

Minimum Wages: Process and Rationale in Three Neo-Liberal Settings

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Minimum wages remain a feature of advanced economies. Even in countries with neo-liberal policy settings, the minimum wage remains. Why, in a neo-liberal context, are minimum wages retained? To consider these issues we examine Australia, the UK and the USA. We also examine the processes associated with minimum wage adjustment including coverage, enforcement, frequency, determination criteria and timing. On these issues we demonstrate some major differences across the minimum wage systems.

Introduction

The efficacy of the minimum wage as a support for low paid workers continues to be debated. A minimum wage is on the agenda for an enlarged EU (ILO, 2008). Internationally, bodies such as the World Bank, IMF and the OECD have advocated reducing protective regulatory provisions across developed and developing countries alike. Here the Anglo-Saxon economies, particularly the United States and the United Kingdom; but also increasingly Australia and New Zealand, with their flexible labour markets and high degree of wage dispersion, are particularly argued by the OECD and the IMF to be the role models that highly regulated economies should strive to imitate. However, wages policy in Australia, the UK and the US has centred on the implementation of (and increases in) the minimum wage; albeit at different rates and through different processes. The puzzle is why is there widespread support for minimum wages within a neo-liberal policy context. In the sections that follow we briefly review why minimum wages have been retained in the UK, the US and Australia. We evaluate the factors that have influenced minimum wage adjustment in all three countries. Following this, we consider how minimum wage adjustment is conducted across each country and how (if at all) adjustment decisions are enforced. We then revisit the role of institutions in supporting the wage determination process. We argue that minimum wages are actually necessary to support a neo-liberal policy context; that minimum wages have different functions within each of the selected economies; and that the diversity of the review and adjustment processes across the three countries reveals that there are minimum wages and there are minimum wages.

Minimum Wage History in Australia, the UK and the US

Australia has had a long history of centralised minimum wage determination. Authority for minimum wage determination was located with industrial tribunals at federal and state government levels (Plowman 1995). Commencing with the 1907 Harvester judgment the Federal conciliation and arbitration court assumed the role of wage determination; which enshrined the fundamental principle of a living wage – based on a notional minimum standard of living for a given family structure headed by a male breadwinner. The significance of the Harvester decision is that it pushed wage determination to the centre of the Federal system of industrial relations; and tied the function of arbitration to wage determination. For over one hundred years an array of wage determination principles were applied by the Australian Industrial Relations Commission (AIRC); from considering family needs and minimum living standards, through to the capacity of industry to pay wage increases (Hancock 1975).

In 2006 the national government restructured industrial laws and the industrial relations system through its WorkChoices legislation, yet the national minimum wage was retained and national wage setting authority was relocated from the AIRC to the Australian Fair Pay Commission (AFPC). What has changed is the composition of the wage setting authority (from those with a legal background to those with a business and economics background), the

process (from open hearings to invited submissions), and the criteria for wage setting (a shift in emphasis to a primary consideration of the effects of wage increases on unemployment). The key functions of the AFPC are to review the Federal Minimum Wage (FMW) from time to time and minimum award wages (Australian Pay Classification Scales) and loadings for temporary workers in lieu of being excluded from many non-wage benefits. While the AIRC was required to adjust award wages 'having regard to the needs of the low paid', the AFPC parameters depart from AIRC principles in that there is no requirement that the AFPC consider 'fairness'.

Despite extensive legislative changes to industrial relations under the WorkChoices legislation of 2006, third party determination of national minimum wages is retained though a different body and with a different process for wage adjustment. While the WorkChoices legislation represented a neo-liberal policy agenda with respect to many of the industrial relations changes (Fenwick 2006), it still retained the national minimum living wage or safety net wage. This is significant in the context of this discussion, since the national minimum wage and the setting of the minimum wage was extensively criticised by employer groups in their support for the new industrial relations legislation (Waring et al, 2008).

The result of a federal election in late November 2007 has seen a new Labor government come into power. In its new employment relations blueprint the Labor Party would abolish the AFPC and also the Employment Advocate, the Office of Workplace Services and the AIRC (The Age 2007). All four agencies would be replaced by a new body, Fair Work Australia. The minimum wage setting function would be subsumed into the new organisation, Fair Work Australia.

The UK traditionally has had a decentralised, voluntarist approach to wage determination. A primacy for collective bargaining was complemented by a system of Wages Councils to determine the wages of the low-paid in those industries where unions were unorganised, or absent. Originally known as Trades Boards, Wages Councils were first established in 1909; and were comprehensively expanded to cover the services sector in 1945 (Rubery and Edwards 2003: 453-5). By 1985, the wages of some 11% of the workforce were determined through Wages Councils. The voluntarist approach to wage determination was reflected in the attitudes of trade unions, which were ambivalent at best to the concept of statutory determination of wages and conditions (*ibid.*). Metcalf (2002), for example, noted that a generous platform of minimum entitlements could compromise the appeal of union membership through lessening the reliance on collective bargaining.

However, the long period of Conservative rule (1979-97) resulted in a gradual dismantling of traditional wage-setting institutions. Wages Councils were finally abolished in 1993; on the pretexts that they generated unemployment by maintaining wages above market-clearing levels, that most minimum wage workers did not come from poor households and that (in contrast to 1909 with the original Act) there was a social security system in place to support low-income earners (Dickens et al., 1993).

Under Council of Europe decency thresholds, the Low Pay Unit calculated that the low-paid increased from approximately 7.8m in 1979 to approximately 10.4m in 1996 (Thornley and Coffey 1999: 526). Moreover, the number of people on income support measures rose from 3 million in 1978 to 5.8 million in 1995 (*ibid.* 527); representing a significant drain on government resources that could be attributable in part to the abolition of Wages Councils. Concerns were also expressed over manifest failure of the low-wage, low-skill UK economy to generate productivity dividends during the 1980s and 1990s, including from seemingly unlikely quarters such as the CBI. Thus, the dramatic increase in earnings dispersion, the 'increasingly plausible observation that low pay had failed to produce economic "success"'

and prolonged lobbying from unions and other low-pay pressure groups provided the ‘crucial context’ for the Labour Party’s espousal of a national minimum wage (*ibid.*, 528).

The election of the Labour government in 1997 ushered in a period of increased legislation pertaining to the employment relationship and the macro-economy (Dickens and Hall 2006). A key aspect of the legislative program was the introduction of the national minimum wage (NMW) in April 1999 through the *National Minimum Wages Act 1998* (*ibid.*). Considerations of ‘fairness’ and ‘equity’ formed an important argument in the Blair government’s espousal of a LPC and the establishment of a NMW in the UK can be seen in part as compensating for the decline of collective bargaining and the erosion of the real value of welfare benefits, indexed to prices rather than wages since 1983 (Dickens and Manning 2004: 614). As such, the NMW is ‘part of a wider Government strategy to *make work pay* and to improve the financial incentive for people to go out to work’ (LPC 2005: 189, emphasis added). It has been particularly prescient for workers who lack bargaining power, with females comprising over three quarters of those benefiting by the initial imposition, and employees in the wholesale/retail and hospitality sectors comprising over half (LPC 2003; cited in Metcalf 2002: 568).

The history of *the United States’* minimum wage makes quite a tale – in fact, the first Congressional Act establishing a minimum wage (of \$0.25 USD) was ruled unconstitutional by the U.S. Supreme Court (Hughes 1935)! This was only one of several Supreme Court rejections in the 1920s and 1930s, tabling any legislation that interfered with an employer’s freedom to contract with employees over wages. However, although the Supreme Court rejected a national minimum wage in 1935, a large minority of states already had minimum wage laws of their own. The development of state-level minimum wage campaigns can be traced back to the growing public concern about the prevalence of sweatshops (and maltreatment of women and child workers) in the early 20th century. The first state to enact a minimum wage law was Massachusetts in 1912, but by 1920, thirteen states had enacted minimum wage programs (Brandeis 1935). The Great Depression created even more impetus for states to protect workers and by 1938 twenty-five states had some form of minimum wage law (Quigley 1996). It is worth noting, however, that most of these state-level minimum wage laws provided coverage only for women and children, not for men. This was due to the Progressive Era conceptualization of the minimum wage as a support for health and family; men were thought to have freedom of choice for labour contracts, and thus were not considered particularly needy of protection (Brand 1982). As such, the introduction of the minimum wage in the US did not imply widespread acceptance of the minimum wage as a living wage. It was assumed that most workers (e.g., men) could fend for themselves and support their families without such regulations.

The ‘golden age’ of free contracting, as called by Seltzer (1995), was overturned by the New Deal. New Deal legislation helped the country move past the Great Depression, supporting recovery and fostering reform in the economy. Part of this revolved around labour law: in 1938 Congress passed the Fair Labor Standards Act; setting minimum wages, maximum hours in a work-week and strict regulations on child labour. Although the Fair Labor Standards Act (hereafter referred to as the FLSA) provided coverage for both men and women, it is worth noting that many categories of workers were exempt from the minimum wage requirement. In fact, in 1940 only 39% of male adult workers and 57% of female adult workers were covered under the 1938 Act (Brand 1983; Steinberg 1982). However, this constituted a significant increase to the coverage of most state-level minimum wage laws, especially for men. Amendments to the Act, particularly in 1961 and 1966, increased the coverage of the minimum wage to previously exempt groups of workers. By 1970, 90% of all employed adults and minors in the United States were covered by the FLSA (Steinberg 1982).

After the FLSA was passed in 1938, individual states continued to pass and revise their own minimum wage regulations, incorporating both men and women. Most states today have minimum wages that are either higher than or equal to the federal level, although one state (Kansas) has a lower minimum wage (the federal level applies if a state does not have a minimum wage law). If an individual is covered under both state and federal minimum wage laws, the higher wage applies. The lower minimum wage of Kansas generally applies to workers not covered under the national minimum wage (some categories of minors and farm workers). The fact that individual US states can opt to pass their own minimum wage rates has led to large differences in the minimum wage across states. The states with the highest minimum wages are generally located either on the West Coast or in New England, two regions with higher costs of living. California, for example, currently has a minimum wage of \$7.50/hr, which is due to increase to \$8.00 on the 1st Jan 2008 (US Department of Labor 2007).

Dimensions of Minimum Wage Adjustment

In this section we now consider the nature of minimum wage adjustment. The logistics of minimum wage adjustments tend to be neglected in many of the debates about the impact of minimum wages. These details are important since the debate over adjustment in some cases assumes coverage, compliance and a speed of adjustment that in the case of many countries is not present. In particular we suggest that the following issues are relevant to any assessment of the impact of minimum wage adjustments on such issues as living standards and employment.

- * The minimum wage cohort: whose wage is adjusted? Is it only workers on minimum wages or is it workers whose wages are linked to minimum wages? That is, there could be a flow on from minimum wage workers to workers receive more than the minimum wage
- * The unit of adjustment: whether minimum wages support an individual or a household. In Australia there has been an ongoing tension regarding how minimum wages impact on household living standards and whether minimum wage workers are located in low income households.
- * The period of adjustment: how long does it take from the announcement of a minimum wage adjustment to minimum wage workers actually receiving the wage adjustment? The period between the announcement and the adjustment could in some cases be fairly long, especially where there are inter-jurisdictional issues and a minimum wage adjustment has to be ratified by tribunals, courts or legislatures.
- * The process of enforcement: granting a minimum wage adjustment and enforcing the adjustment are separate processes. Often the discussion regarding minimum wage adjustment presumes that there is complete compliance. The examination of minimum wages also requires some examination of enforcement mechanisms.
- * The process of decision making: how is decision to adjust minimum wages made, who makes the decision and what authority does the decision have? Is there a formal decision making process and is there a process of consultation?
- * How often are minimum wage adjustments made? Is it an automatic process or is it a process subject to discretionary review?
- * What criteria are used to justify minimum wage adjustments?

- * Is the adjustment uniform across the economy or are there allowances for different spatial labour market conditions?

Through the examination of these issues it is possible to highlight the very different processes attached to the operation of minimum wages across the three countries. In the following discussion we look at national minimum wages but recognise the importance of state government adjustment in Australia and both state and city government adjustment in the USA.

Minimum Wage Adjustment across the Three Countries

In *Australia* the main stakeholders in the process of minimum wage adjustment are Federal and state industrial relations tribunals, the AFPC, government, employers, community groups and unions. Under the former AIRC arrangements, employer groups and unions had a direct role in presenting and testing economic and other relevant evidence before the tribunal. However, this direct participation is not present under the AFPC. Decisions by the AIRC would flow on to industries via Federal awards (previous decisions of the AIRC on wages and conditions). These decisions would then usually be followed by State tribunals to flow on to state awards. In this way there would be a cascading of the minimum wage from the Federal decision through to workers across Australia, covered by the various state jurisdictions.

However, over the past decade the importance of the award system has declined and awards have been supplanted by workplace and individual agreements (Burgess and Macdonald 2003). In the case of workplace agreements they must conform to the minimum wage rates that were pertinent to the award that underpinned the workplace agreement. As the process of wage fixing was devolved from the early 1990s, workplace agreements were required to meet a 'no disadvantage' test that included being paid the wage rate that applied to the underlying award. Since the 2006 Work Choices laws, the 'no disadvantage' test has been removed. However, under the 2006 legislation, all agreements must at least satisfy the minimum wage and four other basic leave provisions. In essence the minimum wage has become a statutory minimum that all agreements must meet, but this minimum only applies to workers within the Federal jurisdiction. The minimum wage adjustment flows through to workers in the state jurisdictions via the state industrial relations tribunals. Those workers that are located within the state jurisdiction account for around one third of the workforce.

Under the minimum wage setting arrangements set out in 2006, the process of minimum-wage adjustment is complex. There are essentially 3 institutions involved in the process:

- * the AFPC, which sets the minimum hourly adult wage rate for Federal awards;
- * the AIRC, setting the wage rates for workers under transitional awards but with reference to the wages set by the AFPC; and
- * State industrial relations tribunals, which make determinations for those workers who are employed under state awards (they are outside of Federal jurisdiction).

This three-tier process means that not all minimum wage workers will immediately receive minimum wage increases. There will be a lag before minimum wage increases flow on to workers within transitional awards under the Federal system and workers who operate under the states industrial relations system.

Minimum wage adjustments are annual. The cohort for minimum wage adjustments is minimum and low wage workers. The AFPC, and before it, the AIRC, will set out the band of wage rates for workers who will receive the adjustment. Workers on higher wages may be accorded a reduced wage increase in dollar terms. In terms of the decision the unit of

adjustment is the wage earner. However, in the deliberations over minimum wages there is reference to family living standards.

What criteria are used to set wages? Under the AFPC the criteria for adjustment shifted towards maintaining jobs and away from the needs of the low paid (Waring et al, 2008), and the AFPC should have regard for:

- * the capacity of the low-paid and the low paid to obtain and remain in employment;
- * employment and competitiveness across the economy;
- * providing a safety net for the low paid; and
- * providing a minimum wage for junior employees, those on training wages and workers with disabilities.

The process is an open one in terms of a call for submissions from parties by the AFPC.

Is the adjustment uniform across the economy? The AFPC decision applies to Federal minimum wages, state tribunals could in theory deviate from the Federal decision and consider state labour market conditions. In practice this does not occur, however, the AFPC in its 2007 decision made an allowance to the agricultural sector to defer minimum wage increases in the light of the effects of prolonged drought on the rural sector (AFPC, 2007).

In terms of enforcement of minimum wage increases, the processes were twofold. A workplace inspectorate associated with federal and state departments of industrial relations has responsibility for ensuring that employees are paid minimum wages. Such enforcement is usually dependent on employees or trade unions making a complaint to the relevant Federal or state agency. Additionally, trade unions could institute proceedings against employers who were found to be in breach of paying workers less than the minimum wage. The issue of enforcement is not covered in the wage determination process. Rather, it is assumed that the new wage rates will be paid to all eligible employees. More recently, the Workplace Authority has been formed to ensure that the 2007 fairness test (including minimum wages) applies to all new Federal agreements.

In *the UK*, a tripartite body established under the 1998 NMW Act containing union, employer and academic representatives: the Low Pay Commission (LPC), is charged with monitoring the level and impact of the NMW, and adjusting it in line with broader trends in the economy (<http://www.lowpay.gov.uk>). The LPC is a statutory (non-departmental) body and its role is to advise the UK Government (i.e., the Prime Minister and the Secretary of State for Trade and Industry) on the implementation of the NMW (Metcalf 2002). This is conducted through research and consultation with employers, workers, unions and employer representatives. As such, the LPC takes written and oral evidence from a wide range of organisations and regularly conducts fact-finding missions. The LPC can thus be regarded as a corporatist, or 'social partnership' body (*ibid.*) that typically seeks to make recommendations to government on the basis of a consensus (or compromise) position, after having taken into consideration the effects of the NMW on employment, productivity, living standards and profitability; and for which adjustment takes place on an annual basis. In contrast to Australia, the cohort of adjustment is minimum wage workers only. As a national minimum wage, no variation on the NMW is made at a regional level – hence the LPC's remit is for a national minimum wage only (LPC 2005: 180).

It should also be noted that the NMW is enforceable, as it is linked to Inland Revenue auditing of company records (Brown 2005). The revenue service employs approximately 100 Compliance Officers (COs) to undertake actions to enforce the NMW (Croucher and White

2007: 147). Approximately 5,100 investigations were undertaken during 2005; of which some 1,900 were due to worker complaints (*ibid.*). At an aggregate level, according to *Annual Survey of Hours and Earnings* estimates for Spring 2007, some 292,000 workers were paid below the NMW (this figure includes those legally paid below the minimum, such as apprentices; ONS 2007). Whilst this suggests that compliance with the NMW has been widespread, at the grey end, workers in the informal sector (or on the margins of) would be particularly at risk of not being paid a lawful minimum. Croucher and White (*ibid.* 152-3) found that lack of knowledge by employers and lack of awareness of employee rights by workers could contribute to violations of the NMW taking place. As such, a major outcome of CO involvement for employers was improved accounting and record-keeping (*ibid.*). However, for workers, the outcomes of CO involvement were more ambivalent, with some 50% suggesting that the employer took retaliatory action (*ibid.* 154).

In addition, there appear to be no mechanisms to enforce payment of arrears, as COs do not collect arrears themselves, but 'expect' the employer to pay (*ibid.* 158) – leading to the possibility of employment tribunal claims, or no redress at all. However, whilst these findings suggest that some issues remain, the NMW has for the most part been highly adhered to by employers. Dickens and Hall (2006: 349) argue that the use of an inspection regime has been crucial to this; providing a marked contrast to other statutory entitlements, which puts the onus on individual workers to police their rights (*ibid.*).

Unlike the UK, *the USA* does not have a statutory body that monitors and recommends adjustments to the national minimum wage. In fact, the periodic passage of minimum wage legislation in the United States has been somewhat ad hoc, dependent on union strength, the political party reigning over Congress and the tide of public opinion. Although there has never been an automatic indexation of the minimum wage (to make sure its purchasing power remains constant over time), Congress has generally made adjustments to its value. For example, the new minimum wage law passed by Congress on May 24, 2007 included a wage increase in stages, first rising to \$5.85 sixty days after enactment, \$6.55 twelve months after that, and its 'new' level of \$7.25 twelve months later (in 2009). However, the longest periods without any upward adjustment to the minimum wage were quite recent: from 1981 to 1990, and from 1997 to 2007 (Bernstein and Shapiro 2006a). Similar to the UK, the relevant cohort for adjustment is minimum wage workers only.

In the US, the Wages and Hours Division of the Department of Labor is responsible for enforcing the minimum wage. Violations may result in civil (or very rarely, criminal action), and the Department of Labor may recover back wages for the employees that have been underpaid in violation of the law. In 2006, for example, a total of more than \$15 million in back pay was collected for 52,701 workers, as a result of 11,867 case violations pertaining to the minimum wage requirements of FLSA (U.S. Department of Labor 2006).

Nevertheless, that so many minimum wage violations occur on a year-to-year basis leads to the question of how many violations are not reported and/or discovered and penalized. Put differently, how enforceable IS the minimum wage? This is somewhat difficult to gauge. As Freeman recognises; 'the idea that government inspectors can examine the wages paid in even a subset of the hundreds of thousands of establishments in a large country does not seem realistic' (1996: 647). Although the Wages and Hours Division employs hundreds of investigators to monitor the FLSA, as with the UK, the more common form of enforcement relies on public education and voluntary union and/or employee reports (*ibid.*).

Reflections on Minimum Wages in the Three Economies

In Australia, the UK and the USA we have three countries that have in general taken the labour flexibility road over the past few decades. Yet, in all three countries - and in apparent

defiance to the Hayekian neo-liberal convention, a system of minimum wages – and wage adjustment, is present. Even with the significant changes to the Australian industrial relations system enacted through the Work Choices legislation minimum wage setting remains. In the UK the minimum wage process is more recent. However, implementation of the minimum wage in the UK has generally improved the earnings of the very low-paid, without any noticeable negative effects on employment (Metcalf, 2008). For the US the process of wage adjustment is sporadic and unpredictable; linked to political conditions at the municipal, state and federal government level.

As such, across all three countries the processes of adjustment are very different and the formalisation of this process is very different. In the USA the responsibility is a legislative one, in the UK and Australia it is devolved to institutions that are at arms length from the government. While the criteria for minimum wage determination in Australia have been modified and the system of adjustment has become more complex, minimum wages remain enshrined within the system. In Australia and the UK there is a formal, regular process of review and articulation of the reasons for wage increase. However, no such process is present in the US. Looking at data for recent decades, it is debatable what ‘minimum’ the federal minimum wage refers to in the US. Today, a minimum wage worker cannot earn enough in a year to reach the poverty line in the US. Rising poverty rates and rapid growth of income inequality in the country demonstrate that the minimum wage has not achieved its original intended goal: to protect the American worker. The US is the only OECD-21 country to experience persistent and marked decline in the real earnings of minimum-wage workers (Immervoll 2007). Clearly the US has some major work to do in labour policy, in order to stabilise low-wage earnings and support general social welfare.

The enforcement mechanisms differ as does the adjustment process. The UK process is enshrined in legislature, regularly reviewed and supported by the taxation revenue department. In Australia the adjustment process is staged and complex and depends for enforcement on the vigilance of industrial inspectorates and trade unions. For the US the system of adjustment is uneven and enforcement overburdened to the extent that sustained evasions of the minimum wage system are possible.

Clearly we have three very different systems of minimum wages in terms of the criteria we have examined. There is a clear difference between a minimum wage and a living wage – in Australia, consideration is given to the living wage: the minimum wage necessary to sustain a given standard of living. In the UK, consideration is given to a ‘living income’ (rather than a living wage per se), by which the NMW is regarded as an ‘important floor’ that is supplemented by the wider benefit system in order to support low-income earners (LPC 2005: 180). This is not the case in the USA. In this vein the adjustment process in both Australia and the UK is systematic, since changes in the cost of living require regular adjustment to the living wage or living income. Once again, this is not the case in the USA.

On the other hand, the USA does give implicit recognition to spatial differences across labour markets by having state and city minimum wages. In the US there are regional variations in the minimum wage, and it is these regional variations that have led to the famous micro examinations of the impact of minimum wage adjustments on employment (Card and Krueger 1995). In the UK and Australia, despite regional variations in labour markets, a single minimum wage applies across the country.

Conclusions

Minimum wage systems are retained within each of these liberal market economies (LMEs). The discussion in this paper has demonstrated that the nature of the minimum wage adjustment processes differs across the three countries. Even where governments

implemented liberal market-based reforms, as Australia had done with its WorkChoices legislation; minimum wages remain, albeit within a new national review process and institution. Why are minimum wages retained within LMEs? From our review we can suggest at least four reasons:

- * Inertia: minimum wage adjustments have been present in Australia and in the USA over long periods of time; a safety net has been an abiding part of a system that in general has wide community and political support. For example, the 1997 rise in the US minimum was predated by a USA Today/CNN/Gallup Poll in 1996 that found 81% of respondents favoured a rise, whilst an AP Poll in 2004 found 80% of respondents supported Democrat calls to raise the federal minimum (including 65% of those describing themselves as Republican supporters).
- * The impact of minimum wage adjustments on employment and competitiveness is contested and marginal: employment displacement effects have to be weighed up against the stimulus to aggregate demand and potential productivity (dynamic efficiency) and supply enhancement effects. The OECD report, *Going for Growth* (2007b), suggests that on average, minimum wages have a relatively small effect on the economy.
- * Ease of evasion either through operating outside of the formal wage system, clandestine work arrangements and avoidance. This is particularly the case in the USA. Also, there may be delays of adjustment built into the system as with Australia's complex tribunal system.
- * The neo-liberal reforms enacted in the three countries have restructured welfare to work programs and as such it is important to demonstrate that work pays and that work is able to sustain a minimum standard of living (Gregg et al. 2006, LPC 2005). Without this demonstration the welfare to work reforms lack clear incentive effects. On this note, a labour process perspective suggests that some minimum wages machinery is indeed necessary for the reproduction of labour and skill.

Our analysis has revealed a political consensus around some form of coordination of minimum wages, even in countries that have embraced other dimensions of neo-liberalism. Such a consensus points to the concession or acknowledged reality that markets (especially labour markets) can fail without some form of coordination. The absence of any form of minimum wages institutions would result in greater levels of poverty and inequality, and provide reduced incentive effects for welfare to work programs. Hence it should not be surprising that minimum wage institutions have demonstrated continuity in the face of change; and proved so enduring.

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