

# Does a high minimum wage make it harder for minimum wage workers to progress?

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## The minimum wage and progression

Over the last decade, the minimum wage in the UK has grown significantly faster than the average wage. In 2018 it reached 55% of median full-time hourly pay compared to 48% in 2008.

A higher minimum wage increases the earnings of low paid workers and reduces inequality, but there are concerns that it may also lower employment or trap workers in minimum wage jobs. A large number of studies have previously examined how employment has been affected by increases in the minimum wage and found no effect. Yet much less is known about how increases in the minimum wage have affected the progression of workers off the minimum wage into higher paid work.

When the minimum wage increases, we would expect to see a higher share of workers being paid the minimum wage, and a fall in inequality among workers in the bottom half of the wage distribution. As wage differentials fall, minimum wage workers may be discouraged from seeking better paid employment as the monetary gains from progressing at work will be reduced. Progression may also be affected by employers' reactions to minimum wage increases. To contain costs, they may reduce the wage rate of jobs just above the minimum wage or eliminate some middle ranking positions that enable worker progression.

## Our research

We used data from the UK Household Longitudinal Study and the Annual Survey of Hours and Earnings to examine the impact of minimum wage increases between 2008 and 2018, including the introduction of the National Living Wage (NLW), on the progression of minimum wage workers to higher paying jobs.

## Key findings

- Around half of minimum wage workers were able to move off the minimum wage and into better paid employment in any given year.
- Most of this mobility was short range: around four-fifths of workers who found better paid jobs continued to be low paid (where low pay is defined as two-thirds of median earnings).
- The introduction of the NLW in 2016 temporarily increased the probability of workers remaining in minimum wage jobs and not progressing to higher paid work. This effect was greater in local areas where there was a higher share of workers paid the minimum wage. Living in an area with a 1 percentage point higher share of workers paid the minimum wage in 2016 raised the probability of remaining in a minimum wage job by 4 percentage points (or by 10%). However, this effect was temporary and disappeared in 2017 and 2018.
- We found no evidence that the chance of progressing from the minimum wage to higher paid work was affected by increases in the minimum wage over the longer term.

## Authors' main message

Minimum wages can be a powerful tool for raising the wages of low paid workers. Despite their success, there are concerns that they might harm those who are low paid by reducing the job opportunities available to them and by hindering their progression to better paid jobs. In the UK, previous research has convincingly refuted the idea that the minimum wage has had a negative effect on employment. In this study, we show there is no negative long-term impact on wage progression either.

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