

# Minimum wage in the uk: impact on businesses



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In this assignment I will describe what is meant by minimum wage and what is it, followed by the value of minimum wage for adults. I will also describe the requirement for businesses to implement the minimum wage and how it affects the operations of the business. Additionally I will give my own opinion about the impact of the rise in interest rates in UK for Tesco.

The minimum wage is the least amount that the employee must receive for his or her performance. These values are permitted by law and must be paid or otherwise the business could be abandoned

2014 (current rate)	£6. 50	£5. 13	£3. 79
2013	£6. 31	£5. 03	£3. 72
2012	£6. 19	£4. 98	£3. 68
2011	£6. 08	£4. 98	£3. 68

Minimum wage rate is paid according to different age the employee lies on. This is the extract that can be found on the government's official website which is <https://www.gov.uk/national-minimum-wage-rates>, for example an adult must be paid his minimum wage of £6. 50/hour but however he can be paid more but not less than this. It should also be noted that anyone under 21 or 18 have different wage rates, as a teenager about 19 years old would be paid his minimum wage of £5. 13/hour where as the adult have a huge <https://assignbuster.com/minimum-wage-in-the-uk-impact-on-businesses/>

different of about £1.37/hour. But it should also be noticed that the government keeps on changing the minimum wage rate as the economy is affected every year so the employer's should keep that in mind.

Businesses like Tesco must pay the minimum wage or otherwise the business can be sued and hence it would be closed down as it is illegal to employ someone and not pay their minimum wage. Not only the business would close down but it would also have to pay the employee or employee's compensation for not paying them monthly. Tesco recruits more than 500,000+ employees and they must be paid their minimum wage, but as Tesco is recruiting the best employees to give their customers a very good experience they are paying their employees more than their minimum wage, but however the new employees starts with the minimum wage but as they get experience, they make space for their salary as well which is hence increased up to even £10.00 per hour. This increases Tesco's overheads but as Tesco operates like labour intensive way, they must employ labour force so that the customers are assisted while they shop at Tesco. If the minimum wage rate increases then it would be a great burden for Tesco as they would have to pay their employees more. Not only one employee but all the employees they have offered to recruit, as a result their overheads would rise terribly. As Tesco would have to pay their minimum wage rates, on the other hand the experienced staff members will also see the chance to increase their wage as they have the opportunity to earn more for the hours they work. But as Tesco will need the experienced staff more than the ordinary staff because of their experience and services for Tesco, they could also threaten to increase their wage or hence they will terminate their contract. Tesco can't afford this to happen as they have invested time and

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training costs on them as a result they would pay the employee high wages so that he/she sticks with them.

Tesco on the other hand would have to increase the prices for their products so that they can meet their overheads and make some profits so that they could return something to their investors as well. Consequently if the prices for the products are increased then customers would turn to their rivals and hence decrease the sales of Tesco, which Tesco clearly can't afford. As a result Tesco will delayer some employees which they think are useless or are no longer required this will help them to lower their overheads and make profit with the remaining staff members. But delivering staff members would put pressure on other employees and hence will decrease the quality work of their employees in the form of their service and their productivity.

Interest rate is the amount charges as a percentage of the use of assets.

Interest rates are increased/decreased or noted down at the end of the annual year. The assets could include cash, goods, machinery, vehicle and building etc. The interest rates depends on the borrower, as if the borrower has a less risk of getting bankrupt or not paying them pack then the interest rates are low but if it's the opposite then the interest rates tends to be on the higher side as well.

If Tesco gets money lent from the government, then the interest rates would depend on the position of the company, as if the company is in the state to return the assets/money easily then the interest rates would be low but if its high then the interest rates would be high and as a result it will help the costs to increase hence the business would increase their overheads. As the

overheads would increase the business would have to find alternative ways to bring the cost down or to increase the profits, one of the possibilities is that the prices of products could be increased but if Tesco does that then Tesco should also realise that customers would be ready to face their rivals who will find the opportunity to give reasonable prices for the same products, hence Tesco will lose customers as well as their chance to make more money. Another possibility is that Tesco will recruit less people or might even fire some employees to decrease their overheads but the results would be identical as employees won't be loyal and might fear that they could also be fired.

Secondly Tesco should also realise that customers would also have to pay interest on their personal loans for example car loans and home loans. The higher the interest rates, the less money would customers have with themselves and hence during this process customers tend to save more rather than spending all the money they have. During the process customers will lose the ability to buy more products or enjoy services, so businesses overall would suffer a decrease in sales. As a result Tesco will have to meet their overheads and make some profits but as few products would be sold, profits won't be enough to cover up; as a result some employees will have to be unemployed. They might even cut down the wages a little bit but this will shadow the confidence of the employees and hence this should be the last resort for Tesco to do in case if they are getting bankrupt, but it should also be noticed that employees would still be paid their minimum wage which will still keep the overheads on the higher side.

Interest rates can also lower the confidence of investors or shareholders, which would decrease the investment in Tesco. The reason is simply because of the high interest rates as it's more expensive for businesses to borrow money and keep the business flowing in a good manner.

In my opinion Tesco should never cut down employees or hire extra employees so that in tough times the employees won't be needed to be unemployed. In this case the business might even risk getting a loan or an overdraft facility but should never cut down employees or decrease their wages as it shrinks their confidence with the business.