

What Australia can learn from Fiji in reducing the working poor

February 27 2018, by Partha Gangopadhyay

Labor's calls to [raise the minimum wage](#) or other pushes to implement a universal basic income ignore Australia's system of supporting low-paid workers in other, more important, ways. These are called a "[social wage](#)" and includes things like pensions, education, healthcare and housing.

Australia could learn from Fiji in this, even though the countries' economies are very different. In [my experience reviewing](#) the Fijian wage system, I found that a mixture of both minimum wages and social wages significantly reduced the number of those in [working poverty](#).

In Fiji, total government revenues are [about 20-30% of GDP](#), and [28-30%](#) of government expenditures are on social wages.

In trying to reduce the number of Fijian working poor, the government could have cut back on services and benefits in favour of a higher [minimum wage](#). It could also keep services at their present level and only increase the minimum wage by a small amount.

I recommended that social wages be kept at their current levels, and the [minimum wage be increased by just 15%](#) (something the unions have [criticised](#)).

[In 2017](#), 32% of working Fijians were in poverty, rising to 52% in the informal sector (occupations that aren't covered by government regulators).

An average urban Fijian household with 4.5 members needs [roughly 250 Fijian dollars](#) (A\$150) per week to satisfy their basic needs. The [poverty line](#) is set amazingly low, at [F\\$186](#) in 2014 prices.

But the national minimum wage is [just F\\$2.32](#) per hour, or F\$111.36 for a 48-hour week.

What's going on in Fiji

As I arrived in Fiji in 2017, negotiations over raising the minimum wage were stalled. At the same time, [recent cyclones](#) had damaged food crops, pushing up the [price of food](#).

Together, these two factors put pressure on real wages (adjusted for inflation), leading to severe working poverty.

In Fiji there is an overall national minimum wage rate, as well as ten separate minimum wages that apply to different industries. Together these create a "wage floor" (the minimum that can be earned), while the actual wages can be higher, depending on other factors such as supply and demand.

Social wages are provided by the state as a specific bundle of social services. In Fiji I studied just a few services: social development, public education, healthcare, housing and local amenities, and social assistance (such as food vouchers). There are other programs available for vulnerable Fijian households (such as the old age grant, and death and disability benefits) but I wanted to focus on programs mainly used by low-paid workers.

I surveyed workers to find out how much they would be willing to pay for these government programs – in other words, how valuable the services really are to individual Fijians.

Using this data, I recommended to the national wage bargaining team that social wages be kept at their current levels, and the minimum wage be increased by just 15%.

If social wages hadn't been so effective in supporting the working poor, I would have recommended they reduce social wages and raise minimum wages by more than 15%. I have calculated that by using this mixture of minimum wages and social wages, Fiji could reduce working poverty from 32% to below 10%.

For social wages, businesses share their responsibility with other taxpayers. They must give an adequate minimum wage to low-paid workers and must pay adequate taxes to fund social wages of low-paid workers.

Of course, implementing a universal basic income could help fight working poverty in the long run. But there is still [some controversy](#) among economists as to whether there a universal basic income is beneficial once the costs of social security and health care are stripped away.

What are the lessons for Australia? The [national minimum wage in Australia](#), at A\$18.29 per hour or A\$694.90 per 38-hour week, is quite high [compared with other OECD countries](#). At the same time, successive Australian federal governments have seriously [whittled away](#) social wages in Australia.

Using both a minimum wage and social wages can help us achieve good labour market outcomes for the working poor without compromising the long-term sustainability of the economy.

Provided by University of Western Sydney

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