

**A National Minimum Wage
- The UK's Experience
Part 2: Considerations for
Introducing a Minimum Wage**

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Overview

- **Part 2: Considerations**
 - **Why have a minimum wage**
 - **Issues to consider**
 - **What happens elsewhere**

Why Have a Minimum Wage?

- A minimum wage can prevent exploitation
- It can play a key role in tackling in-work poverty.
- It can allow companies to compete on quality rather than price.
- Without it, the good employer is undercut by the bad and the bad by the worst.
- Better paid staff work more productively.
- It will prevent poor employers relying on the state to top up poverty wages.

Why We Should Not Have a Minimum Wage?

- In a perfectly competitive labour market, any wage floor will lead to job loss.
- Maintaining differentials will be very costly
- A minimum wage may lead to rising prices, business closures and loss of jobs
- Vulnerable groups are likely to be most affected – the least skilled and young people
- Young people are likely to suffer the most – the higher the NMW, the higher youth unemployment

Issues to Consider

- What kind of minimum wage?
- One wage or several wages?
- Eligibility (who qualifies for the minimum wage?)
- Relationship with in-work benefits
- Enforcement
- Gathering Information
- Organisation and process
- The right level for a minimum wage
- Evaluation

A National Minimum Wage?

- **Wage floor** or Living Wage?
- **Hourly**, weekly, monthly?
- **Benefits-in-kind** or **just cash**?
- **All** workers or not?
- **National** or Regional?
- Differences by sector (industry or occupation)?
- Differences by size of firm?
- Differences by type of job?
- **Differences by age**?

Coverage in the UK

- **All workers over the compulsory schooling age**
 - Full-time workers; permanent workers;
 - Part-time workers; temporary workers; agency workers; casual and seasonal labourers; workers on short-term contracts; workers paid on a commission basis; piece rate workers; and home workers
- **Covered but at a lower rate:**
 - Young people (aged 16-17, and 18-20)
 - Apprentices (under 19 or in first year of apprenticeship)
- **Not covered:**
 - Self-employed;
 - Genuine volunteers and voluntary workers (charity volunteers);
 - Students doing work experience as part of higher or further education course and those of compulsory schooling age (under 16);
 - Illegal immigrants (in the UK they are exempt from all employment law except health and safety); and
 - Others, such as: Prisoners, members of the armed forces; certain seafarers; share fishermen; those living and working within the family; and religious communities

Minimum Wages Elsewhere

Coverage

- Single National Minimum Wage
 - Spain, Poland (tenure-related rates), Greece (pre-reform - tenure, marital status, blue collar/white collar)
- **National Minimum Wage with Age Rates**
 - UK (16-17, 18-20), Belgium (16-20), France (16-17), Ireland (under 18), Netherlands (under 23)
- Regional Minimum Wages
 - Federal with regional – USA, Australia
 - Regional - Japan, Canada
- Sectoral Minimum Wages
 - Collective agreements - Germany, Austria, Sweden, Finland, Norway and Italy

The Process for Setting the Wage?

- **A commission**, The Government or a formula?
 - If a commission, which social partners?
 - The Government
 - **Employers**
 - **Trade unions**
 - **Independents**
 - Experts (academics) or neutral
- Relationship to Government?

Processes Elsewhere

Adjustment mechanism

- Independent commission
 - UK, Australia
- Tripartite commission (Government, Trades Unions, Employers)
 - Poland, Portugal
- Government
 - US, New Zealand
- Government and formula
 - France, Netherlands
- Government and social partners
 - Ireland, Spain
- Social partners/collective bargaining
 - Belgium, Greece