



The National Minimum Wage: Past, Present and Future

- The UK National Minimum Wage is 15 years old
- The rate is reviewed annually by the Low Pay Commission
- The Commission usually recommends a rise in all classes
- Pressure is growing for a “living wage”
- Peninsula advisers give their opinions on how the law is implemented

The National Minimum Wage has been in force in the UK since 1999. Although it now seems like a normal part of employment law, it was controversial and met with much opposition when it was being debated. The chief concern among business owners was that it would bring hardship to some companies and would force them to lay off staff, send their work abroad or even cease trading.

Some companies that did not directly employ low-paid staff expressed concern that there would be a knock-on effect if their suppliers were forced to increase their rates.

However, the Labour Party, which was undergoing a major programme of reform in the mid to late 1990s, argued that left and right should

support the policy not only because it helped pull workers out of poverty but also because it theoretically encouraged unemployed people to seek better-paid work, which should reduce the amount of benefits the taxpayer paid to those on low income and no income. The party won in 1997 and the law was implemented two years later.

By general consent, the worries expressed by the policy's opponents were not reflected in reality; by the 2005 Election, all the mainstream parties supported a national minimum wage.

This white paper aims to discuss the justifications for – and arguments against – the minimum wage, and asks HR advisers for their take on how it has affected business as we approach the 15th anniversary of its introduction.

Political Birth of the Minimum Wage in the UK

With hindsight, we can say that the National Minimum Wage in the United Kingdom took its most significant step towards becoming a reality when it appeared in the Labour Party's manifesto for the 1997 General Election. Although it was not a flagship policy (Blair's manifesto focused on education, tax, devolution, the NHS, growth

and political transparency), the minimum wage was important in the party's attempt to show that it was serious about a commitment to tackling low pay while offering more support to business in a range of policies that were described as "the third way". This is how the pledge appeared:

A sensibly set national minimum wage

There should be a statutory level beneath which pay should not fall – with the minimum wage decided not on the basis of a rigid formula but according to the economic circumstances of the time and with the advice of an independent low pay commission, whose membership will include representatives of employers, including small business, and employees.

Every modern industrial country has a minimum wage, including the US and Japan. Britain used to have minimum wages through the Wages Councils. Introduced sensibly, the minimum wage will remove the worst excesses of low pay (and be of particular benefit to women), while cutting some of the massive £4 billion benefits bill by which the taxpayer subsidises companies that pay very low wages.

The Labour Party Manifesto, 1997

So part of the sell to British voters was that Britons were *all* victims of low wages because the taxpayer was essentially subsidizing low-paying employers by topping up salaries with benefits. Family Income Supplement had been around since 1970 and affected anyone with children earning less than £15 per week. In 1986 it was replaced by Family Credit, which kicked in if one or more family members worked for more than

24 hours per week and their combined income was less than £77.15 per week. In short, the policy was designed and promoted to look favourable to both the working class and the middle class.

John Major's Conservative Party had a very different approach. In its manifesto it made clear its opposition:

Reducing the Burden on Companies

Many countries in Europe have tried to cocoon themselves from global competition behind layers of red tape and regulation – such as the Social Chapter and a national minimum wage. This provides a false sense of security, playing a cruel trick on working people. It also excludes the unemployed from work. As companies in the rest of Europe have grown more uncompetitive, employers have found it too expensive to employ new workers, investment has gone elsewhere, and the dole queues have lengthened. The European social model is not social and not a model for us to follow. But if Britain signed up to the Social Chapter it would be used to impose that model on us – destroying British jobs.

No Conservative government will sign up to the Social Chapter or introduce a national minimum wage. We will insist at the Intergovernmental Conference in Amsterdam that our opt-out is honoured and that Britain is exempted from the Working Time Directive: if old agreements are broken, we do not see how new ones can be made. We will resist the imposition of other social burdens on the workplace through a new European employment chapter.

The Conservative Party Manifesto, 1997

In 1995, the position of the CBI (Britain's main lobby group representing business) was that: "even a low minimum wage would reduce job opportunities and create major problems for wage structures in a wide range of companies" (*The Independent*, [Harman and CBI Clash on Wage](#), 1995).

A Left and Right Issue?

While it's tempting to place the minimum wage debate as a left versus right issue, it is worth remembering that the concept faced opposition from the unions until reasonably late in the game. According to a BBC piece, most of the unions opposed a national minimum wage because "they feared that it would undermine the cherished principle of free collective bargaining and that it would pull down pay rates above it, reducing so-called 'differentials', the gap between the skilled and unskilled workers. And there was self-interest at work too. If a minimum wage protected people's wages, then what was the incentive to join a union?" (Cowley, P., [When the Left Opposed a Minimum Wage](#)).

In 1991, Ed Balls (who would later be a key figure in the Labour government and the post-2010 Shadow Chancellor), said in *Marxism Today*: "The allure of a minimum wage is deceptive and should be resisted ... Fostering a high wage, high skill economy is the only way to reverse Britain's relative economic decline and to generate the resources to eradicate poverty. But the minimum

wage is not the answer. If anything the minimum wage will make it even harder to achieve these ends."

The Law Goes Through

By 1997, such battles had been fought; when the Labour Party won the election it had no trouble implementing the law, which came into effect on 1 April 1999.

The government was keen to make sure the initial rate was not set so high as to cause serious damage to employers, but would be generous enough to lift the extremely low paid out of abject poverty. Workers such as cleaners, manual labourers and security guards and other unskilled workers were the typical targets.

According to the [Office for National Statistics](#), in 1998 there were some 1.28 million employees earning less than what would be the minimum wage for their age group. Of those, 1.17 million were in the 22+ years group.

The [Low Pay Commission](#) (LPC), an independent panel of business owners, trade union representatives and academics, was formed by the government in 1997 and became a statutory body under the National Minimum Wage Act 1998. Its job was (and remains) to decide upon the rates for the minimum wage. The first rate agreed upon was £3.60 per hour for employees aged 21 and over, and £3.00 per hour for employees aged 18–21.

Support Emerges from Across the Political Spectrum

Despite earlier misgivings, by the 1997 election, the CBI had lent its support to an LPC-advised national minimum wage; the CBI had been involved in the preliminary work of the proposed LPC, and had had its concerns assuaged by the mix of personnel that would be on it.

According to its [website](#), the CBI “supports the NMW as the UK’s only wage floor and a politically independent LPC in setting it. The CBI is the only employers’ body represented on the Commission. The CBI lobbied hard for a more cautious uprating of the 2014/15 NMW rates. ... With youth unemployment remaining a concern we also highlighted the importance of the youth and apprentice rates in safeguarding young people’s job prospects.”

The 2001 Election

The Conservative manifesto for the 2001 election made no mention of the minimum wage, although no prominent party member made a declaration opposing it in the run-up to the election.

The Liberal Democrats supported the NMW, promising in their manifesto to “Protect workers on low incomes by reviewing the national minimum wage annually on the basis of recommendations from the LPC. The minimum wage has proved an effective way of protecting workers on low incomes, without causing damage to business.” However the party also stated: “We believe it is wrong to set a lower rate minimum wage for workers under 21. We will set the same rate for all people aged 16 and over.”

Labour pledged to continue raising the minimum wage and retained power in 2001.

The 2005 Election

By the 2005 General Election, Michael Howard’s Conservatives had been convinced that the policy was not damaging business. In its manifesto the

party said: “We will change direction. Whereas Labour want to make people more dependent on the State, we believe that lower taxes help families build their financial independence and security. For those on low incomes we will retain the minimum wage, together with proposed increases.” Labour won again in 2005, and the concept of a minimum wage has never since been challenged by the three mainstream UK parties.

Widespread Support

Labour lost power in 2010 and the UK government was formed by a coalition of Conservatives and Liberal Democrats. In the Coalition Agreement, the following statement confirmed that the NMW policy would remain: “We support the National Minimum Wage because of the protection it gives low-income workers and the incentive to work it provides” (*The Coalition: Our Programme for Government*, 2010, p. 23).

UKIP announced in June 2014 that it would exempt minimum wage earners from tax, implying that the policy itself would be safe should UKIP win power.

“The Pitchforks are Coming”

In June 2014, Amazon entrepreneur Nick Hanauer, who refers to himself as “one of the .01%ers”, published an article in *Politico Magazine* called “[The Pitchforks are Coming ... for us Plutocrats](#)”. He used the example of Henry Ford to argue that raised minimum wages create consumer societies and enrich nations. Although the article attracted much support *and* opposition (see *Forbes*’ Tim Worstall’s scathing response, “[Nick Hanauer’s Latest Near Insane Economic Plan](#)”), it does show how far the corporate world’s mindset has come when it comes to paying workers the minimum wage. Politicians and entrepreneurs of all persuasions are demonstrating that a minimum wage is becoming part of everyday politics in the 21st century.

Minimum Wage Policy is Fine-tuned

The LPC reports annually, six months before the rates' proposed implementation dates. This gives the government time to accept or reject the proposed rates and employers time to prepare. Except for 1999, when the NMW was introduced on 1 April, the changes have always come into effect on 1 October.

The older workers' development rate was intended to help employers take on new trainees without being committed to pay them the full minimum wage.

In 2005 the Low Pay Commission expressed concern that the rate (i.e. 12 months' exemption from full minimum wage responsibility if the worker is below 26 years of age) was not being taken up by employers and that there was little incentive for older people to take up such roles. The Commission recommended that the rate be abolished. However, in its 2006 report the LPC decided that the age limit on apprenticeship exemption fell foul of the Employment Equality (Age) regulations and abolished it.

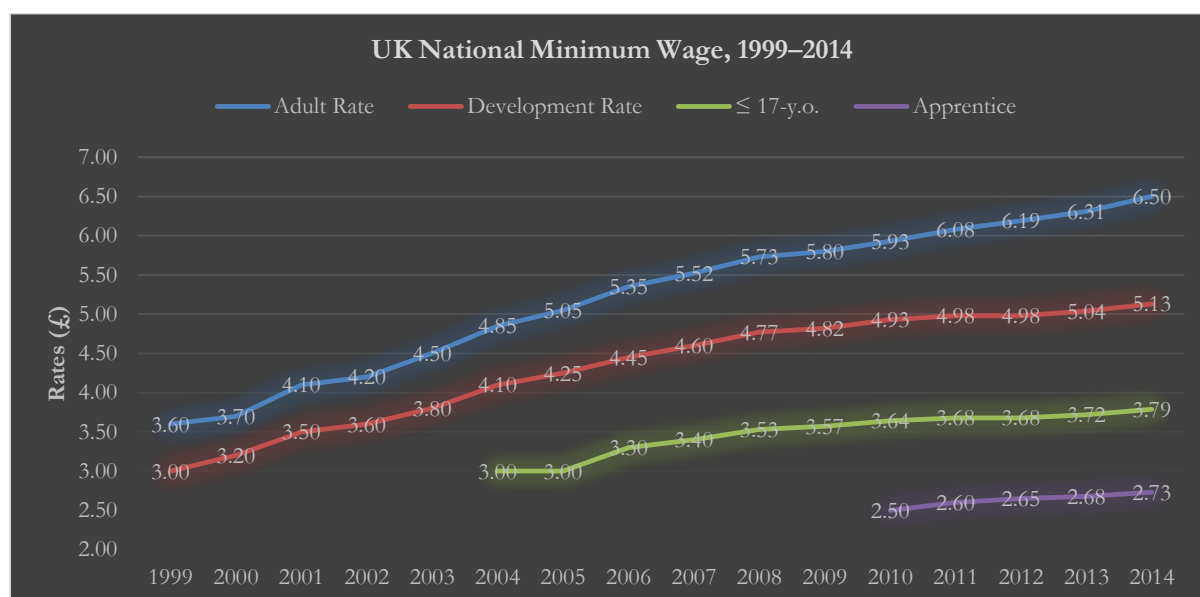
Now, any apprentice over age 19 is entitled to the NMW for their age after 12 months in an apprenticeship.

UK NWM Rates (£/hr), 1999–2014

Year	Adult Rate ¹	Dev. Rate ¹	≤17-yr-old Rate ²	Apprentice Rate
1999	3.60	3.00	—	—
2000	3.70	3.20	—	—
2001	4.10	3.50	—	—
2002	4.20	3.60	—	—
2003	4.50	3.80	—	—
2004	4.85	4.10	3.00	—
2005	5.05	4.25	3.00	—
2006	5.35	4.45	3.30	—
2007	5.52	4.60	3.40	—
2008	5.73	4.77	3.53	—
2009	5.80	4.83	3.57	—
2010	5.93	4.92	3.64	2.50
2011	6.08	4.98	3.68	2.60
2012	6.19	4.98	3.68	2.65
2013	6.31	5.03	3.72	2.68
2014	6.50	5.13	3.79	2.73

¹ The Adult and Development Rates have existed from the start of the NMW. Pre-2010, the Adult category applied to workers aged 22+, but in 2010 this changed to 21+. At the same time, the Development age changed from 18–21 to 18–20.

² The ≤17-year olds' rate [was announced](#) and implemented in 2004. It is often referred to as the 16–17-year-old rate, but technically a 15-year-old could be working if s/he is above school age, and s/he too would be eligible.

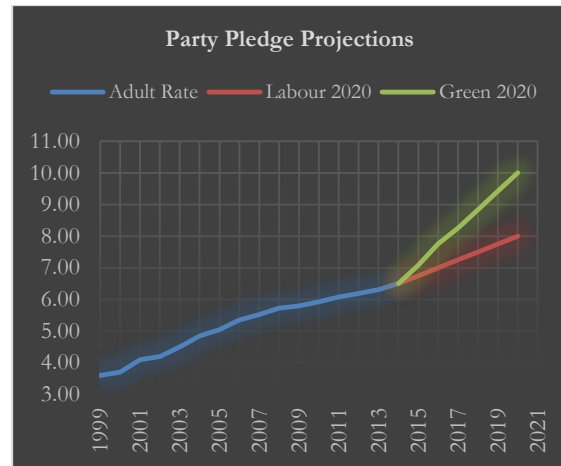


Recent Pledges for Future Increases

In September 2014, the Green Party said that its aim is to make the minimum wage [£10 per hour by 2020](#). This pledge would require quite a sharp increase, as can be seen to the right.

At the party’s 2014 Conference in Manchester, Labour leader Ed Miliband said that his party would raise the minimum wage to £8 per hour if it won power in 2015. Labour’s plan does not seem to alter the trajectory too much.

However, both pledges raise questions about the role of the Low Pay Commission – not to mention what would happen *after* 2020.



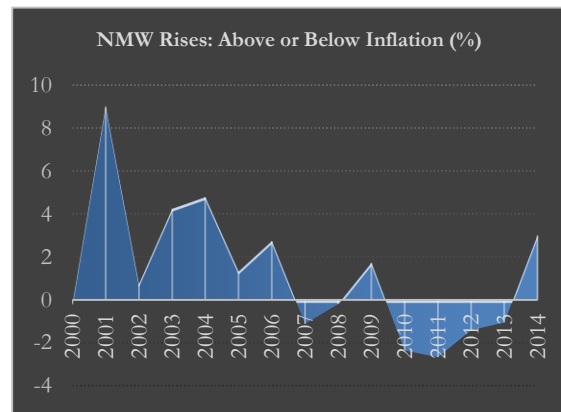
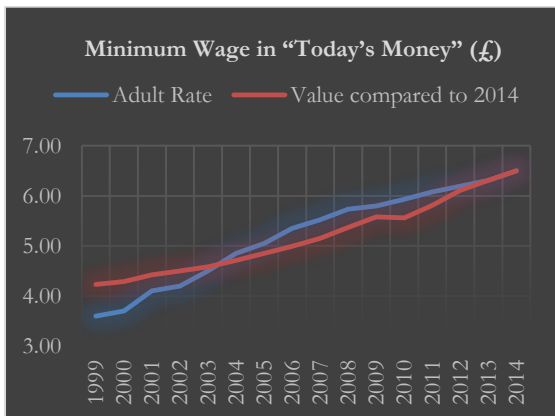
Inflation

There has been a steady rise in all categories of minimum wage in the UK, but without inflation being factored in, the figures only tell half the story.

As we can see from the graph below, the *value* of the minimum wage (adult rate) has grown at a gentler rate than it might at first appear if we compare it with “today’s money”. The graph serves only to put into context the rates of minimum wage if they were being brought into force today.

The minimum wage in 1999 was £3.60, which would be worth £4.23 in 2014. Since 2014’s rate was used as the basis for this graph, the two lines necessarily meet.

We can see that minimum wages have increased more slowly than inflation – although that has been the case for many employees, not just those on the minimum wage. Since 2007, only two rises have been greater than inflation.



(Statistics source: thisismoney.co.uk)

Exemptions and Offsets

Minimum Wage legislation is far from black and white, and there exist a series of exemptions and activities that can be offset against the National Minimum Wage.

Exemptions

Although the minimum wage applies to most employees, there is a large list of exemptions:

- self-employed people;
- volunteers;
- voluntary workers;
- people on work experience;
- some apprentices;
- apprenticeships (education, learning and skills section);
- company directors;
- government employment programmes
- European Community Leonardo da Vinci, Youth in Action, Erasmus and Comenius programmes;
- people living in employers' households if they are part of the family or living as a family;
- people working for friends or neighbours in an informal arrangement;
- members of the armed forces;
- share fishermen;
- prisoners; and
- people living in religious or other communities.

(Source: nidirect.gov.uk)

Self-employment is an interesting case, as some less scrupulous employers try to bend the law by employing people as self-employed when they are de facto employees. Since self-employment is exempt from the NMW, this could clearly present a tempting way of cutting down wage expenditure. Even before the National Minimum Wage came in, this was seen as an attractive way of avoiding the burden of holiday pay, sick pay and maternity pay.

A problem is that the boundaries between employment and self-employment are not entirely

clear because a genuinely self-employed person might be working on a long-term, regular contract that resembles full-time employment. HMRC has a useful guide to employment status at hmrc.gov.uk/employment-status.

Offsets – Payments in Kind

Some employers mistakenly believe that they can pay their employees below the minimum wage if they make up the value with other non-monetary rewards. To be clear, there is only one permissible reward that can reduce an employee's income to sub-minimum wage levels – accommodation.

If the employee has his or her accommodation paid for by the employer, he or she can legally be paid less than the minimum wage as long as some important conditions are met.

First, there are limits to the amount the employer can charge without it being payable by the employee. It is called the offset rate and is currently set at £4.91 a day or £34.37 a week. If the employer charges up to or exactly these rates, there is no charge for the employee, who will be paid the full minimum wage. However if the employer's charge exceeds these amounts, the excess can be deducted from the employee's pay (or the employee can pay the employer rent). Rent, services and laundry costs are all chargeable.

The official page on accommodation offsets can be found at gov.uk/national-minimum-wage-accommodation, where there's also a full explanation and examples of implementation. It can be quite complex, so it's worth reading carefully.

Other benefits, such as food, uniforms, childcare payments, medical insurance or transport cannot count towards minimum wage pay.

Enforcement

HMRC might need to check that employers have been paying the National Minimum Wage, particularly if there is a dispute. The official advice is therefore to make sure you keep records of payment for at least three years, but preferably six (five in Scotland). Should an employer be found to have paid less than the applicable

minimum wage, it will be forced to pay the employee arrears for the time he or she was underpaid. The employee will have to pay back *at the current rate*, too. It will *not* be allowed to back-pay the employee at the rates that would have prevailed during the period of underpayment.

The Living Wage

A term that is growing in use is the “living wage”. It is a recommended level of hourly income endorsed by the pressure group the [Living Wage Foundation](#).

While the *minimum* wage is supposed to represent an income that will allow a worker to eat, pay the bills and be housed, the *living* wage takes into account other elements of living such as modest recreation, childcare, extra education and perhaps even putting some money away in the form of savings or a pension.



The table below shows how the living wage compares with the minimum wage (after 1 October 2014). The LWF proposes two rates – one for inside London (where the cost of living is higher) and one for the rest of the country.

2014 Full Minimum Wage	National Living Wage	London Living Wage
£6.50	£7.65	£8.80

The “living wage” is 17.6% higher than the NMW outside London and 35.4% higher in the capital.

It makes a significant difference over a 40-hour week:

40-hour week on National Minimum Wage	40-hour week on national living wage	40-hour week on London living wage
£260/week	£306/week	£352/week

Many companies have signed up to pledge their support for the living wage. The Foundation’s website has a [long list](#) of companies that pay their staff at least LW rates. The concept also enjoys support from across politics – Boris Johnson and Ken Livingstone have both actively supported it.

Paying the living wage is not compulsory. Although the Living Wage Foundation would like its recommended rates to be adopted by the Low Pay Commission and implemented as the NMW by government, this has not yet happened.

The Low Pay Commission and businesses might argue that multinational companies or small companies with higher margins (like those that have publicly signed up to the LW) are better placed to pay the higher rates recommended by the LWF, whereas smaller employers such as cafes, local retailers and family-run builders could struggle.

Peninsula's Minimum Wage Survey

In September 2014, in anticipation of the rate rise on 1 October, Peninsula Business Services conducted a survey of ten of its key advisers on their experiences of the minimum wage since it was

About Peninsula Business Services

[Peninsula Business Services](#) ensures SMEs get the same legal and HR assistance as do larger companies who have in-house departments. Businesses use Peninsula's advisers as if they were their own – but without the expense of employing them.

The company was founded in 1983 and is headquartered in Manchester. It employs over a

thousand staff in the UK, Ireland and Australia, and looks after more than 28,000 businesses.

Since advisers address thousands of queries from businesses every week, they are well placed to spot trends and issues that crop up regularly. And as they advise businesses on the best routes to take with disputes, they also have an insight into how businesses respond to problems.

The Questions

1. Do employers agree or disagree with the existence of a national minimum wage?
2. Are the annual rises given enough publicity or are employers often taken by surprise by them?
3. Have any of your clients ever been taken to tribunal for failing to pay the National Minimum Wage? If so, is it a rare, moderately rare or quite a common problem?
4. Have any clients ever struggled to meet a minimum wage increase?
5. Have any clients ever had to lay off staff because of an increase in the minimum wage?
6. Have any clients ever outsourced their work overseas to avoid paying the minimum wage?
7. Do any employers have a policy of always paying above the minimum wage (e.g. the "living wage") for their age group or status?
8. Have you ever dealt with employers attempting to find loopholes in minimum wage legislation (e.g. treating employees as self-employed)?

The Responses

1. Do employers agree or disagree with the existence of a national minimum wage?

Ahmed	Agree
Beatrice	Generally agree
Carl	Agree
Dominika	Agree
Eric	Agree
Freda	Agree
Gerald	Agree
Hatty	Agree
Ian	Agree
Juanetta	Probably agree

Based on the sample of Peninsula advisers, there is overwhelming support for a national minimum wage among the business community.

Since the policy has been in force for 15 years in the UK, many business owners, particularly SMEs, will know nothing else, and will have grown their businesses in a post-minimum wage economy.

However, the responses seem to illustrate no appetite for removing the minimum wage, although some would no doubt disagree with specific rate rises.

2. Are the annual rises given enough publicity or are employers often taken by surprise by them?

Ahmed	Given enough publicity that they will increase yearly
Beatrice	They are aware
Carl	Generally well publicised
Dominika	Given enough publicity
Eric	Generally aware of increases
Freda	Yes
Gerald	Some have been surprised by the 2014 change
Hatty	Need more publicity
Ian	No, I don't think there is enough publicity
Juanetta	I think enough

Seven of the ten surveyed thought that there was enough publicity about rises in the minimum wage. Even if there is not widespread coverage on the mainstream media, there is coverage in business journals, and accountants and human resources will usually make it their business to advise on increases. In addition, the rises always come on 1 October, which gives a degree of predictability.

Three, however, said that they have experienced some clients that have been taken by surprise by a change. This can only be remedied by more publicity, or better-targeted publicity. More research is needed into the types of business that remain uninformed of rises.

3. Have any of your clients ever been taken to tribunal for failing to pay the National Minimum Wage? If so, is it a rare or a common problem?

Ahmed	Rare. Some clients have had staff query national minimum wage when working on call and sleep-in shifts for care work or sometimes when they receive a bonus.
Beatrice	None of mine personally although there may be some claims coming up in relation to sleep-ins that could be argued should be paid in their entirety due to recent case law.
Carl	No cases taken to tribunal
Dominika	Not aware of anyone
Eric	No (one went to ACAS Early Conciliation)
Freda	Not yet
Gerald	Rare
Hatty	No
Ian	No
Juanetta	Not that I am aware of

Of the ten respondents, seven had had no experience of minimum wage disputes being elevated to tribunal level. This would tally with questions 1 and 2, which showed negligible employer resistance and a generally good level of awareness of the rates.

One respondent did have experience of such cases, but pointed out that they were rare.

An arrangement that was raised by two respondents seemed to be a cause for concern. Sleep-ins (where the employee spends time asleep while in the place of work – butlers, care home staff or on-call employees, for example) can cause confusion as contracts sometimes do not make it clear whether the employee should be paid while they sleep.

4. Have any clients ever struggled to meet a minimum wage increase?

Ahmed	No
Beatrice	No
Carl	No
Dominika	No
Eric	No
Freda	No
Gerald	No
Hatty	No
Ian	No
Juanetta	No

This question was met with a unanimous “no”. The National Minimum Wage does not seem to be causing financial hardship to the clients dealt with by Peninsula’s advisers.

This *could* mean that companies are outsourcing work overseas rather than employing people in Britain on the minimum wage (Question 6 gives this idea a small amount of support), but that is not the only possible conclusion, and more research would be needed to suggest it is the case.

5. Have any clients ever had to lay off staff because of an increase in the minimum wage?

Ahmed	No
Beatrice	No
Carl	No
Dominika	No
Eric	No
Freda	No
Gerald	No
Hatty	No
Ian	No
Juanetta	No

Given the responses to Question 4, showing no problems meeting the minimum wage commitment, it comes as little surprise that the more extreme measure of laying off staff has not been an issue.

It is worth remembering that one of the key claims of the opponents of the minimum wage was (and to some extent remains) that enforced minimum wages would force employers to lay off people and try to get better value for money out of smaller workforces. Although there *are* documented cases of this happening, it is not a common problem.

6. Have any clients ever outsourced their work overseas to avoid paying the minimum wage?

Ahmed	No
Beatrice	No personal clients but I am aware that larger organisations have been doing this for years
Carl	No, but my former employer did this with its 200-head contact centre.
Dominika	No, not aware of this
Eric	No
Freda	No
Gerald	No
Hatty	No
Ian	No
Juanetta	No

Employers being forced to use cheaper labour from overseas was an important plank in the anti-minimum wage argument, and to a degree the argument still exists. However, seven of the ten respondents were not aware of this happening to their clients.

It should be pointed out that Peninsula is a provider of human resources and legal services mainly to small and medium enterprises. These are the types of businesses where owners and management tend to have close working relationships with their staff members, who often live nearby. Outsourcing some of their tasks abroad may well be undesirable or impossible.

Also, many of the tasks that pay the minimum wage require a physical presence (e.g. cleaning, security, hairdressing & beauty, care or retail) and outsourcing overseas is simply not a viable option.

Two of Peninsula's advisers have had experience of larger employers outsourcing work abroad to avoid paying British wages (whether enforced or not).

7. Do any employers have a policy of always paying above the minimum wage (such as the living wage) for employers' age group or status?

Ahmed	No
Beatrice	No
Carl	No
Dominika	No
Eric	No
Freda	No
Gerald	Some pay above NMW
Hatty	Unsure
Ian	No
Juanetta	Not that I am aware of

While there is little or no hostility to the minimum wage per se, there does not appear to be a policy-level commitment to paying a higher wage to employees who would typically earn the NMW.

Again, there could be a contrast here between SMEs and larger employers, many of whom have committed to paying the “living wage” as defined by the Living Wage Foundation (see page 7).

If there is a threat to employers from the living wage it is that it might become a de facto minimum wage, and companies that stick to the minimum could suffer from negative PR if they are “exposed”. The idea of a living wage has recently been getting much more air time than was the case a year or two ago. Its emotive name suggests that the official minimum wage is too low to maintain reasonable living standards.

One respondent said that he was aware of some of his clients paying above minimum; two did not know of any.

8. Have you ever dealt with employers attempting to find loopholes in Minimum Wage legislation (e.g. treating employees as self-employed)?

Ahmed	No
Beatrice	Yes; sometimes they say they are self-employed when they have employment rights
Carl	Occasionally but this is rare
Dominika	No
Eric	No
Freda	No
Gerald	No
Hatty	No
Ian	No
Juanetta	Yes

Concern that minimum wage legislation is not entirely watertight are given some basis by three respondents who had experienced employers attempting to treat employed people as self-employed to try to avoid paying the minimum wage and/or giving other employment rights.

While this may indeed be an issue, it is not necessarily a shortcoming of minimum wage legislation. Employers attempting such schemes would, after all, be breaking the law and this should act as a deterrent.

One respondent pointed out in the “other points” section (Question 9) that she had experienced employers using payments in cash to get out of paying the minimum wage and meeting other employers’ obligations.

9. Please share any observations you have made on the application of the minimum wage that might be of interest.

Ahmed	I find that some companies use the minimum wage as a guidance for the maximum wage they are willing to pay and will not pay staff any more than the minimum wage.
Beatrice	Although there was a massive outcry when the NMW was implemented, employers have accepted this and understand there is no alternative. However, some companies still use payment in cash as a way of getting out of liabilities in respect of employment law.
Carl	I have seen an increase in the number of NMW paid employees facing financial hardship, with a basic monthly expenditure that exceeds their 'take home' pay. This may be a result of inflation and the annual increase in NMW not being maintained in line with each other.
Dominika	—
Eric	Employers in the care industry have raised concerns about case law suggesting they may need to pay NMW for sleep-ins.
Freda	I haven't come across anything yet with regard to clients.
Gerald	—
Hatty	—
Ian	I haven't come across any issues relating to Minimum Wage.
Juanetta	—

Comments

Several interesting points raised by the respondents point to a few areas where disquiet could have the potential to elevate into more serious issues if the hands on the minimum wage tiller are not guided by informed minds.

There will always be employers and employees at the peripherals of the low income scale that could slip into difficult financial territory due to the vagaries of their specific incomes, outgoings and

external factors such as energy prices and inflation.

From a professional standpoint this could lead to potential situations where employers might be tempted to bend the law to maintain financial health and staff harmony. It is up to policymakers and the law to ensure that sufficient help and, if necessary, action is brought to bear.

The Future of the Minimum Wage

If there is an overwhelming opinion about the implementation of the minimum wage, it is that the initial fears have not come to fruition and that business in general is coping well with the implementation.

As for the primary target of the legislation – the low-paid workforce – they at least have the protection of a guaranteed income for their labour. Combined with the Coalition government’s raising of the tax threshold to £10,000 in 2014, those workers should be better off than their equivalents would have been before 1999. With tax credits taken into account, it’s possible that workers, especially parents of young children, could be lifted out of tax altogether.

Now that a minimum wage is becoming part of everyday life, it is likely that the world will move towards a situation where minimum wages will be enforced in more jurisdictions. This could have far-reaching effects on migration and competition, especially among unskilled and low-skilled workers.

It also seems likely that the Low Pay Commission (LPC) will continue to maintain annual rises, but whether these rises are above or below inflation will depend, as ever, on the economic picture and the decision of the panel.

Upward Pressure on the NMW

A key factor in the minimum wage story could be the campaign for a “living wage”. The campaign, which produces a figure towards which they hope the government will aim, seems to get a good deal of media attention and is supported by politicians from all sides. The Low Pay Commission’s recommended national minimum wage is (at least currently) some distance behind the living wage – £6.50 compared to £7.65.

The relationship between the LPC, the government and the Living Wage Foundation (LWF) is a curious one. Government can overrule the recommendations of the LPC (and *has* exercised

its power, for example in 2013 when it increased the apprentice rate by 3p when the LPC had recommended a rate freeze). Also, plenty of individual politicians have expressed support for the living wage. Yet there are no signs of the political parties moving towards making the living wage part of their manifestos (except for the Green Party, whose planned £10 minimum wage makes the LWF’s figures look modest).

Perhaps the answer lies in the size of any increases. The £1.15/hour jump from minimum wage to “living wage” would be a huge one, incomparable to a 3p rise. And while there might be pressure from one side to increase wages, there is equal pressure from the other (notably trade associations) to keep a lid on them.

Should any government start to regularly overrule the LPC’s recommendations, the body would cease to have any relevance and the founding principles of the NMW would be damaged.

A more realistic source of a large jump in NMW rate could be from within government. While the Greens’ chances of winning a general election are negligible, we saw in 2010 how a minority party can have a significant influence on a coalition. It might be unwise to dismiss the Greens’ plans for a significant rise in the NMW just yet.

Business as Usual?

The UK is one of many developed nations to have adopted a legally enforceable minimum wage, and in the current political and business climate a kind of equilibrium seems to have been reached.

As long as those choosing the rates and enforcing them are taking advice from the appropriate groups on both sides and acting responsibly, the minimum wage should continue to be of benefit to the most vulnerable among us – and therefore to society as a whole.

