

**EMBARGOED 00.01 TUESDAY 17 APRIL**

## **MINIMUM WAGE NOW LOWER THAN EIGHT YEARS AGO**

This year's planned increase in the national minimum wage will leave it lower than it was in 2004 after inflation is taken into account, according to a new report for the independent think tank the Resolution Foundation. The minimum wage will rise in cash terms from £6.08 to £6.19 this October, its third successive below inflation increase, leaving it 6 percent below its 2009 peak in real terms.

The report, *Minimum wage: Maximum Impact*, by Professor Alan Manning, Head of Economics at the London School of Economics, acknowledges that recent caution on increases is justified but finds the impact of the national minimum wage (NMW) has now stalled:

- after sharp increases in the 2000s, the value of the UK national minimum wage has now flat lined at just over 50% of median (middle) earnings;
- the UK rate sits in the middle of the pack internationally, lagging France and New Zealand where the NMW is closer to 60% of median earnings;
- around 10% of 22 year olds are paid the NMW compared to around 3% by age 30.

Citing overwhelming evidence that the national minimum wage has reduced wage inequality without damaging employment, Professor Manning considers options for future reform to ensure maximum impact without risking job losses:

- introducing a higher rate for workers aged over 25 or 30;
- introducing a higher rate for London and the South East;
- asking the Low Pay Commission to publish an estimate of the minimum wage that big companies in different sectors could afford, raising pressure to pay more than the legal minimum.

These ideas will be considered by the Resolution Foundation's Commission on Living Standards as it works towards its final report in the autumn.

James Plunkett, senior analyst at the Resolution Foundation, said '*After 13 years of detailed studies into its impact, the benefits of the national minimum*

*wage are now beyond doubt. It has boosted wages for some of the poorest paid people in the country and helped to make sure work pays, without causing job losses. The question now is what role it can play in the future to raise living standards even further.'*

Professor Alan Manning, author of the report, said *'The minimum wage is one of the most popular policies of modern times but in some sense it's been a victim of its own success. Given the scale of the challenge now facing living standards it might be time to think about more radical options for reform. For example, we could consider introducing a higher minimum wage for workers aged over 30 who are more likely to have families to support, or for London and the South East. We could also do more to show that big companies in some sectors could afford to pay more than the legal minimum.'*

### **Notes to editors**

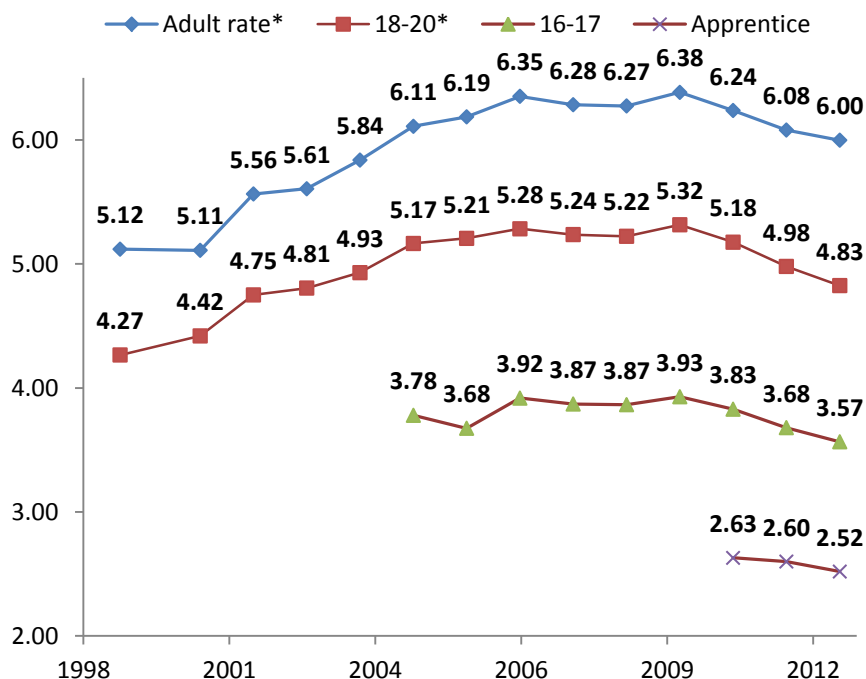
The report will be launched at an event with Professor Alan Manning, John Cruddas MP and John Philpot of CIPD, on Tuesday 17 April, 23 Savile Row, 9.30-11am. To attend email [giselle.cory@resolutionfoundation.org](mailto:giselle.cory@resolutionfoundation.org)

The adult national minimum wage is due to increase in cash terms from £6.08 an hour to £6.19 an hour from 1 October 2012

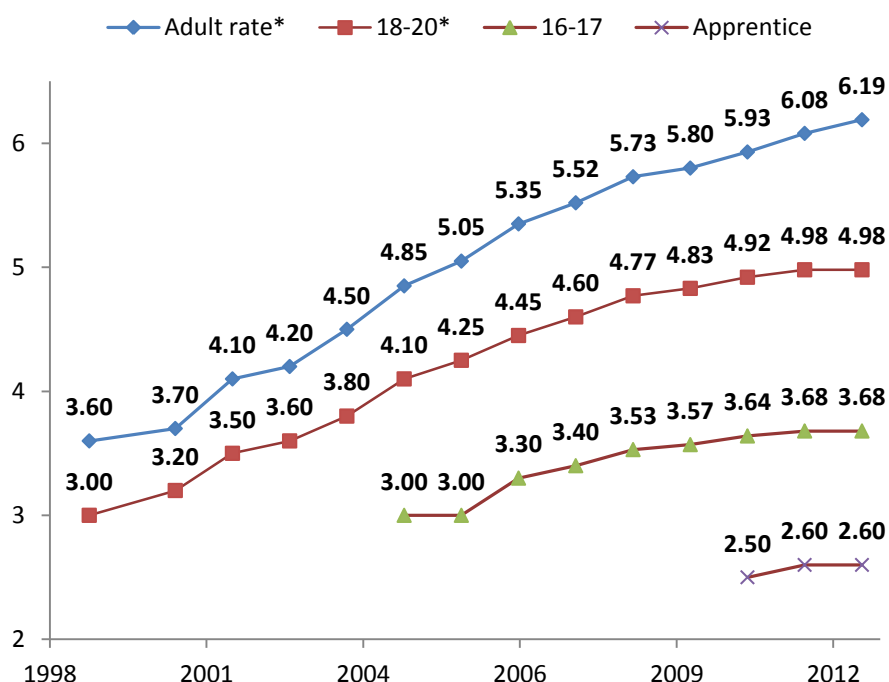
<http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=423769&NewsAreaID=2>. Adjusted for inflation (in 2011 prices) its real value from October 2012 will be £6.00 an hour, equivalent to £6.11 back in 2004 and £6.38 at its peak in 2009.

From October 1 2012 the rate in cash terms for those aged 18-20 is frozen at £4.98 and for those aged 16-17 frozen at £3.68. There have also been real terms declines in these rates since the early-mid 2000s.

**Real terms value of national minimum wage, 2011 prices, £ per hour**



### Cash value of national minimum wage, £ per hour



Professor Alan Manning is Head of the Economics Department at the London School of Economics where he has taught since 1989. He is one of the UK's leading labour market economists and has published widely on the impacts of the minimum wage, monopsony, immigration and technological change on wages and employment.

The report was commissioned by the Resolution Foundation to input to its Commission on Living Standards, examining the long term decline in living standards for those on low to middle incomes. The report is a contribution to the Commission and is not its final view. The Commission is due to publish its final report in the autumn. The Commission's website is:

[www.livingstandards.org](http://www.livingstandards.org)

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