ow can the economy survive when most wages are too low.

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The Financial Times has reported this morning that senior figures in the City are now complaining that the minimum wage is rising so close to graduate starting salaries that it threatens recruitment into accountancy, law, and finance.

They see this as a social problem. But is it? I see this as an economic reckoning and one that says more about the structure of the UK economy than about pay at the bottom of the scale.

First, let's be clear about what the article actually says. The suggestion is that the minimum wage, which is expected to rise to £12.70 an hour soon, would bring a full-time minimum annual income for a forty-hour week, which most new graduates will work, to about £26,400. That is now close to the lowest graduate salaries in many professional services firms, most especially outside London. The warning from professional firms is that this risks undermining social mobility. As the FT reported one saying:

"Why would young people take on £45,000 of student debt if they can earn the same stacking shelves? It would actually be damaging for social mobility because only the people who can afford to pay their way through university will be immediately incentivised to do so."

That, though, is crass: the future salary expectations of the two jobs are not the same, and if the person making the comment does not understand that, they should not be in their role. More relevant was the suggestion that higher minimum wages will drive automation or offshoring. This is undoubtedly already happening, although how the future supply chain of experienced personnel is to be maintained in that case would appear to be a question the professions are not asking, again suggesting the limits in their own competence.

What is not, apparently, being asked is why graduate pay has become so low. That worries me. It appears not to trouble these people that the young are facing an unaffordable world, and the whole business model of much of the economy is facing collapse as a result.

Firstly, that's because the fact that the minimum wage is closing in on graduate starting pay says nothing bad about the wage floor, but it does say a lot about the failure of supposedly high-value sectors of the economy to reward labour fairly. The UK has spent decades celebrating the supposed prowess of its financial services and professional services sectors while suppressing the pay of those who do the work that makes those institutions function. Inflation, rent, transport, and debt costs have soared, yet graduate pay has barely shifted. This is a real threat to social mobility, and apparently, no one cares.

Second, the executives quoted never ask why the minimum wage has to be this high in the first place. It is not because low-skilled labour is overpaid. It is because housing, food, energy, transport and other essentials of life have become so expensive that even £26,000 barely allows survival in many parts of Britain. A minimum wage at this level reflects a rentier economy extracting wealth from workers, not a booming labour market lifting them up.

Third, they do not ask how young professionals are supposed to live on graduate entry-level pay that is at the minimum wage level. After tax, student loan deductions, travel costs and rent on very basic accommodation, many new graduates in London already have precarious financial situations, and often live in ever-increasing debt. The pyramid model of professional firms, with thousands at the bottom and a few at the top, ensures that this inequality is built into the structure of the business model itself.

Fourth, this complaint ignores the simple fact that prestige cannot pay the bills. The big firms still attract graduates because of branding, not because of pay. But that model depends on illusion: the illusion of upward mobility and the promise of future wealth. As the minimum wage converges on their starting pay, that illusion collapses. A society that expects graduates to carry £45,000 of debt for the privilege of earning £26,000 is not producing social mobility; it is manufacturing resentment.

Fifth, this problem does not just affect graduates, of course. It exposes the deeper contradiction of a rentier economy. The landlords, financial institutions, and asset owners who benefit from high property and service costs (as many partners in professional services firms will) are the ones driving wages down in the name of competitiveness. What they do not seem to appreciate is that their own system of rent extraction is finally bumping against its limits.

Where does this end? If professional wages cannot rise because profit margins and partner earnings must be protected, then either automation replaces people or graduates abandon those careers. If the minimum wage must rise because basic living costs keep climbing, then firms that rely on cheap junior labour will face a reckoning. Either way, this is not a labour market malfunction. It is a moral and structural one.

What should happen instead?

First, the professions must confront the rentier economy that underlies this tension. They cannot claim to be victims of high wages while profiting from the asset inflation that causes them.

Second, the government must recognise that a fair wage floor is not a distortion but is an essential correction to a system that has allowed wealth extraction to outrun productivity. They cannot bow to pressure on this issue.

Third, the professions need to look inward. If a firm's business model collapses because it must pay a living wage to its most junior staff, the problem is not the wage. It is the model.

So the answer is not to push bottom pay down again. It is to rebuild the pay pyramid within society so that everyone who contributes to success, whether they be a cleaner or an accountant, and a graduate or not, can live decently from their work. If that embarrasses the City, so be it. Change is long overdue, and it is the rentiers and extractors of monopoly profits who must pay.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, **here.**

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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