

**SUBMISSION BY THE  
NEW ZEALAND BUSINESS ROUNDTABLE**

**Review of the Statutory  
Minimum Wage**

OCTOBER 1996

## REVIEW OF THE STATUTORY MINIMUM WAGE

### 1.0 Introduction

- 1.1 This submission is made on behalf of the New Zealand Business Roundtable (NZBR), an organisation of chief executives of major New Zealand businesses. Its purpose is to contribute to the development of sound public policies which reflect overall New Zealand interests.
- 1.2 The submission first outlines the harmful effects of minimum wages and then considers the reasons advanced in June 1995 by the Department of Labour in favour of increasing the minimum wage. An annex considers recent studies of the employment impact of the minimum wage in the United States and the conflicting conclusions drawn from them.

### 2.0 Harmful Effects of Minimum Wages

- 2.1 Discussion tends to focus on the employment/unemployment effects of minimum wages, but these are by no means the only ones. We consider in turn: employment, workplace, training and education, competitiveness and macroeconomic, and equity effects.

#### *Adverse employment effects*

- 2.2 A substantial economic literature indicates that a statutory minimum wage - and any increase in the minimum - reduces employment, particularly amongst young people and amongst the less well qualified who often receive low wages. Recently there has been some debate on this matter in the United States, focused around research which claimed to have found contrary evidence. Unsurprisingly, further work strongly suggests that the findings were mistaken and that employers' demand for labour does indeed tend to decrease as the price of labour increases (the demand curve has the usual downward-sloping form).
- 2.3 A 1994 NZBR publication, *What Future for New Zealand's Minimum Wage Law?*, by ACIL Economics, surveyed a very wide range of studies carried out in various countries, but especially the United States, on the effects of minimum wage laws. They typically find that a 10 percent increase in the minimum wage reduces employment amongst young people by some 1-3 percent. Using New Zealand Household Labour Force Survey (HLFS) data from 1985 to 1993, the ACIL study calculated that in New Zealand a 10 percent increase in the minimum wage would lead to a fall in employment amongst 20-24 year olds of some 1.5 percent, with the negative impact being three times greater amongst the proportion who were unskilled. Subsequent work by Tim Maloney<sup>1</sup> with the same data set estimated that a 10 percent increase in the minimum wage

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<sup>1</sup> Maloney, T (1995), "Does the Adult Minimum Wage Affect Employment and Unemployment in New Zealand?", *New Zealand Economic Papers*, 29 (1), 1-19.

reduces the employment of young adults by 3.5 percent, with the impact on unqualified young people being 5.7 percent. Whilst the ACIL and Maloney studies are not conclusive proof, they are in line with the weight of international findings. They give no cause for assuming that an upward movement in the minimum wage in New Zealand does not reduce employment.

2.4 Empirical research is likely to understate the adverse effects of an increase in the minimum wage because:

- the impact of small changes at the margin is difficult to measure. The ultimate incidence may not fall on the employers and employees most immediately affected;<sup>2</sup>
- adverse effects extend beyond wages (see paragraphs 2.5 - 2.14 below); and
- in some cases employers may anticipate a change to the minimum wage or adapt slowly *ex post*, and such responses would escape the empirical net.<sup>3</sup> Some effects, e.g. those that work through changes in investment levels, will take years to show up.

*Adverse workplace effects for employees*

2.5 Faced with the imposition of higher wages, employers are likely to try to maintain or reduce costs per unit of production before laying off staff. They may demand more intensive work from employees and/or cut back on non-wage employment costs such as training. These are likely to be less preferred outcomes even for those who benefit from a higher minimum - for example a reduced training component may lead to lower future wages. Such adjustments are harder to measure than wage changes. However, US studies have identified significant reductions in commission payments, bonuses, vacation and sick leave and on-the-job training for employees affected by an increase in minimum wages.<sup>4</sup>

2.6 Those who favour higher minimum wages sometimes suggest that increased wages will encourage employers to value employees more and thus invest more heavily in them or obtain savings through a reduction in monitoring.<sup>5</sup> They may also cite the efficiency wage theory which argues that employers

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<sup>2</sup> Deepak Lal argues that better examples are provided from developing countries where larger changes were made which had unambiguously large and adverse effects. He cites the cases of Singapore, Puerto Rico and Kenya (Lal, D (1995), *The Minimum Wage: No Way to Help the Poor*, IEA, London.)

<sup>3</sup> See Hamersmesh, D S (1995), "Comment: What a Wonderful World this Would Be: Review Symposium", *Industrial and Labour Relations Review*, 48, 4, 835-838.

<sup>4</sup> These findings are outlined in *What Future for New Zealand's Minimum Wage Law?*, *op. cit.* Relevant material is also found in McKenzie, R B (1987), *The Minimum Wage: A New Perspective on an Old Policy*.

<sup>5</sup> These arguments are advanced in Card, D and Krueger, A (1995), *Myth and Measurement: The New Economics of the Minimum Wage*, Princeton, New Jersey.

may seek to encourage workers to increase their work effort by increasing wages.<sup>6</sup>

2.7 However, there is a great difference between, on the one hand, employers and employees discovering mutually beneficial ways of working together and thus of raising wages and, on the other, a government-imposed wage increase having the same effect by serendipity. In the complex world of incompletely specified contracts and mutual dependence that typifies employment relations, employees and employers seek to obtain mutual commitments whilst minimising contractual risks. It is possible that, in some circumstances, an increase in wages could increase workers' commitment more than proportionately - in line with the efficiency wage theory. Firms making such a discovery would gain an advantage over their competitors until others adopted the same practice. But it is highly unlikely that imposing a blanket increase in the minimum wage would produce a mutually beneficial result which employers and employees had hitherto failed to work out and contract for voluntarily. We are aware of no evidence that raising the minimum wage has had such beneficial effects.

2.8 It is, of course, a matter of common sense that, whilst a mandated increase in wages may conceivably lead to higher productivity in some cases, it will not do so in every case - otherwise all economic problems could be solved by the simple expedient of mandated wage hikes. It is also a matter of common sense that those best placed to identify the 'win-win' cases are the employers and employees concerned. The wage contract is itself an example of a voluntary contract entered into because each party expects to benefit.

#### *Adverse training and education effects*

2.9 As mentioned in paragraph 2.5, employers may reduce on-the-job training in order to maintain unit labour costs in the wake of an increase in the minimum wage.<sup>7</sup> Other adverse training and education effects may also be triggered by a rise in the minimum wage. These include:

- a compression of wage differentials,<sup>8</sup> reducing returns to higher levels of education and training and thus discouraging investment in human capital;
- preventing employees from seeking training in portable skills by their striking a deal with an employer which incorporates lower wages in return for on-the-job training. Instead, they may seek less preferred formal, off-the-job training - typically supported by a state subsidy;<sup>9</sup> and

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<sup>6</sup> This theory originated, *inter alia*, with Robert Solow in Solow, R (1979), "Another Possible Source of Wage Stickiness", *Journal of Macroeconomics*, 1, 79-82.

<sup>7</sup> See, for example, McKenzie, *op. cit.*, and Hashimoto, M (1982), "Minimum Wage Effects and Training on the Job", *American Economic Review*, 72, 1070-1087.

<sup>8</sup> See Machin, S and Manning, A (1994), "The Effects of Minimum Wages on Wage Dispersion and Employment", *Industrial and Labour Relations Review*, 47, 319-329; and Card, D and Krueger, A (1995), *op. cit.*

<sup>9</sup> See, for example, Boot, H M (1992), "Training Wages and Human Capital: The Economic Costs of Keating and Carmichael", *Policy*, Spring, 13-17.

- a reduction in the availability of low or unskilled 'first' jobs, although, for those who secure these positions, the immediate returns from such jobs may increase. The effects of this on education and training are indeterminate.<sup>10</sup>

Overall, the available evidence indicates that the balance of effects on the training and education of employees is likely to be negative.

*Adverse competitiveness and macroeconomic effects*

2.10 As indicated, employers faced with an increase in minimum wages will act in various ways to mitigate the consequences for their businesses. These will be second best outcomes both for them and their employees - for example, they will be employing less labour or undertaking less training than they would have preferred or than would have been the outcome with voluntary bargaining. This will reduce productivity and competitiveness. Competitiveness and job creation may also be harmed in three other ways:

- the removal of wages as an element in competition between employers for the undertaking of unskilled jobs. Whilst some employers may be able to afford the higher levels of wages, others may not and may thus be stymied in their plans;<sup>11</sup>
- a lowering of the rate of return to capital at the aggregate level, if wages are increased without employers being able to take offsetting steps. Returns are also likely to be reduced even if such counter-measures are taken, because the employer is no longer free to contract in efficient ways and has to adopt second best positions - a so-called 'deadweight loss'. A reduction in the rate of return to capital will reduce investment and thus future growth. It is likely to lead to the labour market settling at a lower level of wages and productivity than otherwise; and
- an increase in prices if employers are able simply to pass on increased costs to customers. To the extent that low wage employers serve poor neighbourhoods, the poor may be the ones who suffer most through higher prices or fewer services. Ultimately, higher minimum wages may have an impact on the CPI - which in turn may be used as an argument for raising minimum wages still further.

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<sup>10</sup> For example, with fewer full-time jobs available students from homes of different income levels may face increased competition for part-time jobs to earn money for further study. Conversely, some from low income families may be influenced by the better immediate returns from full-time jobs, if they can get them. One US study found that an increase in the minimum wage increased the levels of education of middle and upper income families but decreased those of teenagers from lower income families (Ehrenberg, R C and Matais, A J (1982), "Minimum Wage and Teenagers' Enrolment-Employment Outcomes: A Multinomial Logic Model", *Journal of Human Relations*, 17, 1, 39-58).

<sup>11</sup> The extent of this impact is hard to measure. However, in respect of the United Kingdom, Sir Alan Walters has remarked: "In all the wage councils I investigated in 1981-84, the large employers were all enthusiastic supporters [of minimum wages] ... small competitors were adamantly opposed to minimum wage rules which may have bankrupted them and reduced employment and at least inhibited their (albeit mostly modest) expansion plans" (Walters, A (1994), "Unemployment: Subsidies and the Minimum Wage", *Economic Affairs*, 15, 1, 50).

### *Adverse equity effects*

- 2.11 Some risks of the adverse effects of raising minimum wages may be regarded by some people as acceptable in the interests of improving equity. However, research in the United States and New Zealand indicates that those on the minimum wage are typically not from poor families and very few heads of poor families are on the minimum wage.<sup>12</sup> Many low wage earners are from relatively affluent households - for example they may be second-income earners or a child of a middle or high income family.
- 2.12 Whilst benefits from minimum wages intended for the poor may miss their target groups, some of the negative effects described above may be experienced disproportionately by them. If a rise in minimum wages reduces the number of jobs and/or working conditions, those most likely to lose out are the unqualified. The New Zealand study by Maloney, cited earlier, found that the unemployment effect of the minimum wage on unqualified young people was about twice that of the effect on workers as a whole.
- 2.13 Similarly, young people who are dependent upon low wage jobs to enter the job market and/or for basic on-the-job training will be most affected if this source of jobs and training is reduced. By contrast, those engaged in low wage jobs for pocket money may not face any permanent damage to life chances if jobs or on-the-job training are reduced. These outcomes hardly correspond with normal concepts of equity. There is little that is equitable about depriving low productivity workers of the right to sell their labour for the best price they can get.
- 2.14 In New Zealand, changes in employment and unemployment among Maori and Pacific Islands people tend to be similar to those for unqualified people, in part reflecting the low levels of average qualifications among these groups. The effects of increases in the minimum wage are particularly inequitable for these minority groups.

### **3.0 The Department of Labour's case**

- 3.1 The 23 June 1995 report of the Department of Labour on the Annual Review of the Minimum Wage has been provided to us under the Official Information Act

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<sup>12</sup> For the United States, see Vedder, R and Gallaway, L (1995), *Should the Federal Minimum Wage be Increased?* National Center for Policy Analysis, Dallas, Texas. The authors state that only 9.2 percent of poor people of working age have full-time jobs and that only 1.2 percent of minimum wage workers are adult heads of households. Vedder and Gallaway calculate that if the minimum wage were raised so as to lift every full-time worker over the poverty level, with no negative side effects, only 10 percent of poor families would be affected. For New Zealand, see *What Future for New Zealand's Minimum Wage Law?*, *op. cit.* Figures quoted in that study support the findings of an unpublished Masters thesis by Jacqueline Cumming that: "low wage employees in New Zealand were spread across the distribution of family incomes and, taking both social security payments and market earnings into account, the proportion of such employees at the lower end [of the socio-economic spectrum] was actually lower than at the higher end".

1982, along with papers from the Treasury, the New Zealand Employers Federation and the Council of Trade Unions.

- 3.2 The Department's paper states that it used four main criteria in reviewing the level of the minimum wage:
- (a) the effectiveness of the minimum wage as part of the minimum code of employment;
  - (b) the impact of the minimum wage rate on employment and unemployment;
  - (c) the impact of the minimum wage rate on the provision of on-the-job training, and incentives for enrolment in educational and training programmes; and
  - (d) the relationship between minimum wages and the macroeconomy.

*General*

- 3.3 In its general comments on the costs and benefits of the minimum wage, the Department of Labour states that "The evidence presented by both sides ... has been mixed and debate over the benefits and costs of minimum wages is expected to continue". Whilst these remarks are true in the sense that the same could be said of any area of policy disagreement, they are irrelevant to the issue at hand since they do not address the quality of the arguments and evidence being put forward on both sides. Because some people dispute Darwin's theory of evolution or contend that the earth is flat we do not conclude that there is a finely balanced and unresolved policy debate about these issues. The weight of evidence is that the minimum wage has a net negative effect and one that is concentrated amongst those it is most intended to help. Section 3.3 of the report by ACIL, *What Future for New Zealand's Minimum Wage Law?*, *op. cit.*, reported the strong consensus of economic opinion on this point. Many surveys have shown that there is a higher level of professional agreement on this topic than practically any other economic policy issue. If the government is to heed the Department's advice, the Department must make a case either that this consensus does not exist, or that it is wrong.
- 3.4 In Appendix IV of the report, the Department states that "the general consensus appears to be that when the minimum wage is relatively low and/or the proportion of employees earning wages at or around the minimum wage is also relatively small, the employment effects of a moderate increase in the minimum wage are likely to be small". In short, modest changes don't matter much.
- 3.5 Obviously, a change to the minimum wage will be less damaging when the minimum is low and non-binding than when it is relatively high and many workers and potential workers are directly affected. However, this factor does not justify collective action (through the imposition of a minimum wage or an increase in an existing minimum), the result of which will be to deny a minority of workers the opportunity to sell their labour. Moreover, it is easy to underestimate the impact of the minimum wage. Some low wage entry level jobs for the unskilled or jobs with a significant on-the-job training component will simply not be offered by employers in the presence of a minimum wage,

because such options are no longer economic. (Consider, for instance, the paper delivery jobs for children under 16 years of age that would be lost if the minimum wage applied to them.) Employers may attempt to get some low pay work done by other means, as the recent case of homeworkers employed by the Central Regional Health Authority illustrates. Some low pay jobs will vanish into the black economy, with the associated loss of other employment protections and government revenue. The narrowing effects of the minimum wage on wage differentials, and the associated disincentives for employers to train, will spread further up the wage structure. Thus, the number of jobs at or near the minimum wage level, even if it is small, does not indicate the limits of any negative effects.

- 3.6 Moreover, as the Treasury pointed out in a 1995 report (T95/3778), the argument that not many people are employed on the minimum wage misses the point. The key issue is whether more people could be employed if the minimum wage were either not increased, lowered or abolished. There remains a large number of long-term unemployed whose return to the labour market could potentially be facilitated in the absence of a minimum wage. The ACIL study estimated that the adult minimum wage could be costing New Zealand around 5,000 jobs. The argument of the Department of Labour is akin to suggesting that a moderate increase in smoking may not be particularly harmful, despite the evidence that, on average, smoking is injurious to health. Moreover, the argument is even weaker for an economy with an unemployment rate of 6 percent than it would be for an economy approaching full employment.

*Minimum code*

- 3.7 In any complex market, some contracts will prove unsatisfactory and there may be attempts by one side to mislead or take unfair advantage of the other. In an employment contract there are information asymmetries on both sides - employees have a better idea of their capabilities, knowledge and will to work, and employers know more about the nature of the work and workplace opportunities.
- 3.8 Protections in relation to employment contracts are provided by section 57 of the Employment Contracts Act 1991 ("harsh and oppressive contracts"), and by the Illegal Contracts Act 1970. Section 12 of the Fair Trading Act 1986 prohibits misleading conduct in relation to availability, value, terms or conditions of employment or an offer of employment. There are legal remedies against fraud, coercion and duress and other means of support such as legal aid, small claims tribunals, citizens' advice bureaux and social welfare agencies which are relevant to employment protection.
- 3.9 An even more important source of worker protection than legal remedies, however, is the disciplines of a competitive labour market. Competition encourages both employers and employees to act responsibly. As Alchian and Allen note:

Often it is said that individual employees lack sufficient bargaining power .... . But ... employers compete against other employers, and



employees against other employees - not employees against employers, as folklore says. It is the availability of higher-valued alternatives, not the ability to bargain collectively, that increases bargaining power.<sup>13</sup>

With choice of employment and worker mobility in a free labour market, workers have potent protections against exploitation. This is true even where there is unemployment, but the chances of high levels of unemployment persisting are lower in the absence of labour market rigidities such as imposed minimum wages.

- 3.10 An indication of a willingness to accept a low starting wage is one way a job seeker without a recent employment record can persuade an employer to accept a hiring risk. A young person with a drug or criminal record, for example, may wish to say to an employer:

I know I look a high risk from your point of view but I am determined to prove myself and get my life back together. I am willing to work for a low wage or even nothing for six months if you will give me the chance, as my family will support me for that time. At the end of it you can dismiss me if I haven't proved my worth or offer me a regular job. I warrant you will be happy to keep me on.

Such an agreement would be illegal in New Zealand by virtue of the minimum wage law, despite its manifest benefits for a marginal worker.<sup>14</sup>

- 3.11 In summary, the Employment Contracts Act 1991 provides a number of protections for employees, and an undistorted and efficient labour market with plentiful employment opportunities offers better safeguards for employees than devices such as a statutory minimum wage.

#### *Employment and unemployment*

- 3.12 Commenting on the Maloney research, the Department of Labour remarks that correlation does not prove causality and that further work would be needed to test alternative explanations. This is disingenuous - the same could be said of any work of this type carried out anywhere in the world. If the Department wishes to rely on such an argument, it should carry out further work and expose it for scrutiny - it has had plenty of time to do so. Maloney's work appears to be methodologically sound and in line with overseas findings. We note that following discussions with him the Department has dropped some objections which it raised in 1994. Maloney's evidence confirms the expected downward sloping nature of the demand curve for labour in a New Zealand setting. It is always possible that some other factors may also be at work and thus in part explain the correlation. On the other hand, many of the negative effects of the minimum wage are likely to be hard to measure or to be indirect and thus not captured in Maloney's work.

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<sup>13</sup> Alchian, A and Allen, W R (1983), *Exchange and Production: Competition, Coordination and Control*, Wadsworth Publishing Company, Belmont.

<sup>14</sup> The response that such a person might possibly be granted an exemption from the minimum wage as an "under-rate worker" by going through a bureaucratic procedure is obviously absurd.

- 3.13 Employment growth has been dramatic since the Employment Contracts Act 1991 removed many of the rigidities in the New Zealand labour market. However, the fall in unemployment has stalled in recent quarters and some forecasts suggest unemployment may rise somewhat in the period ahead. In these circumstances a government agency with responsibility for the labour market should be placing a high priority on the removal of obstacles to faster job creation such as the minimum wage.

*Training impact*

- 3.14 The Department of Labour paper remarks that "it is difficult to quantify the potential impact [on training] of moderate changes to the minimum wage". However, as the earlier discussion showed, there are good reasons to suspect that the impact is significant and adverse. The smoking analogy also applies here. If the net effect of a practice is harmful, it should not be promoted.

*Macroeconomy*

- 3.15 The Department of Labour paper dismisses the possibility of any significant impact on inflation or the level of economic activity from raising the minimum wage. The Department cannot have it both ways: either prices or employment/output will be affected. However small, the point is that the effects are likely to take a variety of forms, most of which will be adverse.

#### **4.0 Conclusions**

- 4.1 The weight of evidence on the issue of minimum wages is that, unless they are set at such a low level as to be irrelevant (in which case there is no point in keeping them in place), they will have negative effects on:

- employment and unemployment;
- the workplace;
- training and education;
- competitiveness and the macroeconomy; and
- equity.

From an efficiency point of view, a minimum wage involves costs and no benefits. From an income distribution point of view, some workers who retain their jobs gain while those deprived of jobs, the self-employed, taxpayers and other groups lose. The policy fails on both efficiency and equity criteria.

- 4.2 The recent debate in the United States on the employment impact of a minimum wage (see annex) has served to highlight the weight of evidence and professional opinion on the negative effects.

- 4.3 A small change to a low minimum wage concentrates the damage on a smaller number of the most vulnerable people than would be affected by a large change to a high minimum wage, but defending a low minimum wage on this basis is as absurd as saying that it is acceptable to kill one person because it is worse to kill many. Instead, a case must be made that there are public policy

benefits from depriving the least productive workers of the right to sell their own labour.

- 4.4 If the minimum wage is seen as part of a minimum employment code it is inefficient and has perverse effects. There are substantial legal protections against unfair employment practices or misleading offers of employment. Jobs are easy to quit without negative connotations for the employee, particularly for young people at the low wage end of the labour market. An efficient labour market free of distortions such as the minimum wage is the best means of determining the appropriate rate for the job and ensuring that workers are appropriately rewarded for their contribution. It is not clear why such an intervention should apply just to one category of participants in the labour market, namely employees. The same legislative restrictions do not apply to contractors or to people in self employment, even though the incomes of such groups may be driven down by workers displaced as a result of minimum wage restrictions - yet another inequitable result of such interventions.
- 4.5 If the minimum wage is seen as a 'social standard', it is an inappropriate and unfair mechanism. Legislating for minimum wages transfers the cost of any 'social standard' from the state to employers in the first instance and thence to consumers and the unemployed who are priced out of the labour market. A social standard is better pursued through the social welfare system, through measures such as the Guaranteed Minimum Family Income. The costs would then be met from general taxation and not fall on specific members of the community in a capricious way. Instead of constituting a hidden transfer, the fiscal costs to the Crown of such income support would help ensure transparency and accountability.
- 4.6 There are a variety of options for reducing or eliminating the harmful effects of the minimum wage:
- (i) the best option is to repeal the relevant legislation. Such action was taken by the United Kingdom in the 1980s and would be of greatest benefit to young and marginal workers;
  - (ii) reduce the minimum wage to the benefit level. The table on page 169 illustrates the significant gap between minimum wage rates and some benefit rates. Such action would allow some low skilled people to improve their situation by earning an income higher than the unemployment benefit and, more importantly, acquire the job experience and skills to boost their income further. Provision of both the lower minimum wage and the benefit would still constitute an income 'floor'.
  - (iii) there are already exemptions in the Minimum Wage Act 1983 for apprentices and people undergoing certain forms of formal training. For low skilled workers, however, the most valuable form of training is often on-the-job training. The category of exemptions could be widened to include all workers engaged in formal training or employed in jobs with a training component; and

- (iv) the least number of obstacles should be placed in the way of young people entering the labour market and the long-term unemployed (whose skills may have become obsolete). These categories of people could be exempted from the provisions of the legislation for the first 12 months of employment.

4.7 The minimum wage is one part of what is loosely called the minimum code of employment. Other features of this code, e.g. mandated public holidays, have similar effects to the minimum wage in that they prevent some employers and employees from entering into agreements on a basis which both would prefer. There should be a wider review of this code involving independent expertise so that the Department of Labour's analysis of the issue is subject to peer review.

4.8 In consequence, we recommend that:

- all statutory minimum wages should be abolished at the earliest opportunity (numerous OECD and several other high income countries do not maintain minimum wages);
- in the meantime, the minimum wage should not be raised and, preferably, should be reduced to the level of the age-equivalent single person's unemployment benefit;
- the minimum wage should not apply to those undertaking formal or informal training;
- the minimum wage should not apply to new employees or long-term unemployed for the first 12 months of their employment; and
- a wider review of the minimum code of employment should be undertaken, drawing on independent and expert advice.

### Relationship Between Benefits and the Minimum Wage

Family Status and Age Group	Gross Minimum Wage \$	Net Minimum Wage \$	Net Unemployment Benefit \$	Income Gap \$	Income Gap to Net Minimum Wage %
Single Without Children					
18-19	153.00	130.05	118.74	11.31	8.7
20-24	255.00	209.50	118.74	90.76	43.3
25 and over	255.00	209.50	142.50	57.00	27.2
Married Couple	255.00 each	209.50 each	237.48	181.52 combined	43.3
With children					
Single 18-19 years and over, 1 child	153.00	130.05	204.10	-74.05	-56.9
Single 20 years and over, 1 child	255.00	209.50	204.10	5.40	2.6
Single 20 years and over, 2 or more children	255.00	209.50	222.66	-13.16	-6.3
Married couple, 20 years and over, 1 or more children	255.00 each	209.50 each	252.36	166.64 combined	39.8

Note: The net minimum wage and the net unemployment benefit are after tax rates using tax code "G" except in the case of the adult minimum wage which is calculated from the tax scale.

For couples the gap assumes both earn the minimum wage.

Supplementary income support such as the accommodation benefit and special needs grants have been omitted.