

The failure of minimum wage decisions to tackle poverty

The level of minimum wages is a key determinant of living standards for the lowest paid workers in our society. It has been a key issue in wage-fixing since the earliest days of Australia's industrial history.

In this article, Brian Lawrence, Chairman, Australian Catholic Council for Employment Relations, looks at how minimum wage workers have been faring and finds many reasons for concern.



In the *Safety Net Review Case 2003*, Frank Costigan QC, who appeared for the Australian Catholic Council for Employment Relations (ACCER), submitted that, in order for the Australian Industrial Relations Commission (AIRC) to satisfy its statutory obligation to have regard to the needs of the low paid when setting wages, it needed to ensure that wage rates do not fall below the poverty line. He continued:

“And we would say simply, and stress, that it is a fundamental need of the low paid not to live below the poverty line. Now, in one sense, that is a statement that is easily made, but there are a number of complex issues in it.”

Mr Costigan then went on to pose a number of questions about poverty and the adequacy of the Federal Minimum Wage, as the National Minimum Wage (NMW) was then

known. His questions *“what are needs, who are the low paid, what is the poverty line, what is living in poverty and how does the federal minimum wage compare to the poverty line?”* have been central to ACCER's submissions over the past decade, with primary emphasis being given to the position of low paid workers with family responsibilities.

Over the decade, the greatest threat to a decent wage was the *Work Choices* regime. The *Fair Work Act* of 2009 promised reform, but has failed to deliver. In the 2013 *Annual Wage Review* ACCER argued that the Act had failed workers employed on or near the rate set by the NMW and had not reformed the minimum wage-setting so as to overcome the systemic unfairness that has been evident since 2000, and earlier.

There are various reasons for these conclusions. First, in the 12 years

to December 2012 there had been a cut in the real value of classification rates then paying more than \$767.00 per week. Taking into account the distribution of wage classifications, on average the real wages of safety net-dependent workers have been barely maintained.

Second, safety net rates had not been adjusted to reflect the substantial productivity increases across the national economy. Unlike other workers, safety net workers have been denied the benefit of the increases in their own productivity.

Third, in considering relative living standards, successive tribunals have given inadequate attention to community wage movements. Compared to the rest of the workforce, in 2012 all safety net workers were relatively worse off than they were in 2000.

Fourth, as a consequence of these matters, workers and their families had fallen below rising poverty lines. The changes, as measured by the 60% relative poverty line, were dramatic. After being only \$1.03 per week under the poverty line in December 2000, the NMW-dependent family of four (including two children) had a poverty gap of \$109.46 per week in December 2012.

Many more families fell below the poverty line. Even a trade-qualified worker on the C10 wage classification, whose pay we would have assumed could support a family of four, saw the family's position fall from 11.4% above the poverty line to 2.8% below it. The deterioration would have been worse but for increased family payments. Without those payments, the single NMW worker's margin over poverty fell from 30.7% to 14.1%.

Despite the social inclusion objective in the *Fair Work Act*, the decisions since 2009 have failed to give due recognition of the importance of the social inclusion objective and the *social value* of wages. The effective promotion of social inclusion requires the setting of wages that will avoid poverty and social exclusion and will enable workers and their families to participate in their society.

The Fair Work Commission (FWC) did not even refer to poverty in its 2012 decision, despite relevant material and submissions being put to it. Its 2013 decision, however, contained a marked departure, with the following echo of Mr Costigan's point:

"We accept the point that if the low paid are forced to live in poverty then their needs are not being met. We also accept that our consideration of the needs of the low paid is not limited to those in poverty, as conventionally measured. Those in full-time employment can reasonably expect a standard of living that exceeds poverty levels."

“ There are two classes of workers and families in Australia. The difference is not in the work that is done, but in the industrial capacity to bargain. The class that now depends entirely on the FWC has been let down by past wage decisions. Fairness for these marginal workers requires a change. More of the same will not do. ”

These are welcome words. Whether we are we any closer to decisions that will provide a standard of living that avoids and exceeds poverty depends on several matters.

It is not clear what the FWC means by its reference to the conventional measure of poverty. The FWC also noted that there was no “robust contemporary poverty line”. The conventional measure of poverty is found in relative poverty lines, but those poverty lines may be set at different percentages. The FWC uses the 60% poverty line, as did the Australian Fair Pay Commission (AFPC) before it. Some researchers use the 50% relative poverty line.

The FWC will have to clarify what it means by the conventional measure of poverty and what it estimates the dollar values to be. The way in which it has approached the issue suggests that it has used the 60% relative poverty line, possibly as a measure of a “poverty plus” standard. Clarification is of vital importance in the targeting of poverty, especially among children in wage-dependent families.

The FWC's reference to full-time workers having a reasonable expectation of a standard of living that exceeds poverty levels raises important questions about the position of workers with family responsibilities. Family transfers do not fill the poverty gap and are not

intended to do so. Whether a sole parent or partnered, ACCER has argued that the worker's position should be assessed on the basis of two children.

In one of the early consultations conducted by the now abolished Australian Fair Pay Commission (AFPC) I was making a submission about the plight of single-breadwinner working families living below the poverty line when a member of the AFPC interjected “But it's their choice to live in poverty”. The point that the AFPC member was making was that if the second parent got a job the family would not be living in poverty. Whether that attitude influenced the AFPC is unclear. It should not have. The second parent should not be obliged to get a job (or to seek a job and qualify for the Newstart allowance) in order for the family to avoid poverty. Parents should not be denied an effective choice as to how they will exercise their parental responsibilities.

As the poverty lines show, there has been great and increasing financial pressure on both parents to work in low income families. This cannot be a reason to question the single-breadwinner approach or an excuse for inaction in the setting of an appropriate wage; and the FWC should say so.

A fair safety net has to also protect sole parent workers who do not have the capacity of “in house” child care. The cost of child care can drive a low paid sole parent and his or her children into poverty. Sole parents should not have to resort to latch key arrangements for their children in order to avoid poverty. Yet repeated submissions about child care costs have been ignored by both the AFPC and the FWC.

The FWC has been provided with more than sufficient evidence to show that children of low paid full time workers are living in poverty and that the level of the NMW and some other wage classifications are responsible. Giving priority to the targeting of poverty means that extra wage increases should be awarded.

In each of the last two years ACCER has asked for an extra \$10.00 per week in the NMW, as a very modest first step for those in most need. It has foreshadowed subsequent claims working towards, at least, the base rate for cleaners, now \$42.40 per week above the NMW. In each year the claim has been rejected without any reason being given. The NMW has been increased by the same amount as award increases.

The FWC has adopted a policy of increasing the NMW by the same amount as the increases in award rates, regardless of the relative needs of the lowest paid. If it continues poverty will not be targeted and we will be wasting our time in discussing poverty and collecting evidence about it.

It is clear that the unspoken reason for refusal of a “bottom up” targeting of poverty is the design and operation of the award system. A number of awards have classifications that deliver a poverty wage. As we have pointed out to the FWC, these classifications will need to be amended to provide a wage that is not below poverty.

Clearly, the FWC does not want to embark on such a course, perhaps because of “reform fatigue” among parties and the tribunal. But justice and the terms of the legislation require that the FWC set a fair NMW without being constrained by an award system that provides a number of poverty-inducing wage rates. And a fair award system requires that they be changed.

ACCER's principal concern is for the one in six workers and their families, especially low income families, who do not have the capacity to bargain for higher wages and a way out of poverty. The Australian Council of Trade Union's website states that workers who “are under a union collective agreement earn on average \$100 a week more than other employees”.

There are two classes of workers and families in Australia. The difference is not in the work that is done, but in the industrial capacity to bargain. The class that now depends entirely on the FWC has been let down by past wage decisions. Fairness for these marginal workers requires a change. More of the same will not do.

