



Basic wage the fat cats' next target

By Adele Horin

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Big business has won big-time in the past decade. It has won record profits, obscene executive salaries and the crippling of the union movement under punitive laws.

But it has not entirely got its own way. Despite its best efforts, it has failed in its mission to drive down the wages of Australia's poorest workers. Now, like a spoilt kid gorged on ice-cream but demanding chocolates, it wants to change the way minimum wages are set. It will settle for nothing less than winner-take-all.

In recent years, the business lobby has lost out in the Australian Industrial Relations Commission, the body which sets the federal minimum wage, now \$12.30 an hour. It has failed to convince the independent umpire that decent wage increases for the low-paid cost jobs, and damage the economy. The commission decided, rightly, that the low-paid in recent years should get a slice of the boom-time action.

Big business is unaccustomed to losing. So with the Federal Government set to control the Senate in July, the Business Council of Australia, the Australian Chamber of Commerce and Industry, and the Australian Industry Group want John Howard to change the umpire. And the Prime Minister, passionate about IR reform for at least 25 years, is nodding sympathetically.

The Government is considering whether to ditch the way the "living wage" is decided for the 1.6 million award workers who depend on it for their only pay increase. Currently the commission, presided over by a Howard Government appointee, Geoffrey Giudice, conducts an exhaustive arbitration process weighing up mountainous evidence from employers, the ACTU and state and federal governments. A mooted alternative is a board of "experts" - and for this read neo-classical economists drawn from perhaps Treasury and the Reserve Bank - to decide what the low-paid deserve. You can bet it will be a lot less than what they have received lately.

In each of the past three years, the low-paid have gained rises of about \$20 a week, with full-time minimum wage workers now on \$467 a week. And has Australia gone to rack and ruin? Did the wage rises cost jobs, and send businesses to the wall?

The Prime Minister, when addressing the Business Council of Australia recently, pointed to the economy's ruddy health - "the lowest unemployment rate in 30 years", low inflation, a strong budget surplus, strong business investment, and the "profit share is close to a record".

The wage increases for the low-paid have improved their conditions and modified the wage inequalities that grew in the nasty '90s. During much of that decade, pay rates at the bottom stagnated, low-paid men actually went backwards in real terms, and top-end earnings took off.

So why is the top end of town gunning for the umpire who made the right call? And why is the Government paying so much attention?

The issue of the Living Wage case should be low on the Government's agenda given the other problems casting a shadow over the sunny economic landscape. There is a skills and looming labour shortage, and the need to tackle the work disincentives faced by welfare recipients.

You would think with the nation facing a dramatic shortage of workers in child care, aged care, and home care, the last thing needed is to make these low-paid, female-dominated areas even less financially attractive. Married women, in particular, make careful calculations on the worth of working for lousy pay.

And with government anxious to drive sole parents and disability pensioners into work, it would seem counterproductive to undermine low wages, and further narrow the gap between wages and welfare - unless the Government plans wholesale cuts to the level of pensions and benefits, too.

Business argues that wage rises for the low-paid will cost some of them their jobs, and lock the unemployed out of work. It seems straightforward, and has emotional resonance. But over the 1990s the conventional wisdom that increasing the minimum wage will lead to job losses has been challenged by empirical research. It ain't necessarily so. As Ian Watson, of the Australian Centre for Industrial Relations Research and Training, wrote last year, studies in France, the Netherlands, Spain and Britain failed to find

strong evidence of job losses after minimum wage increases. And the OECD, in a review of 20 studies, found the results varied and there were no clear, unambiguous findings though it postulated young workers "may be the most vulnerable". Overall the empirical research is strongly divided, and good empirical studies remain to be done in Australia. The Industrial Relations Commission said last year it found "unconvincing" the employer groups' "limited arguments" that past living wage increases had cost jobs.

Howard told the Business Council that despite the "very good intellectual case against having a minimum wage" Australia has an ethos of a fair go. He would not dispense with a minimum wage entirely but would consider "further significant changes".

It is hard to see the point in dismantling a system that has operated prudently, giving the poorest workers a modest share of prosperity when the nation could afford it. It is hard to justify setting up another body to do the work.

We tell our children not to be greedy: not the ice-cream and the chocolates. We tell them to accept the umpire's decision, and be good sports. Australian employers are bad losers, and now intend to wield the bat until they get their own way.

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