**I’m starting with the paper by Prof. Richard Croucher and Prof. Geoff White.**

**http://www.lowpay.gov.uk/lowpay/research/pdf/CroucherWhiteFinal.pdf**

**This is a review of research literature on ‘The impact of minimum wages on the youth labour market’ and covers; USA, Canada, Australia, New Zealand, UK, France, Spain, Greece, Spain, Portugal, Netherlands and Belgium.**

**In the Executive Summary (page 8) they say:**

*“The size of employment effects from the introduction of or increases in minimum wages for young people in general are extremely small and on the margins of statistical significance in the great majority of studies surveyed. The employment elasticity for 16-17 year-olds in 2003 in Hyslop and Stillman (2007), in their New Zealand study was -0.1 to -0.2, a typical result for those studies arguing that a significant effect exists. There is some evidence that negative employment effects where they exist may disappear as the worker ages. The impact of minimum wages upon the youth labour market is more likely to be negative where there is no separate subminimum (minima) for younger workers as for example in Spain. There is some evidence that the very small employment impacts can be mitigated and in some cases be positive if the subminimum rate is set at the appropriate level. The prudent approach taken by the UK LPC might be seen as helpful in mitigating the effect of youth minimum wages on employment. There is also some evidence that increases in 16-17 year old rates do have some effect on the extent of their employment as shown in several studies reviewed. Where wide support exists in society for minimum wages, employers rarely take advantage of suspensions of minimum wages for younger workers even when given the opportunity to do so as shown in the Finnish case. The method by which the minimum wage is set is relevant, with systems which set rates by collective bargaining less likely to experience negative employment effects. 9 Minimum wages for young people may also have a less negative or indeed nil impact where there are strong labour market interventions by Government to support employment for young workers.”*

**In the Introduction (bottom page 21).**

*“The OECD study included a few variables to account for institutional differences but in general the problem of comparing the impact of minimum wages across countries was seen as difficult.”*

**On the UK more specifically. And to highlight how the UK differs from other countries (page 59):**

*“Unlike some other countries where minimum wage age rates are fixed proportions of the full adult wage, in the UK the three rates are reviewed separately by the independent Low Pay Commission.”*

**On the impact on the minimum wage (page 59):**

*“The most recent research for the Low Pay Commission (LPC 2010) shows that the minimum wage has had a major impact upon the earnings of young people. High proportions of young people are paid at the youth and adult minimum rates, and earnings at the lowest decile remain at least level with the minimum wage.”*

**On the effects of the NMW on young people (page 61):**

*“The LPC makes clear, however, that the decline in employment of 16-17 year olds started in 1998, well before the advent of the NMW 16-17 wage rate. In fact, before the recession started there was some evidence that employment and unemployment rates for these young people not in FTE had stabilised and that the introduction of the NMW 16-17 age rate had had no observable negative effect.”*

**Covering research literature on the effect (page 62):**

*“The paper provides estimates for four demographic groups – male and female adults (22-59) and youths (18-21). Only for adult women was there a negative, although statistically insignificant, effect on employment. Stewart found no significant adverse effect on employment for either the introduction or the upratings for any of the groups concerned.”*

**(Page 63):**

*“The data shows a positive and statistically significant employment effect at age 22 for low-skilled workers.”*

***(Page 64):***

*“In terms of policy the research found no evidence that increases in the NMW at age 22 adversely affect employment for those aged 21. Indeed, the results show that labour supply may well increase among this group resulting in a higher employment rate.”*

**Conclusion (page 65):**

*“What evidence has emerged appears to challenge the view that young people are particularly affected, although there is some evidence that both the separation of young people from the full adult rate and indeed the level of the rates set for young workers may have led to this absence of effect. There also appears to be little evidence for a negative impact of the NMW upon young people’s participation in education.”*

**This paper is by a paper by the Centre of Economic Research at LSE on youth unemployment**

**http://cep.lse.ac.uk/pubs/download/ea012.pdf**

**On this recession compared to previous one (page 7):**

*“Figure 5 examines this more formally, breaking down the claimant count by age group in each recession.3 The growth of youth unemployment (relative to the old) in this recession looks no worse than previous recessions – if anything slightly better.*

*We conclude that the available information does not suggest that there is a special problem of youth unemployment in this recession compared with past experience. The fact that young people suffer more during downturns is quite consistent with what has happened in previous recessions in the UK and elsewhere. A bigger problem is what was happening before the recession. We now turn to this issue.”*

**The paper then goes into the reasons youth unemployment was increasing (page 7 onwards):**

*“The minimum wage*

*The National Minimum Wage was introduced in the UK in April 1999, but 16-17 year olds were exempt. In October 2004, the minimum wage was extended to cover workers aged 16-17 who are not apprentices, and this coincides with a strong increase in their unemployment rate. Research in the UK has generally found few jobs effects of the wage floor. For example, Dickens and Draca (2005) find that the 2003 increase in the minimum wage had insignificant employment effects for all demographic groups including youths. Furthermore, if minimum wages were to blame, we would expect a positive jobs impact on teenage apprentices, who were exempt from the 2004 legislation. In fact, the job rates for 16-17 year olds fell from 15% in the first quarter of 2003 to 13% in the first quarter of 2007, casting doubt on the minimum wage explanation.”*

**In the conclusion (page 12):**

*“We think that part of it was due to some softening of the overall labour market, and part of it was due to changes in the Employment Service, which targeted other ‘at risk’ groups with greater vigour. The other suspects – immigrants, the minimum wage and skill demand – do not seem to blame.”*

**This paper be David Metcalf is on Why Has the British National Minimum Wage Had Little or No Impact on Employment?**

**On the introduction of the NMW for youths (page 14):**

*“Between March 1999, just prior to the introduction of the NMW, and March 2006 total employment in these eight sectors rose from 6.3m to 6.7m and their share of total employment remained virtually unchanged at near 26%. The only really noticeable change in any employment share occurred in textiles, clothing and footwear reflecting, not the NMW, but the long term decline of this sector going back decades. At the time the NMW was introduced there was no MW for 16-17 year olds, but 18-21 year olds were covered (at a rate with a stronger bite than the adult rate). Therefore, in theory, we might expect some substitution between the two groups. In the event between spring 1999 and spring 2000 the employment share of 16-17 year olds fell, while that of 18-21 year olds increased.”*

**In the conclusion (page 51):**

*“Employment effects of the NMW have been investigated by: examining aggregate employment and shares of employment by industry and age; individuals’ employment experience; and employment changes across both geographic areas and firms (section 3). Trends in aggregate employment and sector shares were unaffected by the introduction and uprating of the NMW. Similarly there is little or no evidence of employment effects in the many studies of individuals, areas and firms. But there is a suggestion of a modest impact on hours of work (section 4). This evidence points to Alan Walters writing “obvious nonsense” rather than those who were more sanguine and circumspect concerning employment effects.”*

**And (page 53):**

*“It seems safe to conclude that the LPC, via its evidence-based approach advocated in the Fabian tract a century ago, has raised the real and relative wage of low paid workers without adverse employment consequences.”*

**The following paper by Mark Stewart is on “The impact of the introduction of the UK minimum wage on the employment probabilities of low wage workers”.**

**http://wrap.warwick.ac.uk/1560/1/WRAP\_Stewart\_twerp630.pdf**

**Page 13-14 (need to read paper for the context...):**

*“Employment probabilities are given for four demographic groups – male and female adults and youths - with the age division set at 22 to match that in the level of the minimum wage.”*

*“For all four14 demographic groups the probability of being in employment at t+1 is smaller after the introduction of the minimum wage than for periods without a minimum.”*

**(Page 15):**

*“The full model difference-in-differences estimates are insignificantly different fromzero for all four demographic groups. For three of the groups the effect is positive.For young men the effect, negative in raw probability terms, turns positive when thecontrol variables are introduced. Only for adult women is there a negative (although insignificant) effect.”*

**Page (16-17):**

*“For both male and female youth groups the samples for the below-minimum group and/or the comparison group post-introduction are empty or too small once observations with missing values for control variables are excluded. The with-controls difference-in-differences estimates are therefore given only for the two18adult groups. They are positive but insignificantly different from zero for both these groups. For women the difference-in-differences estimate switches from negative to positive when the control variables are added, in contrast to the results for the LFS data, although the estimates are insignificantly different from zero in both cases. In summary, there is no evidence of negative employment effects in the BHPS data on the basis of the basic specification.”*

**In the conclusion (page 28, 29):**

*“Using data from the LFS the estimated impact of the introduction of the minimum wage on the probability of remaining in employment is insignificantly different from zero for all four demographic groups (male and female adults and youths). This finding is robust to an extensive range of modifications considered. The estimated effect is also positive (although insignificant) for both male groups and for young women.”*

*“To sum up, the evidence for the UK presented in this paper indicates that the effect of the introduction of the minimum wage on the probability of employment is insignificantly different from zero for all four demographic groups and in all three datasets used.”*

**In Blanchflower and Bell’s paper on “What should be done about rising unemployment in the UK?” they cover a section on “The nature of the youth labour market problem in the UK”.**

**http://www.dartmouth.edu/~blnchflr/papers/speech379paper.pdf**

**(Page 26-27):**

*“Part of the explanation for the rise in youth unemployment in the UK has been the recent rise in the size of the youth cohort. In the latest labour market release by the ONS, unemployment in the Aug-Oct quarter of 2008 increased by 137,000 compared with the previous quarter; of this 55,000 were 18-24 year olds (40%). In the same release, claimant unemployment increased by 75,700 on the month of which 22,100 (29%) were 18-24 year olds. This has arisen in part because of the increase in the size of the youth cohort.”*

**(Page 34-35):**

*“A further possibility is that the introduction of the National Minimum Wage, which was introduced in 1997, might have reduced employment of the young. There is little or no evidence to sustain that claim either. There is a little evidence to suggest that the influx of workers, who were generally working in less skilled jobs, from the ten Accession countries did have some negative impact in the period since 2004 on the employment of the least skilled young people. But these effects are usually insignificant or when significant, quite small.”*

**These are UK specific policy proposals (note that in the next paper they are not UK specific, or even explicit proposals) (Page 52 onwards). You will notice that your suggestion is not there.**

*“Proposal 1. The government should undertake a substantial fiscal stimulus focused on jobs, as soon as possible.*

*Proposal 2. Provide large cuts in income taxes and National Insurance Contributions aimed at the low paid and the young. For the unemployed, mortgage interest payments could also be paid by the government in the form of a loan, with the proviso that it would have to be paid back eventually.*

*Proposal 3. Increase the education leaving age to eighteen starting in June 1st 2009 or as soon thereafter as is feasible.*

*Proposal 4. Provide further encouragement for those in the age range 18-24 to undertake further/higher education by increasing the number of places available*

*Proposal 6. Expand the numbers of teacher training places as soon as possible with an emphasis on training in further education*

*Proposal 7. Do direct job creation through increased investment in the infrastructure with particular emphasis on ‘shovel ready’ projects that could start quickly*

*Proposal 8. Allow public sector and non-profit organizations to fill available vacancies by providing increased funding for two years*

*Proposal 9. Temporary, limited and targeted expansion of ALMPs*

*Proposal 10. Provide incentives to encourage the use of short-time working and job sharing as alternatives to redundancy and unemployment. These might take the form of time limited tax incentives.”*

**In the OECD paper you claim supports your idea is also by Blanchflower and Bell**

**http://www.politiquessociales.net/IMG/pdf/dp4455.pdf**

**There are 18 ideas for what OECD countries could do to solve employment (Page 22 onwards).**

*“e) Lowering the minimum wage for the young. Where the minimum wage is high there is an argument to have it lowered. The issue is whether there is evidence that it is a binding constraint. One possibility would be to temporarily remove it for anyone under age 25, for two years.”*

**You will have noted from previous papers that the youth wage is low, as is the minimum wage in general so probably isn’t applicable to the UK. The sentence ‘***whether there is evidence that it is a binding constraint***’ is in reference to what these papers say which is that there is an issue whether there is evidence this would have any effect on youth unemployment. I will note again that when the same authors were specifically giving policy suggestions for the UK this was left out.**

**I suggest if you have an issue with these quotes you take some time to read the articles.**