



Ein cyf/Our ref: MB/FM/5001/13

David Norgrove
Chairman
Low Pay Commission
6th Floor
Victoria House
Southampton Row
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WC1B 4AD

7th November 2013

Dear David

Consultation on the National Minimum Wage (NMW)

I refer to your communication on the 18 October inviting the submission of evidence as part of your consultation on the National Minimum Wage.

I regret that we have been unable to respond within your deadline, but I know that our officials have maintained contact in connection with specific concerns over the treatment of employability programmes in Wales, and I trust that in these circumstances a late response is not a serious inconvenience.

In the main, the considerations we would wish to bring to your attention are similar to those we identified last year.

On the specific issue of employability programmes, I realise that the requirement for such programmes in Wales to not be included under NMW regulations is primarily a matter between ourselves and the lead department for these purposes, BIS. However, given the critical importance of the issue, I would like to stress our particular concern that regulations need to reflect the consideration that individuals on either Traineeships or Steps to Employment/Work Ready programmes do not qualify for the NMW.

We also note the concerns highlighted in the recent Apprenticeship Pay Survey and the Commission's 2013 report regarding non compliance associated with the apprenticeship minimum wage and its recommendation to freeze the apprenticeship wage rate this year.

More generally, I would wish to make the following points.

People and businesses right across Wales are continuing to face real challenges as a result of the difficult economic climate, and it is vital that any changes considered in relation to the national minimum wage are implemented only once a detailed understanding of the likely implications is made available, including at a regional level including for Wales.

Our "Programme for Government" places jobs right at the heart of what we do, and we would welcome measures, including changes to the national minimum wage, if they were likely to encourage employment retention and creation in Wales.

However, we are also clear in our Tackling Poverty Action Plan that whilst employment is the best route out of poverty, evidence suggests that a significant number of people in employment are also in poverty, hence the importance of a national minimum wage and related consideration of a "Living Wage", where this is affordable.

Tax and benefits changes alone are unlikely to be sufficient to eradicate poverty, and the national minimum wage, together with other policy considerations at Wales and UK levels will have a potentially important role to play in realising the Welsh Government's anti-poverty objectives.

The combined effect of changes in welfare reform and UK Government spending will potentially result in a net transfer of wealth from lower income groups to higher income groups in the coming years, and consideration of the national minimum wage should be set in this context.

Increasing the minimum wage would restore the spending power of individuals which has been eroded by price inflation being higher than wage inflation in the last few years. As well as helping to improve household incomes, this may have wider economic benefits as many economists argue that aggregate demand remains deficient. Private non-financial corporations have substantial cash holdings at the moment and corporate profitability has held up despite the economic climate, suggesting that there is some scope for increasing the minimum wage without firms passing the increase on to consumers, although obviously care is needed to avoid adverse unintended consequences in the labour market.

The relative strengths of these effects needs to be quantified rigorously and independently in order to make a balanced assessment of effects, hence the Welsh Government's position on the importance of the work of the Low Pay Commission.

Yours sincerely

A handwritten signature in black ink, appearing to read "Carwyn Jones", written in a cursive style.

CARWYN JONES

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TO: [Name]
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