None so deaf as those who will not hear

By John Garnaut
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FEDERAL Treasury advice released yesterday should
not have damaged the Government's case for workplace reform.

We learnt that the Government's top source of economic advice believes the changes will boost jobs and productivity in the long term - exactly as the textbooks predict.

But it has damaged the Government and particularly the Treasurer, Peter Costello, because it exposes the central furphy in their argument for workplace change: that empowering a group of economists and businessmen to set minimum wages will somehow result in higher wages for low earners.

By claiming the changes will boost wages as well as jobs, the Government has overstated its case. In reality there is a trade-off between the two. Australia has the highest minimum wages of any developed country and this is a barrier for businesses in hiring low-skilled workers.

The new system will be good for business and it will be good for the unemployed. But it won't deliver more money to low-skilled workers.

Treasury also makes it clear it believes workplace reform is a fourth-order priority which may not be worth doing until meaningful reforms in education, tax and welfare are complete. This is what Treasury has been telling the Treasurer for years and why the Government commissioned no detailed modelling or research to back its exaggerated claims for workplace reform.

This goes to the heart of what's wrong with economic policy-making in this government: it is an analysis-free zone. First comes the cabinet decision, then comes the advice - and if that advice is unflattering it is studiously ignored.