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Economists defy Costello

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LEADING economists have challenged Treasurer **Peter Costello's** assertion that minimum wages could be higher under Howard Government **workplace** changes, reinforcing Treasury advice predicting lower increases.

As Mr Costello continued to disavow his own department's advice, economists argued tax credits to top up the pay of low-income earners were a better way to enhance living standards than boosting the minimum wage of \$484.40 a week.

John Howard leapt to the Treasurer's defence, rejecting Labor's charge that he had misled parliament when he denied last month that the Treasury advice existed.

"Peter has been falsely accused and I support him to the full," Mr Howard told the Nine Network. "What he denied was the existence of specially commissioned research or analysis, and there wasn't."

Former Nationals senator and Treasury secretary John Stone said while Mr Costello was entitled to make distinctions between minutes and specially commissioned reports, he "could have been much franker".

Mr Costello sought to brush off this latest incident and the suggestions he had had a horror month, after the Robert Gerard affair. "This won't register on the Richter scale," Mr Costello told ABC radio, saying the Asian financial crisis in 1997 was the most traumatic moment of his 10 years as Treasurer.

He stood by his position that minimum-pay rises for 1.6 million low-paid employees granted by the Government's new Fair Pay Commission could be higher.

"My own view is, as the Australian economy grows and becomes more productive, minimum wages will rise and I actually believe that IR changes will contribute to that growth," he said.

But economists endorsed Treasury advice to Mr Costello, obtained by The Australian under Freedom of Information laws, saying minimum-wage increases were likely to be more restrained as the new commission focuses

more on economic impact.

Senior ANZ Bank economist Saul Eslake said the advice was a "succinct summary of the orthodox economic view" and he expected the minimum wage to fall as a percentage of average earnings. "I don't know what's on the Treasurer's mind, but can only attest to good economic sense served up to him by his department," Mr Eslake said.

It was also no secret, he said, that as more low-skilled people found work as wage rises slowed, productivity would decline. He said in place of wage increases the Government could consider a tax credits system similar to the US, or topping up family payments for workers with dependants.

Macquarie Bank senior economist Richard Gibbs said he had put the same argument contained in Treasury advice to a recent conference but was "shouted down by the politicians".

"We concur with the Treasury paper," he said.

Australian Chamber of Commerce and **Industry** chief executive Peter Hendy also agreed that minimum wage rises would be lower than the "exorbitant" increases granted by the Australian **Industrial** Relations Commission.

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