Fair Work Commission

Fair Work Act 2009

Annual Wage Review 2016-17

Supplementary Submission
by the
Australian Catholic Council for Employment Belations

25 May 2017

1. This supplementary submission by the Australian Catholic Council for Employment Relations (ACCER) responds to the Australian Government's *Response to Supplementary question 4.13*, dated 22 May 2017. The Government's document responds to a supplementary question from the Fair Work Commission (FWC) concerning Table 8.6 of the Government's March 2017 submission.

2. By way of background, we refer to the general comments made in ACCER's Reply of April 2017, at paragraphs 40-4 and 49, regarding the scope and limitations of Table 8.6 of the Australian Government's March 2017 submission. The Reply points out that most of the families described in Table 8.6 are families in receipt of income support payments. These payments are generally indexed according to movements in the Consumer Price Index. We should expect that, in general, the real value of these income support payments will be maintained and will not increase in real terms. A purpose of the Government's response of 22 May 2017 is to show that, over the five-year period 1 January 2012 to 2017, the tax/transfer system has increased the real disposable incomes of these families, on the assumption that nominal increases in the National Minimum Wage (NMW) have only maintained the real value of the NMW at 1 January 2012. Table 8.6 also included several households without children.

3. The Table appearing in the Government's latest document is in a different form to Table 8.6. It assumes real wage maintenance, whereas Table 8.6 included real wage increases and sought to attribute increases in disposable incomes to wage decisions and the impacts of the tax/transfer system. That combination has been avoided by the assumption of real wage maintenance. It is now apparent that the Consumer Price Index (CPI) increase used for the five years covered by Table 8.6 was incorrect. The Government states that CPI

increase used in those calculations did not include the December quarter 2016 because it was not available at "the time of the modelling". This should have been noted in Table 8.6 or, better, the figures should have been re-calculated after the publication of the CPI for December 2016 on 25 January 2017, a substantial time before the filing of the Government's submission on 29 March 2017.

4. The Table included in the Australian Government's document of 22 May 2017 assumes real wage maintenance for NMW-dependent households in Table 8.6 and seeks to show changes in real disposable incomes for those workers and families arising from the impacts of the tax/transfer system.

5. The first calculation in the Table is for the NMW-dependent single person without children. Had there been no real increase in the NMW, his or her real disposable income would have fallen by 0.7% over the five year period, mostly as a result of the increase in the Medicare levy. A similar figure appears in relation to the couple without children.

6. Each family with children is shown as having had a real increase in Family Tax Benefit A and Family Tax Benefit B. This is unexpected because these payments are adjusted according to changes in the CPI. The explanation appears to be in the timing of the increases. Family Tax Benefits are adjusted on 1 July of each year on the basis of the CPI increases for the year to the December of the previous year. This means that the payments at 1 January 2012 had been fixed by reference to the CPI at December 2010, eighteen months before. Similarly, the payments for January 2017 had been set by reference to the CPI at December 2015. These lags over a given period of time may overstate or understate the real value of the family payments over a longer period of time. It should be accepted that over recent years the real value of Family Tax Benefits, by reference to the CPI, has been maintained; and variations from that position by reason of timing issues should be disregarded. The Government's response claims that the real increases in Family Tax Benefit payments have, in some cases, been more or less than 2.0%. There is no explanation in the text or in the footnotes to the Table for these variations and we cannot explain why they could be so. Of course, the maintenance of the real value of these payments will come to an end from July 2017 with the decision by Parliament earlier this year to freeze them for the next two years.

7. It is also apparent from the Table in the Government's document of 22 May 2017 that

some households have had a real increase in the Newstart allowance and others have not. The Parenting Payment has also increased by more than the CPI. The general position applicable to income support payments, such as these two, is that they are linked to movements in the CPI in order to maintain their real value. The text and notes to the Table do not explain the differences. We conclude that the increases in real disposable income are the result of a policy change. We expect, but we may be wrong, that the differences are the result of changes made by the Gillard/Rudd Governments following the decision to move a large number of working sole parents from the Parenting Payment to the Newstart allowance and, following substantial criticism, changes made to provide some amelioration of that change. In particular, we expect that the kind of improvements have not been reflected in similar figures for the past three years. These matters emphasise the selective nature of the households in Table 8.6 and, furthermore, the need for the Government to provide relevant details of the calculations it is relying on. The parties should not have to guess the origins of matters of significance raised by the Government.

8. Table 8.6 also refers to the change in the real income of the student working part time while living at home with his or her parents. It is said that there has been a 16.4% increase in the Youth Allowance. The Youth Allowance is paid to, among others, tertiary students who are living at home once they turn 18 years of age. Family Tax Benefit Part A is payable to a parent in respect of a child who is still at secondary school. Prior to January 2014 Family Tax Benefit Part A was paid to a parent in respect of tertiary students living at home. As a result of the May 2013 Budget a parent's eligibility for the Part A payment was terminated once the child undertook tertiary studies and was eligible to receive the Youth Allowance. This meant that a tertiary student working part time would appear to have had an increases in his or her disposable income; but a true picture of the family's economic circumstances, including the student's, could only be appreciated having regard to the withdrawal of the Part A payment. This appears to be the basis of the Government's claim in respect of the student working part time. We know of no other basis upon which the claim in the Government's table could be made out. If we are correct in our conclusion, it demonstrates the false conclusions that may be drawn from the Government's failure to provide full and relevant details of its claims.