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# HOPE IN A TIME OF POVERTY: FAIR WAGES AND ECONOMIC SECURITY

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A Reflection from the USCCB Department of Justice, Peace & Human Development



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*“Our Catholic faith teaches that family is essential, ‘the natural community in which human social nature is experienced, [which] makes a unique and irreplaceable contribution to the good of society.’”<sup>i</sup>*

**Pope Francis**

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Healthy families make healthy communities, all working together to protect human life and dignity and promote the common good. To make this happen, and for families and family members to develop their full spiritual, cultural, educational, and vocational potential, it’s important that their basic needs be met.<sup>ii</sup>

We all have basic needs—a home, healthcare, education—and in our society many of those needs must be purchased. This is why access to financial resources like credit is essential. We depend on the availability of decent work and access to credit to

build and sustain healthy and dignified family life.

Blessed John Paul II called work “a key, probably the essential key, to the whole social question.”<sup>iii</sup> In speaking of the rights of workers, Catholic tradition ties the question of a just wage directly to the family, saying, “an element that must be appreciated and safeguarded is that of a family wage, a wage sufficient to maintain a family and allow it to live decently. Such a wage must also allow for savings that will permit the acquisition of property as a guarantee of freedom.”<sup>iv</sup>

Millions of Americans are suffering as the result of an economy that does not produce enough jobs that pay decent wages. There are over three unemployed job seekers for every available job. So the poverty rate remains unacceptably high, and families struggle under the weight of increasing costs and stagnant or falling wages. Many families find themselves without bank accounts and access to credit.

In addition to stress and anxiety, a situation like this creates dangers of abuse and exploitation. Some take advantage of people living in poverty with practices like payday lending, punitive interest rates, subprime mortgages, or even wage theft. Our tradition condemns this behavior in harsh terms: “Those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family indirectly commit homicide...”<sup>v</sup>

All people have dignity, and should have access to the resources they need to meet their needs, including access to fair credit. As the bishops have urged, “We must insure fair and equal access to available credit. We urge banks and savings and loan associations to meet their responsibilities...”<sup>vi</sup>

There is much work to be done to build a society where families can thrive and communities flourish. Prayer and sensitivity to our neighbor is essential and learning about the extent of credit abuse and the lack of honest banking options for many can be eye opening. Don't be afraid to get involved! Some dioceses and parishes have banded together to provide credit options through micro-lending and the formation of credit unions, many times with the help of CCHD. And many CCHD groups are combating predatory lending practices locally and working to provide alternatives.

Working together, we can make a difference.

- i Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 2004, no. 213.
- ii Pope John XXIII, *Pacem in Terris*, 1963 no. 11-18.
- iii Pope John Paul II, *Laborem Exercens*, 1981, no. 3.
- iv Ibid. at i, no. 250.
- v *Catechism of the Catholic Church*, 1992, no. 2269.
- vi USCCB, *The Right to a Decent Home*, 1975, no. 31-32.



### Fair Wages, Payday Lending, and CCHD

A \$325 loan should not lead to a family's economic ruin – but for millions of people in the United States, a small short-term loan is the hook into a cycle of debt and despair.

More than 12 million people borrow money from so-called payday lenders who market their loans as a short-term fix for unexpected expenses. In reality, the loan has a very long life. It is typically due in two weeks and the interest is legally allowed to reach a jaw-dropping annual percentage rate (APR) of 400 percent. So the typical payday borrower eventually pays back \$793 for a \$325 loan. Frequently, the initial loan is rolled over into another loan to pay off the first one. Sadly, more than 80% of the people who visit the 20,000 payday loans shops in poor neighborhoods across the United States are repeat customers.

Monies spent on interest cannot be used for other needs, like food, shelter, clothing and utilities. The endless cycle of borrowing pulls families and communities into its vortex.

With grants from CCHD, interfaith community groups like Illinois People's Action (IPA) are working to pass state and local legislation to cap interest rates on payday loans. Federal laws prohibit lenders from charging military personnel more than 36% annual interest, but no such rules apply to civilian borrowers. IPA points to the Biblical injunctions against predatory lending and helps parishioners seek justice for low-income people with few options. IPA is meeting with banks and credit unions to identify lenders willing to offer a conscionable interest rate to low-income borrowers.

Ideas to help the economy? Share your hope on Twitter with #EndPovertyNow and follow us @EndPovertyUSA!

## ADDITIONAL RESOURCES

Visit [www.usccb.org/jphd](http://www.usccb.org/jphd) for the complete series of reflections.

### The Vocation of the Business Leader

Recent publication of the Pontifical Council for Justice and Peace on the role of the business community in building a just economy. (<http://www.pcgp.it/dati/2012-05/04-999999/Vocation%20ENG2.pdf>)

### Predatory Banking

Background information on Church teaching regarding abusive and exploitative financial practices, and its application to some current activities. (<http://www.usccb.org/about/justice-peace-and-human-development/catholic-social-ministry-gathering/upload/2013-02-Predatory-Lending-Backgrounder.pdf>)

### Laborem Exercens

Blessed Pope John Paul II's great social encyclical on the dignity of work and workers. ([http://www.vatican.va/holy\\_father/john\\_paul\\_ii/encyclicals/documents/hf\\_jp-ii\\_enc\\_14091981\\_laborem-exercens\\_en.html](http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html))

### USCCB resources:

*Unemployment and Poverty* ([www.usccb.org/jphd/unemployment-and-poverty](http://www.usccb.org/jphd/unemployment-and-poverty))

*Poverty USA* ([www.povertyusa.org](http://www.povertyusa.org))

*A Catholic Framework for Economic Life* (<http://www.usccb.org/issues-and-action/human-life-and-dignity/economic-justice-economy/upload/catholic-framework-economic-life.pdf>)

