

Professing IN-equality Some Press Extracts

The Australian Economic Review, vol. 36, no. 4, December 2003, pp. 361–73.

Employment Effects of Minimum Wages: Evidence from a Quasi-Experiment

ANDREW LEIGH John F. Kennedy School of Government Harvard University

Abstract *To estimate the impact of raising the minimum wage on employment, this article uses a natural experiment, arising from six increases in the Western Australian statutory minimum wage during the period 1994–2001. Relative to the rest of Australia, the employment to population ratio in Western Australia fell following each of the six rises, twice by a statistically significant margin. Aggregating the increases, the elasticity of labour demand with respect to the Western Australian statutory minimum wage is found to be -0.13 .*

The Australian Economic Review, vol. 37, no. 1, pp. 102–5.

Employment Effects of Minimum Wages: Evidence from a Quasi- Experiment—Erratum

ANDREW LEIGH John F. Kennedy School of Government Harvard University

In an article published in the December 2003 edition of the Australian Economic Review (Leigh 2003), the author mistakenly used data for labour force to population ratios in place of the theoretical model requirement of data on employment to population ratios. Changes in the Western Australian minimum wage could have impacted employment on three margins, and this error meant that the analysis allowed for an effect on only two of these margins. To the extent that increases in the Western Australian minimum wage caused workers to become unemployed, or to shift from full-time to part-time employment, this ought not to have affected the empirical findings. But if increases in the Western Australian minimum wage caused workers to leave the labour force altogether, this would not have shown up in the figures presented. In addition, the original article presented ‘implied elasticities’, which were based on percentage point effects. Since elasticities should, strictly speaking, be percentage effects, the results are re-presented both as percentage point and percentage effects. The full dataset and Stata do-file are available from the author ... but the employment effect of increasing the minimum wage is estimated to be somewhat larger than was reported in the original version. The author sincerely apologises for this error.

But not for giving comfort to the enemies of a minimum wage?

The Australian Economic Review, vol. 37, no. 2, pp. 166–72.

Minimum Wages and Employment: Comment

Ian Watson, Australian Centre for Industrial Relations Research and Training The University of Sydney

Abstract *Does increasing the minimum wage lead to employment losses? For many years most economists thought that the answer to this was a straightforward ‘yes’. However, research during the 1990s began to overturn this conventional wisdom and showed that increases in the minimum wage did not automatically lead to employment losses. A recent Australian study, by Leigh (2003), examined the impact of statutory minimum wages in Western Australia and reached conclusions which supported the conventional view. However, close scrutiny of Leigh’s article shows that it is fundamentally flawed. Despite Leigh’s efforts, it remains the case that we simply do not know a great deal about the employment impact of Australia’s system of minimum wages.*

The Australian Economic Review, vol. 37, no. 2, pp. 173–9.

Minimum Wages and Employment: Reply

ANDREW LEIGH, John F. Kennedy School of Government Harvard University

Abstract *The results of my study (Leigh 2003, 2004) on the effect of minimum wages on employment have been brought into question by Watson (2004), which raises some potential methodological concerns. Careful reanalysis of the Western Australian minimum wage experiment demonstrates that this critique is not well founded. Further checks show that the results are robust to a number of alternative specifications, in addition to those presented in the original article.*

Still at it: THE ECONOMIC RECORD, VOL. 83, NO. 263, DECEMBER, 2007, PP. 432–445.

Does Raising the Minimum Wage Help the Poor?

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What is the impact of raising the minimum wage on family incomes? Using data from the 1994–1995 to 2002–2003 Survey of Income and Housing, the characteristics of low-wage workers are analysed. Those who earn near-minimum wages are disproportionately female, unmarried and young, without post-school qualifications and overseas born. About one-third of near-minimum-wage workers are the sole worker in their household. Due to low labour force participation rates in the poorest households, minimum-wage workers are most likely to be in middle-income households. Under plausible parameters for the effect of minimum wages on hourly wages and employment, it appears unlikely that raising the minimum wage will significantly lower family income inequality.

A republican to his cufflinks Andrew Leigh, ALP MHR for Fraser: ‘In 2012, when Prince Charles and the Duchess of Cornwall visited Canberra, I was pleased to welcome them on the tarmac of Canberra airport, wearing my Australian Republican Movement cufflinks’.

How brave is that.

[the never-died collective www.facebook.com/JoeHillorganiser]