

Myth of real wage growth

On industrial relations, Labor has completely wrongfooted the Coalition

LIBERAL Party warfare dominated headlines this week. We had the resignation of John Brogden, followed by his personal tragedy, and the vicious right-wing factional tactics that installed Peter Debnam, a guaranteed election loser, over Barry O'Farrell, a likely winner. At the federal level, for the umpteenth time Peter Costello whinged and moaned that it was his turn to be prime minister. What was different this time was that he ended up in a tax policy spat with Malcolm Turnbull, and lost because of the petulance of his response.

In case anyone has any doubts, Turnbull is running for the prime ministership. Like Bob Hawke when he entered parliament in 1980, Turnbull doesn't see why he should waste a second waiting. His performance this week shows he has no intention of letting Costello fill the slot after Howard goes.

So the current tax debate is much more about Liberal leadership ambitions than policy. The real policy debate remains industrial relations. On Monday, Opposition industrial relations spokesman Stephen Smith gave two speeches that took apart Howard's defences on the issue.

Smith began by accepting Howard's challenge that if people wanted to judge whether workers would be better off under his industrial relations deregulation proposal they should look at his record. Twice this week Howard repeated his boast that real minimum wages for the lowest paid workers have risen by 12 per cent since 1996. True. But Smith points out that this has been over Howard's dead body. He opposed every one of those increases in every minimum wage case since he has been in office. On four of those occasions, the Government proposed a minimum wage increase less than its own inflation forecast — that is, it proposed a decrease in real wages.

The minimum wage is \$480.40 a week, \$50 a week higher than Howard wanted it. In other words, if the Government had its way, over the past nine years there would have been virtually no increase in the minimum wage, which would be more than 10 per cent lower than it is now.

So Smith is saying: take Howard at his word. On the basis of his record, his new reforms are designed to give low-paid workers zero real wage increases.

A key rationale of Howard has been that by keeping minimum wages down more jobs will be created. The data doesn't support this. In the US, for example, the minimum wage has fallen by almost 12 per cent in real terms over the past five years and jobs growth has been only 2.9 per cent. Jobs growth has, in fact, been much stronger in Britain and Australia, where there have been real minimum wage increases.

Howard's new industrial relations system is also supposed to be about greater productivity. Yet what has been the productivity

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performance of the Australian economy since the Government's Workplace Relations Act took effect? A 2.3 per cent rise in productivity since 1990-2000, compared with a 3.2 per cent annual increase under the previous productivity cycle following Labor's economic reforms. Productivity has actually been falling for the past year.

Then, of course, there are Howard's beloved Australian Workplace Agreements, which are supposed to do so much for workers and for productivity. But from 2002-04 average weekly earnings for employees on AWAs fell by 11 per cent, while over the same period employees on collective agreements had a wage increase of 6.2 per cent. Was there higher productivity from the individual agreements than from collective agreements? A number of studies, including those commissioned by the Business Council of Australia, simply do not support that contention. If anything, they suggest productivity is likely to be higher where collective bargaining dominates.

And what about the Government's favourite comparison, New Zealand? Under its individual contracts system, from 1990-98 productivity rose by 52 per cent compared with a rise in Australia over the same period of 21.9 per cent. No wonder Prime Minister Helen Clarke repealed the system in March 2000.

Smith also points out that the Government's argument that abolishing unfair dismissal laws will create about 80,000 new jobs has already been rejected by a Dun & Bradstreet survey, and is about to be demolished by an important new academic study on the verge of release.

So that's the record Howard asks us to judge his reforms against. That record shows he wants real minimum wages to remain flat. He wants to spread a system of individual contracts that so far has led to a decline in real wages and likely lower productivity. His ministers support New Zealand wage levels; the New Zealand minimum real wage is more than 30 per cent below Australia's. He wants to abolish an unfair dismissal system in the name of creating more jobs when studies show they won't be.

It is a curious fact that the most ardent supporters of Howard's industrial relations agenda seem to regard this as a matter of religion rather than policy. But policy judgments should be based on hard data and analysis, not on faith or revealed truth. Smith's speeches undermine Howard's arguments with such hard data and analysis. Surely at some point, facts rather than faith will prevail.