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Fair go needed for low-income families

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Incremental increases in the minimum wage are crucial to the country's economy, writes Grant Belchamber.

THE appointment of an extra minister to assist the Minister for **Workplace Relations, Kevin Andrews**, highlights the Government's inability to advance its case for labour market deregulation.

On this point, Des Moore is undoubtedly right ("Pain for poor in minimum wage", Business 5/9).

He is also correct that, in trying to run in two directions at once, the Federal Government submission to the Fair Pay Commission creates utter confusion and belies common sense. But there is nothing new about this feature of the Federal Government's stance on minimum wage increases - the confusion has been there for a decade.

Nor is there anything new or insightful in the rest of Des Moore's piece - he has been consistently denying the labour market evidence for the past 30 years.

The real pain for workers who receive minimum wages lies in the absence of any pay increase for more than a year, thanks to the introduction of the Government's WorkChoices legislation. The Government has stripped from the **Industrial Relations Commission** the power to raise minimum wages and transferred it to the FPC.

So instead of receiving a wage increase in May, low-paid workers must wait until the end of November while rising petrol prices make life more difficult.

For the past hundred years, Australia has had the world's best system for setting minimum wages. Awards created by the IRC established Australia's labour market floor. Relative to community standards, Australian minimum wages have long been at the top of the international table. This is what the

Organisation for Economic Co-operation and Development's evidence shows.

But for as long as we have had the award system, it has had its strident critics. There are two key strands in the argument against it, and Des Moore believes in both of them.

One persistent strand of criticism comes from political ideology. It sees free markets as the guarantee of individual liberty and thus opposes any and all regulation. H. R. Nicholls was an early and ardent proponent of this line. On its own, this strand has not had much traction with the punters. Contrary to its prediction, over the past two decades Australia has opened its economy and engaged with the world, creating one of the least-regulated national economies. The award system was no fetter on this transition, and protected low-paid workers while the nation recorded top-ranking jobs growth. Australians value mateship and rugged individualism, and there is not a scintilla of evidence that either has been diminished by our minimum wage levels.

The other strand in the argument against awards and effective minimum wages derives from simple economic theory. It has had prominence in public debate only at times of high unemployment, when critics proclaimed that the level of unemployment was due to high minimum wages.

Sustained economic and employment growth - such as Australia has had over the past 15 years - sucks credibility from this argument. Australia's employment growth record tops the OECD league table over the past 100 years.

And the emerging international consensus is that regular, moderate minimum wage increases are neutral with respect to employment, supporting the current labour market theory.

The great majority of minimum wage workers are found in low income working families. Among working households, 60 per cent of minimum wage workers are in the bottom 40 per cent of the income distribution. Minimum wage increases help these families make ends meet. For jobless families, effective minimum wages maintain the incentive to work. A fair society keeps all its members in touch with the pack so an effective minimum wage system is crucial.

Grant Belchamber is the ACTU's senior industrial officer.

Caption :PHOTO: Don't hold your breath waiting for an increase in the minimum wage. PICTURE: LOUIE DOUVIS

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