



NMW Rise October 2009

FSB One Pager

The Low Pay Commission has made its recommendations to the Government that the NMW rate increases to £5.80 an hour from October 1st 2008.

The FSB asked for a freeze in NMW in October 2008 due to the difficulties in the economy. The 3.8% national minimum wage rise last year came in just as businesses were starting to feel the full impact of the slow down. Trade in many sectors is still struggling and the rise this year could force more employers to cut hours and stop further recruitment.

Wages in the private sector have fallen by 7.7% in 2009 according to the office of national statistics - the Retail price index and consumer price index have also fallen.

TUC are comparing NMW rises to city bankers this ignores the fact that many small business owners will not be able to afford a similar pay rise for themselves, or any other staff this year. Since the introduction of the National Minimum Wage in 1999 those on median incomes have not seen increases equivalent to the annual rises in National Minimum Wage.

In a survey of small businesses by Lancaster University in January it was found that 38% of businesses had reduced staffing levels in 2008, 55% had seen a decrease in trade. According to our own surveys a 5th of small Businesses are still considering the need to make staff redundant.

This small rate increase is the worst possible compromise for small businesses. It will not significantly help workers on low incomes, but will still inflict an increased cost on struggling businesses. At the same time businesses that are thriving get away with doing the absolute minimum. With unemployment set to reach 3million in 2009 it is the wrong time for government to be raising the costs of employment. More could have been achieved for the employee and business by increasing the personal tax allowance threshold.

Apprentices

The Low Pay Commission have recommended that there is a minimum wage for apprentices and will be looking at this in their next round of enquiries. We agree with this suggestion and believe that Apprentices need

Compliance and Enforcement

In a Recession it is even more vital that the government pursues those who are deliberately breaking the rules around national minimum wage to ensure there is a level playing field.

The Facts

- 1) Since 1999 NMW has gone up 61%. From £3.60 to £5.80
- 2) Average wages in the same period have gone up 46%
- 3) According to ONS private sector wages have dropped by 7.7% in 2009.
- 4) The Retail Price Index is now at -1%
- 5) The Consumer Price index has fallen 3% in 2009
- 6) For a worker on NMW 35 hours a week the rise will mean £87.90 a year increase in pay.
 - For the Employer the extra cost per employee is £143.70.
 - The remaining £55 goes in taxes.

For further information
Lynsey Brooks, Policy Advisor

Federation of Small Businesses
2 Catherine Place
London SW1E 6HF
Tel: 020 7592 8100