

Employment Impacts Survey

JUSTICE GIUDICE: Mr Cole, on the question of measurement, if you like, of the effects and accepting the opportunity cost premise, a number of the parties have attempted to record in some way what the effects are, through surveys. Has the Commonwealth given any consideration to doing such a survey itself? (PN2205)

The Commonwealth considers that there is already a substantial body of evidence before the Commission to demonstrate the negative employment impact of minimum wage adjustments, particularly those that exceed levels which the Commonwealth regards as moderate. The body of evidence includes academic literature, econometric studies and TRYM modelling presented to the current and previous Safety Net Reviews by the Commonwealth. In addition, the Commonwealth again emphasises the aggregate wage elasticity studies which are available for Australia and the point that these studies may tend to understate the impact of minimum wage adjustments on low paid award-reliant employees. In addition, the Commission has the benefit of various employer surveys.

In order to assess the value and practicability of the Commonwealth itself conducting such a survey a number of important issues would need to be further considered. These include:

- (a) determining the relative merits of a one-off survey compared with longitudinal surveys to identify the longer term response to minimum wage adjustments including their cumulative impact;
- (b) selecting the appropriate target populations, for example, sampling businesses in the federal award paid sectors or businesses more generally to pick up wage flow-on and substitution effects; and
- (c) ensuring that the survey results adequately reflected business start-ups and exits and other issues to do with methodology and technique such as ensuring adequate response rates, dealing with non-response bias and minimising the red tape burden for survey respondents, in particular small business respondents.

Superannuation On-costs

VICE PRESIDENT ROSS: Mr Cole, just before you do that, the issue I am raising may not fit conveniently within what you have just dealt with, but ACCI in its submissions took us to the change in the superannuation guarantee levy last year, and the essence of the submission was that it was a matter we should take into account in these proceedings. Historically, the Commission in its decisions has only dealt with that issue in those years where there has been an increase in the levy consistent with its obligations under section 90A of the Act, but that probably reflects the fact that it was only on those occasions that there were specific submissions directed to it. What, if anything, does the Commonwealth say about ACCI's submission on that point? (PN2229)

The Commonwealth has argued that the Commission should fully consider both the impact of the current claim and the cumulative impact of safety net adjustments over time (refer to paragraphs R6.13 – R6.17 of the Commonwealth's Reply Submission of 25 March 2003). The large adjustment awarded last year, coming on top of the increase in the superannuation guarantee levy, added substantially to labour costs. The capacity for businesses, especially small businesses, to accommodate a further large increase in wages such as that sought by the ACTU and the concurrent flow-on to employment on-costs will now be sorely tested. This cumulative impact underscores the need for the Commission to exercise moderation in determining the level of any safety net adjustment.