

## Spring Statement 2019--government policy paper and guidance published for review of minimum wage

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**HM Treasury has announced that the government has published terms of reference for Prof Arindrajit Dube's review of the latest international evidence on minimum wages. Lucy Lewis, partner at Lewis Silkin LLP, Nicholas Lakeland, partner at Laytons, and Sheroy Zaq, supervisor at Duncan Lewis Public Law, comment on the announcement.**

### Terms of reference

According to the terms of reference, the review will:

- o assess the international evidence on the impacts of minimum wages, with a particular focus on innovative and ambitious minimum wage models
- o consider the role of individual labour market characteristics in determining such effects
- o consider the implications for UK minimum wage policy, in particular assessing whether the employment effects of minimum wages in the UK could be different to other countries, given differences in labour market characteristics
- o will draw on wider expertise in labour market economics, including through engagement with other academics and the Low Pay Commission (LPC)
- o consider the latest evidence on minimum wages internationally, the potential impacts on employment (volume and structure), productivity and economic growth, the ability of the labour market to absorb future minimum wages rises, and the wider macroeconomic context
- o 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
- o not attempt to consider the structure of minimum wage rates in the UK, nor the causes of low wage employment

The conclusions of the review will inform work underway in HM Treasury and the Department for Business, Energy and Industrial Strategy considering the future remit of the LPC after 2020.

In his 2019 Spring Statement, the Chancellor of the Exchequer also confirmed the LPC's remit for 2019 and announced that a new remit beyond 2020 would be set by the end of 2019.

In response to the announcement, Chair of the LPC, Bryan Sanderson, said:

'It's good news to have such a respected expert supporting our work on the post-2020 NLW path. The LPC will be engaging with the government over the coming months on [its] post-2020 remit, to help shape the remit and make sure it reflects what [the LPC] know[s] about the effects of the NLW so far.'

### Review will 'shape policy in this area for many years to come'

Lakeland believes that Prof Dube's 'review which he is undertaking in conjunction with other academics from the LPC will shape policy in this area for many years to come as it considers the future remit of the LPC and will draw on international comparative experiences of minimum wage regimes used internationally.'

'NMW rates at different levels in different industries'

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Lakeland also points out that 'we could in the future see a more sophisticated suite of rates used perhaps setting national minimum wage rates at different levels in different industries or sectors or perhaps a greater number of bands used with different age groupings to those presently in use.'

Lakeland also predicts that 'given that the government's stated aim is to end low pay, this review will also seek to analyse how any changes in will impact employment levels. We are therefore likely to see some interesting statistical models being used to project how any changes may impact the labour market and in due course see how closely they reflect what will happen in the real economy.'

### **Making good on promises**

Lewis believes that:

'today's statement makes good on a promise in the Good Work Plan [to ban employers from making deductions from tips and to set out the remit of the LPC beyond 2020] and it is interesting that the government is committed to Prof Dube looking at the international evidence of the impact of minimum wages.

'The scope of the review is wide--it includes the impact of minimum wage on employment, productivity and economic growth as well as the ability of the labour market to absorb future minimum wages rises. But it is particularly interesting that the government states that it would like Prof. Dube to have a focus on innovative and ambitious minimum wage models which suggests that broader change is within scope.'

However, Lewis also points out that:

'the remit is clear that stakeholder consultation will be required following Prof. Dube's conclusions and so (much like the Taylor Review) it is unlikely that we will see significant change happen quickly.'

### **Narrow scope of review?**

However, not everyone is satisfied with the scope of the review.

Zaq asserts that:

'the review of Prof Dube as announced by the Chancellor, will not attempt to consider the structure of minimum wage rates in the UK, nor the causes of low wage employment--those two issues are precisely what any review of the impact of minimum wages ought to consider. In order to get to grips with the impact of the minimum wage, the Chancellor simply has to engage with the socio-economic circumstances of those who are directly affected by it, along with the reasons as to why these individuals are left with no alternative other than to enter into low wage employment. Regrettably, this announcement is yet another example of how far removed this government is from the people that it purports to represent.'

Source: The **Spring Statement 2019**: Review of the international evidence on the impacts of minimum wages: terms of reference

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