

[ [Previous](#) ] [ [Other Industrial News - Major Workplace News](#) ] [ [Next](#) ]

**Tuesday 25 July 2006**



## **Wage, welfare gap gives no incentive**

Author: David Uren

Publication: The Australian (007, Tue 25 Jul 2006)

Edition: 2 - All-round First

Keywords: **Fair (1), Pay (1), Commission (1)**

---

THE gap between minimum wages and welfare payments is too small to create an incentive for many unemployed parents to seek work.

And this mismatch can only be overcome by establishing a comprehensive system of tax credits for the low-paid.

An analysis by the Melbourne Institute shows that any move by the **Fair Pay Commission** to freeze minimum wages -- as recommended by a key adviser -- would result in the supply of low-paid workers drying up.

Melbourne Institute labour market specialist Mark Wooden said the margin between benefits and minimum wages was already too narrow for many families.

"Holding the real wage constant while allowing benefits to increase in line with the CPI will only further reduce the incentive to work," he said.

On Saturday, The Weekend Australian reported comments from the University of Canberra's Phil Lewis, who advises the FPC, warning that lifting the minimum wage would deny job opportunities to the low-paid.

Professor Wooden said working on minimum wages was an attractive alternative to unemployment benefits for single people, but not for parents.

A couple with two children with one parent out of the workforce permanently and the other on unemployment benefit gets an after-tax income of \$566.40 a week.

If the parent got a job at the federal minimum wage of \$484.40 a week, their family income would rise to \$692.10 after taking into account lost welfare -- an increase of just 22 per cent.

"Factor in the things they lose, like the cost of getting to work, access to concession cards and the difficulty of what can be hard physical work and they're no worse off being unemployed," Professor Wooden said.

If one parent worked full-time and the other half-time on minimum wages, the couple would still only get 30 per cent more than the unemployment benefit.

Headline: Wage, welfare gap gives no incentive

Author: David Uren

Edition: 2 - All-round First

Section: Local

[ [Previous](#) ] [ [Other Industrial News - Major Workplace News](#) ] [ [Next](#) ]

Copyright © News Ltd