

The operation of business economics essay

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Policy affects the operation of business throughout the world to varying degrees. This essay will illustrate the comparison of fair work policies between Australia and The United States of America (US). It will highlight how Australia has developed strong employment policies and also show the fundamental differences between Australia and the US in providing benefits to employees with both higher minimum wage standards and more liberal leave entitlements. It will also show the burden policies can place on business and the ramifications of increasing labour hire costs.

PARAGRAPH 1 - CONTEXT

The US has a working population of approximately MILLIONS FIGURES 70% whilst Australia has a working population of approximately 75% (http://stats.oecd.org/Index.aspx?DatasetCode=LFS_SEXAGE_I_R). Obviously this disparity in working population affects the decisions that can be made but it cannot be used as a rationale to ignore both the impacts to business and social implications if workers entitlements are not protected. When analysing the effect of raising minimum wage standards it is imperative to note differing opinions. Whilst some argue that raising wage minimums has no impact on business others argue the direct link to unemployment. Murray N. Rothbard wrote an article called " The crippling Nature of Minimum Wage Laws" and states that " you can have as much unemployment as you want, simply by pushing the legal minimum wage high enough."

PARAGRAPH 2 – AUS. MIN. WAGE

In Australia, entitlements and working conditions in many jobs are now governed by the Federal workplace relations system, which includes modern awards and the National Employment Standards. (<http://www.business.gov>. <https://assignbuster.com/the-operation-of-business-economics-essay/>

au/BusinessTopics/Employingpeople/Employeeentitlements/Pages/Wagesand conditions.aspx). Australia was a pioneer in minimum wage legislation (<http://zh9bf5sp6t.search.serialssolutions.com.ezproxy1.canberra.edu.au/?genre=article&issn=00220507&title=Journal+of+Economic+History&volume=45&issue=2&date=19850601&atitle=Unemployment+and+Minimum+Wages+in+Australia%2c+1900-1930.&spage=383&pages=383-388&sid=EBSCO:Academic+Search+Complete&aulast=Forster%2c+Colin>) and now every year, the Fair Work Commission conducts an annual wage review which can result in an increase to minimum wages. (<http://www.fairwork.gov.au/Documents/Fair-Work-Handbook.pdf>) This places Australian workers entitlements amongst the most developed in the world. Whilst this is seen as a positive by many there is always a negative impact. Australia's fair wage policy decisions have a flow on effect by increasing costs to business both indirectly with increased overall manufacturing costs and the direct impact of additional labour costs. This increase in costs is considered a factor in how many staff business are prepared to employ and can contribute to job losses and lower hiring rates.

PARAGRAPH 3 – US MIN. WAGE

Whilst the USA does have polices in place to address working conditions and wages their minimum wage standard is far below Australia's. The US has a minimum per hour wage rate of \$7.25 (<http://www.dol.gov/whd/regs/statutes/FairLaborStandAct.pdf>) compared to Australia's base rate of \$15.96 (<http://www.fairwork.gov.au/pay/national-minimum-wage/Pages/default.aspx>). This highlights just one

of the many areas where the USA falls behind Australia. America in part addresses this discrepancy in some industries with " tipping" which is not usual practice in Australia. It can be argued that tipping relieves pressure on business and places the responsibility on the customer, reducing staffing costs and allowing for higher employment. Whilst in Australia the obligation falls to the employer to ensure staff are paid fairly for the work performed. To address this inequity President Obama is proposing policy changes to raise the minimum wage. Obama has proposed to increase the minimum wage from \$7. 25 to \$9. 00 an hour by 2015. He is then planning to index the minimum wage to inflation. In reality though, setting a minimum for the price of labour creates both winners and losers. Some workers will get a \$1. 75 raise, which for many is long overdue. Though others, typically the least educated and skilled, will be priced out of the job market, and rather than reap the benefit of the policy change they may find themselves unemployed.

(REFERENCE)

PARAGRAPH 4 – WAGE SUMMARY

It is clear that the minimum wage rates differ greatly between the two countries. Whilst some would argue that Australia's wages system is more evolved than the USA's in its approach to addressing workers entitlements, others will say the United States wages policy is more mindful of the impact of higher operating costs to business. In part, the answer to this can be contributed to the greater availability of staff in the US which is directly due to a larger population as a whole. This influences supply and demand which in turn has a direct impact on staffing decisions. Australia has access to fewer employees whilst the USA has a much larger pool to draw from making

it more realistic for employers to keep wages at lower levels as they have more availability for sourcing employees. Australian companies are often obliged to pay higher wage rates to keep staff and this places an increased burden on business. It is also often necessary for Australian business to employ less staff in order to keep a company viable. This in turn leads to higher numbers of unemployed workers where as an American company can employ greater numbers of employees as they have lower wage overheads.

PARAGRAPH 5 – AUS. LEAVE

Another problem to business is annual leave. Most countries around the world have labour laws that require employers to give a minimum allocation of fully paid leave days to all employees. The cost of leave is twofold for employers as when a staff member takes leave they are paid in full whilst absent, providing they have leave accrued, and often in their absence business will need to bring in additional labour to cover the shortfall in productivity. Full-time employment in Australia requires 20 days leave a year and this is seen as a minimum standard for all Australian companies (<http://www.fairwork.gov.au/Documents/Fair-Work-Handbook.pdf>). In recent years it has been suggested that this has led to an increase in casual staff. The advantage of hiring casual staff for business is that many entitlements that are afforded to permanent staff do not need to be paid to the casual workforce as their daily pay rate is higher to compensate. Annual leave is considered to be a mandatory entitlement for full time workers in Australia but the cost to business should not be under estimated.

PARAGRAPH 6 – US LEAVE

The United States is the only advanced economy in the world that does not guarantee its workers paid vacation ([http://www. cepr. net/documents/publications/2007-05-no-vacation-nation. pdf](http://www.cepr.net/documents/publications/2007-05-no-vacation-nation.pdf)) and as a result about 25% of all employees receive no paid vacation time or paid holidays at all ([http://www. cepr. net/index. php/publications/reports/no-vacation-nation/](http://www.cepr.net/index.php/publications/reports/no-vacation-nation/)). Paid vacation time in the United States is a voluntary benefit that organisations offer to employees but are not mandated to do.[\(http://business. salary. com/paid-time-off/\)](http://business.salary.com/paid-time-off/). Unlike Australia, there are no federal regulations requiring employers to provide vacation days, but in recent years it has become common practice to do so ([http://business. salary. com/paid-time-off/](http://business.salary.com/paid-time-off/)). The amount of paid vacation time negotiated usually depends on the length of service and the position held by the employee within the organisation ([http://business. salary. com/paid-time-off/](http://business.salary.com/paid-time-off/)). Whilst this is an improvement for many, this leaves a large number US employees in private enterprise without set minimums for annual leave. In some instances though, many employers offer more paid leave and public holidays than the legal minimums, on the basis of collective or individual agreements. This factor is especially important in the United States given that the law does not establish a legal minimum for employers to adhere to. ([http://www. law. harvard. edu/programs/lwp/papers/No_Holidays. pdf](http://www.law.harvard.edu/programs/lwp/papers/No_Holidays.pdf))

PARAGRAPH 7 – LEAVE SUMMARY

When comparing the two countries approach to annual leave it is evident that employers in Australia for the most part have a defined minimum legal requirement for full-time employees regardless of the position they hold or

their pay rate. As a whole this can be seen as a positive for workers. In the US workers do not have the same security Australian workers do and are often required to negotiate with their employees or accept that leave may not an entitlement they will receive. This is definitely a positive for US business bottom line and a negative for employees in terms of entitlements. On the other hand whilst Australian employees have the benefit of superior entitlements they may feel the strain of higher business operating costs and fewer jobs as a result.

CONCLUSION

In summing up it appears Australia has a more streamline and structured system in place to protect workers minimum employment standards. It is also apparent that America has adopted policies that lean towards ensuring business is not burdened by high employer operating costs. It can be argued that Australia's approach is superior because employee satisfaction and a loyal workforce is imperative to the smooth running and longevity of business. It also needs to be said that the US model which leans towards more flexibility for employers has its advantages in that business can make decisions on a more unregulated level to suit the needs of the business. The additional cost burden on Australian business cannot be dismissed but the social impact of ignoring fundamental workers' rights must also be a carefully considered component of any policy decision. Business analysts agree though that both the government and business need to responsibly manage policy and strike a balance between providing fair entitlements to employees and minimising the impact on day to day operating costs and profits of business.