


# Pay rises generate more jobs, economic modelling shows

---

**EXCLUSIVE**

By **YONI BASHAN**, NSW POLITICAL CORRESPONDENT

10:25PM MAY 31, 2020 •  25 COMMENTS

The decision to freeze salaries across the NSW public sector will deprive the state's economy of more than 1100 jobs, according to newly released economic modelling that says a rise in pay packets will generate more jobs than spending on construction projects.

The data, obtained exclusively by The Australian, was released as NSW Premier Gladys Berejiklian announced a backdown on her government's \$810 million upgrade of ANZ Stadium. Ms Berejiklian said she would scrap the project and divert the funding towards job creation across NSW.

With 221,400 people out of work because of the COVID-19 pandemic, the Berejiklian government has stepped up efforts to find savings and redirect funding to promote job creation.

This includes scrapping the stadium upgrade and freezing the wages of public sector workers, which alone is expected to save \$3bn over four years.

But the policy itself remains at a deadlock, unable to proceed through parliament due to a lack of support from upper house MPs.

Ms Berejiklian stopped short on Sunday of scrapping another ill-fated project, the Powerhouse Museum relocation, which she remains determined to deliver even though it has been roundly criticised by senior members of her cabinet.

Treasurer Dominic Perrottet has argued repeatedly in favour of freezing wages, saying the money saved would be spent on infrastructure and would stimulate the economy more efficiently than pay increases could hope to achieve. He has not released modelling to support this assertion.

Last night Mr Perrottet was scrambling to win support for the policy by extending a revised offer to the opposition, crossbench and union leaders: \$1000 one-off payments for 200,000 frontline workers in exchange for their support to freeze wages.

Modelling conducted by left-wing think-tank the Australia Institute challenges Mr Perrottet's assertions, suggesting a wage freeze would rob the economy of an opportunity to create 1110 jobs through increased consumer demand.

According to the research, about 2910 jobs would be generated if the \$3bn saved from freezing wages was spent on construction; this would increase to 4020 jobs if the money were to be spent through consumption.

About 0.97 direct jobs are generated for every \$1m spent on building projects, according to ABS data. Conversely, 1.79 direct jobs are created for every \$1m spent by consumers.

The modelling suggests that freezing salaries would cut \$81m in pre-tax earnings from the NSW north coast economy. Another \$78m would be lost from the far west of the state. Closer to the city the numbers increased dramatically to about \$1bn in pre-tax earnings in Sydney's east, and \$741m in Sydney's west.

"If expenditure on construction is to lead to an increase in statewide employment, the construction spending needs to be additional to, not a substitute for, other more labour-intensive areas of expenditure," the AI says.

NSW Labor leader Jodi McKay said the government could not rely on infrastructure investment alone to stimulate jobs.

**YONI BASHAN**, STATE POLITICAL REPORTER