes. In these respects I speak more of the past than the present.

160. There is no doubt that the traditions of Catholic social doctrine on work and workers' rights, including the right to a wage that will allow workers and their families to live in dignity, are still real among Catholics. However, the traditional commitment has weakened as Australian Catholics as a whole have become less connected with the lives of marginal and vulnerable workers and families and the forces of globalisation have given rise to a sense that the old values have to give way to the new realities. Amongst Catholics in Australia there is, in my view, no general sense that Catholic social doctrine can add to the debate and provide direction to issues concerning work, family, economic change and globalisation. This does not have to be so.
161. The Church has a framework of principles for the proper judgment of current realities and, as I have tried to explain in this section, the ability to put a comprehensive range of policies for a more just society, and a society that gives families the economic support that they need. Much of this application of Catholic social doctrine is shaped by the history, values and laws of Australia. Therefore, it will not reflect the situations in other countries. However, I trust that our experience will provide some assistance to those in other countries who are concerned with this vital area of social justice, a matter which is just as compelling as it was when first articulated in *Rerum Novarum* 120 years ago.