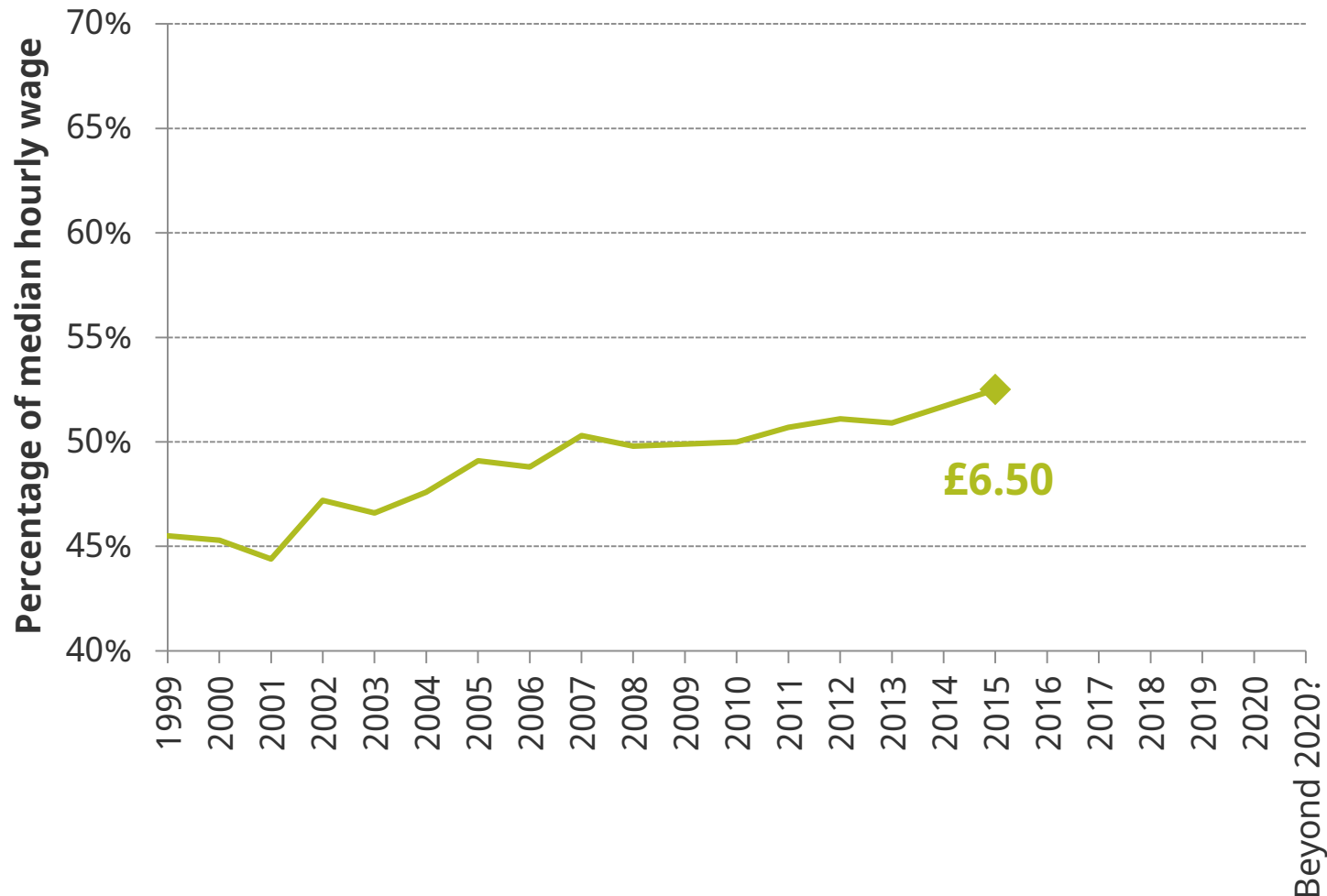


Minimum wages: further increases after 2020?

Jonathan Cribb

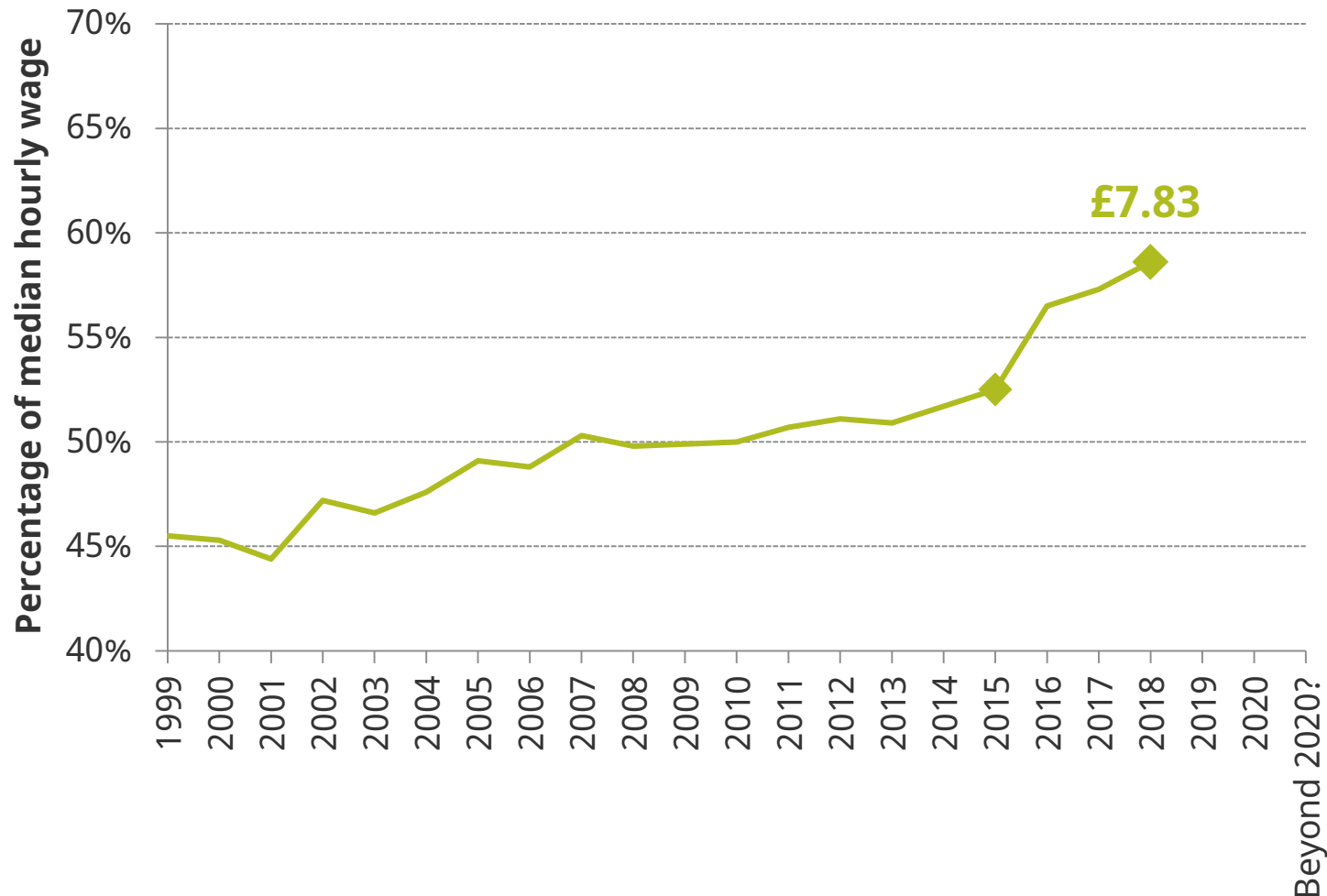
Increases in the minimum wage

Minimum wage as a proportion of median hourly wages for employees aged 25 and over



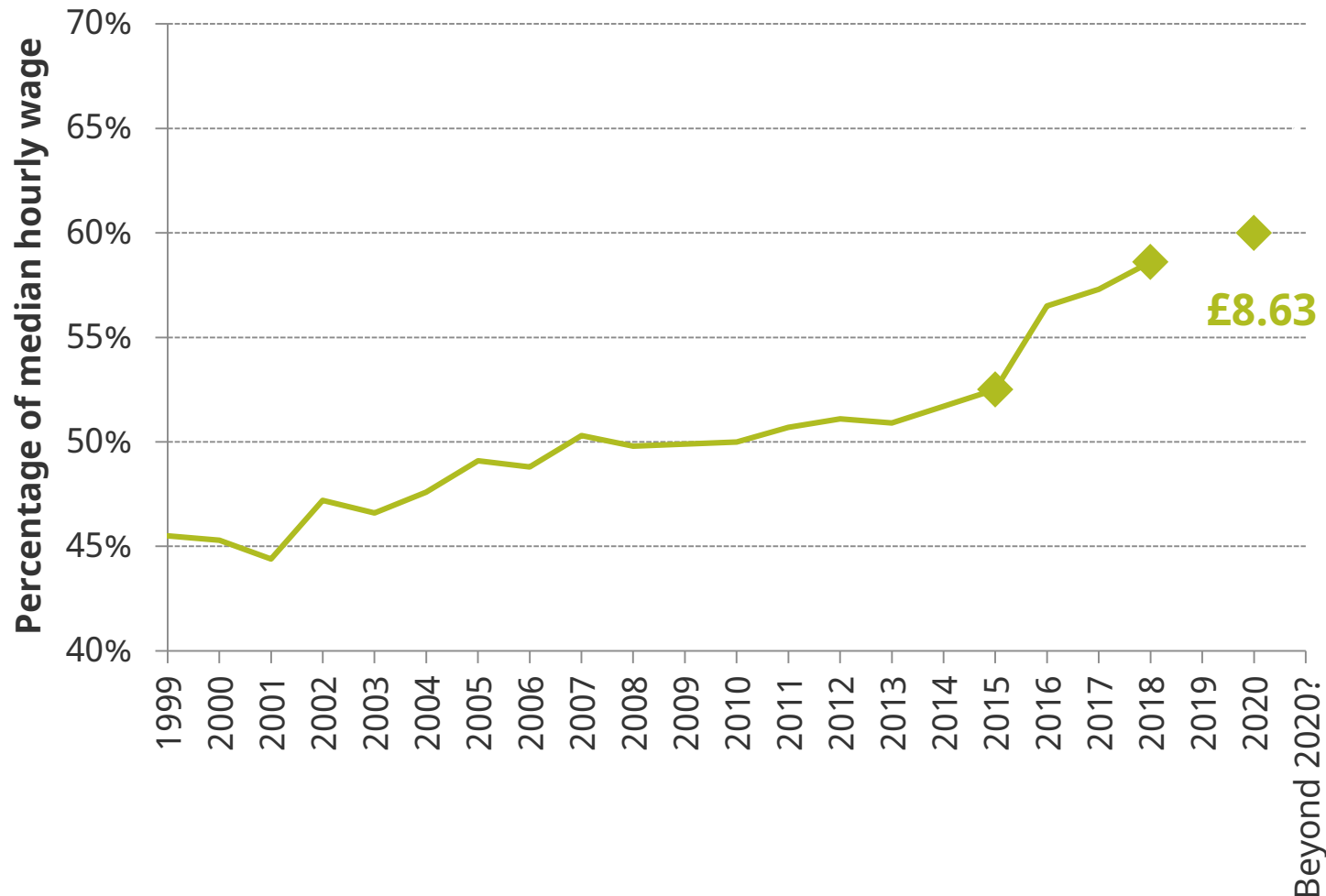
Increases in the minimum wage

Minimum wage as a proportion of median hourly wages for employees aged 25 and over



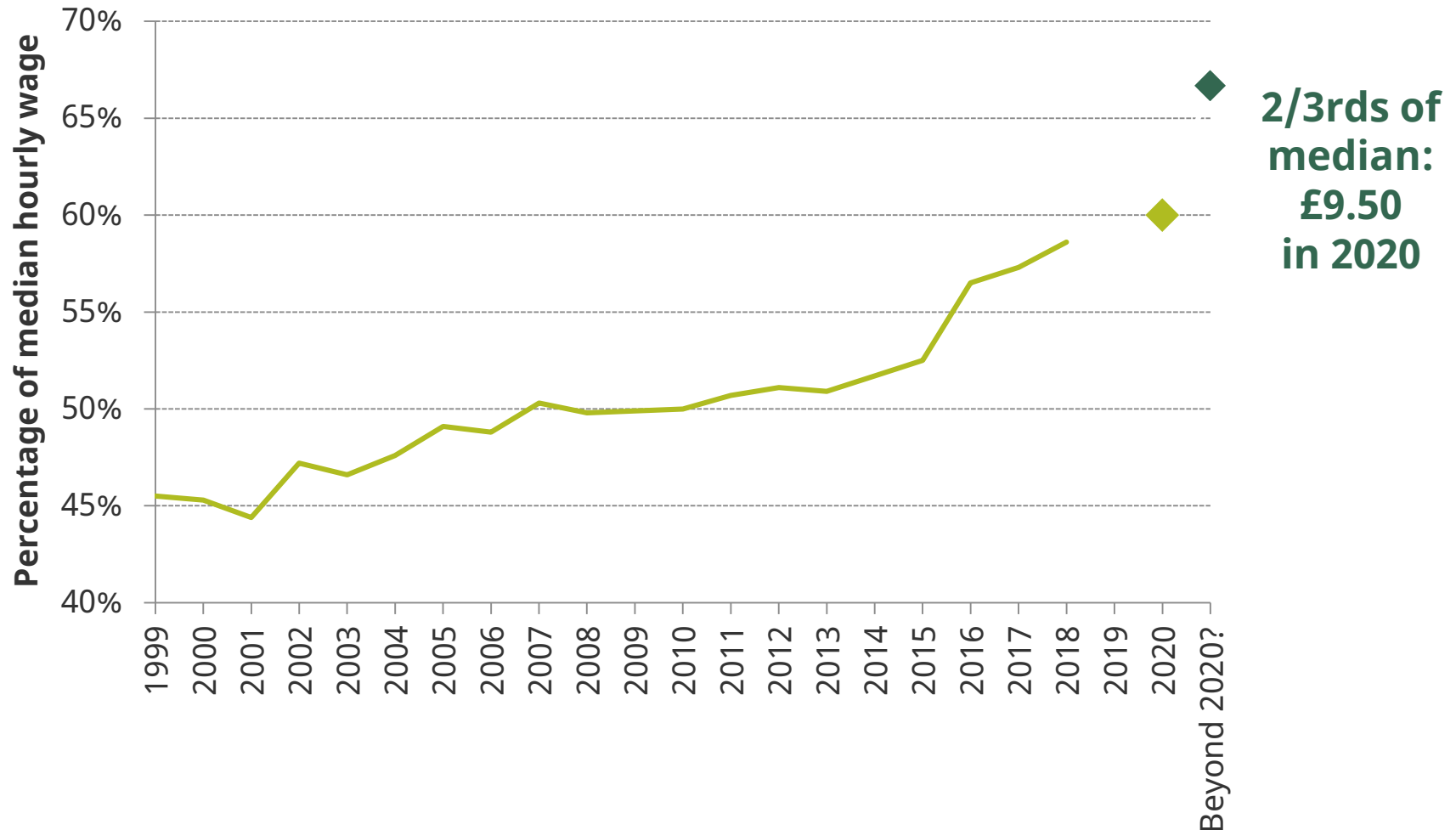
Increases in the minimum wage

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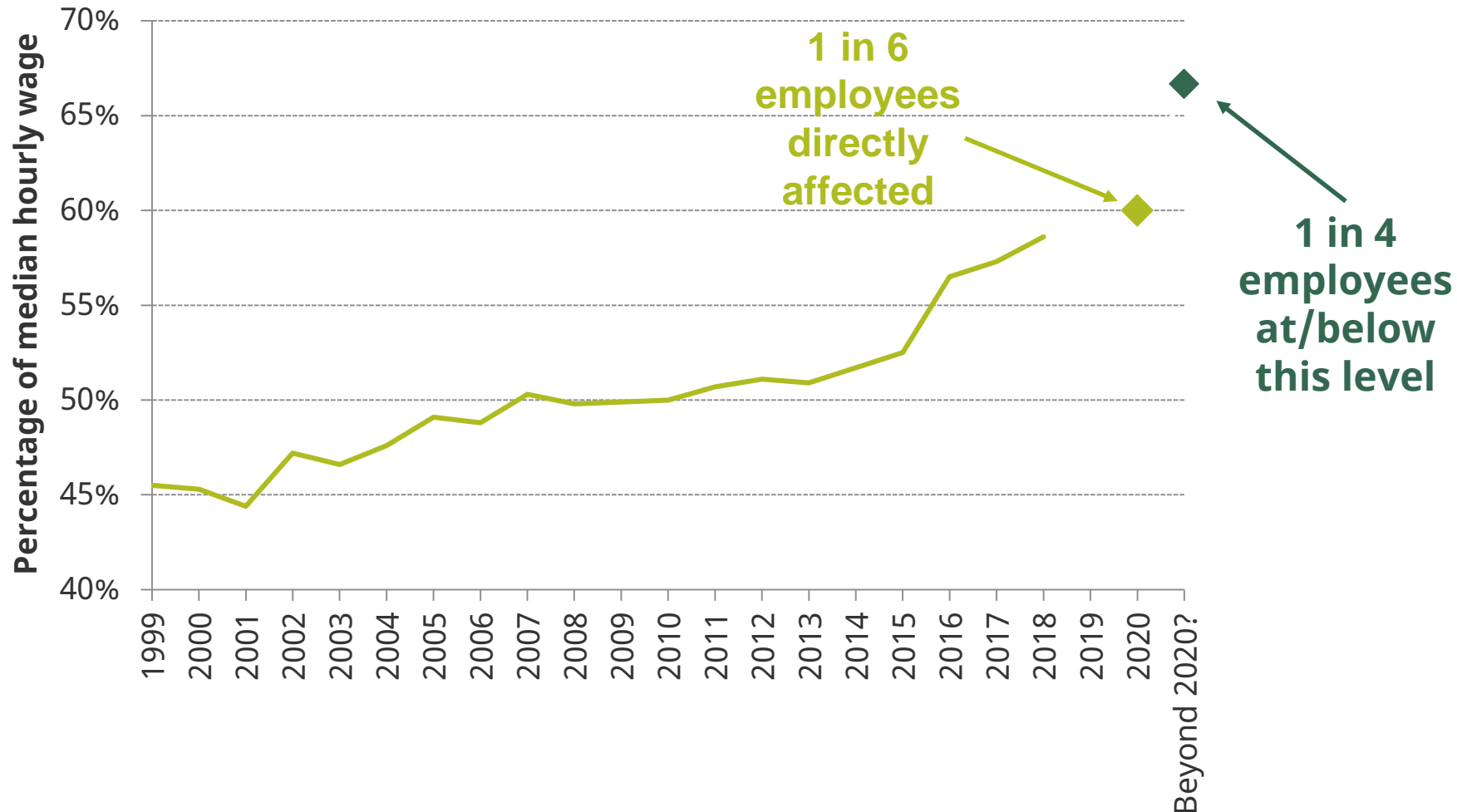
Increases in the minimum wage

Minimum wage as a proportion of median hourly wages for employees aged 25 and over



Increases in the minimum wage

Minimum wage as a proportion of median hourly wages for employees aged 25 and over



What was announced yesterday?

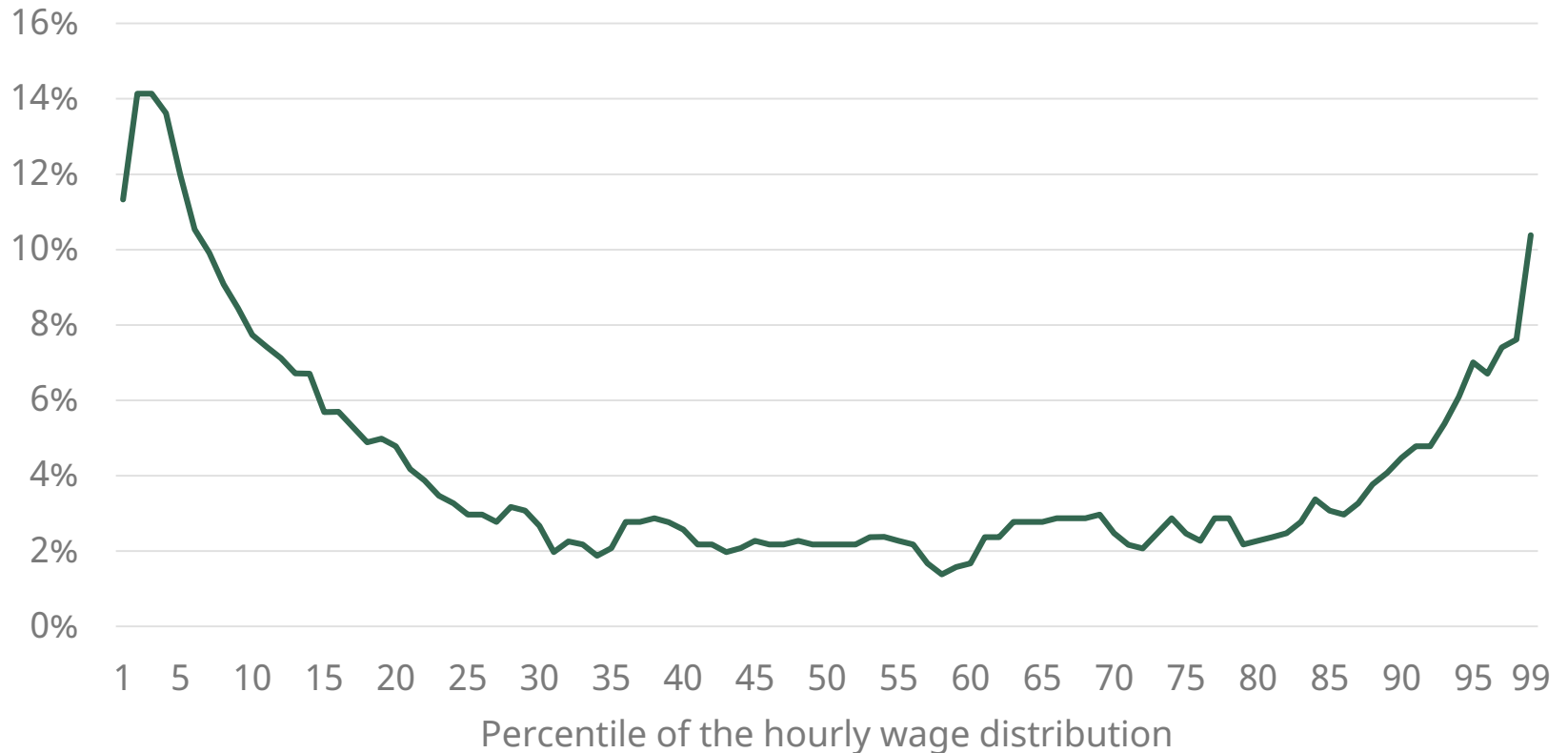
Government will announce post-2020 remit for Low Pay Commission in Budget 2019

Professor Arindrajit Dube to *“undertake a review of the international evidence on the employment and productivity effects of minimum wage rates”...*

...“to consider the implications for future minimum wage policy in the UK, bearing in mind the aspirations the government set out in Budget 2018 to end low pay in the UK.”

Minimum wage boosted wages at bottom of wage distribution

Real hourly wage growth, by percentile point, April 2015 to April 2018



Source: Authors' calculations using the Low Pay Commission Report 2018 Figure 2.2. Adjusted for inflation using the CPIH measure of inflation.

Risks of a higher minimum wage

Much of the academic research into minimum wages to date has found little or no impact on employment

- Consistent with employers having a degree of “market power”

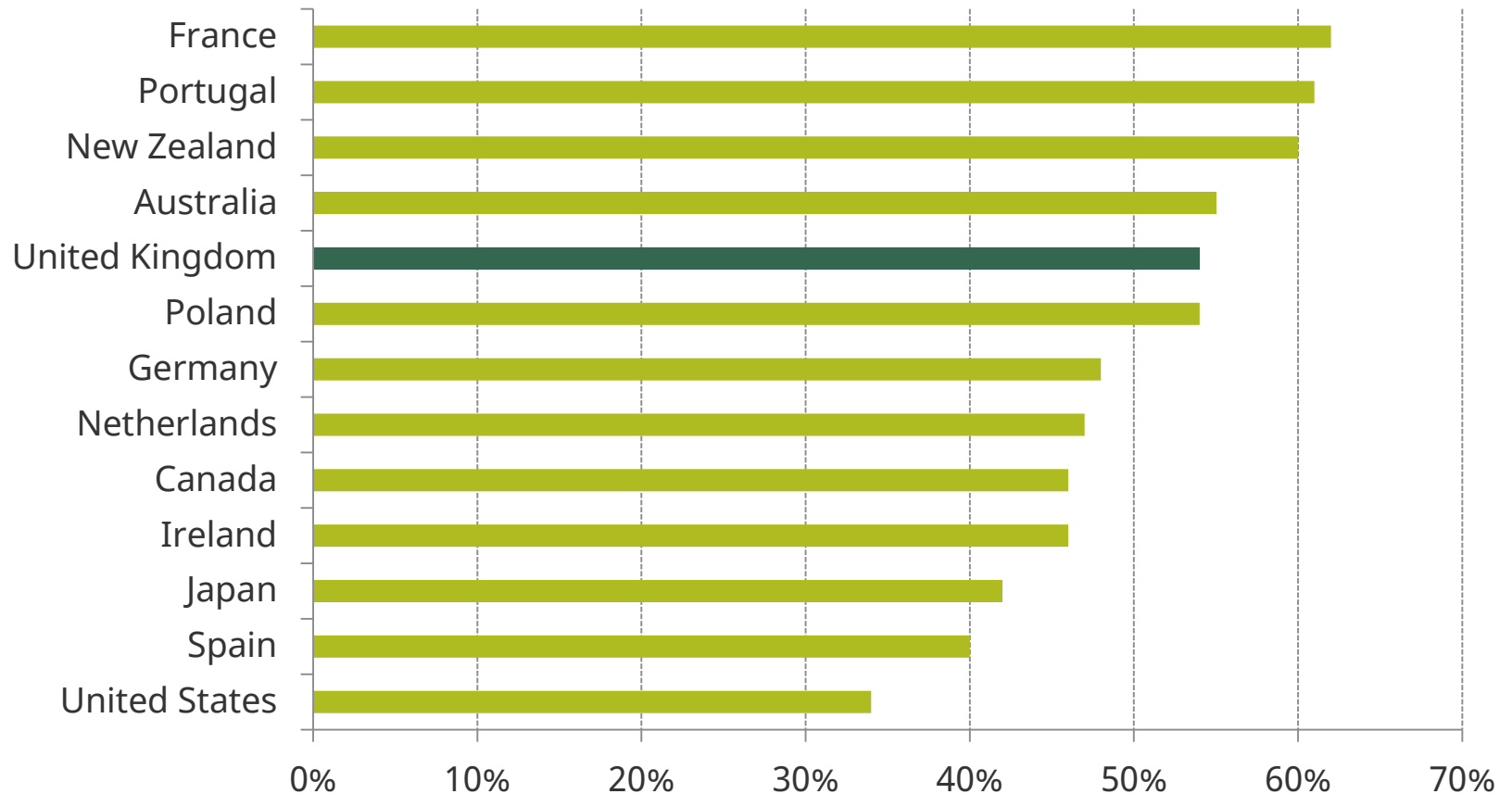
Irrespective of this, there will be a point beyond which a higher minimum wage causes significantly higher unemployment

- Nobody knows where this point actually is

Government asked for a review of the international evidence on the impact of minimum wages

International comparisons of minimum wages

Minimum wage as a proportion of full-time median hourly wage, industrialised countries, 2017

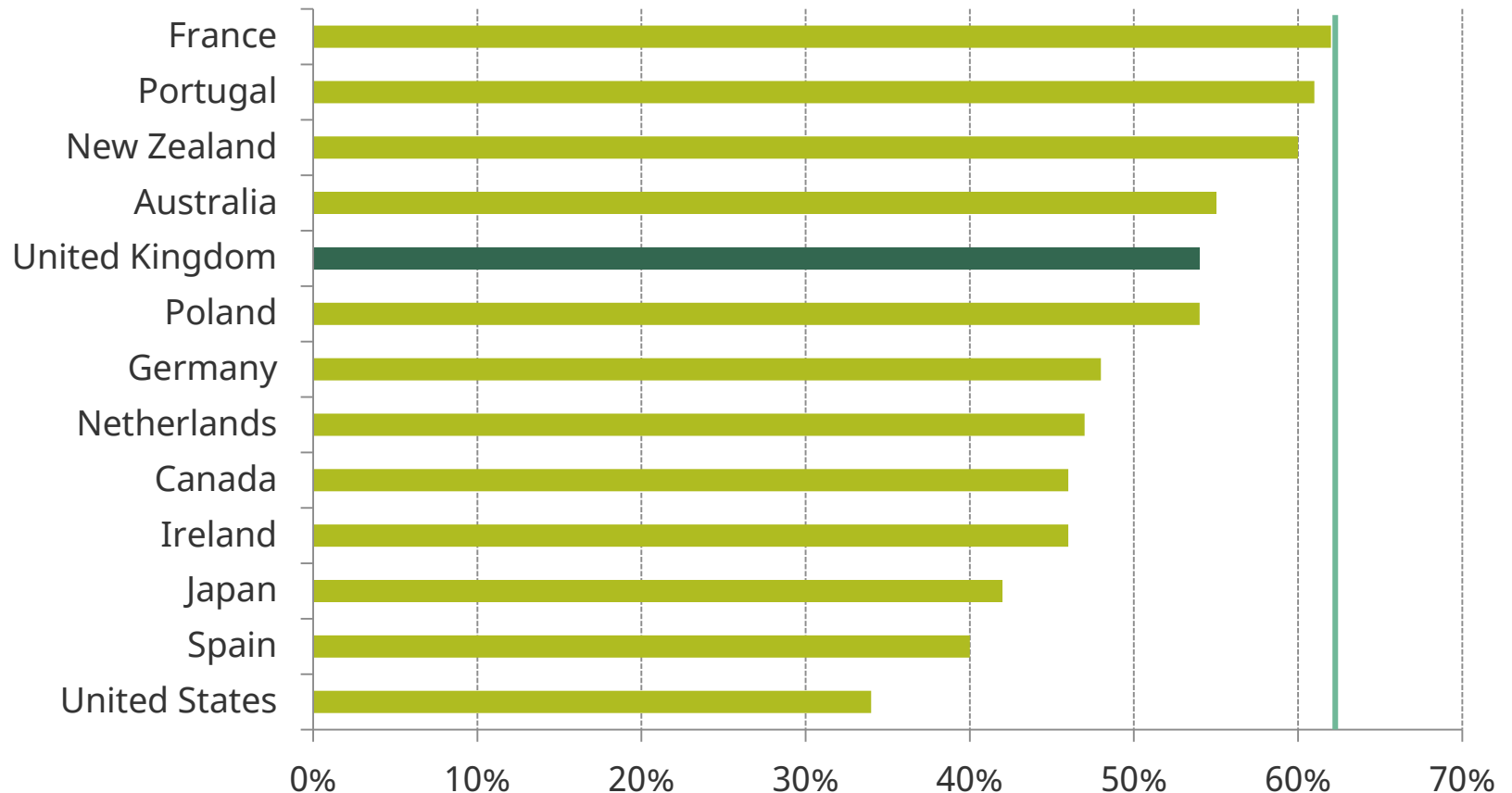


Notes: Fraction of hourly pay amongst full time employees (not all employees age 25+).

Source: IFS calculations using OECD Employment and Labour Market Statistics.

International comparisons of minimum wages

Minimum wage as a proportion of full-time median hourly wage, industrialised countries, 2017



Notes: Fraction of hourly pay amongst full time employees (not all employees age 25+). This is why the vertical lines is not at $\frac{2}{3}$ rd.

Source: IFS calculations using OECD Employment and Labour Market Statistics.

Conclusion

We do not know what the effects of a minimum wage at 2/3rds of median would be

A review of the international evidence, whilst useful, is unlikely to answer that question definitively

- This would be uncharted territory internationally

The government would need a process in place to monitor impacts as the minimum wage rises, and adjust policy where necessary