Minimum wage earners not poor

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By David Uren
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WORKERS on low incomes do not necessarily live in poverty, according to the findings of a national study that challenges the link between wages and prosperity.

The study shows that a quarter of the workforce earning the minimum wage or less are not confined to the poorest households but are found in households all the way up the income scale.

The 3.3million workers earning close to or less than the minimum wage of $12.30 an hour or less include a disproportionate number of young people and women, many of whom live in well-off households which may include other wage earners.

Less than a fifth of low-income earners are in the poorest 20per cent of households where weekly income is $226 or less.

The great majority of these households have nobody in the workforce and include retirees.

The numbers contained in the study by Australian National University fellow Andrew Leigh suggest that a statutory minimum wage is a blunt instrument in the fight against poverty.

Dr Leigh found 14per cent of people on low incomes live in the richest 20per cent of households, where the average total household income is $1030.

Most people on low incomes are to be found in middle-income households, where the total disposable income averages $492.

People on low incomes tend either to be single or to be the secondary income earner in a household.

Dr Leigh says two-thirds of people on the minimum wage or less are in households with two or more people in the workforce.

However, there are still about 1.3million people earning the minimum wage or less who are the principal wage earner in their household.

While women make up 43.5per cent of the workforce, they are 53.3per cent of the people on minimum wages and 49.4per cent of those earning less than the minimum.

Most people earning minimum wages or less have lower education levels than the general workforce, but

about 600,000 people with higher-education degrees are earning the minimum wage or less.

Dr Leigh says this is partly because people on low wages tend to be younger than the general population. The average age for people on minimum wages is 34, while the average for the workforce is 37. The average age of those on less than minimum wages is 28.

While youth wages contribute to the prevalence of people earning less than the minimum wage, 60per cent of such workers are aged 20 or more. Dr Leigh suggests they may be employed illegally or under state awards.

The average rate for those earning less than the minimum wage is barely $9 an hour.

Dr Leigh says the proportion of the population earning less than minimum wages has remained steady at about 13per cent of the workforce since 1994, while the number on minimum wages has fallen from 15per cent to about 10per cent.

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Lift in minimum pay won't help the most needy
Mark Davis
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A rise in minimum award wages would be little help to the poorest families in the country, according to research showing minimum wage workers are more likely to be young people in middle-income households than people in low-income households.

The findings, by Australian National University research fellow Andrew Leigh, come amid union fear that the federal government's industrial relations reforms will lead to a fall in the real value of the minimum wage.

Dr Leigh's findings cast doubt on the effectiveness of minimum wage regulation in redressing income inequalities. He shows low levels of labour force participation by people in the poorest households mean that workers on minimum wages are disproportionately concentrated in better-off households.

Dr Leigh's findings contrast with earlier studies on the relationship between minimum wages and family incomes that found the typical low-wage worker in Australia was a full-time, married female of prime age and with no formal education qualifications.

They come as the future of minimum wage regulation in Australia is set for a significant shake-up under the federal government's planned changes to industrial relations legislation. Dr Leigh, a former adviser to the federal Labor Party, analysed data collected by the Australian Bureau of Statistics over the 10 years to June 2003 on the income and characteristics of people in different households.

He estimated that in 2002, some 13 per cent of workers were earning wages below the lowest federal minimum wage, which stood at just over $12 an hour. These were expected to be mainly people on lower state awards or on junior wages.

Another 10 per cent were earning either the minimum wage or up to $2 an hour over the minimum.

Nineteen per cent of these workers on sub-minimum, minimum and near-minimum wages were living in the poorest 20 per cent of households in terms of family incomes, he found.

By contrast, 26 per cent of the low-wage earners were living in the middle 20 per cent of households in terms of family income and 14 per cent were in the richest 20 per cent of households in terms of family income.