



Australian Catholic Bishops Conference

Response to
questions on notice

May 2020

<https://www.catholic.org.au/>

INTRODUCTION

1. The Fair Work Commission (the **Commission**) has posed questions on notice to numerous parties. The purpose of these submissions is to respond to those questions.

QUESTION TO THE ACBC

2. The Commission has posed the following question to ACBC:

The Australian Catholic Bishops Conference (ACBC) discusses two ways that the budget standards could be updated from their original 2016 estimations. ACBC stated:

'... this may be done: either by an increase in the budgets reflecting increases in the CPI or by an amount that reflects changes in household disposable income. The former reflects the cost of the budget and the latter reflects the setting of the budget in a social context. [Footnote: ¹ ACBC submission, 19 March 2020 at para. 67.]

The ACBC and all parties are invited to provide comments on their preferred approach.

3. Subject to the qualification expressed below, the ACBC's preferred approach is the adjustment of the budgets by reference to changes in household disposable income, rather than on the basis of price increases.
4. The needs and incomes required to meet the budget standard estimates of acceptable living standards, like the needs and incomes that are necessary to escape poverty, are both determined by prevailing social and economic factors and changes in those factors over time. They are determined relative to community-wide incomes and living standards, the best measure of which is average household disposable income and its changes over time.
5. The budget standards were set in a social context which does not remain static. The changing social context generally brings rising living standards and rising minimum acceptable standards of living. The increases in household disposable incomes are generally greater than price increases. Accordingly, in order for the budget standards to continue to have comparative relevance it is necessary for them to increase consistently with disposable income within the general population.
6. We accept that this process should not continue indefinitely and that a review of the budget standards should occur after seven to ten years. Rather than a holistic review, a potentially more useful approach would be to review each of the nine components of the budget standards over successive years. The components are rent, food, clothing and footwear, household goods and services, transport, health, personal care, recreation and education.

Or for the purpose of the review, it may be convenient to combine some of these categories, such as food and clothing and footwear.

7. The approach of relying on increases in disposable income is consistent with the method adopted by the Melbourne Institute for many years in calculating the poverty lines for various kinds of households; see, for example, *Poverty Lines: Australia, September Quarter 2019*. The newsletter explains:

The poverty lines are updated to periods subsequent to the benchmark date using an index of per capita household disposable income. A detailed description of the calculation and use of poverty lines is published in the Australian Economic Review, 4th Quarter 1987 and a discussion of their limitations is published in the Australian Economic Review, 1st Quarter 1996.

8. The newsletters in this series also provide, for comparative purposes only, the adjustments to the poverty lines based on price increases, measured by changes in the Consumer Price Index. The price-related data are not regarded as providing an appropriate measure of changes in poverty levels over time and the comparison between the two sets of calculations illustrates the need to adjust poverty lines by reference to the economic and social changes reflected in changes in per capita household disposable incomes.
9. The Commission has not relied on the quantum of the poverty lines set out in the Melbourne Institute's poverty lines, but that is a different issue to the adjustment mechanism adopted by the institute. Indeed, the Commission uses the institute's calculations of household disposable incomes as a means of adjusting its own estimates of relative poverty lines between the periodic assessments provided by the Australian Bureau of Statistics in its household income and wealth series; see, *Household Income and Wealth, Australia, 2017–18*, Catalogue No. 6523.0.
10. The qualification identified at [3] above is as follows. It is possible that within one year, or even over a longer period, the rate of price increases would be greater than the increases in community-wide household disposable income or that there was a decline in household disposable income alongside price increases. This would most likely occur in circumstances where there was a precipitous economic decline. In those circumstances measuring the budget standards solely by reference to the relative disposable income, might not reflect the facts that due to the increasing costs of living, due to the price index movement exceeding the disposable income measures, the amounts provided for in the budget standards would not reflect an amount necessary to obtain a reasonable standard of living.
11. One way of ensuring this does not happen, is, particularly in times where it is likely that the price index would exceed the growth in disposable income, to double check the annual

reconsideration of the budget standards as against the changes in price index. If the price index had increased in such a way to mean that measuring budget standards by way of disposable income, did not provide a true measure of what was necessary to obtain a reasonable standard of living. If those circumstances were to occur, the Commission would need to exercise its statutory powers in a way that would give priority to the protection of the lowest paid workers.

12. The adjustment of the budget standards figures in this way is also consistent with the statutory obligation of the Commission to take into account relative living standards and the needs of the low paid. This requires that the Commission takes into account rising living standards across the community and to recognise that the needs of the low paid, and fairness to them, would increase accordingly.

QUESTION TO THE ACTU

13. The question posed to the ACTU was as follows:

Given that many businesses have restrictions on opening, particularly businesses within Retail trade and Accommodation and food services (which are also award-reliant industries), how does increasing the minimum wage improve employment in these circumstances?

14. The ACBC respectfully associates itself with the ACTU submission concerning the stimulatory effect of an increase in the minimum wage. As has been recognised by the Commonwealth Government in respect of the stimulus packages provided to income support recipients, an increase in wages to the lowest paid workers are likely to be immediately re-distributed within the broader economy.
15. In respect of the question on notice, whilst it is true that some business in award reliant industries have faced Covid-19 related closures, those business are likely to be in receipt of the JobKeeper subsidies. Further, each of the States are starting to lift restrictions will have either directly lead to or mandated those closures. The effect of this is that it is possible, if not likely, that many of those businesses will have re-opened by the time that any wage increase takes effect.
16. It should also be noted that wage increases in other sectors, which have not been as badly affected by the Covid-19 restrictions, will have a stimulatory effect. This will assist in the resuscitation of those businesses that have been adversely affected by Covid-19.
17. Accordingly, it is respectfully submitted that priority should be given to wage increases which will have the effect of introducing more money into the economy at a time when previously struggling businesses are re-opening.

QUESTIONS TO ALL PARTIES

18. The first question posed to all parties is as follows:

The Federal and State governments have announced a number of initiatives to provide support for businesses, individuals and households affected by COVID-19. These are outlined in the Fair Work Commission's note on [Government responses to COVID-19 pandemic](#) and in the Australian Government submission.

Parties are invited to comment on the initiatives and discuss how the Expert Panel should take these into account.

19. The ACBC acknowledges that it is difficult, at this stage, to say anything about the likely effectiveness of the State and Commonwealth governments' measures in mitigating the adverse effects of the Covid-19 pandemic. All that can sensibly be said at this time is that:

- a. the measures are by any means substantial. The size and scale of the monetary response across all levels of government dwarfs the \$10.4 billion stimulus package unveiled after the global financial crisis in 2008.
- b. The measures have been designed to be effective at addressing the economic fallout. There is no suggestion that Government considers that more measures are necessary or that the measures adopted have been limited by capacity.

20. Accordingly, absent empirical evidence to the contrary, the Commission should proceed on the basis that those measures will be effective at mitigating the economic consequences of the Covid-19 pandemic.

The JobSeeker and the Coronavirus Supplement

21. Whilst it is difficult to say anything about the economic effectiveness of the government measures, some observations can be made about the incomes and relative living standards of:

- a. wage earners employed full time and paid the National Minimum Wage (NMW);
and
- b. those who are unemployed and receiving government benefits.

22. The JobSeeker payments are set out in Table A. The Coronavirus Supplement is \$550 per fortnight, or \$275.00 per week.

23. All of the following calculations are based on the year comprising 52 weeks, not 52.14 weeks or 52.18 (the leap year calculation) weeks.

Comparison between single worker on NMW and single worker when unemployed

24. The Commission's *Statistical Report* (at Table 8.4) has the net income on the NMW at \$663.00 per week. Details of this are in Table B, below.
25. A short summary of the position of the single person on JobSeeker, with the Coronavirus Supplement is in the following:

"With the implementation of the measures, the maximum rate for a single JobSeeker Payment recipient with no children during the six month implementation will be \$1,124.50 per fortnight [\$562.25 per week] (comprising the base rate, the Energy Supplement and Coronavirus Supplement). This will be \$180.20 more than the maximum single pension rate (paid to Age Pension, Disability Support Pension and Carer Payment recipients) of \$944.30 per fortnight (comprising the base rate, the Pension Supplement and the Energy Supplement). The new maximum rate of JobSeeker Payment for a single person with no children will be worth around 76 per cent of the minimum wage for a full-time worker: currently the equivalent of \$1,481.60 per fortnight."

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2020/March/New_coronavirus_supplement

26. This calculation does not include rental assistance, where the maximum payment is \$69.80 per week.
27. The JobSeeker allowance (\$565.70 per fortnight) and Coronavirus Supplement (\$550.00 per fortnight) are taxable, but not the Energy Supplement (\$4.40 per week) and Rental Assistance (\$69.80 per week). The taxable income is \$527.85 or \$27,448.20 per year (at 52 weeks); see Table C, below. After tax net income is \$25,885 or \$497.81 per week, plus \$74.20 per week, a total of \$572.01 per week, or \$91.00 less than the disposable income of the full time NMW-dependent worker.
28. Comparison of disposable incomes for NMW-dependent worker and JobSeeker recipient:
- a. NMW: \$663.00 per week;
 - b. JobSeeker: \$572.01 per week

29. It is submitted that \$91.00 per week is not a fair reward and incentive for working full time and for compensating the worker for the costs of work. Taking first the costs of work. Table 14.1 of *Statistical Report* of 20 March 2015, contained data on the costs of working, other than child care. A note to the table read "As an example of how these data can be read,

results show that the average cost of working is \$70.75 for full-time award-reliant males and that they spent, on average, 8.0 per cent of their weekly gross wages on the costs of working.” This kind of data has not been included in subsequent reports, but we can fairly say that the lowest paid workers, on the NMW, would pay, on average, more than \$60.00 per week on work costs and not much less than the \$91.00 that separates income on unemployment benefits and the income from a full time job paying the NMW.

30. It should also be noted that the JobSeeker recipient can earn \$52 per week (say 2.5 hours work a week) without any reduction in the allowance and beyond that loses 50 cents in every dollar earned. A JobSeeker earning \$150 per week (say 7.5 hours per week) would lose \$49 per week in JobSeeker and gain \$101.00 per week in taxable income. With the NMW so low relative to unemployment benefits and with the costs of work taken into account, the worker has little or no financial incentive to take a job at the NMW rate, or a range of other jobs paying more than the NMW.

Comparison of single breadwinner family of a couple and two children on the NMW (with stay at home parent)

31. The *Statistical Report* of April 2020, at Table 8.4, calculates the disposable income of the single breadwinner family of four, where the second parent is not seeking employment, is \$1,036.42 per week. This is \$373.42 per week more than single person. This margin includes Family Tax Benefits A and B, maximum rental assistance, an exemption from the Medicare levy and the Energy Supplement. Subject to a variation in the Medicare levy, the same amount will be paid if the family is out of work. The Medicare levy at the NMW income level is \$770.42 per year (see Table B, below), or \$14.82 per week. Excluding the value of the Medicare levy, family payments total \$358.60 per week. It should be noted that the JobSeeker payment for a partnered recipient is \$510.80 per fortnight, not \$565.70 per fortnight for a single person without children. The taxable income for the partnered recipient is \$510.80 per fortnight and plus the supplement of \$550.00 per fortnight, ie \$1,060.80 or \$530.40 per week or \$27,560 per year; see Table D. After tax income is \$499.33 per week. However, having dependent children the Medicare Levy is not payable, so the after tax amount increase by \$516.20 per year or \$9.93 per week, to \$509.26. The partner's income of \$510.80 per fortnight, or \$255.40 per week, or \$13,280.80 per year, does not attract income tax.

32. In summary, the unemployed family of four receives the following net amounts per week:
 - a. Recipient: \$509.26;
 - b. Partner: \$255.40; and

c. Family benefits: \$358.60.

33. This is a total of \$1,123.26 per week, or \$86.84 per week **more** than the NMW-dependent working family. The disposable income of the working family does not reward work, does not provide an incentive to work and does not take into account the costs of work.

34. In order for a wage-dependent family to have a disposable income equal to the unemployed family, having regard to the marginal tax rate of 32.5 cents in the dollar but not taking into account the costs of work, the breadwinner would need to earn another \$128.65 per week, ie a gross wage of \$869.45 per week.

CONCLUSION

35. The unemployment changes introduced by the Federal Parliament, with bi-partisan support in the Parliament and strong support across the community, have, among other matters, addressed long standing concerns about the inadequacy of the operation of the social safety in respect of unemployed and other disadvantaged Australians. The fact that the improvements are not currently set as permanent changes cannot detract from that reality. It was clearly intended that these changes would provide an acceptable standard of living to those unable to obtain employment.

36. It is respectfully submitted that in enacting legislation that has sought to remedy a long-ignored injustice to the unemployed, the Parliament has exposed an injustice to low paid working Australians, evidenced by the lack of reward for those who are employed in low paid occupations and the absence of compensation for the costs of work that they must incur. This remedy should be recognised at all times, not just in emergencies.

37. It is in the national interest that we have a fair and just safety net for the unemployed and other safety net-dependent Australians and that the wage safety net provides an incentive and reward for work.

TABLE A

JobSeeker payments

These are the highest JobSeeker Payment rates at the moment. The rate will vary depending on your circumstances.

Your situation	Your maximum fortnightly payment
Single, no children	\$565.70
Single, with a dependent child or children	\$612.00
Single, aged 60 or over, after 9 continuous months on payment	\$612.00
Partnered	\$510.80 each
Single principal carer granted an exemption from mutual obligation requirements for any of the following: <ul style="list-style-type: none"> • foster caring • non-parent relative caring under a court order • home schooling • distance education • large family 	\$790.10

Source:

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2020/March/New_coronavirus_supplement

TABLE B

Taxation on National Minimum Wage for Single without Children

Base income:	\$38521.00
Tax on income:	\$4066.33
Medicare Levy:	\$770.42
Low Income Tax Offset:	\$(422.19)
Low Mid Income Tax Offset:	\$(369.08)
Total tax:	\$4045.48
Net income:	
per annum:	\$34475.52
per month:	\$2872.96
per week:	\$662.99

Source: <https://www.taxcalc.com.au/>

TABLE C

Taxation on JobSeeker plus Coronavirus Supplement for Single without Children

Base income:	\$27448.00
Tax on income:	\$1757.12
Medicare Levy:	\$505.00
Low Income Tax Offset:	\$(445.00)
Low Mid Income Tax Offset:	\$(255.00)
Total tax:	\$1562.12
Net income:	
per annum:	\$25885.88
per month:	\$2157.16
per week:	\$497.81

Source: <https://www.taxcalc.com.au/>

TABLE D

Taxation on Jobseeker and Coronavirus Supplement for Partnered Recipient

Base income:	\$27560.00
Tax on income:	\$1778.40
Medicare Levy:	\$516.20
Low Income Tax Offset:	\$(445.00)
Low Mid Income Tax Offset:	\$(255.00)
Total tax:	\$1594.60
Net income:	
per annum:	\$25965.40
per month:	\$2163.78
per week:	\$499.33

Source: <https://www.taxcalc.com.au/>



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