**Equal pay and minimum wage legislation**

**Minimum wage** is the lowest hourly wage than an employer can legally pay an employee

**Piece-rate pay** (or piecework) is when employees are paid a fixed amount for each unit of output that is produced. For example apple pickers may be paid £4 for each box of apples they pick.

**National minimum wage 1998**. - Key features:

* A general minimum hourly wage
* A separate (and lower) minimum hourly level for 18-21 and 16-17 year olds
* Those on piece-rate pay must receive at least the minimum wage
* All part time and temporary workers must be paid the minimum wage

**Equal Pay Act 1970 -** This law applies to pay, pensions, bonuses and non-monetary issues such as length of holidays. The law says that a woman doing the same job as a man must receive the same pay and have the same working conditions.

**What do these laws mean for small businesses?**

These laws increase the production costs for businesses. If costs increase, profit is reduced. Small businesses may chose to employ fewer people because of the high wage costs. This is likely to happen if employees are unskilled and it is easy for them to use machinery. Therefore machinery may replace the workers.

Discrimination is treating one person differently from another without having a good reason to do so.

**Discrimination laws**

**Sex Discrimination Act 1975 - E**mployees cannot be sexually discriminated in employment, training or recruitment.

**Race Relations Act 1976** - It is illegal to discriminate against someone on the basis of race, ethnic group or colour.

**Disability Discrimination Act 1995 -** It is illegal for an employer to treat a disabled person less favourably than others. It is also requires employers to make ‘reasonable adjustment’ to the working environment to allow the employment of the disabled. Employers might be expected to build ramps to allow wheelchair access and to adapt equipment so that disabled people can use it.

**Employment Equality Regulations 2006 -** It is illegal for employers to unreasonably discriminating against employees on grounds of age.

***What do these laws mean for small businesses?***

This law affects all aspects of employment including: recruitment, promotions and transfers, training, pay and monetary and non-monetary benefits, dismissal.

Laws of discrimination can lead to extra costs for businesses. E.g. a small business is not likely to have an expert in employment law as an employee therefore it may need advice of the law and this legal advice can be expensive. But discrimination laws may encourage businesses to employ the best candidate for the job.

**Employment rights**

* All female employees are entitled to take 52 weeks leave around the time of the birth of the child
* All employees have a legal right to a paid holiday (24 days a year)
* Employees have a legal right to choose whether or not they wish to belong to a trade union.
* Employees have to be given a contract of employment, which must state the amount they are paid and when they will receive their payment

**A trade union** is a group of workers who act together to improve their pay and working conditions

**A contract of employment** is a legal document stating the hours, rate of pay, duties and conditions under which a person is employed.

***What do these laws mean for small businesses?***

Employers have to pay extra costs. E.g. a small business has to pay maternity pay in the same way as a much larger business. This represents an opportunity cost – the business has limited funds and could have spent the money elsewhere, such as on marketing. Also, if a business has to replace a person on maternity leave, this means the replacement has to be trained, this takes time and providing the training can be costly for as business.

There are benefits – Improved motivation is the main benefit. Being allowed time off to care for a child will mean the employee feels valued and respected. This will mean they are more likely to be productive improve their performance at work.

Also, allowing employees off for trade union meetings may not be cost effective but it may improve the relationship between the business and the union. This may mean there are less damaging disputes.

**Health and Safety Act 1974 -** Employers must provide safe premises and machinery. They must ensure that workers health is not affected by their work.

* This adds to costs to businesses that need to train staff and spend money maintaining the standards set out.
* **BUT** may reduce cost in the long term because of a reduction in staff absences and not having to pay compensation for injuries.
* Good health and safety record is a good way of encouraging recruitment of good workers.

***What does this mean for small businesses?***

* Increases costs for businesses - Installing safety equipment, carrying out health and safety (time consuming and costly)
* Benefits include not having to pay large fines, motivating employees as they know their safety needs are met.

You may argue in your exam that the effect of employment laws is greater for small businesses than for large ones. Small businesses do not have as much money to spend on meeting the requirements of the law and are unlikely to employ experts on the law.

Legislation can help a business as well as hinder it. Write balanced answers to questions about employment laws. E.g. laws relating to health and safety might mean that a business’s employees have fewer accidents. This may mean that the business pays less in compensation and does not lose the services of experienced employees