

**Fair Work Commission**

***Fair Work Act 2009***

**Annual Wage Review 2018-19**

**Response to Further Questions on Notice and Submissions relating to data  
published after 12 April 2019**

**by the**

**Australian Catholic Bishops Conference**

**10 May 2019**

1. On 3 May 2019 the Fair Work Commission (FWC) published further Questions on Notice and gave leave to the parties to make submissions on data published since 12 April 2019. The following submissions are made on behalf of the Australian Catholic Bishops Conference (ACBC)

*Questions on Notice*

2. Question 3.1 concerns relative living standards and the needs of the low paid. The question is introduced by the observation that submissions on these aspects tend to focus on the level of the National Minimum Wage (NMW) "yet 98.5 per cent" of award-reliant workers paid the adult rate are paid above the level of the NMW. We agree that there is a tendency to focus on the NMW, but, for the reasons given in the ACBC's March 2019 submission, many workers on higher award wage rates are living in poverty and disadvantage and are not paid a Living Wage.
3. Question 3.1 includes a chart showing the distribution of award-reliant workers across household income for all households and for employee households. Using the "all households" distribution, the FWC observes that 25% of award-reliant workers are in the second lowest quintile and 30% are in the middle quintile.
4. The question refers to Chart 8.6 of the FWC's Statistical Report, which shows that over the period 2011-12 to 2015-16 (the latest data available), living standards, measured by real weekly equivalised household disposable income, fell for households in the middle quintile and rose only slightly for households in the second lowest quintile.

5. The FWC has identified two propositions that it asks the parties to comment on:
  - "1. A substantial proportion of award-reliant workers paid above the level of the NMW live in households in the second and third quintiles of the distribution of equivalised household disposable income.
  2. These award-reliant workers have received little growth in their real equivalised household disposable income in the period 2011-12 to 2015-16."
6. We agree with the first proposition. We add that many other low paid workers, who receive a higher wage rate than that prescribed in the relevant award (and so are not award-reliant), also live in those households.
7. The second proposition highlights important evidence regarding the impact of low wage growth over recent years: stagnant or declining living standards among middle and low income workers.
8. However, it is important that we draw a distinction between the position of award-reliant workers and other workers within these low and middle income households. The adjustments of minimum wage rates over the four years has protected many workers from declining living standards. The wages safety net has become increasingly important for low income workers; and higher wage increases would have protected more workers and working families from cuts in their relative living standards.
9. The aggregation of award-reliant workers and workers who have other wage-setting arrangements (which may offer little or no protection against cuts in living standards) can hide changes that are taking place among each cohort. Because of the operation of the award system, over recent years many workers have been protected against cuts in their living standards (albeit that many award wage rates are, as we have argued in our March 2019 submission, inadequate). By contrast, in the years prior to 2011-12 the substantial relative decline in award rates and the living standards of those who depend on them were hidden by the aggregation of award-reliant and other workers: award-reliant workers were left behind. This historical oversight has yet to be remedied.

*Recently published data*

10. On 7 May 2019 the Melbourne Institute published *Poverty Lines: Australia December Quarter 2018*. This newsletter updates, among other matters, estimates of Australian Household Disposable Income (HDI), per head and seasonally adjusted, to take into account changes since the publication of *Poverty Lines: Australia September Quarter 2018*. The most recent publication shows that HDI

increased from \$838.51 to \$842.28 per week over the quarter, a small increase of 0.045%.

11. Every two years the Australian Bureau of Statistics (ABS) publishes data, based on household surveys, from which median equivalised household disposable income is estimated at particular points in time. The FWC, the ACBC and others have used the Melbourne Institute's HDI calculations to update the earlier ABS data.
12. In its March 2019 submission the ACBC used the September 2018 HDI calculations to estimate relative living standards and relative poverty lines at January 2019, on the basis that they would be updated following the publication for December 2018. The FWC's Statistical Reports published in 2019 have used the September 2018 HDI figure to estimate relative poverty lines at September 2018. An updated Statistical Report, covering December 2018, is expected. There was a very slight discrepancy in the FWC's and the ACBC's calculations based on the HDI at September 2018; for example, the 60% relative poverty line for the single adult is calculated in Table 8.6 of the Statistical Report at \$526.34 per week, whereas the ACBC has calculated the figure at \$526.20 per week (see Table A5 of the ACBC's March 2019 submission). Underpinning the ACBC's calculation of this and other relative poverty lines was its calculation of median equivalised household disposable income at \$877.00 per week.
13. Based on the HDI increase over the December Quarter 2018, the ACBC's estimate of median equivalised household disposable income at January 2019 is now \$881.00 per week (rounded), with the following changes to the 60% relative poverty lines in Table A5: for the single person, an increase from \$526.20 to \$528.57 per week; for the family of a couple and two children, an increase from \$1,105.02 to \$1,110.00 per week; and for a sole parent with two children, an increase from \$841.92 to \$846.71 per week. These calculations have an evident impact on other calculations in the ACBC's March 2019 submission.
14. The effect of this updating is that the relative living standards of minimum wage dependent workers are lower than previously calculated and there is a higher degree of poverty and disadvantage than that described in the ACBC's March 2019 submission.