

**SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
LEGISLATION COMMITTEE**

**2006-2007 SUPPLEMENTARY BUDGET SENATE ESTIMATES HEARING
2ND NOVEMBER 2006**

EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO

QUESTIONS ON NOTICE

Outcome 2: Higher productivity, higher pay workplaces

Output Group 2.1: Workplace relations policy and analysis

Output 2.1.1: Workplace relations policy advice

Question Number: W867-07

Question:

Senator Marshall asked in writing:

Appointment of Chief Economist and Economic Analysis of Minimum Wage Effect

- (a) Does the Chief Economist/DEWR stand by the analysis commissioned by the Department to Econtech at para 3.36 of its submission to the Fair Pay Commission that “a 10 cents per hour increase in all minimum rates is estimated to reduce employment by 0.33 per cent or 32,800 jobs?”
- (b) Does the Department/Chief Economist therefore accept that the unemployment effect of the \$27.36 per week increase in the level of the minimum wage would be in the order of 236,000?
- (c) If not, does that mean the Department/Chief Economist rejects the modelling it supported in its submission?

Answer:

(a) The results of economic modelling of various wage rise scenarios were included in the Government submission to assist the Australian Fair Pay Commission in weighing up the benefits of a wage rise for the low paid against the impact on employment opportunities.

The Australian Fair Pay Commission concluded in their decision that:

- “On the basis of evidence available, the Commission considers that there is a negative relationship between the level of minimum wage increases and employment in Australia. The basis for any disagreement seems to involve the magnitude of the relationship rather than its existence.” p. 73

(b) The economic modelling undertaken by Econtech for the Department did not include modelling of a two-tiered decision as handed down by the Commission. As a result it would not be appropriate to simply apply the estimates that were included in the Government submission to the Australian Fair Pay Commission to develop an estimate for total potential employment loss from the final decision made by the Commission.

(d) No. The modelling provided an indication of potential job losses under various wage scenarios to assist the Fair Pay Commission.

Estimated cost: Using the FOI calculator, to prepare this answer it has taken approximately 4 hours at an estimated cost of \$80.