

# IPA MEDIA RELEASE

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## MINIMUM WAGES MUST NOT RISE: IPA

“High minimum wages discourage employment and workforce participation. An increase in the minimum wage will particularly hurt the unemployed and low income households,” said Aaron Lane, Research Fellow at the free market think tank the Institute of Public Affairs.

On Friday 28 March, the IPA made a submission to the Annual Wage Review conducted by the Fair Work Commission. The IPA recommends that the minimum wage be frozen at its current level.

“The misconception that minimum wage increases are good for low-paid workers must be challenged. Unemployed people and low-income households are the hardest hit by increases in the minimum wage, through job losses and slower employment growth. The IPA’s submission estimates that last year’s minimum wage hike cost around 87,900 jobs, principally the jobs of the low skilled. Meanwhile, most of the benefits flowed through to middle and high-income households.

“The trade union movement often talk about avoiding a ‘working poor’. The greater concern is the ‘unemployed poor’. There is dignity in work. Increasing the minimum wage constitutes a threat to the dignity of the unemployed,” said Mr Lane.

“Unfortunately, the current system prefers that unemployed people remain unemployed. The minimum wage laws make it illegal for an unemployed person to agree to work for a wage less than the statutory minimum wage. Unemployed people are being denied the choice to attain entry-level employment opportunities to gain skills and experience. Continuing to increase the minimum wage guarantees lower living standards for those unable to secure employment.

“Individuals should be free to strike their own wage agreements with employers. Greater labour market freedom would best enable people to build their human capital, giving them the opportunity to acquire much-needed work experience, which enables them to improve their income over time,” said Mr Lane.

The IPA’s submission to the Fair Work Commission was co-authored by Aaron Lane, Research Fellow, and Dr Julie Novak, Senior Fellow. A copy of the submission is available to be downloaded at:

<http://ipa.org.au/publications/2255/submission-to-the-fair-work-commission>

**For media and comment: Aaron Lane, Research Fellow, 0400 838 630, [alane@ipa.org.au](mailto:alane@ipa.org.au) OR Dr Julie Novak, Senior Fellow, 0408 873 739, [jnovak@ipa.org.au](mailto:jnovak@ipa.org.au)**