

Table A4

Low Pay Commission Research Projects

Contractor	Aims and Objectives	Methodology	Results
L. Ellison (National Group on Homeworking (NGH))	To investigate the impact of the National Minimum Wage on homeworkers, with particular emphasis on their awareness of their rights and willingness to take enforcement action.	Research conducted with homeworkers known to the NGH or who contacted their Helpline. Initial questionnaire completed over the phone or in interviews; 30 follow-up in-depth interviews.	Generally, awareness of rights was good; but only a quarter of the industrial homeworkers involved in the research had hourly rates of pay equal to or above the minimum wage. Of those paid below the minimum wage who had not made a formal complaint, half had not done so for fear of losing work. Most of the 14 homeworkers who complained formally were satisfied or very satisfied with the actions of individual compliance officers. But all of those who had pursued a claim for non-payment were dissatisfied with the process.
E. Phimister, I. Theodossiou and A. Gilbert (University of Aberdeen)	To analyse the potential impact of the National Minimum Wage on wages and household incomes in rural areas.	Analysis of data from the BHPS for the years 1991-98. Two distinct rural groups were considered in addition to individuals living in non-rural areas.	Low pay was more common in the remote rural group than elsewhere. Overall remote rural wages were significantly less than non-rural rates even after adjustments were made for differences in characteristics such as education and industrial structure. Upward wage mobility from low pay was lower and downward wage mobility higher in the remote rural group. The potential impact of the minimum wage on earnings inequality is relatively small but is greatest in remote rural areas. The potential impact of the minimum wage on poverty could be expected to be greatest in remote rural areas, as a greater proportion of remote rural workers affected by the minimum wage were resident in low-income households.

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J. Schneider (University of Durham)	To explore the impact of the National Minimum Wage on employers' attitudes to the employment of disabled people.	Questionnaires sent to 100 employers with experience of employing disabled people and 100 Disability Employment Advisors; 55 employers and 47 DEAs responded. Delphi method used to draw conclusions and analyse differences between the two groups.	There was general agreement that the minimum wage has benefited disabled people by making low-paid jobs better paid. About two-thirds of respondents thought the minimum wage had not reduced opportunities for disabled people to gain paid work. There were concerns about the adequacy of Access to Work funding, the costs of continuing to employ people with progressive conditions, and the interaction of the minimum wage with the Supported Employment Programme and with the benefits system.
M. Stewart (University of Warwick)	To estimate individual-level employment effects of the minimum wage.	Uses three different household surveys – the LFS, NES and BHPS – to construct a model to estimate the impact of the introduction of the minimum wage on the probability of subsequent employment.	The research presents estimates of the effects of the introduction of the minimum wage on the employment prospects of those affected. A feature of the methodology is that the group directly affected by the minimum wage is compared with a similar group from just above the minimum, which is used as a counterfactual. The overall evidence suggests that there were zero, or, if anything, small positive effects for adult men and young people. The conclusion for adult women was less clear-cut, but even for this group the effect was close to zero.

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M. Stewart (University of Warwick) and J. Swaffield (University of York)	To use new information on the BHPS to evaluate the impact of the National Minimum Wage.	Uses wave 9 (Autumn 1999) of the BHPS. This included new questions specifically about the impact of the National Minimum Wage on earnings, compliance, employment and job prospects.	The research covered a range of labour market effects of the minimum wage. On earnings, it found a pronounced spike in the earnings distribution at the level of the minimum wage, and limited impact on differentials. The vast majority of workers were paid above the minimum wage, those paid below were more likely to be women, young people, the unskilled and part-timers. Most workers affected saw no change in hours or employment. There was some evidence of a positive incentive effect of the minimum wage, with one-fifth of the unemployed reporting a widening of jobs they were prepared to take.
H. Sutherland (University of Cambridge)	To explore the impact on poverty and on the incentive to work of the National Minimum Wage, in the context of changing policy on taxes and benefits.	Analysis based on the Microsimulation Unit's tax-benefit model, POLIMOD, based on 1994/95 and 1995/96 FES, updated to 2000/01 levels of incomes, taxes and benefit rates.	The combination of tax-benefit changes and the minimum wage is calculated to reduce the overall poverty rate from 18.6% to 14.4%. The impact of the minimum wage in reducing poverty rates is small. The main contribution of the minimum wage is in underpinning the strategy of benefits and in-work tax credits to supplement the family incomes of the low paid. The minimum wage makes a positive contribution to in-work income, particularly to families where WFTC and other in-work benefits are not payable. However there are also cases where work does not pay, particularly among the partners of the unemployed who are on benefit.

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Contractor	Aims and Objectives	Methodology	Results
R. Bullard (West Midlands Low Pay Unit)	To investigate non-compliance and detriment related to the minimum wage; the extent of enforcement action; reasons for not enforcing; and the effectiveness of enforcement action.	Analysis of 159 calls to the Unit's advice line between September 1999 and December 2000. A follow-up postal/telephone survey with 40 callers. Interviews with organisations involved with compliance or enforcement aspects of the minimum wage.	Minimum wage inquiries represented 10% of inquiries to the Unit, and 61% of the inquirers were women. Of inquirers who gave a pay rate, 33% earned less than £3 per hour. Out of 24 respondents to the postal survey who were not receiving the minimum wage, 17 raised the issue with their employer and 5 took no action.
J. Winters (Canterbury Christ Church University College)	To assess the impact of the National Minimum Wage in the UK thoroughbred racing industry.	A postal questionnaire (77 respondents). Interviews with directors of the British Racing School, and the Northern Racing College.	The impact of the minimum wage has been overtaken by the labour market shortage currently facing the industry. Hourly wage rates in most stables exceed the provisions of the minimum wage. There was some evidence of increased wages and increased training fees resulting from the introduction of the minimum wage, but overall the impact has been small.

Appendix 6: Minimum Wage Systems in Other Countries

An Overview

1. This appendix presents updated information on minimum wage systems in the other countries we examined in our first and second reports. Since our second report, Ireland has implemented a minimum wage and we include a case study on this new system. We also include a case study on the Netherlands, and we report progress on proposals for a minimum wage in Jersey.
2. We are grateful to the Netherlands Ministry of Social and Economic Affairs, the Irish Department of Enterprise, Trade and Employment, the Organisation for Economic Co-operation and Development (OECD) and a number of British Embassies and High Commissions, all of which assisted with our research.
3. Tables A6.1 and A6.2 compare minimum wage levels across countries and as a percentage of full-time median earnings in 2000. These tables were discussed in more detail in Volume 1 of this report, and are repeated here for completeness. The Government has accepted our recommendation that the main rate should rise to £4.10 per hour from October 2001. As we noted in Volume 1, we need to be cautious about the figures in Tables 6.1 and 6.2 because minimum wage rates are set at different dates from country to country and we cannot simply put the UK's proposed October 2001 rate into these tables which relate to 2000. Moreover, the relationship between the minimum rate and median earnings will be influenced by the stage in the uprating cycle: the relative value will be higher at the time of uprating.
4. The approach to reviewing and uprating varies from country to country, as can be seen from Table A6.3. Some, like those in France and the Netherlands, are based around a formula while others, like Ireland, seek a recommendation from the social partners. These different approaches helped inform our thinking when we formed our recommendations in Chapter 6.
5. Most countries enforce their minimum wages through a labour inspectorate (see Table A6.4). The inspectorates' powers, and the extent to which they are proactive or reactive, vary. In some countries, for example France and Spain, the inspectorates are responsible for a wide range of labour issues. The Department of Labor in the United States is proactive, with a number of enforcement initiatives, compared with the inspectorate in New Zealand which, we understand, carries out no proactive investigations.
6. Table A6.5 shows that most countries in our sample have special treatment for young workers. The exceptions are Greece, Spain and Portugal, which pay the full rate at 16 or below, and Canada, where most provinces pay the full rate at all ages. The ages at which the full rate becomes payable range from 18 in France, for example, to 23 in the Netherlands. A number of countries apply lower rates to some young workers over age 18. Some countries, for example France and the United States, limit the period to which a lower rate can apply.
7. There is wide variation in the differential between youth rates and full rates across countries, as can be seen from Table A6.6. In those countries which have lower rates for young workers, the percentage of the full rate payable at ages 16 and 17 varies from

80 per cent in New Zealand and France to less than 40 per cent in the Netherlands.

Case Studies

Ireland

8. Following the recommendations of the Irish National Minimum Wage Commission in 1998, and the submission of the Final Report of the Inter-departmental Group on Implementation of a National Minimum Wage in June 1999, Ireland introduced its minimum wage in April 2000 at a rate of IR£4.40 per hour. The social partners were consulted in the preparation of the Final Report, and further consultations took place prior to the drafting of the proposed legislation.
9. Although Ireland does not apply age-related rates beyond 18, a lower rate applies for people in the first two years in employment over 18. This is not conditional on receiving training. Apprentices are exempt for the duration of their apprenticeship. There is also a tapered rate for structured training, which can apply for a minimum of three months and a maximum of three years. The training rate varies from IR£3.30 per hour in the first third of the period to IR£3.96 per hour in the final third of the period.
10. The minimum wage rate is set by the Government following a recommendation by the social partners. If the social partners do not, or cannot, agree a recommendation, representative organisations of employers or employees can apply to the Labour Court for an examination of the rate. The Court can then make a recommendation to the Government. An application to the Court can be made only if 12 months have elapsed since the last announcement of an uprating. The Irish Government has agreed to increase the minimum wage from IR£4.40 to IR£4.70 per hour from 1 July 2001 and to IR£5.00 per hour from 1 October 2002.

The Netherlands

11. The national minimum wage was introduced in 1970 and was initially linked to average earnings, although special increases meant that it rose faster than earnings. By the 1980s the minimum wage was generally thought to be too high, which led to it being reduced by 3 per cent in 1984 and not increased until 1991. Concerns about the level led to the introduction of the current uprating system in 1992.
12. The Netherlands has a biannual uprating system through a formula linked to earnings. The uprating indicated by a formula can be overruled by the Government if the ratio of those on benefits, including pensions, compared to those in work is over 82.6 per cent – the ratio when the system was introduced. In practice this is done in consultation with the social partners, although there is no legal requirement for them to be involved. The Government is required to conduct a review of the level of the minimum wage every four years, considering changes in income and employment.
13. There is a tapered system of youth rates beginning at 30 per cent of the adult rate for 15 year olds and rising on each birthday until the full adult rate is payable at age 23. Apprentices are exempt for the duration of their apprenticeship. There is no other provision for lower rates for training.

Jersey

14. The introduction of a minimum wage policy in Jersey has been agreed by the Island's States. But legislation to introduce it awaits consideration of proposals to establish an overall strategy dealing with employment legislation on the Island. These proposals include legislation on unfair dismissal and pay statements, both of which would be necessary elements of the minimum wage system. The proposed employment legislation strategy is included in a Report and Proposition entitled *Employment Legislation* (P99 of 2000) which was debated and approved in the Island's States in

December 2000. A consultation programme is currently under way. The aim is to implement minimum wage legislation by late 2002.

Table A6.1

	In UK £s, using	
	Exchange rates ^b	PPPs ^c
Australia ^d	3.67	5.06
Luxembourg	4.15	4.88
Netherlands	3.86	4.87
Belgium	3.89	4.79
France	3.86	4.57
Canada	3.03	3.93
Ireland	3.23	3.75
United States	3.62	3.71
United Kingdom	3.70	3.70
New Zealand	2.14	3.45
Japan	4.13	2.73
Greece	1.55	2.36
Spain	1.48	2.09
Korea	1.09	1.90
Portugal	1.11	1.81

Sources: OECD, *Minimum Wage Database*; and OECD, *Main Economic Indicators 2000*

Notes:

- a. In all cases, the minimum wage refers to the basic rate for adults.
- b. As of 30 November 2000.
- c. Purchasing Power Parities for private consumption as of November 2000.
- d. Federal minimum wage.
- e. Weighted average of provincial rates.
- f. Weighted average of prefectural rates.
- g. For countries where the minimum wage is not usually expressed as an hourly rate, the rate has been converted to an hourly basis assuming a working time of 8 hours per day, 40 hours per week and 173.3 hours per month.

Table A6.2

Adult Minimum Wages as a Percentage of Full-time Median Earnings (Men and Women), 2000 ^a

	(%)
France	69.6
Portugal	64.8
Australia ^b – LFS	60.8
Belgium	59.1
Greece ^c	56.0
Australia ^b – ES	56.6
Ireland	55.5
Netherlands	52.1
New Zealand	49.9
United Kingdom^d	46.0
Canada ^e	43.8
Japan	41.1
United States ^f	38.0
Spain	35.8
Korea	34.4

Sources: Minimum wages and median earnings for full-time workers: OECD estimates and OECD Earnings Structure Database

Notes:

- a. In all cases, the minimum wage refers to the basic rate for adults. In some cases, the average earnings data for 2000 for the different groups of full-time workers and for manual workers in manufacturing are estimates based on extrapolating data for earlier years in line with other indicators of average earnings growth. All earnings data are gross of employee social security contributions.
- b. Two estimates of average earnings are available based on the Labour Force Survey (LFS) or an Enterprises Survey (ES). The minimum wage is the Federal rate.
- c. Manufacturing workers only.
- d. Based on ONS central estimate.
- e. Weighted average of provincial rates.
- f. Weighted average of prefectural rates.
- g. Federal minimum wage.

Table A6.3

Country	Method of Uprating
Australia	Independent body (Australian Industrial Relations Commission) is responsible for setting minimum 'safety net' rates for awards and the Federal Minimum Wage. Reviews are triggered by the Australian Council of Trade Unions and usually, but not necessarily, take place each year. Reviews consider economic factors and the needs of the low paid.
Belgium	Uprating is by indexation, triggered by the social security system. Indexation is supplemented by collective bargaining every two years.
Canada	Uprating is based on recommendations from provincial Labour Ministries from time to time, taking into account cost of living and views of employers and employees. The recommendations are reviewed and voted on by the provincial Parliament.
France	Uprating takes place annually, at least in line with a statutory minimum indicated by a formula. Uprating is calculated on the basis of the annual rate of price increases (excluding tobacco) in the year to May, added to half the value of the averaged increase in hourly purchasing power of manual workers in the first quarter. In the past the Government often increased the level above this statutory minimum increase.
Greece	Minimum wages are set under National General Collective Labour Agreements, which are valid for two years. Negotiations take place in January-March and the Agreement comes into force retrospectively from 1 January.
Ireland	The rate is set by the Government, following a recommendation from the social partners. If there is no agreed recommendation the Labour Court can be asked to make a recommendation to the Government. There is no set timetable for upratings.
Japan	The system operates regionally. The minimum wage is reviewed and amended each Autumn. Regional Minimum Wage Councils, comprising representatives of labour unions, employees and public agencies, make a proposal based on their consideration of cost of living, salary of workers in similar industries, and the financial capability of employers. The final decision is made by the Director of the Regional Labour Standard Agency.

Table A6.3 (continued)

Country	Method of Uprating
Netherlands	The Ministry of Social Affairs uprates twice yearly (1 January and 1 July) taking account of the increase in average wages, unless wages and/or the social security bill have risen too fast. If the ratio between the number of people claiming social benefits (including pensions) and the number of people working exceeds the level of 82.6%, the Government <i>may</i> decide not to link the wage to average contractual wage increase (as it did between 1993 and 1996). If the ratio is lower than 82.6% (as has happened since 1996), the minimum wage must be linked to wage growth. Every four years the Government is obliged to review whether the minimum wage is too high or too low.
New Zealand	The Minister of Labour conducts annual reviews in accordance with the Minimum Wage Act. The review considers the effectiveness of the minimum wage in meeting its objectives, and the impact on employment and unemployment. The Minister invites submissions from the New Zealand Council of Trade Unions and the New Zealand Employers' Federation, as well as other organisations, as part of the review.
Portugal	An Inter-Ministerial annual review considers the social and economic effects of the minimum wage. This includes the expected inflation rate and productivity levels. Following consultation with the social partners, the wage is usually uprated annually and implemented from January of each year.
Spain	The Government uprates annually in December following consultation with the social partners. The Government is obliged to take account of inflation, average national productivity, participation levels and general economic conditions.
UK	Uprating takes place periodically. The Government considers recommendations from an independent Commission, which reports following wide-ranging consultation and consideration of the effects on the economy, sectors and groups of workers.
US	Changes are voted on by Congress intermittently.

Source: British Embassies and High Commissions

Table A6.4

Enforcement of Minimum Wages	
Country	Method of Enforcement
Australia	In the Federal jurisdiction complaints are lodged with the Department of Employment, Workplace Relations and Small Business and are investigated by inspectors. Employees can also refer to a Small Claims Court. Similar processes apply in State jurisdictions.
Belgium	Labour inspectorate.
Canada	Labour inspectorate. Usually the employee contacts the Labour Board and files a claim for lost wages, then the problem is investigated. The inspectorate can perform random investigations.
France	Labour inspectorate (which is also responsible for general conditions of work, health and safety). There are approximately 500 inspectors and 2,000 assistants. They carry out random checks and investigate complaints from trade unions and individual employees.
Greece	Labour inspectorate. Employers can be sued by employees, who have to pay their own costs, or by inspectors.
Ireland	Labour inspectorate carries out inspections, both routine and in response to complaints. An employee may instead opt to bring a complaint to a Rights Commissioner for investigation.
Japan	Labour inspectorate.
Netherlands	Labour inspectorate. It is not able to take employers to court; the employee must do this.
New Zealand	Labour inspectorate can recover any wages owing or refer the case to an Employment Tribunal, which will hear claims going back six years. Employees can also go to the Employment Tribunal themselves. The majority of investigations are resolved without tribunal. No proactive investigation.
Portugal	Labour inspectorate.
Spain	Labour inspectorate (which also has the power to enforce a wide range of labour issues, including collectively bargained rates). It can fine employers, or the employee can take the case to tribunal to obtain back pay. Both reactive and proactive. There are around 600 inspectors and 800 assistants, stationed on a provincial basis.
UK	Inland Revenue has enforcement agency. Conducts both proactive, targeted enforcement and investigation of complaints. Employees also have the right to take their case to an Employment Tribunal.
US	Wages and Hour Division in Department of Labor. Both pursues complaints and investigates likely areas of non-compliance. There is a team of approximately 950 inspectors, spread over 54 offices.

Source: British Embassies and High Commissions

Table A6.5

Age Variations Under Minimum Wage Systems	
Country	Treatment by Age
Australia	Full minimum wage at 21 in most awards. Below 21 a sliding scale applies from age 16 (40–50% of the minimum wage) through age 18 (65–80%) to age 20 (85–100%). The remainder of awards provide the full minimum at 18, 19 or 20 or provide the full minimum to all ages.
Belgium	Full minimum wage applies at age 21. An additional premium is payable to workers aged 21½ who have been employed for at least 6 months and to workers aged 22 who have been employed for at least 12 months. There is a 6% deduction from the minimum wage for each year below age 21.
Canada	Full minimum wage at all ages except in Alberta, Ontario, and the North West Territories.
France	Full minimum wage at 18. Workers aged 16 receive 80%; workers aged 17 receive 90% (both for first 6 months only; then the full rate).
Greece	Full minimum wage at 15 (but variation by marital status). There are restrictions on the terms and conditions under which 15–17 year olds are allowed to work.
Ireland	Full minimum wage two years after first employment over age 18 unless undergoing structured training. All employees under age 18 are entitled to 70% of the full adult rate.
Japan	Full minimum wage at 18. Under 18s and over 65s usually receive the lower regional minimum wage rather than the sectoral rate.
Netherlands	Full minimum wage at 23. Youth rates are 30% at 15, 45.5% at 18, 72.5% at 21, and 85% at 22.
New Zealand	Full minimum wage at 18. 16–17 year olds get 80% of the main rate. Youth rate only introduced in 1994; young workers previously exempt.
Portugal	Full minimum wage at all ages. Exception is apprentices and trainees in qualified or highly qualified jobs, who can receive 80% for up to a year, or 6 months if the course is technical/professional.
Spain	Full minimum wage at 16.
UK	Full minimum at 22. 18–21 year olds receive a lower rate. 16–17 year olds are exempt.
US	Full minimum wage at all ages, except below 20 where lower rate <u>can</u> apply (approx. 80% of full minimum wage) for first 90 days in the job.

Source: British Embassies and High Commissions

Table A6.6

Country	Percentage at age 16	Percentage at age 17	Average percentage at ages 18/19
Australia ^(a)	50	60	75
Belgium	70	76	86.4
Canada	100 ^(a)	100 ^(a)	100
France ^(a)	80	90	100
Greece	100	100	100
Ireland	70	70	85
Japan ^(d)			
Netherlands	34.5	39.5	49
New Zealand	80	80	100
Portugal ^(a)	100	100	100
Spain	100	100	100
UK	Exempt	Exempt	86
US ^(e)	82.3	82.3	82.3

Source: OECD 2000 and British Embassies and High Commissions

Notes:

- a. Actual rates vary according to individual awards. This example uses the rates applicable to a key award in retail, a major employer of young people, and is broadly indicative of youth minimum wages generally.
- b. In most provinces.
- c. The reduced rates apply only to youth with tenures of less than 6 months.
- d. Varies by prefecture.
- e. Except for apprentices and trainees, as explained in Table A6.5.
- f. The reduced rates apply only to youth with tenures of less than 3 months.