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24–32 O’RIORDAN ST, ALEXANDRIA NSW 2015  
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***A Pastoral Letter for the  
Feast of St Joseph the Worker***

**1 May 2014**

**Putting People First:  
The call for an economy of social inclusion**

Pope Francis has renewed the call of the Church to make the dignity of the human person the central focus of national and global economies. His Apostolic Exhortation of November 2013 comments on economies in which ‘masses of people find themselves excluded and marginalized’ and criticises free market competition, which has left many without work, without opportunity and on the fringes of society.

*... some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naïve trust in the goodness of those wielding economic power and in the sacralized workings of the prevailing economic system. Meanwhile, the excluded are still waiting.<sup>1</sup>*

Clearly Pope Francis doesn’t agree with the saying that ‘a rising tide lifts all boats’, which has been used to describe the benefits of economic growth. Nor do a growing number of economists and policy experts who recognise that the outstanding performance of the economy can have very unequal outcomes.<sup>2</sup> Two decades of economic growth in Australia have seen the size of our economy double and income per capita increase by 50 per cent.<sup>3</sup> Despite this growth, many of us will know somebody for whom the system has failed.

Think of the older worker made redundant by technology and becoming ‘long-term unemployed’; a son or daughter completing their training but frustrated in the search for a job; a single mother trying to make ends meet on the Newstart Allowance; a household with work but still below the poverty line. The list could go on. Economic growth alone has not worked. As a nation, we need to consider those who have been excluded from the

benefits of growth and devise a system of 'inclusive growth' that is more equitable in spreading wealth and opportunity.

### **The need for jobs providing fair wages and conditions**

Australia faces a crisis in the income and conditions of its low-paid workers. Over many years, the Australian Catholic Commission for Employment Relations (ACCER) has represented the interests of the one-sixth of the workforce who have little bargaining power and rely on the minimum wage and the wages safety net. Minimum wages are failing to keep pace with the Australian standard of living. Since the turn of the century, average weekly ordinary time earnings increased by 80 per cent, while the minimum increased by only 55 per cent. If the minimum wage had kept pace, it would be almost \$100 more than the current \$622.20.<sup>4</sup> Not only has the safety net failed to keep pace with the standard of living, but as a result, increasing numbers of working families are falling into poverty. The ACCER has drawn on data from the 2011 national Census which showed that 13.5 per cent of the 106,223 couple parent families with two children were living in poverty. The number of these families with at least one full time breadwinner was 55,020 – meaning over 110,000 children were in poverty even though a parent was in full time work.<sup>5</sup>

Australia has just recorded an annual wages growth of only 2.6 per cent – the lowest since records started in 1997.<sup>6</sup> Over the past year prices have increased by 2.9 per cent.<sup>7</sup> Yet some are still calling for real minimum wages to be cut even more in order to increase jobs growth. It is not only the wages safety net that is at risk. Major inquiries are being initiated into workplace law and the possibility of changes to penalty rates and conditions, unfair dismissal and bargaining flexibility. It is unskilled and low paid workers with little or no bargaining power who remain in a precarious position when it comes to defending basic entitlements.

Unfortunately, the national debate on jobs growth has focused on this kind of low-wage flexibility. There has been little consideration of how we can invest in Australia's workforce by developing skills that will make current and prospective workers more competitive in jobs that promise innovation, advanced production and better wages and conditions. A particular area of concern has been the strategy of recruiting increasing numbers of migrant workers to fill skills gaps in the economy. In the year to September 2013, the number of migrants on the 457 working visa grew by 12 per cent from 98,610 to 110,280. This increase was much higher than the 0.8 per cent growth in Australian employment.<sup>8</sup> While there will always be a place for skilled migrant workers in Australia, the dramatic increase in such arrangements gives an indication that our nation has not invested enough in the development of the domestic workforce.<sup>9</sup>

### **The need for income support underpinned by real job creation**

It may seem strange to suggest that Australia is experiencing a job crisis when the official unemployment rate is at six per cent. However, this official rate conceals the dire circumstances of particular groups who are excluded from the labour market. Youth unemployment has risen sharply to 12.4 per cent, but is as high as 20 per cent in particularly disadvantaged regional and urban communities. Young people make up almost 40 per cent of all people who are unemployed. Their prospects are damaged by early exclusion from the market and a lack of basic experience and skills development.<sup>10</sup> Levels of long-term unemployment are also high at around 20 per cent, with people reporting the main barriers to employment are the low number of vacancies, too many applicants for available jobs and insufficient experience.<sup>11</sup>

People who are unemployed and dependent on income support are the most at risk of poverty and deep social exclusion.<sup>12</sup> The low payment rate of the Newstart and related

Allowances as well as the lack of available jobs are immediate barriers to labour market participation. Consider also that over the past year the number of Newstart Allowance recipients increased by 6.4 per cent to 727,000. Among the 45,000 or more to come onto the Allowance are single parents shifted from Parenting Payment and people who no longer qualify for the Disability Support Pension since the introduction of tougher impairment tables.<sup>13</sup> Also competing with these jobseekers are just over half of the 817,000 underemployed part time workers who are actively seeking jobs providing more hours of work.<sup>14</sup>

What Australia faces is not a 'welfare crisis' but a 'jobs crisis'. Reframing the debate to consider the failure of the market to create adequate employment would result in a new approach. Australia would invest more in training and skills development and move beyond the current emphasis on job search driven by tough compliance and penalty regimes. Instead of keeping Allowance payments low, we would increase them to lift people out of poverty and assist in their transition to work. The flagship of labour market policy would be a government-led job creation strategy, not a work-for-the-dole programme.

### **The call for an age of social inclusion**

Australians are being warned that the so called 'age of entitlement' is over. It is regrettable that, throughout the two decades of economic growth, there has been so little discussion of our society's obligations to those who have been left behind and excluded from the mainstream. These people *do* have entitlements!

Over thirty years ago, Pope John Paul II foresaw great changes in the world of work, and identified two fundamental entitlements. The first was the coordination of the economy to ensure 'suitable employment for all who are capable of it'. The second was to make 'unemployment benefits ... [or] suitable grants indispensable for the subsistence of unemployed workers and their families'.<sup>15</sup> These are the foundations for social justice and inclusive growth.

We need an economy that is animated by a concern for dignity of workers and their families. As one commentator succinctly puts it: 'unlike land and capital, labour is the only factor of production that comes with a human being attached'.<sup>16</sup> In cooperation with all sectors of business, unions, and the community, Government has a responsibility to ensure workers and their families are put first in the nation's economic system. It should take the lead in:

- creating jobs for vulnerable workers which are secure, adequately paid and relevant to the needs of business and local communities
- supporting industrial and infrastructure development that increases opportunities for local employment
- increasing investment in research and development and lifting national training standards
- assisting employers by reducing oncosts – for example through wage subsidies or tax rebates on employment-related costs
- agreeing on a way of measuring poverty and social exclusion and applying it when setting minimum wages and social security payments.

We need a competitive and productive national economy. But we cannot leave it to the market alone. There is a responsibility on government to ensure all people can make their contribution to the productivity of our nation and reap the benefits of growth. In a modern society, how can we create employment – decent employment – for all who are capable of it? As Pope Francis says:

*Growth in justice requires more than economic growth, while presupposing such growth: it requires decisions, programmes, mechanisms and processes specifically geared to a better distribution of income, the creation of sources of employment and an integral promotion of the poor which goes beyond a simple welfare mentality.*<sup>17</sup>

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## Notes

<sup>1</sup> Pope Francis (2013), *Evangelii Gaudium* ('The Joy of the Gospel'), Apostolic Exhortation, Art. 53–54.

<sup>2</sup> See: Paul Smyth & John Buchanan (Eds) (2013), *Inclusive Growth in Australia: Social policy as economic investment*, Allen & Unwin; Brian Lawrence (Ed) (2014), *Working Australia, 2014: wages, families and poverty*, ACCER (<http://www.accer.asn.au/working-australia-2014/>); Christine Lagarde (2014), *Innovation, Technology and the 21<sup>st</sup> Century Global Economy*, IMF address to Stanford University (<http://www.imf.org/external/np/speeches/2014/022514.htm>).

<sup>3</sup> Rosalie McLachlan, Geoff Gilfillan & Jenny Gordon (2013), *Deep and Persistent Disadvantage in Australia*, Productivity Commission Staff Working Paper, Australian Government, p. 127.

<sup>4</sup> ACCER (2014), *Submission to the Annual Wage Review 2013-14*, March 2014, p. 15.

<sup>5</sup> ACCER (2014), p. 32.

<sup>6</sup> Australian Bureau of Statistics (ABS) (2014), *Wages Price Index, Australia, Dec 2013*. Cat. 6345.0.

<sup>7</sup> ABS (2014), *Consumer Price Index, Australia, Mar 2014*. Cat. 6401.0

<sup>8</sup> CFMEU National (2013), *CFMEU Analysis of 457 Visa Trends, Report No 1*, p. 10.

<sup>9</sup> AM with Chris Uhlmann (2014), *Pressure to lift migrant intake*, January 13, <http://www.abc.net.au/am/content/2013/s3924322.htm>.

<sup>10</sup> Brotherhood of St Laurence (2014), *Australian Youth Unemployment 2014: Snapshot*, My Chance, Our Future Youth Unemployment Campaign, pp. 4–5.

<sup>11</sup> ABS (2014), *Job Search Experience, Australia, July 2013*. Cat. 6222.0.

<sup>12</sup> McLachlan, Gilfillan & Gordon (2013), pp. 11–12.

<sup>13</sup> Australia Council of Social Service (2014), *Social Security Trends Snapshot – April 2014*, p. 2.

<sup>14</sup> ABS (2014), *Underemployed Workers, Australia, September 2013*. Cat. 6265.0.

<sup>15</sup> Pope John Paul II (1981), *Laborem Exercens* ('On Human Work'), Encyclical Letter, Art. 18–19.

<sup>16</sup> Ian Verrender (2014), *Workers not the culprit of productivity slide*, The DRUM, ABC, March 10, <http://www.abc.net.au/news/2014-03-10/verrender-workers-not-the-culprit-of-productivity-slide/5309036>

<sup>17</sup> Pope Francis (2013), Art. 204.