

Increasing the minimum wage by Â£1.50 an hour pays no...

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The following press release has been issued this morning by Unite, the union of which I am a member and for whom I work on occasion (including at present). It refers to work by Howard Reed, both a friend of mine and an occasional co-author of mine, and so I reproduce it in full as I think his findings are important, and I also trust them:

A major new independent report to be submitted to the Low Pay Commission today (Friday 26 September) has shown that a national increase of £1.50 per hour in the national minimum wage in 2015 would benefit 4.6 million workers by an average of £1,400 per year while at the same time adding an extra £2.1 billion to the public finances and potentially generating at least 30,000 new jobs.

The independent report, which forms the central plank of Unite's submission to the Low Pay Commission, the body charged with considering the annual increase in the national minimum wage, shows that a £1.50 an hour increase in the minimum wage is affordable now and would bring a much-needed stimulus to the economy.

Written by eminent economist Howard Reed, formally of the influential think tank the Institute for Fiscal Studies, and commissioned by the trade union Unite, among the key findings of the report are:

- * A £1.50 per hour increase would help 4.6 million low paid workers, 60 per cent (or 2.8 million) of whom are women
- * The average net gain from a £1.50 per hour would be £1,400 per year gross (£813 net)
- * The increase would help the poorest families the most, with the biggest gainers in the bottom 60 per cent of income distribution
- * A £1.50 per hour increase in the minimum wage would be a boost for employment with a potential increase of 30,000 new jobs as a direct result of the increase.

When the increase is analysed by employment sector the biggest winners are workers

in the retail sector where it is estimated over 900,000 will see a significant increase in their wage packets. The next biggest winners are those employed in the hospitality industry where three quarters of a million workers (750,000) will benefit while 190,000 cleaners will see a boost to their incomes.

The report adds weight to the growing calls for a substantial increase in pay for the poorest in the labour force. Last week, leading business figures from some of the UK's leading employers, including Kingfisher, Findus and Stobart's, all expressed concerns that the minimum wage had fallen in value, with a detrimental impact to the economy.

Commenting on the report Howard Reed director of Landman Economics said: "These findings show that a £1.50 per hour increase can only be a good thing for the economy. An increase would lift millions of low paid people out of poverty while at the same time it would increase income for the Treasury, which has seen tax receipts from employment drop, fuelling an increase in government borrowing. It would also create new jobs making it a case that is difficult to argue against."

Earlier this year, chancellor George Osborne held out hope that the minimum wage could rise to £7 per hour this year, only for the increase to come this October to fall far short of that. The hourly rate will rise from £6.31 to £6.50, substantially below what economists agree is a living wage of £7.65 per hour (£8.80 in London).

Len McCluskey general secretary of Unite added: "We have long-argued for an immediate uplift in the minimum wage of £1.50 to get people out of poverty and get some real growth into our economy, not this phoney one fuelled by a housing bubble. This report shows that this is both affordable for employers, would in fact create not cost jobs, and is a great deal for the national finances. It need not be put off any longer.

"Millions of working people have seen their income reduce by an average of £1,600 during the life of this government as they work harder but get poorer. They deserve a better deal from our country and only a lack of political will is preventing them from getting one."

Unite will be making its submission to the Low Pay Commission, the body responsible for recommending the annual level of the minimum wage, on the final day of the consultation period, Friday 26 September 2014.

- * Download an [executive summary of the report](#)
- * Download a copy of the [full report](#)
- * Read the [Guardian report of the intervention by business leaders](#)