

UK Minimum Wage Rise Will Hurt the Poorest

By **Enza Ferreri** - Jul 20, 2015



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The UK government has just **increased** the national minimum wage, as part of the new Budget.

The idea that governments can change the way markets operate is entirely illusory.

With this rise in what has been re-branded as the “National Living Wage”, what will happen?

If a worker A’s skills don’t have enough value for an employer B to pay A the minimum wage the government forces him to pay, B will not hire A. And this outcome will be repeated with many other employers, so A – who might have been recruited before this restrictive measure was introduced – will end up unemployed.

Raising the minimum wage means that the competition for jobs will be harder, and all those job-seekers who were barely employable at the previous wages but don't possess the qualities that justify the higher cost now required for their work will simply be left out of the economy without any prospect for employment.

Another consequence of the new minimum wage will be that employers and companies of all kinds will pass on the increased expenditure for their workforce to their customers by increasing their prices.

In the end, this will make the cost of living higher, which results in the reduction of real income, including wages and salaries.

What will be clear once again is that the market cannot be forced into a straitjacket.

The right way for a worker or job seeker to get a higher salary is different. He should make himself more valuable, more worthy of being hired at a greater cost for his employer by studying hard, getting sought-after skills, refining his talents and working hard. In short, by making himself useful to his boss or company to such a point way that his use compensates for or is even greater than his cost.

This is a real, genuine, economically sound method to increment wages, one that applies and plays along the laws of economics rather than trying to fight them and go against them.

A government's diktat, instead, is an artificial method, and as such it backfires.

There are no shortcuts in the economy, no free lunch in business.

Countries with command economies learnt this lesson the hardest way, by impoverishing themselves and their peoples. But even in the so-called capitalist, or free-market economies, when governments succumb to the temptation to meddle with the marketplace, they practically introduce small elements of socialism, which unbalance the market and cause grave damage to the very people they pretend to help.