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*A Pastoral Letter for the
Feast of St Joseph the Worker*

1 May 2018

**A Fair Day's Pay – for the dignity of workers
and the good of all**

On this Feast of Saint Joseph the Worker, let us consider the importance of the just wage. This is particularly important in today's Australia, where wage growth has been very slow and low-paid workers often experience real hardship.

The Church has stressed the fundamental importance of fair remuneration for work. A just wage will meet the immediate needs of workers and their families and also allow them to save for the future. It ensures the prosperity of a society is shared adequately and that the social, economic and cultural life of the community is allowed to flourish. Workers cannot be valued only by their cost or treated simply as a factor of production.

This call for a just wage has been consistent. In the face of the 1890s recession, Pope Leo XIII defended the right of industrially weak workers to wages that would meet family needs and condemned any bargain that undermined this entitlement.¹ As the world fell into the Great Depression, Pope Pius XI urged greater collaboration between employers and employees to prevent dramatic reductions or increases in wages in order to maximise the number of jobs providing a suitable means of livelihood.² In the 1980s, when developed nations were opening their economies to global competition and restructuring industries and jobs, Pope John Paul II held up the just wage as a fundamental benchmark of fairness.

[W]ages ... are still the *practical means* whereby the vast majority of people can have access to those goods which are intended for common use ... Hence, in every case, a just wage is the concrete means of *verifying the justice* of the whole socioeconomic system and, in any case, of checking that it is functioning justly.³

His successors, Popes Benedict XVI and Francis, have made that same assessment following the latest financial crisis. Both have raised concerns about vulnerable and unemployed workers losing protections and support for the sake of economic competitiveness, particularly where the logic of trickle-down economics has failed to ensure human development and social inclusion for all.⁴

A wage crisis in Australia

Here in Australia, the notion of a fair day's pay was championed for a good part of last century through institutions of industrial arbitration, wage setting and defence of vulnerable workers. This, together with the provision of income support for unemployed workers, made up a social safety net that protected the most vulnerable members of society. Over the past thirty years, however, there have been major changes in the world of work, including globalisation, the deregulation of the labour market, casualisation of jobs and the changing composition of the workforce. Together, these have placed competitive pressures on wages.

Currently we are facing a wage crisis. Since 2012, wages growth has slumped to record lows, with increases of only two per cent each year – well below previous levels of 3.5 per cent. This stagnation is affecting all states and territories, all industries and all categories of job.⁵

Why is this happening? Where unemployment is low, it usually means that employers offer higher wages to attract and hold on to staff. We have seen exceptionally strong jobs growth over the past year, and unemployment is at just 5.6 per cent. Why, then, do these developments not translate to higher wages?

There is evidence that the unemployment rate is no longer an adequate measure of surplus labour. A truer measure would take account of all those *underemployed* workers who want more work. An underutilisation rate of 14 per cent gives a better picture of the competition for work.⁶

Furthermore, workers' bargaining power has been eroded. With household debt double disposable incomes, many workers are reluctant to upset their job security by pushing for a wage increase. The threat of jobs being automated and competition from overseas markets increases the job insecurity already felt by workers. Trade union membership has fallen to less than 15 per cent and tight restrictions on industrial action, particularly during wage negotiations, further reduces the collective power of workers. Vulnerable workers are less protected in casual jobs and a burgeoning 'gig economy'.⁷

These are the kind of structural issues holding back significant wage increases now and for the foreseeable future.

A challenge for all of us

This poses challenges not just for workers and their families, but for the strength of the economy and the health of our society.

Rising costs of living are becoming a real concern for ordinary Australians. Although consumer prices have remained low, the real value of wages is only just keeping up with the cost of living. Some find themselves falling behind as the price of some goods and services, including childcare, electricity, gas, health and education, have increased three to five times higher than the average.⁸ There is a general feeling that it is harder to balance the household budget.

While this is a challenge for most families, there are some who struggle in poverty, finding it virtually impossible to make ends meet: the 'working poor' and those

unemployed workers who subsist on meagre income support. It has been estimated that over 1.5 million workers and almost 2 million people who are unemployed or who have withdrawn from the labour market are in poverty or at risk of it.⁹

Low-paid workers and their families who rely on the National Minimum Wage and award safety net are falling into poverty. The recent cuts to penalty rates of workers in the retail, hospitality and fast-food industries gives but one indication of the precarious circumstances of the low-paid. And 650,000 people on the Newstart Allowance are trying to survive, many on just \$40 a day. Around 70 per cent have been stuck on the Allowance for more than a year and more than half are in poverty. Newstart has not been increased in real terms since 1994.¹⁰

How to address the challenge

The Commonwealth Government is currently seeking to reduce corporate tax rates from 30 to 25 per cent to increase investment and, among other things, lift wages growth back to the levels enjoyed before they stagnated. These cuts are estimated to cost \$65 billion over ten years, and there is worry that spending would be cut in other important areas to meet the shortfall in revenue. Many doubt that the benefits would flow to significant wage increases, with indications corporations would give preference to shareholder returns and capital investment before wage increases and jobs.¹¹ This would be unfair when taking into account the fact that company profits have far outpaced wages growth for almost two decades.¹²

Others have suggested that substantial increases in education and training are the solution to wages stagnation, as the resulting boost in productivity will increase workers' bargaining power. While education and training are vital over the long term, our first priority must be the crisis of poverty experienced by low-paid and unemployed workers. We must repair the social safety net of wages and income support.

Around 20 per cent of employees are on awards and the pay of a further 10 to 15 per cent of workers is influenced by the wage decisions of the Fair Work Commission.¹³ In its interventions in the Annual Wage Review, the Australian Catholic Council for Employment Relations has consistently called for substantial increases to the minimum wage and award rates for low-paid workers. Similarly, Catholic Social Services Australia and the community sector are calling for an increase in Allowance payments to protect unemployed workers and increase their capacity for work.

Time for a new consensus

Beyond an improved social safety net of minimum wages and income support, what more could be done to reawaken Australia's commitment to a just wage? In a world of work so often characterised by antagonisms and competing claims, can we find a meeting place where government, workers and business can come together to work for the good of the whole community?

It has been done before. In the 1980s, business, unions and government agreed on the Prices and Incomes Accords, which limited wage demands, reduced industrial action and lifted the profitability of businesses. Social wage entitlements like Medicare and superannuation benefited workers and the broader community.

However imperfect the Accords, they did show the possibility of competing parties coming together to strike a balance between wages and profits. Then, business profits needed to be restored; today it is workers' wages.

Building an economy that is inclusive and serves all is a key challenge of our times. The impasse of wage stagnation will be harder to solve without the cooperation of all parties

working for the common good. The common good will never be served unless we ensure the greatest support to those most in need.

Ultimately, the just wage is the means of verifying the justice of the whole socioeconomic system.

Most Rev. Vincent Long Van Nguyen OFMConv STL DD
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Notes

- 1 Pope Leo XIII (1891), *Rerum Novarum*, On Capital and Labour, nn. 20, 45.
- 2 Pope Pius XI (1931), *Quadragesimo Anno*, On Reconstruction of the Social Order, nn. 63–75.
- 3 Pope John Paul II (1981), *Laborem Exercens*, On Human Work, n. 19.
- 4 Pope Francis (2015), *Laudato Si'*, On Care for Our Common Home, n. 109; (2013), *Evangelii Gaudium*, On the Proclamation of the Gospel in Today's World, nn. 54, 202; Pope Benedict XVI (2009), *Caritas in Veritate*, On Integral Human Development in Charity and Truth, nn. 25, 32.
- 5 Australian Bureau of Statistics (2018), *Wages Price Index, Australia, Dec 2017*, 6345.0; Chris Angus (2017), *Slow wage growth*, e-brief, NSW Parliamentary Research Service, NSW Parliament, pp. 4–6; The Treasury (2017), *Analysis of wage growth - November 2017*, Commonwealth of Australia, pp. 4–7.
- 6 The Treasury (2017), pp. 19–20.
- 7 Jim Stanford (2018), *Historical Data on the Decline in Australian Industrial Disputes*, Briefing Note, Centre for Future Work, The Australia Institute; James Bishop & Natasha Cassidy (2017), 'Insights into Low Wage Growth in Australia', *Bulletin*, March Quarter 2017; Bernard Keane (2017), 'Why is wages growth so low? Experts can't seem to agree', *Crikey*, 14 November 2017; Sergio Dionisio (2017), 'Why real wages are falling and the RBA doesn't know what to do', *Australian Financial Review*, 28 November 2017.
- 8 Australian Bureau of Statistics (2018), *Consumer Price Index, Australia, Dec 2017*, 6401.0; Australian Council of Social Service (2018), *Budget Priorities Statement: Federal Budget 2018–19*, p. 18.
- 9 According to an international measure of 60 per cent of median income. Australian Council of Social Service (2018), *Minimum wage submission 2018*, p. 32.
- 10 Australian Catholic Council for Employment Relations (2018), *Annual Wage Review – Living Wage Claim and Submission*, pp. 20–24, 27–29; ACOSS (2018), *Raise the Rate: Increase Newstart and related payments*, March 2018.
- 11 ACOSS (2018), *We cannot afford unfunded company tax cuts*, Briefing note; Laura Tingle & Phillip Coorey (2018), 'Secret BCA survey does not back tax cuts going to jobs, wage rises', *Australian Financial Review*, 26 March 2018.
- 12 Chris Angus (2017), pp. 10–11, 17; Australian Bureau of Statistics (2017), *Business Indicators, Australia, Mar 2017*, 5676.0; Saul Eslake (2017), 'Is faster profit growth essential for a pick-up in wages growth?', *The Conversation*, 4 October 2017.
- 13 James Bishop & Natasha Cassidy (2017).