

Give the people work and a fair go

Source: AFR (Editorial & Opinion)

Date: Thursday 12 Dec 2013

Evidence has it that reducing Australia's generous minimum wage would improve employment, but it is an uphill battle convincing our politicians of that

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Thousands of Australians would love to have paid work. They include those just out of school, just out of jail, age and disability support pensioners, sole parents and refugees.

Thousands of Australian businesses would be willing to take a chance on these job seekers and pay them more than the \$5 to \$10 an hour they receive on welfare. But they are forbidden to do so. It is against the law to offer or accept any such arrangement.

To take on a new starter and pay them double their welfare payment is illegal. No matter how poor their resume or how willing they are to work for rates of pay and/or terms and conditions that suit them and their families, they can only be employed if they are paid the minimum wage, notionally about \$16.40 an hour but over \$20 an hour for some casuals. Such bans on low-paid work create unemployment.

Before he entered parliament and became Labor's shadow assistant treasurer, Andrew Leigh was a professor specialising in labour economics. He found reducing the minimum wage in Western Australia by 10 per cent would increase employment by around 3 per cent within three months. Over a longer period, the employment gains would expand.

And a reduction in the federal minimum wage would have an even greater employment impact, as the WA minimum wage in Leigh's study covered very few workplaces. In a separate study, Dr Leigh found that most of the people on the minimum wage are in middle-income households. By contrast, low income households are typically in that position due to unemployment.

Abolishing the minimum wage by creating employment would help them the most. Other studies have shown that most people on low wages move on to higher wages

after about a year. This shows that low wage jobs are an opportunity for people to start at a bottom rung and work up.

The problem is, Australia's regulated minimum wage is so high that many cannot even reach the bottom rung and begin to climb. In fact, Australia's minimum wage is one of the highest in the world. Australians start paying income tax once their annual income exceeds \$18,200 but they are not allowed to get a full-time job unless it pays more than \$32,000 a year.

In the Organisation for Economic Co-operation and Development, only Luxembourg and France have a higher minimum wage. The minimum wage in both New Zealand and the United Kingdom is 84 per cent of ours; Canada's is 78 per cent, Japan's 58 per cent and South Korea's 42 per cent. Other countries with which we might compare ourselves, including Austria, Germany, Finland, Sweden, Switzerland, Italy and Singapore, have no minimum wage at all.

Despite the weight of evidence, Dr Leigh has an uphill battle to convince his colleagues of the futility of minimum wages. While in office, Labor was proud of its disability policy but struggled to see that the minimum wage was a key impediment to a better life for many disabled Australians. The Greens similarly take pride in their advocacy for refugees and opposition to the recent reduction in sole parent payments but cannot see that a truly caring policy for both refugees and sole parents would be to allow those who want to enter the workplace to do so.

The high unemployment rate for refugees is staggering and raises concerns for the future. The Coalition faces a similar dilemma. The Employment Minister, Eric Abetz, is from Tasmania, where unemployment is persistently higher than the rest of Australia and youth unemployment is more than 40 per cent in some areas.

Even though living costs are markedly lower there, the minimum wage is the same nationally. It is this fact that drives such a sorry statistic. Australia's minimum wage runs counter to the Australian credo of giving everyone a fair go.

It is time sensible voices in the parliament agreed to help the underdog by removing the barriers that prevent them from getting a job and improving their lives.

David Leyonhjelm is the Liberal Democrats' Senator-elect for NSW. The Greens cannot see a truly caring policy for both refugees and sole parents would be to allow those who want to work to do so.