

## The Minimum Wage.

### Specification requirement— The Minimum Wage

The National Minimum Wage when first introduced in April 1999 was set cautiously low at just £3.60 an hour, so as not to undermine firms competitiveness by pushing up costs. The change to the minimum wage was expected to benefit about two million people - more than half of them in the service sector. Their wage packets were boosted by up to a third.

In 2002 the minimum wage reached £4.10 an hour for adults and £3.50 for those under 22. However, in September of that year a government study found some employers were still not paying minimum wage rates. It said nationally workers had been under-paid the equivalent of £10m since April 1999. Full details of Current (Feb 2012) minimum wages for each group of employees are given below.

Main (adult) rate for workers aged 22 and over—£6.19 per hour

Development rate for workers aged 18-21 inclusive—£4.98 per hour

Rate for 16 and 17 year olds- £3.68 per hour

### Impact of Minimum Wage on Employment

The introduction of the minimum wage has added only around 0.5 per cent to the national wage bill, and in contrast to the views of many pessimists, there was no

measurable impact on overall employment following introduction of the minimum wage. In fact the areas of the economy where the minimum wage was expected to have the greatest impact on employment levels, we saw the greatest growth in employment - though it could of course be argued that there would have been greater growth in jobs without the minimum wage. The first large scale research into the impact of the minimum wage on employment levels by Income Data Services said the introduction of the minimum wage had not caused job losses or upset industry pay structures.

### Effects of Minimum Wage on Employees.

First of all it is worth noting that most employees have not been affected by the introduction of the minimum wage. Only around 7-8% of the workforce were in occupations that paid below the minimum wage, so the mass of employees were not directly affected by its introduction. But there has been some pressure to maintain differentials, meaning that wage rates of those above the minimum wage have moved up in line with those below the minimum wage.

The workers who have benefited the most have been younger workers in low paid industries—care services, office services such as cleaning, catering, fast food etc.

For the lowest paid minimum wage has allowed a move away from poverty and removed some aspects of the poverty trap.

Employment had continued to grow in low-paying sectors following the introduction of the minimum wage, and there have been no signs of a significant minimum wage effect in the unemployment figures between 2000 and 2008. In fact in the lowest paying sectors of the economy such as the Hotel industry, catering, and care services, employment levels had grown strongly over the first 8 years of the minimum wage. The impact of the recession seems to be have felt across most employment sectors, with those on minimum wage not seeing any greater increase in unemployment levels.

### Effects of Minimum Wage on Employers.

It is argued that the minimum wage has made the UK much less attractive to inward investment discouraging investment in the UK by foreign companies. Also some firms have moved production and investment to low labour cost countries in the east of Europe.

Small businesses have been most affected, especially those that are labour intensive. The focus for the owners and managers of these firms, as encouraged by the government and bodies such as the Low Pay Commission, has been to make workers more productive through training and education, and so productivity costs will fall not increase. So minimum wage could be argued to increase efficiency.

Employers may also have benefited from a more motivated workforce as it is now more likely that Herzberg's hygiene factors are being satisfied.

Overall wage costs could have increased

because of the pressure to keep existing wage differentials in place - as the wage of the lowest paid workers increases, so must the wages of those on the next level up and so on. Employers who have felt the worst of the impact are found in the industries mentioned earlier - sectors such as the care home industry, where rising costs have out-paced increases in income. This has led to the closure of many care homes, and real shortages of beds in some areas of the country.

Some employers have made more use of nil hours contracts, where employees have to be in the workplace but are only paid when they are actually working. So for example an employee may have a job description saying that they will be required to work during the period between 8.00 am and 7.00 pm, but only find that, they do 4 hours work in this period, so only receive 4 hours pay. An alternative approach by employers has been to switch costs onto employees, such as making employees buy their own uniforms—especially seen in low paid security jobs.

Other employers (a small minority) take advantage of workers who are offered little or no protection by the law, such as illegal immigrants, and run gangs of workers who may be paid as little as £1 an hour. Alternatively they may charge immigrant workers for accommodation, leaving the worker with little pay at the end of the week.

### Notes