

**Australian Catholic Council  
for Employment Relations on  
behalf of the Australian  
Catholic Bishops Conference**

Submissions in Reply and Post-  
Budget Submissions

May 2022

<https://www.accer.asn.au/>

## INTRODUCTION

1. This Reply submission is made by the Australian Catholic Council for Employment Relations (**ACCER**) on behalf of the Australian Catholic Bishops Conference (**ACBC**) in respect of the initial submissions made in March and April 2022 by various parties in the Annual Wage Review 2021-2022 as well as the questions posed by the Fair Work Commission (**the Commission**) to numerous parties on 14 April 2022.

## COMMENT ON THE INCREASE TO THE CASH RATE

2. On 3 May 2022, the Reserve Bank of Australia (**RBA**) Governor Phillip Lowe announced an increase to the cash rate to 0.35%.
3. Governor Lowe referred to wages growth, stating:

*"While aggregate wages growth was subdued during 2021 and no higher than it was prior to the pandemic, the more timely evidence from liaison and business surveys is that larger wage increases are now occurring in many private-sector firms."*
4. Whilst, RBA's surveys may indicate wages growth, the reported 2.3% increase in the Wages Price Index for 2021, indicates otherwise.<sup>1</sup>
5. The decision to increase the cash rate raises further concerns regarding the costs of living for minimum wage workers.

## RESPONSE TO QUESTIONS ON NOTICE

### QUESTION TO ALL PARTIES

6. The question posed to all parties is as follows:

*"An information note describing the relevant announcements from the 2022–23 Budget has been prepared by staff of the Commission and published on the Commission's website. Parties are invited to comment on these measures."*

### Increasing the Low and Middle Income Tax Offset for the 2021-22 Financial Year

7. The Low and Middle Income Tax Offset (**LMITO**) is set to be increased on 1 July 2022 by \$420 upon individuals lodging their tax returns for the 2021/2022 financial year, meaning that the maximum offset will be \$1,500 for individuals and \$3,000 for couples.
8. ACCER refers to the submissions of the Australian Council of Trade Unions (**ACTU**) which notes that such an increase to the LMITO does not benefit the low income earners at most risk, being those who earn under the tax free threshold of \$18,200.<sup>2</sup>

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<sup>1</sup> ABS (2022g) Wage Price Index, December 2021, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-indexaustralia/latest-release>.

<sup>2</sup> Australian Council of Trade Unions Submissions Initial Submissions to the Annual Wage Review 2021/2022, [166(b)].

9. Moreover, the Annual Wage Review Panel has noted in prior decisions that tax offsets which are not effective in the current financial year, are not taken into account in the NMW decision. As noted by the Panel in the 2018/2019 Decision:<sup>3</sup>

*"Because the tax changes...and in any event would not as a practical matter provide any financial benefits to employed persons on or before 30 June 2019, the Panel does not propose to take them into account in this Review."*

10. In circumstances where the LMITO will not be effected until 1 July 2022, it is argued that this matter should not be a consideration for the Expert Panel in this year's review.

### **Cost of Living Payment**

11. The Federal Government will provide a Cost of Living Payment amounting to \$250 to individuals receiving a pension, parenting/carer payment, study allowance, JobSeeker payment or other welfare payment.
12. ACCER considers this payment a nominal payment which has no meaningful effect on addressing minimum wage workers currently living in poverty and will have no flow on /multiplier effect to other wage rates calculated off of the minimum wage.
13. As demonstrated by studies on the effect of the Coronavirus Supplement, a genuine increase in the NMW is the appropriate model to lift minimum wage workers out of poverty. ACCER's Initial Submissions refer to a study conducted by the Australian Council of Social Services of 634 individuals in 2020 receiving welfare payments, which found that 7 out of 10 were able to pay bills or pay medical expenses when receiving the supplement.<sup>4</sup>
14. This study demonstrates that a meaningful increase to wages can have a significant effect on low income earnings; however, the Cost of Living Payment does not meet that standard.

### **Increasing the Medicare Levy for Low-Income Thresholds**

15. The Medicare Levy Income Threshold is to be increased from \$23,226 to \$23,365 effective from 1 July 2022.
16. ACCER refers to paragraphs of 8 to 10 of these submissions noting that, similar to the LMITO, the increase in the Medical Levy threshold comes into force in the next financial year, and thereby is generally not a consideration made by the Expert Panel.
17. Further, as the ACTU notes at paragraph 166(d) of their Initial Submissions, given that the increase in the threshold is nominal and the Medical Levy amounts to only 2% of an individual's taxable income, ACCER contends that the increase in the threshold has a minimal effect on removing low income earners from poverty.

### **Temporary Reduction in Fuel Excise**

18. The Federal Government has reduced the fuel excise and excise-equivalent customs duty applicable to petrol and diesel by 50% for a period of six months, commencing on 30 April 2022 until 28 September 2022.

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<sup>3</sup> Annual Wage Review Decision 2017-2018 [2018] FWCFB 3500, [292].

<sup>4</sup> ACOSS (2021) Budget Priorities Statement: 2021-22, Australian Council of Social Services, <https://www.acoss.org.au/wp-content/uploads/2021/02/ACOSS-BPS-FINAL.pdf>, accessed 10 March, 2022.

19. The excise has no meaningful effect on lowering the cost of living for low income earners. Rather it is an interim reduction to the excise to respond to the significant rise in fuel prices, caused by geopolitical pressures. As noted in the Budget Strategy and Outlook Budget Paper No. 1, fuel prices have risen from \$1.79 in early February 2022 to \$2.13 in mid-March 2022.<sup>5</sup> The reduced excise is intended to remain for a period of six months, when oil prices are expected to lower by October 2022.<sup>6</sup>
20. The temporary effect of this measure will give the low paid no security or benefit post September 2022, whereas an increase in the NMW will continue past that date and will form the base for further and future wage reviews.
21. Further, according to 2011 ABS Census data on car ownership relative to the socio-economic indexes for areas (SIEFA) (which measures relative household disadvantage) in the 10% of the lowest income households, 65% own cars, as compared to 83% of households in the highest 10%. Extrapolating out this data, the reduction of the fuel excise will be less impactful on low income earners.<sup>7</sup>
22. In addition, 2016 ABS Census data revealed that individuals with high incomes had higher commuting distances. Individuals with a weekly income of \$2,000 to \$2,999 travelled on average 20km per week, whilst individuals earning between \$500 and \$649 per week travelled approximately 13km per week.<sup>8</sup>

### Support for Businesses

23. The following measures were addressed in the 2022-23 Budget to support Australian businesses:
  - (a) Small Business Skills and Training Boost (**Training Boost**);
  - (b) Small Business Technology Investment Subsidy (**Investment Subsidy**); and
  - (c) Extending the Boosting Apprenticeship Commencements and Completing Apprenticeship Commencements Wage Subsidies (**Apprenticeship Wage Subsidy**).
24. The Training Boost enables businesses to deduct a further 20% on expenditure relating to training courses for employees. Similarly, the Investment Subsidy enables businesses to deduct a further 20% on costs pertaining to digital adoption and technology.
25. These are significant benefits for small and medium businesses. Given these measures are not yet legislated, ACCER will not provide further comment.

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<sup>5</sup> Australian Government (2022), Budget 2022–23, Budget Paper No. 1, 29 March, 33-34.

<sup>6</sup> Ibid.

<sup>7</sup> The Conversation, *Fact Check: do poor people drive less?* <https://theconversation.com/factcheck-do-poor-people-drive-less-30509#:~:text=Assuming%20these%20data%20are%20accurate.%2C%20than%20higher%20income%2Dhousehold>

<sup>8</sup> Australian Bureau of Statistics, 2071.0.55.001 - Census of Population and Housing: Commuting to Work - More Stories from the Census, 2016, <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2071.0.55.001~2016~Main%20Features~Commuting%20Distance%20by%20Personal%20Characteristics~10>

26. Further, the Apprenticeship Wage Subsidy enables employers to obtain a subsidy of up to 50% of the commencing apprentice's wages of up to \$7,000 per quarter for 12 months, provided the apprentice commences before 30 June 2022.
27. The Apprenticeship Wage Subsidy provides significant assistance to employers in respect of low income and NMW-reliant workers.

## REPLY SUBMISSIONS

### AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

28. The Australian Chamber of Commerce and Industry (**ACCI**) has not proposed a quantifiable position in respect of the wage review noting the uncertainty within the economy as well as the diverse effects their members are currently facing within the economy.
29. However, ACCI did note that other parties' submissions advocating for increases to the NMW should be given less weight and assessed with high speculation, noting further that the minimum safety net as referred to ss 134(1) and 284(1) of the FW Act is not a "stimulus", "a means to eradicate poverty" or "a tool for promoting income equality".
30. ACCER refers to their Initial Submissions regarding their view on the construction of s 284 of the FW Act.<sup>9</sup> ACCER notes that s 284 provides that the NMW is required to meet the definition of a "safety net of fair minimum wages", which requires consideration of sub paragraphs (a) to (e). A "safety net" though not defined in the FW Act, demonstrates a level of protection from disadvantage or poverty.

### Response to Arguments of Economic Uncertainty

31. ACCI have formed an argument that an increase to the NMW should not occur on the basis of claimed instability in the Australian economy.
32. As RBA Governor Phillip Lowe, in the announcement regarding the increase to the cash rate on 3 May 2022, stated:

*"The economy has proven to be resilient and inflation has picked up more quickly, and to a higher level, than was expected...it is appropriate to start the process of normalising monetary conditions."*
33. Whilst Mr Lowe recognised the uncertainties arising in respect of the COVID-19 pandemic and the conflict in Ukraine, the decision of the RBA demonstrates there is a renewed confidence in the Australian economy.
34. Further, at paragraph [71] of the 2020/2021 Annual Wage Review Decision, the Commission noted:<sup>10</sup>

*"The present circumstances are very different. There was a broad consensus in the submissions before us that the current performance of the economy has exceeded expectations and that the economic recovery was well underway."*

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<sup>9</sup> Australian Catholic Council for Employment Relations Initial Submissions to the Annual Wage Review 2021/2022 (**ACCER Initial Submissions**), [17]-[28].

<sup>10</sup> Annual Wage Review 2020–21 Decision [2021] FWCFCB 3500 [71].

35. Recent economic indicators suggest that the Australian economy has made a significant recovery, with:
- (a) Real Net National Disposable Income (**RNNDI**) reported at a rate 14 times higher in the 2020/2021 financial year in comparison to the 3 prior years;<sup>11</sup> and
  - (b) Gross Value Added (**GVA**) which assesses economic output increasing by 2.9% per quarter since the COVID Recession in 2020.<sup>12</sup>
36. In its initial submissions ACCI has stated that the NMW has little effect on HDI and poverty levels, noting:<sup>13</sup>

*"It is far more effective to improve the situation of households with low disposable income through:*

*a. the tax and transfer system; and*

*b. balanced decisions which support job creation, with jobs clearly the best measures to counteract poverty."*

37. Whilst it is recognised that the taxation and transfer systems can offset the wage increases that are needed to provide working families with a decent standard of living, the obligations of the NMW to support low income earners to ensure a safety net is not minimised.
38. As noted in ACCER's Initial Submission to the 2021/2022 Annual Wage Review, the JobSeeker payment rates in effect in the early months of the COVID-19 pandemic in 2020, augmented by the Coronavirus Supplement, indicated how a liveable wage for low income earners can have a dramatic effect on their standard of living and a positive impact on the economy. Noting the study undertaken by Cortis and Blaxland, 81% of social service providers reported a positive impact from the Coronavirus Supplement.<sup>14</sup>
39. Further, once these supplements were significantly reduced by more than 50%, studies show that negative financial security and housing consequences resulted for 57% and 44% of welfare recipients, respectively.<sup>15</sup>

### **Increases to the Superannuation Guarantee Charge**

40. ACCI also refers to the increase to the Superannuation Guarantee Charge (**SGC**) to 10.5%, plus the removal of the low income threshold for employers making contributions. However, the relative effect of increases in the cost of living indicate that these changes to the SGC will have a negligible effect to current costs of living.
41. Further given the SGC maintained a rate of 9.5% from 1 July 2014 to 30 June 2021, an increase has long been required.

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<sup>11</sup> ACCER Initial Submissions, [104]-[105] and Figure 3

<sup>12</sup> ACCER Initial Submissions, [106].

<sup>13</sup> Australian Chamber of Commerce and Industry Initial Submissions to the Annual Wage Review 2021/2022, [236].

<sup>14</sup> Cortis, N. and Blaxland, M. (2020) Australia's Community Sector and COVID-19: Supporting communities through the crisis. Australian Council of Social Services, [https://www.acoss.org.au/wp-content/uploads/2020/09/Australias-community-sector-and-Covid19\\_FINAL.pdf](https://www.acoss.org.au/wp-content/uploads/2020/09/Australias-community-sector-and-Covid19_FINAL.pdf); ACCER Initial Submissions [17]-[28].

<sup>15</sup> Wilson, E., Sama, M. and Johnson, T. (2021) No Fighting Chance: Impact of the withdrawal of COVID-19 income and tenancy benefits. Melbourne: Swinburne Centre for Social Impact. <https://www.unitingvictas.org.au/wp-content/uploads/No-FightingChance-Final-Report.pdf>

## **AUSTRALIAN INDUSTRY GROUP**

42. The Australian Industry Group (**AI Group**) has proposed an increase of 2% in the NMW. In support of its argument for limited increases, it has argued that the incoming increase to the SGC, the LMITO and uncertainties and issues following the COVID-19 pandemic are creating instability in the Australian economy. Submissions are also made in relation to a proposed delay to the wage increase.
43. ACCER comments on these matters below.

### **Low and Middle Income Tax Offset**

44. In respect of AI Group's comments regarding the LMITO, ACCER refers to paragraphs 8 to 10 of these submissions.

### **Lag in Economic Recovery following the COVID-19 Pandemic**

45. As noted in paragraphs 32 to 39 of these submissions, ACCER is of the view that the Australian economy has undergone significant recovery in the last year, through a marked reduction in COVID-19 lockdowns nationally, as well as further state border openings, completed on 2 March 2022, when Western Australia opened its borders to interstate travellers.

### **Proposed Delay to Effective Date of Wage Increases**

46. The AI Group argues that there is sufficient "exceptional circumstances" pursuant to s 287(4) of the FW Act for the increases to the NMW and relevant Awards effective from 1 July 2022 to be postponed for specific industries, including retail, hospitality, arts and recreation, aviation and tourism sectors.
47. ACCER is of the view that there is no basis for delaying increases to the NMW for the 2021/2022 review. The delays in the last two financial years were effected by the Expert Panel to address the impacts suffered by various industries as a result of the COVID-19 pandemic.
48. This economy has undergone a significant recovery over the last two years. Whilst sectors of the economy may be recovering at differing rates to others, that does not seem disparate from any other financial year, where specific sectors undergo more or less growth in comparison to others.
49. ACCER outlined in its Initial Submission, the Australian Catholic University's research,<sup>16</sup> indicating that there has been marked increases in employment growth and business confidence in respect of retail trade and food and accommodation industries over the last year, indicating that the economic concerns affecting industry during the first wave of the COVID-19 pandemic in 2020 are not in effect in 2022.

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<sup>16</sup> ACCER Initial Submissions, [171].



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