National Minimum Wage: A Comparative study between the United Kingdom, Mauritius, South Africa, and India

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The concept of national minimum wage (nmw)

- Is this a western concept?
- What purpose does it serve?
- Who does it actually benefit? Is there fair regulation on the non-compliance of this?
- Is this a national law and is this being observed uniformly and consistently?
National minimum wage in the United Kingdom

- The concept of national minimum wage gained momentum after WWII.
- National legislation on minimum wage is coherent and consistent, introduced in 1999. Started off with 1.99 per hour.
- Today the NMW in the UK is 7.83 an hour for workers aged 25 and above. It aimed to increase to 8.21 from April 2019. They keep updating it every year.
- The Department for Business, Energy and Industrial Strategy (BEIS) is responsible for minimum wage compliance and enforcement policy and HM Revenue and Customs (HMRC) enforces the National Minimum Wage Act on behalf of BEIS.
Many argue if national minimum wage has reduced wage inequality in the UK (R Dickens & A Manning, 2004) The main conclusions are that the NMW does have a detectable effect on the wage distribution and that compliance with the NMW is widespread but the effect is limited because the NMW has been set at a level such that only 6–7% of workers are directly affected and the NMW has had virtually no effect on the pay of workers who are not directly affected. Furthermore, virtually all changes occurred within 2 months of the introduction in April 1999 and its effect declined over time from April 1999 to September 2001 as the minimum wage was not uprated in line with the increase in average earnings. The more substantial increase in the NMW in October 2001 partially, but not wholly, restored some of this decline in impact. Therefore this act had hiccups from the very conception, which did not go down well with academics and critics, of course!

D Metcalfe argues that NMW has little or no effect on the employment in the UK. Is this what was the purpose of introducing NMW? Although, it has raised the real and relative pay of low wage workers, narrowed the gender pay gap (highly arguable!) and now covers around 1 worker-in-10. There is little or no evidence of any employment effects. The reasons for this include: an impact on hours rather than workers; employer wage setting and labour market frictions; offsets via the tax credit system; incomplete compliance; improvements in productivity; an increase in the relative price of minimum wage-produced consumer services; and a reduction in the relative profits of firms employing low paid workers. Clearly this continued even after the passing of the act.

Compliance related issues: The main enforcement action comes via HM Revenue and Customs. HMRC must, statutorily, investigate all complaints of underpayment it receives. Further, it carries out its own risk assessments and investigates employers accordingly. This is either on its own accord or on a tip given to them by either a lay person or another government official. - problem now arises of data protection and very little can now be done in this regard as one government body has little to no authority to pass on information to another, which might help them. However, one can see the hinderances in the practicality of this.

Where is this info displayed? On the government website. This may be used a good medium to communicate and educate the masses.
National minimum wage in the United Kingdom (contd)

- Non-compliance: Non-compliance and enforcement of the National Minimum Wage is looked into by the Low Pay Commission. In April 2019, in a report from the Low Pay Commission it finds that the number of people paid less than the statutory minimum wage in the UK increased in 2018. An alarming figure. LPC Chair Bryan Sanderson said:
  - Our analysis reveals that a worrying number of people are being paid less than the minimum wage. We recently celebrated 20 years of the minimum wage - it has raised pay for millions of workers, but it is essential that people receive what they are entitled to. It is also vital for businesses to be able to operate on a level playing field and not be illegally undercut on wages.
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National minimum wage in Mauritius

- The National Minimum Wage was set at Rs 8,000 a month, effective from year ending 31st December 2017 and 8,500 as from year ending December 2018. From the preliminary observations of the National Minimum Wage Council, one can easily see that a more detailed analysis is needed to isolate the impact of the minimum wage on the economy from the customary or annual trend. The weights of the 111,300 full-time workers and 9300 part-time workers in the different sectors of the economy, impacted by the minimum wage, are not that significant to have an effect on either the wage index or the average earnings. (Economic Outlook submitted by the Mauritius Times newspaper, Feb 2019)

- “The government should come forward with solutions because the list of companies in difficulty continues to grow,” advises on his part Emmanuel Tsang Mang Kin. The ball is now in the Government’s court, and it has to assume its responsibility and react promptly and decisively. The country is watching impatiently for its next move and is least impressed by the apparent favourable impact of the minimum wage on women’s participation in the labour force. Clearly trouble brewing in the fair representation of the population. (Economic Outlook submitted by the Mauritius Times newspaper, Feb 2019)

- Non-Compliance with the National Minimum Wage Regulations The non-compliance rate, which measures the proportion of cases not complying to the NMW as a proportion of the total number of full-time workers, was estimated at 10.9% for the country and 14.4% for the private sector as at June 2018.

- Authors have associated factors such as the level of the minimum wage relative to average wages, the size of the wage increase, the sector under consideration, the timing of wage changes, the change post-law in worker productivity levels, and finally, enforcement and compliance, have an impact on NMW.

- Through 2004 - 2014, there have been discrepancies in minimum wage differential for the covered sector and not the uncovered sector. There are also compliance related issues regarding NMW and the lack of its implementation in the covered and the uncovered sector. Many authors have criticised the effect this has had on the employment figures in Mauritius.
The Min Wages Act, 1948. Provides a state-wise bracket. Also limited to those jobs listed in the schedule of this act. No specific number.

An expert committee set up by the government has recommended setting the nmw at Rupees 375 a day, higher than the existing rate of Rs 321 for agriculture or unskilled workers and Rupees 371 for semi-skilled workers.

A government-appointed expert committee has proposed doubling the national-level minimum wage for a worker in the country to Rs 9,750 a month, up from a floor of Rs 4,576 at present. This was right before the biggest election in the world. Of course!

There is little or no information on the non-compliance aspect of nmw in India.
National minimum wage in South Africa

- National minimum wage act came into effect in 2019. Supersedes all previous collective agreement. Includes the word worker not employee. This is allegedly more inclusive. Reduced working hours was a boon.

- Seemingly doing better things already.

- Purpose of this act was to advance economic development and social justice. Protecting workers.

- Non-compliance of NMW- the response was to name and shame such employers. “Shaming such employers will ensure they are recognized as people intent on defying the state. This will go on to ensure that they will not be able to do business with government,” said the department’s Chief for Statutory Services Fikiswa (Feb 2019 newspaper report).

- The effectiveness of this method can clearly be questioned. Do we not know if institutions that have been in the market, named and shamed, but it has had little or no impact on the companies itself, because they’re back in the market? Human nature, we forget.
Pros and cons of nmw

Pros

- Reducing the gap between the rich and the poor? How has this been achieved? Why is this practically impossible?
- Reduce wage differentials
- Incentives to work (so people don’t rely on the voluntary unemployment)- this is for the UK, not for any other jurisdictions, with the exception of disability, sickness, maternity, or incapacity this system doesn’t exist elsewhere.
- Morale boost?!
- Romanticising the idea of reducing monopolists from exploiting labour. For as long as fierce competition exists, people will fall victim to accepting wages lower than the national standard.

Cons

- Unemployment but elasticity (demand and supply of labour)
- Youth lose out because they don’t have the required experience. Struggle most!
- People may not be good enough to deserve the wage increase due to NMW.
- Cost to businesses. Redundancies! Relocating where wage legislation not being so strict.
- Regional difference? NMW might not match the standard of living. Eg north UK to London. Bad thing in the UK and can resonate with India.
- National minimum wage and disability is something that has not been factored in. there is little or no recognition of disability and minimum wage for people with disabilities in jurisdictions such as India, Mauritius, and South Africa
- This might hurt the government fiscal policies, where government hires eg UK
- Compliance is an ongoing issue, that needs to be dealt with. It cannot be accepted that it is a fairly young act so its compliance has been difficult.
Conclusion

Therefore, it can be concluded that if efficiently implemented NMW is necessary for a fair standard of living. While the standard of living in the UK, India, South Africa, and Mauritius cannot be compared, NMW and its implementation certainly can be compared. I argue that it is important that NMW should be uniformly and fairly be implemented nationally. There should be regulation of this implication and authorities should make sure that non-compliance is regulated. In most countries, this is left to the government and hence the rule maker and the regulatory body seem to be the same, which defies any transparency or social justice.

There should be stricter measures for nmw to be followed. Regulation should be transparent and consistent, and its compliance should be regulated by an independent authority.