1. This submission by the Australian Catholic Council for Employment Relations (ACCER) responds to a number of the questions posed by the Fair Work Commission (FWC) for the forthcoming Annual Wage Review consultations.

Productivity

2. Question 1.1. This question concerns an opinion piece by Dean Farnham in the Australian Financial Review on 18 January 2013. It was in response to research by the ACTU concerning the emerging gap between increases in productivity and real wages. The issue is whether labour, despite real wage growth, has missed out on its full share of the productivity growth since 2000. The issue is debated in the aggregate, in circumstances where, for example, the measure of average weekly ordinary time earnings (AWOTE) has risen by 74.4% while the CPI has increased by 39.5%. (These figures are for December 2000 and December 2012; see Tables 5 and 10 of the ACCER Submission of March 2013.) This represents an increase of 25.0% in real wages across the economy. This figure may be affected by changes in the work classification profile across the economy, but we expect that any such effects would be small. Whether, in the aggregate, this increase in real wages represents a proper distribution of productivity is a matter best addressed by the ACTU. We expect that it is an issue that cannot be fully canvassed in this year's review. Nor does the issue need to be resolved at this time because of the nature of the productivity issue before the FWC.

3. The productivity issue that is before the FWC is not addressed by the opinion piece. In this wage review we are dealing with safety net-dependent workers who, overall, have had no, or very little, increase in their real wages. Overall, they have had no, or very
little, productivity-based wage increases. In contrast to the average real wage increase of 25%, all work classifications currently paying more than $767.00 per week have had a real wage cut. These matters are discussed at Chapter 3D of ACCER's March 2013 Submission. ACCER submits that the issues raised in the opinion piece do not prejudice the arguments set out in Chapter 3D of the submission.

Real Wages, Productivity and Living Standards

4. Question 2.1. This question asks for responses to claims made by the ACTU about changes in measures over the period June 2005 to December 2012. Our calculation is that the purchasing power (as measured by the CPI from June 2005 to December 2012, an increase of 23.5%) of:
   - the NMW rose by 1.0%, compared to the ACTU's estimated fall of 0.3%;
   - the C10 rate fell by 1.4%, compared to the ACTU's estimated fall of 2.74%; and
   - AWOTE (from May 2005 and November 2012) rose by 13.4%, compared to the ACTU's estimated rise of 11.7%.

ACCER's estimates of the dispersion of award reliant workers is at paragraphs 298 to 307 of the March 2013 Submission. Those estimates, which were based on FWA Research Report 4/2010, *Earnings of employees who are reliant on minimum rates of pay*, distinguish between permanent and casual employees. The median wage for permanent workers is estimated to be around $792.00 per week, substantially more than the C10 rate of $706.10 per week. The median for casuals was estimated to be "just short of the C10 rate". The ACTU claims that about half of award reliant workers are on rates that are greater than the C10 rate. Overall, our estimate is that more than half of the award reliant workers are employed at the C10 rate or at a higher rate. ACCER's calculations did not cover professional employees, as does the ACTU's, but we estimated that 25% were employed in classifications that currently pay in excess of $916.00 per week; see paragraph 305. We have no reason to contest the ACTU's claim in regard to professional employees.

5. Question 2.2. The ACTU has used the Living Cost Index-Employees for measuring changes in the cost of living. ACCER submits that the Consumer Price Index should be the principal means of measuring changes over time, but the FWC should test that measure by having regard to any other relevant index.

6. Question 2.3. This question concerns comparisons between the National Minimum Wage and similar minima in other OECD countries. Informed comparisons between
these rates need to take into account a range of factors, such as the amount of tax deducted from the minimum wage, the value of social safety nets and the purchasing power of the minimum wage by reference to an appropriate basket of goods and services (where economies are similar).

7. Because the way in which economic support is provided to workers and their families varies across countries it is necessary to draw together the different facets of that support. A comparison between countries is best done by reference to the poverty measures produced by the OECD (and referred to in our March 2013 submission at paragraphs 168-9). The OECD's relative poverty lines places low paid workers, and their families, in their national economic context and are a widely accepted tool of analysis and policy-making in many member countries of the OECD. A comparison between the disposable incomes, rather than gross earnings, of those on the minimum wage (and their families) and the nation's median or mean disposable income is an appropriate way to take into account relative living standards, social equity and fairness; and to identify and avoid poverty.

8. Question 2.4. ACCER does not have any information on the number of single earner couple families who are reliant on award rates of pay. We submit that the question of whether or not one parent stays at home to care for the children or undertakes part or full time employment would not be affected by the award reliance, or not, of the sole breadwinner. We expect that a major determinant of whether or not the second parent seeks employment is the level of income paid to the sole breadwinner, whether that income is pursuant to an award, a collective agreement or an individual overaward agreement. For example, a family who is dependent on the C10 minimum wage rate would be in a similar position to, say, a family where the breadwinner is employed in a C12 classification rate and receives an overaward payment of $58.10 per week through a collective agreement; see the figures at Tables 28B and 28C of ACCER's Supplementary Reply.

9. As we have shown in the Supplementary Reply, at Graph 3, families comprising a couple and two children (aged 8 and 12) are living below the poverty line. This places great pressure on the second parent to undertake employment, with the pressure being most acutely felt by those on the lower rates of pay, whether they be set by awards or otherwise. As a result of the increasing numbers falling into poverty over the past decade, we would expect that a much greater number of couples now experience the financial pressure for both of them to work. In some cases the pressure would cause the
breadwinner to work overtime or shiftwork or take a part time job. Our submission of March 2013 (at paragraphs 199 to 230) sets out reasons why the earnings of the second parent should not be taken into account when the minimum wage rate leaves a family in poverty and unable to achieve a decent standard of living. Similar reasoning applies to the income earned by the sole breadwinner who is forced by such dire circumstances to seek extra work.

10. Our March 2013 submission refers to the work of the Poverty Commission in the early 1970s and the views in its Report, which remain very relevant to wage and family support policies, the need for parents to have a choice about how they care for their children and how they balance family and work:

“A further way in which many low income families are often placed under great stress is in relation to the freedom parents have to decide how they will divide their time between working, looking after children, and other activities. Because of financial pressures some parents are confronted with the choice of spending more time earning money and less time at home or struggling on an income below the poverty line.…. Some fathers compensate for their low wages by working more hours or working two jobs. In many instances this may create considerable pressure on parents and their children.…. Inadequate wages and pensions place considerable pressure on mothers to work…The mere fact of a mother working is not necessarily detrimental to the family. The relationship between a mother working and child development has been hotly debated in recent years, but the research on the subject has been inconclusive. The pertinent issue is the freedom of mothers to choose whether or not to work, so that each family can reach a solution which is satisfactory for its members. The pressure to work created by an inadequate income means that some mothers are less free to choose.” (First Main Report, April 1975, volume 1, page 204, footnote omitted.)

11. In April 2013 the Australian Institute of Family Studies published Parents working out work. This publication, written by Jennifer Baxter, contains statistical information on trends in the engagement of parents in paid work and work within the home, setting out a variety of changing trends since 1991. The material is not related to wage and income levels, but it does provide a very helpful basis for further work on a number of issues regarding this topic.

Underemployment

12. Question 3.3. This question relates to ABS survey material which shows that more employees wish to work fewer hours than employees who wish to work more hours. We submit that this material is not helpful because it doesn't give enough detail about
the reasons and circumstances of those who wish to work fewer hours. Survey material that is designed to elicit the extent to which the unwanted work is the kind of work referred to in the above extract from the Poverty Report would be a relevant consideration in the Annual Wage Review.

Social Inclusion

13. Question 8.1. This question, under the heading of Social Inclusion, invites comment on a youth survey report published by Mission Australia and the April 2013 decision of the Low Pay Commission in the United Kingdom. We are unable to make any substantial connection between the contents of those documents and the social inclusion objective of the *Fair Work Act 2009*. However, we submit that there are valuable publications on relevant research and public policy issues (including, for example, *Living low paid: the dark side of prosperous Australia*, by Helen Masterman-Smith and Barbara Pocock) that could be nominated for commentary in future wage reviews. We submit that this could be a particularly useful means of drawing out material that is relevant to the statutory objective of social inclusion.