

[On getting very annoyed indeed about this living wage thing](#) [1]

Written by [Tim Worstall](#) [2] | Sunday 22 January 2012

Zoe Williams had a stab at trying to understand the living wage idea this [past week](#) [3].

What nobody in any of these corners would ever advocate is state spending as an alternative to fair wage settlements. The left would say: set a minimum living wage, make it decent, enforce it, unionise. The right would say: let the market determine wages; if people aren't paid enough, they'll stop spending and the supermarkets themselves will realise that boosting pay packets in the middle will yield better profits than one huge pay packet at the top.

Sadly, she failed to grasp what the economically literate would say about the problem of low pay in the UK. Which is, as I've mentioned here before, [the following](#) [4]:

The difference between what we are told is a living wage and the current minimum wage is almost entirely the amount of tax and national insurance that must be paid (quite despicably) on such low wages. It isn't that wages are too low for the low paid: it is that taxes upon the low paid are too high.

If you want the poorly paid to have more money in their pockets then stop bloody taxing them so much, draining money from their pockets.

This really isn't rocket science you know. The income tax and National Insurance qualifying incomes should be up and around the £12,000 a year level (something we have been arguing here for years). There's a certain political sense in linking the minimum wage and that tax free allowance. For, of course, if the State says that it's immoral for you to earn less than that then why does the State get to stick its hand in your pocket and steal some of that?

And yes, it is still true. If those working full time full year on the minimum wage were not paying income tax and national insurance then they would indeed have incomes within spitting distance of that so called "living wage". And once all those campaigning for that minimum wage note this fact then I'll start to take notice of anything else they might have to say: but not until then.

[blog comments powered by Disqus](#) [6]

Source URL: <http://www.adamsmith.org/blog/economics/on-getting-very-annoyed-indeed-about-this-living-wage-thing>

Links:

[1] <http://www.adamsmith.org/blog/economics/on-getting-very-annoyed-indeed-about-this-living-wage-thing>

[2] <http://www.adamsmith.org/taxonomy/term/5778>

[3] <http://www.guardian.co.uk/commentisfree/2012/jan/18/pays-tesco-ceo-wages-we-do>

[4] <http://www.adamsmith.org/blog/tax-and-economy/on-the-effects-of-living-wages>

[5] http://disqus.com/?ref_noscript

[6] <http://disqus.com>