Canberra Under Fire Over Wage Survey
Marcus Priest
***Australian Financial Review*, 9 March 2004, p. 9**

The full bench of the Australian Industrial Relations Commission has criticised the federal government for failing to release the results of a survey on whether raising minimum wages affected jobs.

The commission, which is determining the National Wage Case, said it was extraordinary that a Department of Employment and Workplace Relations survey of 1800 Australian businesses in October had not been released.

The government had said the survey was not yet complete but the ACTU claimed the findings were not released because they did not support the federal government's position that increases in the minimum wage adversely affected jobs.

The commission said yesterday the delay was unexplained. "It is difficult to imagine that the survey results would not have some relevance to the proceedings. The other parties and the commission are entitled to expect that the commonwealth will maintain the highest professional standards."

Sydney University's workplace research institute, Acirrt, has released a study claiming to debunk research by Andrew Leigh from Harvard University that found wage increases in Western Australia in the 1990s had a negative effect on jobs.

Ian Watson from Acirrt concluded that Leigh's research was "empirically and methodologically flawed". In part, this was because the margin of error in the research was almost as large as the reported job losses from wage increases.

"It stretches credibility to believe that the kind of employment changes which Leigh was expecting to find in the data could actually be discerned among the noise," Dr Watson concluded.

Dr Watson also found the Leigh research had no statistical controls for variables such as the age structure of the Western Australian workforce and its industry composition.

"All of the things that have something to do with employment are ignored," Dr Watson said.

The decision by the commission followed an application by the ACTU for an order to force the federal government to release the survey.

Workplace Relations Minister Kevin Andrews said it was still being compiled.

"The ACTU should be mindful of the needs of low-paid workers particularly their need for employment rather than pursuing commission hearings over incomplete reports," he said.

An initial survey of businesses in NSW done for the government had concluded that "as expected, many businesses would report little direct effect of the safety net wage increase on their employment".

The commission refused to order the survey's release but said it expected the government would release it by March 16.

Labor's workplace relations spokesman, Craig Emerson, said it was ironic that in a week the federal government was trying to pass legislation to impose tougher penalties for contempt of the commission's orders, the commonwealth was treating the commission with contempt.

"Clearly it has something to hide," Mr Emerson said.

Bosses Back $10 For Low - Paid
Marcus Priest
Australian Financial Review
February 19, 2004, p.8

Employer groups and the federal government yesterday said they were prepared to support only a $10 increase in the minimum wage this year $16 less than is being claimed by the ACTU and $10 less than by state governments.

The united position in written submissions to this year's Safety Net Review differs from last year when most employer groups opposed any pay rise but the government supported a modest one.

Yesterday, peak employer group the Australian Chamber of Commerce and Industry said new cost pressure from recent rises in interest rates and the higher Australian dollar meant now was not the time for a larger increase.

The Australian Industry Group, representing mainly manufacturers, has said the cost of a $26 a week pay rise would be $35 because of the additional costs of super, workers' compensation and payroll tax.

"Safety net wage increases are not the most effective way of assisting the low paid, given the erosion of the benefits which occur through additional taxation and the adjustments made to family assistance payments," AIG deputy chief executive Heather Ridout said.

Federal Workplace Relations Minister Kevin Andrews has relied on a recent study by Harvard University researcher Andrew Leigh in his submission that a $26 pay rise would harm job prospects for low skilled workers.

Mr Leigh found that a series of increases in the statutory minimum wage in Western Australia during the 1990s suppressed employment in that state.

But the ACTU yesterday countered by claiming that the federal government was holding a study by the Department of Employment and Workplace Relations showing that increases in the minimum wage had no effect on jobs.

DEWR conducted an initial review of seven businesses in NSW that found "as expected, many businesses would report little direct effect of the safety net wage increase on their employment".

A larger survey, conducted last October, was done to expand on this initial review but the survey has still not been released four months after it was conducted.

A DEWR spokesman said yesterday that the results of this survey of 1800 businesses were still being collated.

ACTU secretary Greg Combet claimed that the government was not releasing it because it undermined the submission that increases in the minimum wage had an adverse impact on jobs.

ACTU Decries Minimum Wage Study
Marcus Priest
Australian Financial Review
January 29, 2004, p. 9

The ACTU has derided a recent study that claims increases in minimum wages cost jobs, saying it makes basic arithmetical errors and is fundamentally flawed.

In releasing its submission to this year's minimum wage case, ACTU secretary Greg Combet said errors in the study released in early January by Andrew Leigh from Harvard University made it "valueless".

Mr Leigh found that a series of increases in the statutory minimum wage of between 3.49 per cent and 9.29 per cent in WA during the 1990s suppressed employment in that state relative to the rest of Australia.

This year, the ACTU is seeking a weekly $26.60 increase in the minimum wage, which would flow through to all workers on award wages. The case would lift the federal minimum wage from $11.80 to $12.50 per hour or $448.40 to $475 per week.

The ACTU said the average rise would be 4.5 per cent, adding 0.1 per cent to wage costs, 0.08 percentage points to inflation and have a negligible impact on employment.

A paper by Raja Junankar , a professor at University of Western Sydney, to be tendered to the Australian Industrial Relations Commission by the ACTU, lists 11 flaws in Leigh's research.

Westpac Bank and the Commonwealth Bank economists agreed with the ACTU's findings.

But Australian Chamber of Commerce and Industry chief executive, Peter Hendy, said the ACTU claim would lead to a 3.5 per cent real increase in labour costs and cut 75,000 jobs.

"It is noteworthy that the ACTU claim for a 5.9 per cent increase in the minimum wage has been lodged on the same day that the Consumer Price Index has been released showing the inflation rate is currently well under control," Mr Hendy said.

Workplace Relations Minister Kevin Andrews said moderation was the key to adjusting wages to ensure job prospects for low-skilled workers continued to improve.

Increasing Minimum Wages Costs Jobs: Study
Mark Davis, Political Correspondent
***Australian Financial Review*, 8 January 2004, p.3**

New economic evidence has emerged to back arguments by employer groups and the federal government that increasing minimum wages in Australia costs jobs.

A study by Harvard University researcher Andrew Leigh finds that a series of increases in the statutory minimum wage in Western Australia during the 1990s suppressed employment in that state.

The study, published in the latest issue of *The Australian Economic Review*, comes as the ACTU has lodged its latest national wage claim seeking a $26.60 a week increase in federal award minimum wage rates.

The impact of minimum wage regulation on employment has been a long-running issue in the industrial relations debate in Australia and will be a significant point of contention when the Australian Industrial Relations Commission considers the ACTU claim in March.

Conventional economic theory maintains that increases in minimum wages lead to job losses because the higher cost to employers depresses their demand for labour, particularly for unskilled and inexperienced workers.

But this view was strongly challenged in the United States during the 1990s by ground-breaking economic research on the actual impact of minimum wage rises in New Jersey, which found they had not led to job losses among relatively unskilled workers in fast-food restaurants.

Mr Leigh's study the first time a similar analysis has been carried out on the impact of actual minimum wage rises in Australia finds empirical evidence supports the conventional economic theory.

He analysed employment figures for Western Australia in the three months before and after a series of six minimum wage increases in that state from 1994 to 2001.

The key finding is that each time the statutory minimum wage was lifted in WA, the employment rate the number of people in jobs as a share of the total population subsequently fell compared with what happened in the job market in all other states. "On six occasions between 1994 and 2001, the WA minimum wage was increased, by between 3.49 per cent and 9.29 per cent," his paper says.

"After each of these increases, the employment-to-population ratio in WA fell relative to the rest of Australia."

Mr Leigh's statistical analysis suggests that the negative impact of minimum wage increases on employment was most pronounced for younger workers between the ages of 15 and 24.

He estimates that the so-called "elasticity" of demand for labour to increases in the WA minimum wage was negative 0.13, meaning that every 1 per cent increase in the minimum wage would depress the employment rate by 0.13 percentage points.

Mr Leigh's paper says the employment effect of raising minimum wages is an important issue, but is only half the story in the broader policy debate.

"Policymakers must weigh the employment cost of minimum wage increases against the higher earnings that accrue to low-wage workers and their families," it says.

"This involves learning more about those workers who hold minimum wage jobs and how minimum wage increases affect household incomes - issues about which we currently know surprisingly little."