

Young workers and the National Minimum Wage

Rosemary Lucas and Shobana Nair Keegan, Manchester Metropolitan University

Key words: young workers; National Minimum Wage; skills; training; pay.

Introduction

In 2004 the scope of UK's National Minimum Wage (NMW) was widened to provide a wage floor of £3 an hour for 16 and 17 year olds (excluding Modern Apprenticeships (MA)) to prevent undue exploitation. The Low Pay Commission (LPC) has made it clear that these young workers constitute a distinct segment of the labour market. Although future uprating reviews will coincide with those for workers aged 18 and above, there should not be any correlation between the way 16 and 17 year olds (young workers) and workers aged 18 and above (older workers) are treated.

In 2005 there were 1.58 million 16 and 17 year olds, some 4% of the total working population, of which 822,000 were economically active. Nearly three-quarters are in full-time education (FTE), and 35% of this group is also employed. Although the employment rate of some 430,000 young workers not in education has been falling since 1998, youth employment is particularly high among this age group (Department of Trade and Industry (DTI), 2003; LPC, 2005). Employment amongst 16 and 17 year olds is highly concentrated in low paying industries, and the dominance of the retail and hospitality sectors is confirmed by the fact that they employ two-thirds of all young workers. Eighty per cent of all full-time students and sales and retail assistants alone account for nearly 37% of all occupations (LPC, 2006).

Young workers' low pay is not simply a function of where they work but is related to the jobs they do and, given that there will have been limited opportunity to develop skills, the personal qualities they bring to the job. Pay may therefore depend on the tasks undertaken, the amount of responsibility given and the conditions under which work is performed. It may also be related to different levels of ability, skills, knowledge and the amount of effort that is made. Finally, wage setting is also rather informal with considerable scope for discretion (Lucas and Langlois, 2001; Gilman *et al.*, 2002). The recent Employment Equality (Age) Regulations 2006 raise the possibility that employers may be subject to pay discrimination claims on grounds of age, but only where employers do not base their pay structure on the NMW (www.dti.gov.uk/er/equality/age). If a younger worker can successfully claim job and pay parity with an older worker in these circumstances, then questions are raised about the efficacy of the way in which the NMW treats younger workers [1].

This paper explores the basis of the LPC's presumption of the 'distinctiveness' of young workers in the absence of any systematic and objective basis for determining 'fair pay', using selected evidence from an examination of the pay and employment practices of hospitality businesses in North Wales. The literature review considers theoretical justification for lower youth pay and the issues it raises about the nature of training and skill, and analyses and evaluates how these factors have informed the LPC's approach to the issue of young workers' pay. The methodology outlines the nature of the empirical study and the interview process, which included the application of a method designed to enable managers to 'evaluate' job content and employees' personal attributes in order to

provide a clearer explanation of the underlying reasons for the differences between the pay of 16-17 year olds (young workers) and workers aged 18 years and above. The results are presented and in the discussion we consider how far the presumption of distinctiveness can be objectively justified, whether this presumption is reflected in employers' pay and employment policies and whether their practices perpetuate and reinforce inequality and discrimination towards young workers. Conclusions are drawn and policy issues highlighted.

Labour market theory

Standard labour market models consistently predict that the most vulnerable members of the labour force, particularly young people, are those with lower levels of investment, skills and productivity (Miles, 2000). The main justification for lower pay for young workers is rooted in human capital theory, which implies that businesses set wage differentials according to the productivity levels of their workers that are determined by the background characteristics of the worker. Young workers' location at the bottom of an upward sloping wage profile by age can be explained by the increase in human capital or skills, commensurate with increased experience (Becker, 1964; Mincer, 1974). Individuals who possess higher levels of education, training and work experience are seen as the most productive and, consequently, receive higher wages (Atkinson et al., 1998). Young workers' lower pay is simply the result of inadequacies in personal skills. For many years this was reflected in age-related pay, usually expressed as a percentage of the adult rate (LPC, 2001, 2004), the justification being less experience and immature judgement (Scott, 1976).

The segmented labour market model argues that low paid jobs cannot arise from productivity alone, rather demand and supply side factors ensure the labour market is inherently segmented (Rubery, 1992). Human capital theory is criticised for its focus on worker attributes and for ignoring other attributes associated with the firm or market with respect to low pay, which create a dual labour market (McNabb and Whitfield, 1998). High wages, job security, good training investment and benefits are found in primary labour markets, whereas low wages, insecure employment and poor opportunities characterise secondary labour markets. These socially downgraded low paid jobs are generally occupied by disadvantaged people in the labour market such as women, ethnic minorities and those with low educational achievement, both young and older workers (Sachdev and Wilkinson, 1998). Their low pay is not related to lack of skills; rather their skills are not recognised or valued.

Efficiency wage theory posits that perceived differences about a worker's productivity arise from the sorting effects of wages and adverse selection. Where costlessly observable characteristics, such as education and prior experience, are the same, employers may offer workers the same wage. As there is a cost associated with measuring skills and abilities, there is a reluctance to link pay to these unknown attributes (Weiss, 1986). Hence employers rely on observable characteristics as the main proxies for determining wages, with the effect, as in segmentation theory, that some skills may not be recognised or valued. These factors may also explain higher unemployment rates for young people who have left education early but increased job opportunities for students.

These theoretical models raise questions about the nature of training and skills that are required to do jobs, an issue we turn to next.

Training and skill

Placing heavy reliance on training to justify pay differences can be problematic in industries that employ large numbers of young workers and generally make little or no investment in formal training (Grossberg and Sicilian 1999; Kitching and Blackburn, 2003; Langlois and Lucas, 2005). Many jobs in the retail and hospitality sectors are low skilled and entail minimal or basic training requirements (Royle, 2000; Korczynski, 2002; Lucas, 2004). Experienced worker standard (EWS) can be achieved fairly quickly, further undermining the rationale or justification for differentiating workers' pay by age based on training, which may have been more sustainable in the past when many young people served apprenticeships or were being trained for more 'technically' skilled jobs (Scott, 1976). The dominance of retail and hospitality employment would appear to place a large tranche of young workers into the second broad model identified by Neathy *et al.* (2004) - in jobs requiring little or no formal training (generally students) such as sales - rather than in employment or a trainee position in services such as vehicle maintenance. There is little investment in human capital, jobs may be segmented and the sorting effects of wages and adverse selection may be present.

But what does 'skill' mean? Skill is an elusive concept that is not only a function of factors associated with individuals and their human capital, but is also about how jobs are designed and performed (Littler, 1982; Korczynski, 2002; Grugulis and Vincent, 2006). It can be difficult to separate the job from the person. The presence of terms such as communication, team working, motivation, judgement, initiative and ability to improve personal learning in contemporary definitions of skill (Department for Education and Employment, 2000) shows how far definitions that incorporate knowledge, technical capability and job autonomy have been marginalised (Keep and Mayhew, 1999). Tangible 'technical' skills are acquired from following a body of procedurally-designed rules imbibed during a period of structured training, often during a time-served apprenticeship. The 'soft' and 'tacit' skills required in service work may entail subjective judgements to be made based on practical experience, where the familiarity of these skilful resources makes them largely invisible to the job holder (Polanyi, 1967; Lammont and Lucas, 1999). The small knowledge content and short period of practical experience may not be deemed sufficiently complex to justify formal, structured training, and reinforce segmentation and adverse selection.

It is clear that the main demand among hospitality employers is for 'soft' skills that owe more to personal attributes, such as flexibility, reliability, stability, loyalty, and punctuality, appearance and displaying the 'right' attitude and emotions (for example, Lucas and Langlois, 2000; Nickson *et al.*, 2001). This may be little more than an employer's 'wish-list', rather than criteria that are firmly grounded in the requirements of the workplace (Grugulis and Vincent, 2006). Further it is arguable whether such skills are human capital as they appear to be neither a function of training nor job experience. Young people may have developed these skills outside the workplace because they are not necessarily associated with doing a particular job or may embody desirable attributes to do 'with' image that happen to be a function of their age. If 16 and 17 year olds are doing the similar jobs to their older colleagues or they are specifically recruited to match product image there is a moral case for pay equity (LPC, 2001).

Desirable personal attributes labelled as skills are difficult to evaluate, so proxies are used that tend to stereotype people's jobs and this may support and legitimise discrimination (Grugulis and Vincent, 2006), thus reinforcing segmentation. For example, it is not always easy to distinguish the extent to which employment and pay policies are a function of a worker's age alone or personal attributes that are associated with particular age groups (Lucas and Langlois, 2000). It is well known that employers undervalue 'soft' skills, conversely since these are the skills the 'demand', such as communication, judgement and initiative that are integral to many customer-service jobs (Sachdev and Wilkinson, 1998; Korczynski, 2002) in keeping with segmentation and efficiency models. The existence of other more subtle discriminatory forces not only helps institutionalise lower pay for young workers but also highlights the perils of signalling the training factor as a basis for pay differences. Employers do incorporate an assessment of personal attributes but we do not know how far this process is subjective or objective.

We now turn to how the LPC approached the issue of young workers' pay in the context of labour market theory and debates about training and skill.

The minimum wage treatment of 16 and 17 year olds

A problematic group

The extensive range of literature about young workers and a minimum wages is controversial. Although negative employment effects are observed by some (for example Brown *et al.*, 1982; Meyer and Wise, 1983; Neumark and Wascher, 1992), commentators including Card (1992) and Park and Ratti, (1998) find no evidence to support either reductions in teenage employment or school enrolment, while Card and Krueger (1995) suggest that a minimum wage could increase youth employment. Similarly reduced training opportunities are widely predicted (including Hashimoto, 1982; Leighton and Mincer, 1981), but more recent work has observed increased training or indeterminate effects (Acemoglu and Pischke, 1998, 2001; Arulampalam *et al.*, 2002).

The lack of clarity about whether younger workers' low pay reflected lower productivity, inexperience, lack of training or simply employer prejudice created a dilemma for the LPC in fixing a minimum rate for young workers (Brown, 2002) and informed its rationale for initially excluding young workers from the NMW [2]. They were not regarded as full participants in the labour market and most were in education and training and therefore in need of coaching, experience and training to prepare them for working life (LPC, 1998). In short, their human capital was deficient. Extending and enhancing the range of government initiatives, including National Traineeships, and Learning Gateway (LPC, 2000, pp.175-80), was seen as the best approach to dealing with the 'vulnerable' 10% of young workers not in education, employment or training (NEET).

Making the case for a NMW

Driven by the policy objectives of the Treasury, over the next three years a variety of new measures accompanied by financial incentives were rolled out aimed at enhancing young workers' education and training (DTI, 2003), during which time an assessment could be made on the NMW's impact. Three factors prompted the Government to reconsider an appropriate minimum wage for this group. Existing rates had not impacted negatively upon employment, business costs and inflation, financial support to families and young

workers themselves through Education Maintenance Allowances (EMAs) encouraged them to stay on at school, while other initiatives, shored up by advice from the Connexions Service, facilitated training, with the Entry 2 Employment Programme acting as a gateway to more advanced training on MAs and further education (DTI, 2003). The LPC duly responded to the request to consider a detailed case for a NMW (LPC, 2003) in the context of these policies (DTI, 2003).

Assessing young workers' pay was hampered by limitations of Labour Force Survey (LFS) data and posed problems of reliability (small sample size and low coverage of those paid below the income tax threshold) and validity (high degree of proxy responses). Although the LPC found evidence that some full-time jobs with no training were paying only £2 an hour (LPC, 2001), market forces appeared to be working to most young workers' advantage, with only 25% earning less than the youth development rate (YDR) of £3.60. Age-related pay was not widespread and where found, was usually restricted to a few positions or to new recruits in the first few months (LPC, 2005).

A key influence on the LPC's scope to act was general stakeholder agreement, with some key retail and hospitality employer bodies now articulating explicit, if conditional, support for a NMW (LPC, 2004). The British Hospitality Association (BHA) conceded that young workers may undertake the same tasks as older workers but are simply less skilled or experienced (i.e. more limited human capital) and, in keeping with the Confederation of British Industry (CBI) and British Retail Consortium (BRC), argued that a NMW set at a cautious level, but not automatically uprated with other rates, would prevent exploitation by disreputable traders and remove the negative image of these sectors (LPC, 2004).

Diminishing reliance on the human capital argument is also evident. Employers also valued young workers' flexibility and only those in trainee positions were seen as generally less productive. Hence the continued exemption of trainees (apprentices and those on pre-apprenticeship programmes), even though there was acknowledgement that workplace learning takes place in diverse ways that do not necessarily depend upon participation in government initiatives or the acquisition of formal qualifications (Kitching and Blackburn, 2003). Some young workers needed more direct management and supervision, whereas others demonstrated flexibility and quickness to learn (Neathey *et al.*, 2004). Concurring that young workers rarely held supervisory positions, Heyes (2004) also found that some employers were cautious to expose young workers to customers, whereas others deliberately sought young people who are compatible with their brand or image.

Trade unions and youth organisations had long supported a youth NMW (LPC, 1998, 2001) relying on arguments that moved beyond human capital theory, particularly the need to prevent exploitation. Additionally, a higher level of pay would mean that students could reduce their working hours and spend more time studying. Furthermore, 16 and 17 year olds were generally ineligible for means tested benefits, yet needed basic necessities and might be contributing to family income, and extending the scope of the NMW would help increase employment rights' awareness among young people (LPC, 2004).

The main employer arguments against a NMW were grounded in human capital theory. But concerns about legal restrictions on employment, the need for greater supervision and inability to perform the full range of tasks restricting the value young workers could create (LPC, 2001) appear to have largely abated (Neathey *et al.*, 2004; Heyes, 2004).

Only a trenchant group still maintained that young workers' pay should be left to market forces (British Chambers of Commerce, Associations of Multiple Retailers, Small Business Council, Unquoted Companies Group) (LPC, 2004). The price sensitivity of young workers is illustrated by the fact that employers would only switch to substituting young workers with older workers if their price differential ceased to be significantly different.

Noting that the UK remained the only major country with no minimum wage coverage for 16 and 17 year old workers (LPC, 2004, pp.83-92), the experience of other countries yielded little evidence of adverse effects on employment or participation in education where a modest rate was set significantly below the adult rate (LPC, 2004). The LPC, sharing others' fear of undue exploitation, also considered that a NMW would encourage young people to see themselves as valued. Wages appeared to have little influence on the allocation of 16 and 17 year olds to work and education, while the introduction of means tested EMAs in September 2004 was expected to encourage young people to stay in education. A NMW of £3 an hour would have minimal impact because it was well below the vast majority of young workers' current pay levels and also complied with employers' wish for a cautious rate. There would be a maximum of 40,000 potential gainers - 6.5% of all 16 and 17 year olds, although more time would be needed for the effects to be measured [3]. The need to promote wider awareness was also noted.

Recent developments

We have seen a further refinement of the rationale for a youth NMW, with the LPC (2006) arguing that it should serve as a wage floor to prevent very low wages, as had been the case when the other NMW rates were introduced in 1999. Most stakeholders have reported little or no negative impact. Although rising numbers of NEETs is part of a trend that predated the new rate and not because of it, the proportion of NEETs has been smaller where EMAs are available (Maguire *et al.*, 2006). The young workers' rate increased by 10% to £3.30 in October 2006 and will be subject to biennial review at the same time as other NMW rates, currently £5.35 (22+) and £4.40 (18-21) The exemption of MAs remains under review, although they now receive £80 a week (UNISON, 2005; DTI, 2006). Recognition that there should be no correlation between the 16 and 17 year old rate and the YDR will need to be reflected by maintaining a substantial difference between the young workers' rate and the rates applicable at 18 years and above.

The literature points to two broad research questions that underpin the remainder of the paper. In the context of theory and debates about training and skills, is the LPC's presumption that young workers are distinct justified? Is this presumption reflected in employers' pay and employment policies and do their practices perpetuate and reinforce inequality and discrimination towards young workers?

Data and methods

This paper presents selected findings from a study about impact of the NMW on young workers in hospitality firms in North Wales. Having used a postal survey [4] to gain access to companies, 15 (of 40) managers [5] who consented to a semi-structured interview agreed to participate. Details of each establishment are shown in Table I. The names of the respondents have been changed to give anonymity.

Two distinct approaches were deployed to probe the processes underlying employers' pay practices and the basis for their pay differentials between the three groups of workers marked out by the NMW by age (16-17, 18-21, 22+). Firstly, general questions about job tasks, responsibilities, skills and knowledge; the process of wage determination; use of the YDR and training. Secondly, two schedules tailored to the types of job undertaken in such hospitality establishments to enable managers to provide measures of differences in job content (tasks, responsibilities and the working conditions) and their perceptions of employees' personal qualities (abilities, skills, knowledge and effort). Although we did not seek to examine jobs in accordance with any formal method of job evaluation, given the absence of suitable written documentation, our exploratory method was informed by the principles of job evaluation (ACAS, 2006), human capital theory and the concomitant problematic of measuring soft skills based on attributes that are personal in service jobs that is acknowledged in segmentation and efficiency wage theories.

Measures of job content were based on 17 job attributes. Employers were asked to give a specific score to indicate the number of times each job attribute was undertaken (1 = never, 2 = rarely (once every 10 or more shifts), 3 = occasionally (once every 3-9 shifts) and 4 = frequently (every shift or every other shift). Higher scores indicate more tasks, responsibility and unpleasant working conditions. The highest achievable score was 56. Perceptions of employees' personal attributes were based on assessments of differences in workers' abilities, skills, knowledge and effort. Employers scored these attributes as 'quality standards' (1 = very poor, 2 = poor, 3 = average, 4 = satisfactory and 5 = excellent). The highest attainable score was 65. More details of both approaches are given in Tables II and III below. As noted above, this is neither conventional job evaluation nor is it an 'evaluation' exercise that sought to incorporate the results of both approaches in relation to pay. Rather, we are analysing the job and attributes scores independently to provide clearer explanation for the pay differences between young and older workers. Combining the two scores in relation to pay would not be a valid measure.

The interviews also enabled managers to provide further explanation and justification for the scores given in the job content and employees' personal attributes analysis. Template analysis (Miles and Huberman, 1994) was used to analyse the rest of the interview content by common themes, patterns and sub-topics and we use examples of firms' responses to amplify upon their employment practices and qualify the findings of their evaluations and perceptions.

The reluctance of managers to consent to an interview and the fact that only 38% of them subsequently confirmed their intentions means that number of cases is small. Hence we can only claim to provide indicative results from a detailed insight into the factors that underlie the process of wage setting in these firms. These indications contribute to an understanding of how far variations in pay for these different age groups can be objectively justified. In this sense, we raise some important questions to guide more robust future research enquiries.

“Take in Table I”

Findings

Hiring, training and wage setting

Employment practices were rather informal and pragmatic and largely driven by the local labour market within the particular coastal area or town. Although there were shortages of highly skilled workers, such as chefs and cooks, most localities had a good supply of young workers at a local school or college. Virtually all young workers are students, although we cannot identify exact numbers in two firms (Table I). They were usually known to the respondents through other family members and friends. Exceptionally, Crispy Fast Food paid £25 for personal recommendation and a further £25 if the new recruit stayed for six months.

We did have a problem until Christmas and then we increased the wages of the under 18s to the same level as the rest, we did have more people applying and we had a better pick. (Crispy Fast Food)

Hiring through personal recommendation was deemed to produce better calibre workers and there was a notable absence of a formal interview systematically based on either job description or personal specification. Many respondents were reluctant to use more formal methods, such as Job Centres, because of low quality applicants. Managers provided highly mixed reports and views of young workers on government training schemes that included the phrases ‘never again’, ‘not occurred to me’ and ‘took the youth trainee from my last pub with me’. A number expressed a preference for student workers over 16 year old school leavers because they ‘are more intelligent’, ‘more assertive and confident’, ‘can ask a friend to cover, and s/he might take over if X quits’ and ‘more willing to learn’. The ‘right personality’ also counted a good deal for many managers and these qualities were more likely to be found in students. Terms mentioned included ‘outgoing’, ‘friendly, chatty and smart’, ‘lively’, ‘jolly’, ‘bubbly’, ‘happy’, ‘able to mingle with customers and have a laugh’, ‘have something about them’, ‘clean’ and ‘smart’.

Many respondents stated that applicants did not require any formal minimum education or formal qualifications, and often preferred to ‘train from scratch’ and ‘to our ways’. Young workers willingness to learn and work unsocial hours gave them some advantages over older, more experienced workers. Such young workers were often ‘encouraged’ to return until they finished university.

We always have a problem getting good staff and have to rely heavily on kids. That is why we try to pay more to good workers, who we want to return to us every summer. (Sunshine Café)

Training was mainly learning as they work ‘on the job’, often with the guidance and support of an older colleague. Reaching EWS depended on the person and could be anything from a week to a few months. As ‘school kids were not expected to go on courses’, young, part-time workers were deemed neither to be in need formal training nor to be interested, unless they were planning to be chefs. Eight establishments appeared to offer lower level NVQs, of which only customer care and food preparation and hygiene would be relevant to workers under 18 years. Even though Crispy Fast Food offered NVQs to all its workers, the manager lamented that most did not stay long enough to complete them. Only Scampi’s Burger Bar provided comprehensive formal and inclusive training for all workers through its own training centre.

Apart from reference to the local labour market, there was limited evidence of systematic pay setting methods, although two cafes designed lower weekly pay for cost-based

administrative reasons to avoid the cost and paperwork associated with paying income tax and national insurance. Consequently, young workers could only work a maximum of four shifts per week in Sunshine Café. Pay progression was usually based on individual job performance but this was rather loosely defined.

Rather informally actually, my wife and I increase their wages if we think that they are doing satisfactory work. This is only a small business so there is no formal way of assessing....It has nothing to do with the NMW actually. I am aware that some places pay as low as £2.50 an hour. I also ask my students in school to find out what they are being paid. So in a way it is the market rate in this area. (Murphy's Pub)

Most respondents opposed the exclusion of young workers from the NMW on the grounds that age was not a valid criterion. Others thought exclusion was justified by the limited nature of the jobs undertaken and young workers' inexperience. As the general interview questions yielded relatively few insights into the main factors differentiating young and older workers' pay, further evidence from the 'evaluation' exercise follows.

Job content by age group

Table II indicates the scores based on managers' measures of tasks, responsibilities and working conditions and the mean minimum rate by age group for all establishments. There are some common features about all these low paid jobs – the work is routine and not mentally demanding and involves frequent cleaning. Nevertheless, the overall job content of young workers is markedly different from the rest of their colleagues.

“Take in Table II”

This difference reflects the fact that young workers generally undertake lower level tasks, have lesser responsibilities and are subject to less onerous working conditions than both other groups of workers (Table II), which is consistent with lower pay rates. The main areas of difference are in relation to the preparation of food and beverage, serving customers, having responsibility for money and working after 10pm, most of which cannot be undertaken until age 18 in licensed premises.

The lowest hourly paid workers are usually at school or college, typically aged 16 and 17 but as young as 13, who work at weekends or in the holidays serving food from the kitchen, collecting glasses and dishes and washing them and clearing up and cleaning. Some may engage in simple food preparation. These workers have no direct responsibility and managers regard them as 'assisting and 'looking for guidance'. Hence lower pay is a function of more limited tasks and very limited responsibility, and further pay progression is dependant upon undertaking more tasks.

They are mainly school students and their tasks mainly involve dish washing and some of the waitressing. They are mainly assisting us, so they don't have any direct responsibility, apart from taking food from the kitchen or making sure that the dishes are washed. (Happy Days Restaurant)

There were some cases where young workers do similar jobs to older colleagues, but are paid lower rates, suggesting tasks and responsibility are not the primary determinants of

pay. Hence we might expect the difference in pay to be a reflection of young workers' personal attributes because employers perceive them not as important and valuable as those of older workers.

Basically I have one girl who is 16 and she comes in on Saturdays is on £2.75 and the rest are on the minimum wages. All the workers do the same tasks, involving cleaning, and waitressing apart from the chef who is on a higher wage. (Hafod Café)

Job content was identical for workers of all ages in the three establishments that did not differentiate 16 and 17 year olds' pay. Paradise Hotel provided a wider range of jobs that these young workers could undertake, including housekeeping, while Scampi's Burger House had the same starter rate for all ages, with pay progression at four and six months. The owner of a third establishment noted the following:

... I don't discriminate against people in regards to their age. ...As I used to be a catering worker myself I appreciate my workers. (Little Dragon Restaurant)

Employees' personal attributes by age group

Table III shows the scores based on employers' perceptions of ability, skills, knowledge and effort and the mean minimum rate by age group for all establishments. There are few common features across age groups, other than the ability to work in teams and poor work related qualifications, so that young workers' personal attribute scores are consistently lower than both other age groups'. The greater difference in each age group's personal attributes compared to their job content may be a more relevant indicator of pay differentials, because it relates to human capital. A small number of respondents found this aspect difficult to undertake because personal attributes were related to individuals rather than to their age.

“Take in Table III”

We have already noted that managers' recruitment preferences are driven by a perception that students have desirable non-work related personal attributes compared to other young people aged 16-17. They also perceive that young workers have the fewest work-related qualifications, more limited work experience and, consequently, have not developed a portfolio of work-related skills and abilities, apart from the ability to work in a team. Young workers' lower level of interpersonal skills is linked to their work and life experiences. Young workers are not always lacking initiative and unwilling to solve problems or make decisions, as several managers mentioned they are often 'keen' and 'eager to do so'. However, lacking 'common sense', they do not necessarily come up with the right answer or do not think of the consequences. Hence experience is perceived as a function of age.

Most of the older workers have a family, have reared families and cooked for families. And so they draw their own expertise to the kitchen...Younger ones are able to make basic decision and we expect them to use their own initiative to work. For example if there isn't any customers, they should clean the counter or the pots, there is always something that needs doing without being told. (Blue Water Café)

Enthusiasm and enjoyment of work were seen to be advantageous attributes that compensated for the lack of some skills, although some young workers did not take their work seriously. Flexibility cuts both ways. Some young workers are less dedicated but others can be called in at short notice or will ask a friend to cover if they are unwilling or unavailable for work.

Discussion

How far can the LPC's presumption of distinctiveness be objectively justified?

16 and 17 year olds are not distinct as a homogeneous group but because of their diverse labour market circumstances. One can understand why the LPC waited to see the results of the range of Government measures designed to facilitate increased participation in education and training and to target the most problematic segments of NEETs. However, this did not necessarily justify reliance largely on human capital arguments (Becker, 1964; Mincer, 1974) to postpone the fixing of a young workers' NMW for so long. Particularly when considering that the concentration of employment for young people is in sectors making little investment in training (Grossberg and Sicilian, 1999), where EWS and the acquisition of soft skills can be achieved relatively quickly (Lucas and Langlois, 2000) or where managers seek personal attributes unrelated to training (Nickson *et al.*, 2001) that are often undervalued (Korczynski, 2002). This suggests that the arguments advanced in segmentation (Rubery, 1992; Sachdev and Wilkinson, 1998) and efficiency wage theories (Weiss, 1986) are more relevant, and that employers' failure to recognise the skills that are associated with these jobs may reinforce inequality and discrimination. If, as it now seems, that young workers whose employers do not base their pay structure on the NMW can claim pay discrimination under the Employment Equality (Age) Regulations (2006), then questions about unfairness are raised about other young workers in identical situations that are paid a NMW.

Lower pay for young workers may be justified where there are clear differences in the jobs they do and in their accumulation of human capital but not necessarily in contemporary jobs that require little or no training for a person of any age. If we can infer potential discrimination on the basis of false assumptions related to stereotyping, what training can deliver and the very nature of skill (Grugulis and Vincent, 2006) we cannot establish a clear basis that is tantamount to objective justification. One might also question the substantial difference in their NMW, which although in keeping with past practice that reflected very different labour market conditions, may not be sustainable in contemporary jobs. The predominance of the retail and hospitality sectors suggests that some benchmarking might be possible to fix a fairer rate.

Is this (pragmatic) presumption reflected in employers' pay and employment policies and do their practices perpetuate and reinforce inequality and discrimination towards young workers?

This study has confirmed firms' employment practices of hiring, training and wage setting as informal and pragmatic, which could increase the likelihood of inequitable and discriminatory treatment (Grugulis and Vincent, 2006). Employers actively seek and employ young, student workers because they embody desirable attributes and the 'right personality' (Nickson *et al.*, 2001) and are keen to retain them in the absence of good non-

student workers being available. Young workers may or may not share the pay progression opportunities of their older work colleagues, which appears to be largely a function of the technical constraints of the workplace.

Most managers in our study opposed young workers' exclusion on grounds of potential exploitation and paid a rate that on average (£3.44) was close to the extant rate for workers aged 18-21 (£3.50), and still exceeds the current young workers' NMW rate (£3.30). Nevertheless, this reflected their perceptions that young workers had more limited skills and attributes and were doing smaller jobs. These perceptions have some validity in terms of the measures that we gave them to quantify these differences and are based, in most cases, on lower human capital and more limited job content. Although our data provide some evidence that pay may be linked with tangible and observable job features, such as simpler tasks, and personal attributes and limited qualifications, we are not able to say what wage value, if any, employers attach to less tangible, non-observable and unknown skills and attributes. By paying an average rate that still exceeds the current NMW, it is conceivable that these employers already applied a wage premium that valued the desirable attributes of students. If so, it is possible that non-student young workers are being segmented or subjected to adverse selection.

By using methods that are exploratory and tentative, we have started to develop a more formal basis and rationale for identifying how employers differentiate young workers from other workers in terms of the jobs they do, their personal attributes and how this compares to appropriate rates of pay. Lower pay is consistent with more limited job content and personal attributes, in keeping with the principles of job evaluation and human capital theory. We were unable to examine job descriptions and did not seek to combine measures of job content and perceptions of personal attributes in assessing 'fair' pay, using each independently in relation to young workers and older workers to provide a clearer explanation for the differences in pay between them. The next step would be to develop a more inclusive method that also captures some of the intangibles about jobs and workers to understand how far all of these factors inform pay differentials.

Conclusions

In this exploratory study we have reviewed the LPC's treatment of young workers over an eight year period, with reference to labour market theories and the issues they raise in relation to skill, training and pay. We have noted a shift in the arguments used to justify a NMW and how consensus among the stakeholders, arising from growing employer support, enabled the LPC to propose a third NMW that was implemented in 2004. Although we recognise that young people aged 16-17 have diverse labour market circumstances, we have questioned the presumption that *young workers* are a distinctive group with reference to contemporary notions of skill and concomitant training requirements and can infer some tenuous assumptions that appear to underlie the basis for their differential treatment. Young workers are a diverse group and we need to be sure that those in work are not being penalised because of undue sensitivities about some vulnerable 16 and 17 year olds and that different policy prescriptions do not conflict.

Employers' employment and pay practices both reflect and reinforce the presumption of distinctiveness in the workplace for 16 and 17 year old labour that is almost wholly student-based. Although some of these practices appear to be formulated informally and implemented pragmatically, our attempt to provide managers with some objectively

justifiable means to measure jobs and perceptions of personal attributes in relation to pay appears to have some validity, even though it is exploratory and indicative. But we are still left with the possibility that the sorts of skills that are associated with the jobs these young workers do are not being fully recognised or valued, which may reinforce inequality and discrimination in some cases. The challenge is to unlock these doors of perception through more comprehensive and wide ranging research. Perhaps clarity will begin to emerge if sufficient numbers of young workers claim and succeed in establishing pay discrimination under the forthcoming Employment Equality (Age) Regulations 2006, but this may a long way into the future.

Notes

1. Age discrimination has prompted other countries, such as Canada and Australia, to re-examine their approach to young workers. While Canada had been phasing out its junior rates, Australia was unable to come up with any feasible non-discriminatory alternatives, and has retained their junior rates (LPC, 2004).
2. Youth pay rates were regulated by wages councils for a considerable part of the twentieth century until young workers were removed from scope in 1986 in the interests of labour market deregulation and in the context of government employment and training initiatives, such as Youth Training Scheme (YTS). An estimated 500,000 workers under 21 years of age were removed from the scope of wages councils system, which was thought to cover some 2.7 million workers (Lucas, 1990, p.325).
3. Later estimates put the figure at 32,000 (LPC, 2006).
4. A sample of 660 firms yielded 125 responses (19%). For details see Keegan, (2004)
5. Includes owner-managers.

References

- ACAS (2006), *Advisory Booklet Job Evaluation: An Introduction*, ACAS, www.acas.org.uk
- Acemoglu, D. and Pischke, J-S. (1998) "Why do firms train? theory and evidence", *The Quarterly Journal of Economics*, February, pp.79-119.
- Acemoglu, D. and Pischke, J-S. (2001) *Minimum Wages and On-the-Job Training*, Discussion Paper No. 384. Bonn: IZA, University of Bonn, November.
- Arulampalam, W., Booth, A. L. and Bryan, M. L. (2002) *Work-Related Training and the New National Minimum Wage in Britain*, Discussion Paper No. 595. Bonn: IZA, University of Bonn, October.
- Atkinson, B., Livesey, F. and Milward, B. (1998), *Applied Economics*, Macmillan Press, London.
- Becker, G. S. (1964), *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*, National Bureau of Economic Research, New York.
- Brown, C., Gilroy, C. and Kohen, A. (1982) "The Effect of the Minimum Wage of Employment and Unemployment", *Journal of Economic Literature*, Vol .20, No.. 2, pp.487-528.
- Brown, W. (2002), "The operation of the Low Pay Commission", *Employee Relations*, Vol. 24, No. 6, pp. 595-605.
- Card, D. (1992) "Do Minimum Wages Reduce Employment? a Case Study of California 1987-1989", *Industrial and Labor Relations Review*, Vol. 46, No. 1, pp.38-54.

- Card, D. and Krueger, A. B. (1995) *Myth and Measurement: the New Economics of the Minimum Wage*, Princeton University, Press New Jersey:
- Department for Education and Employment (2000), *Skills for All: Research Report for the National Skills Task Force*, DfEE, Suffolk.
- DTI (2003) *Government Submissions to the Low Pay Commission in Conjunction with HM Treasury. Government Evidence to the Low Pay Commission on the Advantages and Disadvantages of a Minimum Wage for 16 and 17 year olds*, December.
- DTI (2005) *Government Evidence to the Low Pay Commission. Part 2: The Economic Effects of the Minimum Wage Part*, November.
- DTI (2006) *Government Evidence to the Low Pay Commission. Part 1: Non-Economic Issues*, December.
- Figart, D. B. (2001), "Wage-setting under Fordism: the rise of job evaluation and the ideology of equal pay", *Review of Political Economy*, Vol. 13, No. 4, pp. 405-425.
- Gilman, M., Edwards, P., Ram, M. and Arrowsmith, J. (2002), "Pay determination in small firms in the UK: the case of response to the National Minimum Wages", *Industrial Relations Journal*, Vol. 33, No. 1, pp.52-67.
- Grossberg, A. J. and Sicilian, P. (1999), "Minimum wages, on-the-job training, and wage growth", *Southern Economic Journal*, Vol. 65, No. 3, pp. 539-556.
- Grugulis, I. and Vincent, S. (2006), "Whose skill is it anyway?: 'soft' skills and organizational politics". Paper presented to the HRMOB Research Seminar Series, Manchester Metropolitan University Business School.
- Hashimoto, M. (1982) "Minimum Wage Effects on Training On The Job", *American Economic Review*, Vol. 72, No 5, pp.1070-1087.
- Heyes, J. (2004), *Firms' Attitudes to Employing 16 and 17 year olds*. Report for the Low Pay Commission.
- Keegan, S. N. (2004), *The National Minimum Wage and Young Workers: Implications for Employment and Pay Practice in the Hospitality Industry*, Unpublished PhD thesis, Manchester Metropolitan University.
- Keep, E. and Mayhew, K. (1999), "The assessment: knowledge skills and competitiveness", *Oxford Review of Economic Policy*, Vol.15, No. 1, pp1-15.
- Kitching, J. and Blackburn, R. (2003), *Measuring Training in Small Firms*, Small Business Research Centre, Kingston University.
- Korczynski, M. (2002), *Human Resource Management in Service Work*, Palgrave, Basingstoke.
- Lammont, N. and Lucas, R. (1999), "'Getting by' and 'getting on' in service work: lessons for the future of accounting", *Critical Perspectives on Accounting*, Vol. 10, No. 6, pp. 809-32.
- Langlois, M. and Lucas, R. (2005), "The adaptation of hospitality and retail firms to the NMW: a focus of the impact of age-related clauses", *Industrial Relations Journal*, Vol. 36, No. 1, pp.77-92.
- Leighton, L. and Mincer, J. (1981) "The Effects of Minimum Wages on Human Capital Formation" in Rottenberg, S. (Ed) *The Economics of Legal Minimum Wages*, American Enterprise Institute, Washington, pp.155-73.
- Littler, C. (1982), *The Development of the Labour Process in Capitalist Societies*, Heinemann, London.
- Low Pay Commission (1998), *The National Minimum Wage: First Report of the Low Pay Commission*, Cm 3796, the Stationery Office, London.
- Low Pay Commission (2000), *The National Minimum Wage: The Story So Far, Second Report of the Low Pay Commission*, Cm 4571, the Stationery Office, London.

- Low Pay Commission (2001), *The National Minimum Wage: Making a Difference (Volume 2), Third Report of the Low Pay Commission*, Cm 5175, the Stationery Office, London.
- Low Pay Commission (2003) *The National Minimum Wage. Fourth Report of the Low Pay Commission: Building on Success*. Cm 5768, the Stationery Office, London.
- Low Pay Commission (2004), *The National Minimum Wage: Protecting Young Workers*, Cm 6152, the Stationery Office, London.
- Low Pay Commission (2005), *National Minimum Wage, Low Pay Commission Report*, Cm 6475, the Stationery Office, London.
- Low Pay Commission (2006), *National Minimum Wage, Low Pay Commission Report*, Cm 6759, the Stationery Office, London.
- Lucas, R. (1990), "The Wages Act 1986 - some reflections with particular reference to the Licensed Residential Establishment and Licensed Restaurant Wages Council", *The Service Industries Journal*, Vol. 10, No. 2, pp.320-35.
- Lucas, R. (2004), *Employment Relations in the Hospitality and Tourism Industries*, Routledge, London.
- Lucas, R. and Langlois, M. (2000), *The National Minimum Wage and the Employment of Young People, Parts 1 and 2*, Report for the Low Pay Commission, CHER, Manchester Metropolitan University, Manchester.
- Lucas, R. and Langlois, M. (2001), *The National Minimum Wage: What Can Young Workers Tell Us?*, Report for the Low Pay Commission, CHER, Manchester Metropolitan University, Manchester.
- Maguire, S., Thompson, J. and Middleton, V. (2006) *Young People and the Labour Market*, CRSP 538, CRSP, Loughborough.
- McNabb, R. and Whitfield, K. (1998), "Testing for segmentation: an establishment-level analysis", *Cambridge Journal of Economics*, Vol. 22, No. 3, pp. 347-365.
- Meyer, R. H. and Wise, D. A. (1983) "Discontinuous Distributions and Missing Persons: the Minimum Wage and Unemployed Youth", *Econometrica*, Vol. 51, No. 6, pp.1677-1698.
- Miles, S. (2000), *Youth Lifestyles in a Changing World*, Open University Press, Buckingham.
- Miles, M.B. and Huberman, M. (1994,) *Qualitative Data Analysis: An Expanded Source Book*, 2nd edn, London, Sage.
- Mincer, J. (1974), *Schooling, Experience and Earnings*, Columbia University Press, New York.
- Neathey, F., Aston, J., Bates, P., Dench, S., Gerova, V., Hurstfield, J., Miller, L., and Regan, J. (2004), *Firms' Attitudes to Employing Young People*, Research Report for the Low Pay Commission.
- Neumark, D. and Wascher, W. (1992) "Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws", *Industrial and Labor Relations Review*, Vol. 47, No. 1, pp.55-81.
- Nickson, D., Warhurst, C., Witz, A. and Cullen, A. M. (2001), "The importance of being aesthetic: work, employment and service organization", in A. Sturdy, I. Grugulis, and H. Wilmott (Eds) *Customer Service – Empowerment and Entrapment*, Palgrave, Basingstoke, pp.170-90.
- Park, J. and Ratti, R. A. (1998) "Stationary Data and the Effect of the Minimum Wage on Teenage Employment", *Applied Economics*, Vol. 30, No. 4, pp.435-440.
- Polanyi, M. (1967), *The Tacit Dimension*, Doubleday, New York.
- Royle, T. (2000), *Working for McDonald's in Europe*, Routledge, London.

Rubery, J. (1992), *The Economics of Equal Value*, Equal Opportunities Commission, London.

Sachdev, S. and Wilkinson, F. (1998), *Low Pay, Working of the Labour Market and the Role of the Minimum Wage*, Institute of Employment Rights, London.

Scott, K. (1976), *Office Job Evaluation*, The Institute of Administrative Management Beckenham.

The Stationery Office (2006), *The Employment Equality (Age) Regulations 2006*, Statutory Instrument No. 1031.

UNISON (2005) *One year on: 16 and 17 year olds and the minimum wage*, UNISON submission to the Low Pay Commission, September.

Weiss, A. (1986), "Job Queues and Layoffs in Labor Markets with Flexible Wages", in Akerlof, G. A. and Yellen, J. L. (Eds) *Efficiency Wage Models of the Labor Market*, Cambridge University Press, Cambridge, pp.102-114.

www.dti.gov.uk/er/equality/age Employment Equality (Age) Regulations 2006. Notes on Regulations.

Table I: Establishment characteristics

Establishment							
	Location	Total workers	Total student workers (16-17)	Total non-student workers (16-17)	Minimum rate (16-17)	Minimum rate (18-21)	Minimum rate (22 and above)
Queen Vic Pub	Coastal	6	2	0	£3.70	£3.70	£4.10
Rover's Return Pub	Town	15	X	0	£3.50	£4.10	£4.10
Murphy's Pub	Town	5	X	0	£3.50	£4.10	£4.10
Dove Hotel	Coastal	9	2	0	£3.75	£4.30	£4.30
Paradise Hotel	Coastal	30	16	0	£3.30	£3.30*	£4.10**
Lagoon Hotel	Coastal	12	5	0	£3.00	£4.10	£4.10
Crispy Fast Food+	Town	22	7	0	£4.20	£4.20	£4.20
Mama's Restaurant	Coastal	21	6	0	£3.50	£4.10	£4.10
Scampi's Burger House+	Town	85	26	0	£3.90	£4.10	£4.10
Little Dragon Restaurant	Town	10	2	0	£4.50	No workers	£4.50
Happy Days Restaurant	Town	7	3	2	£2.50	No workers	£4.20
Sunshine Café	Coastal	29	23	0	£2.50	£3.50	£4.50
Blue Water Café	Town	16	12	0	£3.50	No workers	£4.50
Hafod Café	Coastal	10	4	0	£2.75	£3.50	£4.10
Phoenix Club	Coastal	35	0	0	No workers	£4.25	£4.25
All establishments (mean hourly rate)					£3.44	£3.94	£4.22
Range					£2.50-£4.50	£3.30-£4.30	£4.10-£4.50
Std deviation					$\sigma = 0.59$	$\sigma = 0.34$	$\sigma = 0.16$

Note: * Hourly pay rate for 18-20 ** hourly pay rate for 21 and above. The NMW rates in force were £3.50 for young adults and £4.10 for older workers +Franchise. X Employs students but number unspecified.

Table II: Job content and minimum pay (all establishments)

	Young workers (16-17) (N=14)	Young adult workers (18-21) (N=12)	Older workers (22 and above) (N=15)
Tasks			
Preparation of drinks	2.6	3.8	3.9
Preparation of food	2.2	3.4	3.6
Cooking	1.4	1.8	1.6
Cleaning	4.0	4.0	3.9
Serving customers	2.7	3.9	4.0
Mean (all tasks)	2.6	3.4	3.4
Responsibility			
Responsibility for money	2.4	3.7	3.8
Responsibility for training new workers	1.0	1.2	1.7
Responsibility for supervision of workers	1.1	1.3	2.4
Mean (all responsibilities)	1.5	2.1	2.6
Working conditions			
Routine work	4.0	4.0	4.0
Physically strenuous work	1.5	4.0	2.4
Mentally demanding work	1.0	1.2	1.3
Regular variation in working hours	2.3	2.8	2.7
Work before 9am	2.0	2.0	2.3
Work after 10pm	2.7	3.5	3.5
Mean (all working conditions)	2.3	2.9	2.7
Mean score (all job attributes)	2.1	2.8	2.9
Mean lowest hourly rate	£3.44	£3.94	£4.22
Range	£2.50-£4.50	£3.30-£4.30	£4.10-£4.50
Std deviation	$\sigma = 0.59$	$\sigma = 0.34$	$\sigma = 0.16$

Note: Mean scores based on 1=never, 2=rarely, 3=occasionally and 4=frequently

Table III: Employees' personal attributes (all establishments)

	Young workers (16-17) (N=14)	Young adult workers (18-21) (N=12)	Older workers (22 and above) (N=15)
Ability/skills/knowledge			
Professional work related qualifications	1.0	1.3	2.1
Prior work experience in the industry	1.2	2.3	3.7
Prior work experience in general	1.2	2.6	4.3
Interpersonal skills	2.5	3.6	4.7
Ability to solve problems	1.9	2.8	4.5
Ability to make decisions	2.0	3.0	4.5
Ability to work in a team	4.4	4.3	4.7
Ability to handle responsibility	2.2	3.4	4.8
Mean (all abilities, skills and knowledge)	2.1	2.9	4.2
Effort			
Enthusiasm	2.4	3.3	4.5
Flexible in hours worked	2.2	3.2	4.5
Flexible in carrying out tasks	3.4	4.1	4.7
Initiative	2.2	3.3	4.5
Mean (all effort)	2.6	3.5	4.6
Mean score (all employees' personal job attributes)	2.4	3.2	4.4
Mean lowest hourly rate	£3.44	£3.94	£4.22
Range	£2.50-£4.50	£3.30-£4.30	£4.10-£4.50
Std deviation	$\sigma = 0.59$	$\sigma = 0.34$	$\sigma = 0.16$

Note: Mean scores based on 1=very poor, 2=poor, 3=average, 4=satisfactory and 5=excellent.