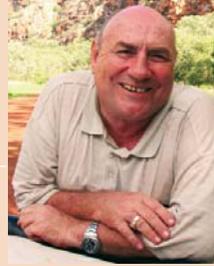


## Australia at the Crossroads: A time to set new rules

*A Pastoral Letter for the  
Feast of St Joseph the Worker — 1 May 2010*



Key moments in history – times of celebration, tragedy or loss – can stand out in the memory, capture an era and mark a point of change. The global financial crisis was one such moment.

The GFC, as we have come to know it, came to a head one week in mid-September 2008 when giant investment banks filed for bankruptcy, were being taken over or bailed out by the public purse.

That very week, the Australian Catholic bishops were launching their 2008 Social Justice Sunday Statement addressing the issue of affluence and poverty in Australia. The Statement noted how a slowing economy was causing concern that ‘all is not right with our society’. Regarding the disadvantaged who had already been denied the benefits of 15 years of spectacular growth, the bishops commented:

*The poorest members of our nation have known and experienced this for many years, but their voice is rarely heard ... The slowing of the economy has given increased urgency to the call on Australian society to address the needs of our most vulnerable citizens.<sup>1</sup>*

An important area for action identified by the bishops was the plight of low-paid and unemployed workers struggling to make ends meet on inadequate levels of pay and income support.

Responding in part to the excesses of the market that caused the crisis, Pope Benedict XVI, in his 2009 Encyclical ‘Charity in Truth’, has also highlighted the needs of vulnerable and unemployed workers and their families. In particular, he has spoken of how the global trend to deregulate and downsize

public systems of social protection to give a competitive advantage in the global market presents a ‘grave danger for the rights of workers, for fundamental human rights and for the solidarity associated with the traditional forms of the social State.’<sup>ii</sup>

### **The position of the most vulnerable**

Every day, staff in agencies like CatholicCare and Vinnies provide support to families struck by unemployment and the grind of poorly paid, insecure and intermittent work. They experience, first hand, the poverty caused by a market that has not provided worthwhile employment opportunities or training that would allow people to get into the workplace and bargain for pay above safety net wages.

They have also witnessed the impact of public policy that has sought to increase worker productivity by deregulating workplaces and to lift participation in the workforce by restrictions on social security. Broadly speaking, these changes may have benefited highly paid workers and unemployed people with skills. They have been of little benefit for workers and unemployed people who have minimal bargaining power and remain ‘unattractive’ to the market. The clearest indication of this is the declining value of minimum wages and income support.

In its submission to the current Annual Wage Review, the Australian Catholic Council for Employment Relations (ACCER) has shown that

safety net wages have not kept pace with costs of living. Average weekly earnings have risen by 53.2% over the past decade to \$1,223, but the base wage for a trade qualified worker has risen by only 29.5% to \$637.60 and the Federal Minimum Wage by 35.8% to \$543.78. The minimum would be around \$610 if it had increased in line with average wages.<sup>iii</sup>

This decline in the value of safety net wages means that these workers have effectively been denied the rewards other workers have received for increased productivity over the decade. It should be noted that many are engaged in the vital work of service-based industries such as health care and social assistance.

The Federal Minimum Wage and the wages safety net must be judged on the ability to keep workers and families out of poverty. The ACCER has shown that over the past decade, safety net wages supplemented by family benefits have not prevented families falling into poverty or coming close to it. Its message to the new wage setting body is clear:

*The obligation on Fair Work Australia to set a fair safety net of wages means, in our submission, that it should be satisfied that poverty is not only avoided, but that workers should have a wage that is substantially above poverty.<sup>iv</sup>*

Just as pressing is the need to assess the adequacy of unemployment benefits. Following the public outcry over the plight of single age pensioners and a subsequent public inquiry, the Government last year lifted the weekly rate by \$33 to \$308. With pension supplements, this amounted to \$336. People on the lower rate of unemployment allowance, who have not received a decent increase since the 1980s, had their single rate lifted by only \$1.35 to a paltry \$228.<sup>v</sup>

For a long time, organisations like ACCER, Catholic Social Services Australia and the Australian Catholic Social Justice Council have called for

more concerted action on poverty – for a thorough review of poverty measures, a more accurate and transparent assessment of true costs of living, improved minimum wages and increased support for unemployed workers and their families.<sup>vi</sup>

## Addressing the logic of disparity

Especially at this time, we must be wary of a narrow view of national economic performance that lacks concern for those who are struggling.

In 2008, the Australian Fair Pay Commission announced a wage-setting decision that amounted to a loss in the real value of safety net wages. Among its concerns was the need to contain inflation in other parts of the labour market. In its 2009 decision, the Commission went further and imposed a wage freeze on these 1.6 million safety net workers with the aim of preventing job loss and promoting economic recovery. This burden has not been proportionately carried by the average income earner,<sup>vii</sup> still less by those at the highest levels of the wealth spectrum.

Last year, in response to the financial crisis and instances of companies awarding executive pay increases at the same time as their workers were being retrenched, the Government established an inquiry into executive remuneration. The Productivity Commission found that the average annual pay of CEOs of the top 20 companies is around \$7.2 million, 110 times average wages and 255 times the minimum wage.

These highest levels of remuneration illustrate the inequity resulting from a perverse logic that fails to acknowledge the notion of fair pay and family needs. Low-paid workers with little or no discretionary income are now bearing the cost of a financial crisis that was not of their making. While they endure a pay freeze for the sake of Australia's economic interests, the Productivity Commission has

dismissed suggestions of tougher restrictions on executive remuneration through pay caps or reduced tax concessions because 'getting this wrong in relation to the senior executives of Australia's largest companies could be very damaging to our national economic interests.'<sup>viii</sup>

Australians should be concerned about a notion of 'national economic interests' that fails to adequately consider human dignity, social wellbeing and equity. At a time when the world is dealing with the economic crisis, Pope Benedict reminds governments especially that 'the primary capital to be safeguarded and valued is man, the human person in his or her integrity.' He reasserts that the person is 'the source, the focus and the aim of all economic and social life'.<sup>ix</sup>

## A time to set new rules

Drawing from the Holy Father's recent Encyclical, we can consider five key challenges for decision-makers in government and business as they address the impact of the GFC:

- A focus on the nation's international competitiveness and long-term development must include adequate protections for low-paid and unemployed workers.<sup>x</sup>
- We must restore trust in the structures of our society by reducing disparity in wealth and ensure the market is not 'the place where the strong subdue the weak'.<sup>xi</sup>
- Equity and justice must be built into the very operation of the market and be respected 'as the economic process unfolds, and not just afterwards or incidentally'.<sup>xii</sup>
- Industry must be accountable not only to shareholders but also to workers, clients, suppliers and the community.<sup>xiii</sup>
- Respecting the God-given dignity of each person and the needs of the most vulnerable, we must move beyond simply ensuring commutative justice (giving in order

to receive) and even distributive justice (the duty to give the minimum owed according to basic needs). We must now consider a higher level of justice based on social solidarity, generosity and compassion.<sup>xiv</sup>

Australia is at a crossroads. How we respond to the needs of the poorest individuals and families will characterise the spirit of this nation. As Pope Benedict has said,

*The current crisis obliges us to re-plan our journey, to set ourselves new rules and to discover new forms of commitment, to build on positive experiences and to reject negative ones. The crisis thus becomes an opportunity for discernment, in which to shape a new vision for the future.*<sup>xv</sup>



**Most Rev. Christopher Saunders, DD  
Bishop of Broome**

- i Australian Catholic Bishops Conference, 2008, *A Rich Young Nation: The challenge of affluence and poverty in Australia*, Australian Catholic Social Justice Council, p.5
- ii Pope Benedict XVI, 2009, *Caritas in veritate*, Encyclical letter, n. 25
- iii ACCER, 2010, 'Submission to Fair Work Australia to the Annual Wage Review 2009-10', pp. 18, 24, 27, 29, 36.
- iv *Ibid.*, p.106
- v Australian Council of Social Service, 'Rising Numbers of Jobless Australians Living on \$32/Day Need Payment Boost', 10 Sept. 2009
- vi ACCER, 2010; CSSA, 2008, *An Entitlements Commission: A proposal for an independent commission to inform decisions about the adequacy of pensions and other income support payments*, pp. 23-25; ACSJC, 2009, *Dignity and Work*, Catholic Social Justice Series paper No.66
- vii ACCER, 2010, pp. 39, 44-45.
- viii Productivity Commission, 2009, *Executive Remuneration in Australia*, Report No.49, pp.xvi, 358f
- ix Pope Benedict XVI, 2009, n. 25
- x *Ibid.*, n. 32
- xi *Ibid.*, nn. 32, 36, 42
- xii *Ibid.*, n. 37
- xiii *Ibid.*, n. 40
- xiv *Ibid.*, nn. 6-7, 34-39
- xv *Ibid.*, n. 21