

# The introduction of the National Minimum Wage (1998)

## Starting point

A national minimum wage for the UK had been under debate in the Labour Party for decades. However, in much of that time it was not only opposed by business, but also was a source of controversy – or apathy – within the labour movement. The commitment to introduce a national minimum wage featured in Labour's 1992 manifesto, but was a source of vulnerability rather than a winning policy. Yet, two decades later, the machinery for setting the minimum wage established in the early years of the Labour government survived a change of government and came top of our poll of political studies academics for best policy of the last 30 years. This case study looks at how this policy turnaround was achieved.

## Policy background

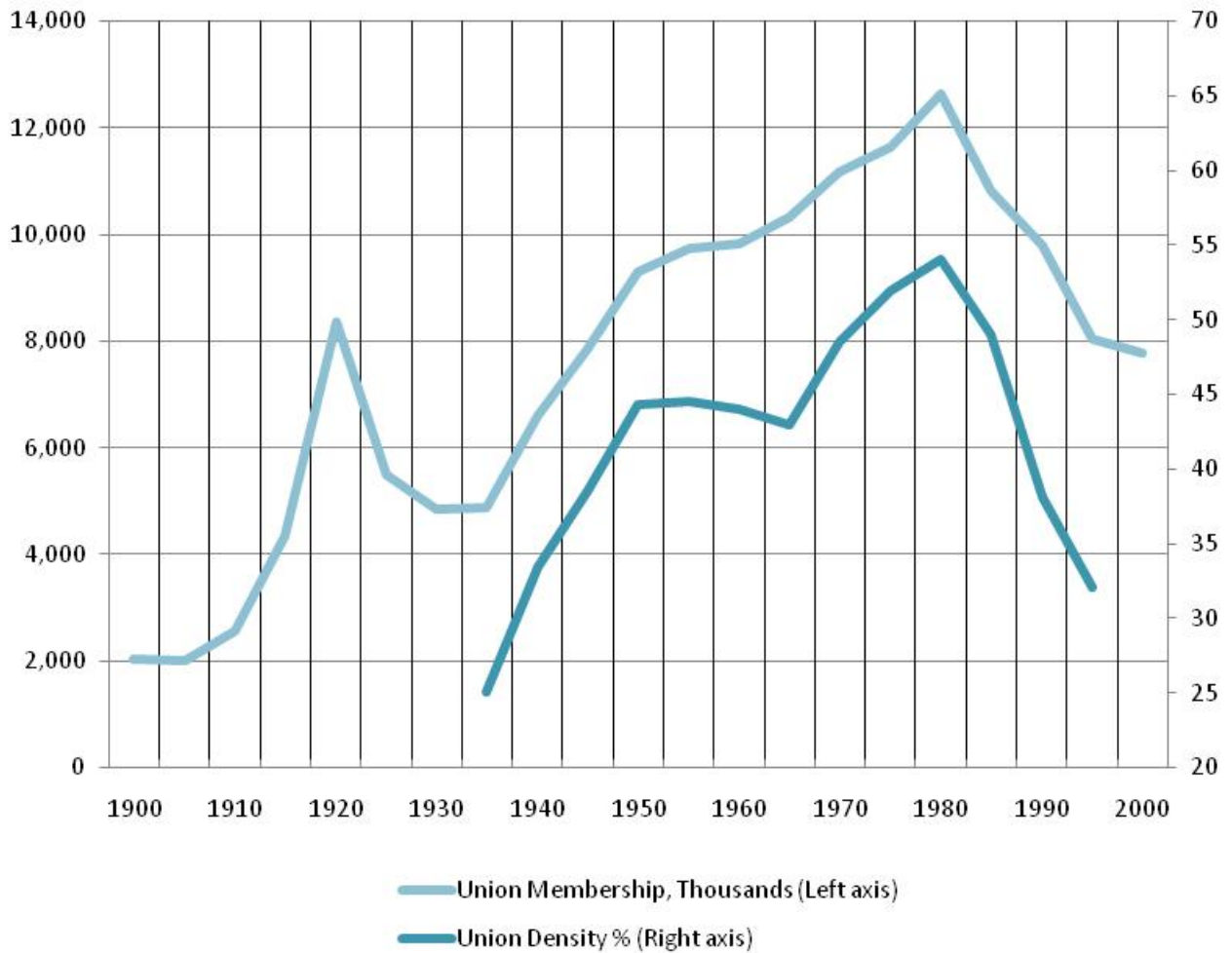
Wage regulation goes back to the 1890s. Trade Boards were established to underpin wages in so called 'sweated' or 'badly organised' industries and, after the Second World War, these morphed into Wage Councils, but this apparatus was always regarded as secondary to more general collective bargaining. Government also attempted to influence wages through Fair Wage Resolutions using its own buying power to set wage floors. At its peak, 3.5 million workers were covered by the wage councils.<sup>1</sup> Unionisation also increased and peaked in 1980 when 54% of eligible employees were members of unions. The cornerstone of union strength was collective bargaining and both governments and unions regarded wage regulation as a last resort.

The Thatcher government reformed wage regulation as part of more general labour market liberalisation, starting with the removal of the Fair Wage Resolutions in 1983. This went alongside more general reforms to rein in the trade unions – something which had been attempted by the earlier Wilson and Heath governments but had not been seen through. Wages Councils were finally abolished by the Major government in 1993.

From the middle of the 1980s onward there was a marked increase in the number of people in low income households. The number living in households with an income less than 40% of the median doubled between 1985 and 1993. This coincided with the rapid decline of union coverage from its peak. According to economist Stephen Machin, the reform of the *"two institutions that have traditionally propped up wage levels at the bottom end of the wage distribution... played an important*

<sup>1</sup> David Metcalf, *The British National Minimum Wage* (LSE, 1999), p. 1; available at: [http://eprints.lse.ac.uk/20229/1/The\\_British\\_National\\_Minimum\\_Wage.pdf](http://eprints.lse.ac.uk/20229/1/The_British_National_Minimum_Wage.pdf)

part in the rise in wage inequality in Britain.<sup>2</sup> Gosling and Lemieux also conclude that the labour market reforms of this period were to blame for the increase in wage inequality.<sup>3</sup>



Source: IfG, based on data from James Achur, 'Trade Union Membership 2010' (2011), National Statistics, available at: <http://stats.bis.gov.uk/UKSA/tu/TUM2010.pdf>

In the early eighties, trade unions harboured considerable concerns about the effects of a minimum wage. At the policy reunion, Ian McCartney, who was in charge of opposition preparations for the

<sup>2</sup> See Stephen Machin, 'The Decline of Labour Market Institutions and the Rise in Wage Inequality in Britain', *European Economic Review*, vol. 41 (1997), pp. 647-657.

<sup>3</sup> See Amanda Gosling and Thomas Lemieux, 'Labour Market Reforms and Changes in Wage Inequality in the United Kingdom and the United States', *NBER Working Paper No. 8413* (2001).

national minimum wage, commented on the Transport and General Workers' Union (TGWU) position at the time: *"They were worried about jobs, they were worried about differentials... but beyond that there was a general collective bargaining fear for a number of trade unionists. They said 'If you legislate, what price trade union organisation? It would disappear.'"*<sup>4</sup> But that view was not universal. The National Union of Public Employees led the charge within the union community and Chris Pond from the Low Pay Unit think tank led the way in policy circles. Both emphasised the lack of support for the idea. Rodney Bickerstaffe recalled one minimum wage campaign event which drew only nine people, seven of whom were his staff. Chris Pond put it more bluntly: *"I can tell you, back in the eighties, the minimum wage wasn't controversial at all. Nobody thought it was a good idea."*<sup>5</sup>

However, attitudes began to change in the mid-1980s. The Scottish Trade Union Congress passed a resolution in favour of a minimum wage in 1984 and, two years later, the Trades Union Congress (TUC) voted for the same principle. In 1985, the Labour Party passed a conference motion supporting a minimum wage of two thirds of male median earnings. It was not until 1992, however, that the Labour Party included a commitment in their manifesto to introduce a minimum wage of half male median earnings, eventually rising to two thirds. This policy proved to be an electoral liability for Labour since the Conservative Party were able to claim that the minimum wage, which would have been the highest in the developed world, would be disastrous for employment.<sup>6</sup> Michael Howard famously claimed in a Tory press release that it would destroy between 750,000 and 2,000,000 jobs.<sup>7</sup> Labour Party leader Neil Kinnock had trouble explaining, let alone defending, the inconsistently formulated half male median earnings proposal.

## Initiation

After the 1992 election defeat, two things then happened which saw the beginnings of the policy that Labour took into government in 1997. First, the academic discourse surrounding the minimum wage started to change. Several scholars began publishing research which challenged the consensus that the minimum wage would destroy jobs, at least for adult workers. Pioneering empirical work by David Card and Alan B. Krueger in the US found no effect on employment for those over 25 and only a small effect for those under 25, which was small if they were subject to a lower minimum

<sup>4</sup> Institute for Government, Policy Reunion on the National Minimum Wage (1 February 2011); details available at: <http://www.instituteforgovernment.org.uk/our-events/91/policy-reunion-national-minimum-wage>

<sup>5</sup> IfG Policy Reunion.

<sup>6</sup> David Coats, *The Minimum Wage: Retrospect and Prospect* (The Work Foundation, 2007).

<sup>7</sup> Conservative Party press release, 'Michael Howard warns Labour Minimum Wage Fiasco "could double unemployment"' (22 April 1991). This estimate was based on the unrealistic assumption that differentials would remain the same throughout the wage distribution, that is, everybody would get a pay rise due to the NMW. In reality, knock on effects were largely absent above the tenth percentile of the pay distribution, partly explaining why there have been only small employment effects; see Alan Manning and Richard Dickens, *The Impact of the National Minimum Wage on the Wage Distribution, Poverty and the Gender Pay Gap* (Centre for Economic Performance, London School of Economics and Political Science, 2002).

wage.<sup>8</sup> In the UK scholars analysed the effect of the abolition of wage councils and concluded that they had not reduced employment.<sup>9</sup> The evidence from Europe was also consistent with these findings. At our policy reunion, Dan Corry (Special Adviser at DTI from 1997-2002) stressed the importance of this work in breaking down the opposition amongst the newspaper commentariat.

The change in academic thinking was accompanied by a significant tactical shift in the Labour Party. Neil Kinnock had been exposed by the unrealism of the level of the minimum wage to which the party had committed itself in 1992. Three days before the sudden death of the Labour leader John Smith, employment spokesman John Prescott announced the decision not to set a specific level until at least the next election: *"There will come a time when we have to set the rate, but let us argue about the principle first."*<sup>10</sup> In 1995, the Labour Party committed to having a Low Pay Commission, made up representative of employers, employees and independents, which would set the rate after the election.

But simply having a commitment was not enough – preparations were begun to pave the way for a new government to introduce a minimum wage. In order to work up the practicalities, two groups were set up to develop the proposals between 1994-6, headed by Ian McCartney; the first met weekly to deconstruct all issues relating to implementation (including details such as the treatment of babysitters and au pairs) and a second group looked at mechanics (coverage and how to ensure compliance).

At the same time, the Labour Party began to build the political case for the minimum wage. They started with the business case – that low pay undermined the ability of companies to compete and that high turnover brought high costs in training and recruitment. This enabled them to appeal to good employers who risked being undercut by cowboys. They also started to reposition the national minimum wage to put it in the wider economic context of welfare reform and making work pay. In parallel, Labour built the political case through their 'fat cats' campaign to highlight the unfairness of the treatment of people at the bottom end of the pay scale in contrast with boardroom excess, focussing in particular on British Gas Chief Executive Cedric Brown, alongside 'horror stories' of the abuse of low paid workers. At our policy reunion, political scientist Martin Lodge thought this political campaign and the reframing of the minimum wage as a broader welfare issue was critical in changing the context within which the policy was developed.

The result of all this preparatory work was that, by 1997, the national minimum wage had become a relatively non-controversial proposition and the Confederation of British Industry (CBI) was prepared to lend its support. As late as 1995, the CBI had been arguing *"that even a low minimum wage would reduce job opportunities and create major problems for wage structures in a wide range of companies"* whereas by the time of their submission to the early work of the Low Pay Commission

<sup>8</sup> See David Card and Alan B. Krueger, *Myth and Measurement: The New Economics of the Minimum Wage* (Princeton, NJ: Princeton University Press, 1995).

<sup>9</sup> Richard Dickens, Stephen Machin and Alan Manning, 'The Effects of Minimum Wages on Employment: Theory and Evidence from Britain', *Journal of Labor Economics*, vol. 17:1 (1999), pp. 1-22.

<sup>10</sup> Barrie Clement, 'Labour delay on minimum wage rate', *The Independent* (10 May 1994), available at: <http://www.independent.co.uk/news/uk/politics/labour-delay-on-minimum-wage-rate-1434866.html>

(LPC) the CBI had changed track claiming *“that the appropriate and feasible purpose for the NMW is to create a ‘floor’ to the labour market.”*<sup>11</sup> By 1997, the Labour manifesto explicitly made the case for a minimum wage:

*Every modern industrial country has a minimum wage, including the US and Japan... Introduced sensibly, the minimum wage will remove the worst excesses of low pay (and be of particular benefit to women), while cutting some of the massive £4 billion benefits bill by which the taxpayer subsidises companies that pay very low wages.”*<sup>12</sup>

## Options

The preparation in opposition gave ministers, in the words of Geoffrey Norris (a special adviser to the No. 10 policy unit at the time), *“an enormous advantage in terms of getting on and implementing it. And I think that’s a very important policy lesson.”*<sup>13</sup> Ian McCartney had been able to give civil servants detailed advance notice of the proposals, which meant legislation could be announced in the Queen’s speech just two weeks after the election. Indeed, being able to move quickly on the national minimum wage allowed the Labour Party to make the most of their large mandate from the landslide election victory. In contrast to 1992, the 1997 manifesto pledged new machinery to set the minimum wage *“decided not on the basis of a rigid formula but according to the economic circumstances of the time and with the advice of an independent low pay commission, whose representatives will include representatives of employers, including small businesses, and employees.”*<sup>14</sup>

Another key factor, which has also been seen in other policy successes, was in having an authoritative body separate from the political fray that was able to examine the detail of how the policy should be implemented. Before the 1997 general election, the decision was made to have a Low Pay Commission with three employer representatives, three labour representatives and three independents. According to Geoffrey Norris, having a commission was *“critical in getting the CBI on board.”* Norris commented at our policy reunion that the social partnership model and *“the fact that when George and his colleagues reported... that the TUC and CBI were signing off has helped the LPC and the minimum wage have very, very deep roots in British society”* and noted how *“doing that can create very robust policy.”*<sup>15</sup> This view has been echoed by John Cridland, then Human Resources Director at the CBI and a member of the LPC:

<sup>11</sup> David Metcalf, ‘The British National Minimum Wage’ (1999), available at: [http://eprints.lse.ac.uk/20229/1/The\\_British\\_National\\_Minimum\\_Wage.pdf](http://eprints.lse.ac.uk/20229/1/The_British_National_Minimum_Wage.pdf)

<sup>12</sup> New Labour, ‘Because Britain Deserves Better’ (1997), available at: <http://www.labour-party.org.uk/manifestos/1997/1997-labour-manifesto.shtml>

<sup>13</sup> IfG Policy Reunion.

<sup>14</sup> New Labour, ‘Because Britain Deserves Better’ (1997), available at: <http://www.labour-party.org.uk/manifestos/1997/1997-labour-manifesto.shtml>

<sup>15</sup> IfG Policy Reunion.

*We had fought that battle of principle, that was now behind us, the battle had been lost and there was going to be a minimum wage... and given that all the signals were that the minimum wage was going to be set at a reasonable level, the judgement was we would be better off inside the tent.<sup>16</sup>*

The appointment of academic George Bain as chair was seen as crucial to the success of the Commission, though there were big debates within government on who to appoint. The independents were able to influence deliberations by being able to threaten to side with the other grouping if either one were unreasonable, but the Chair was absolutely clear that unanimity was crucial to the Commission's success. But final decisions often came back to an old-fashioned negotiation between Bill Callaghan for the TUC and John Cridland for the CBI. Both were highly pragmatic, skilled negotiators and, as they were not leaders of their organisations, their hands were not tied by external commitments.

#### Initial composition of the Low Pay Commission

- **Professor George Bain (Chairman)** President and Vice-Chancellor, The Queen's University of Belfast
- **Professor William Brown** Professor of Industrial Relations, University of Cambridge
- **Bill Callaghan** Chief Economist, Trades Union Congress
- **John Cridland** Director of Human Resources Policy, Confederation of British Industry
- **Lawrie Dewar, M.B.E.** Chief Executive, Scottish Grocers' Federation
- **Rita Donaghy, O.B.E.** UNISON Executive Council
- **Paul Gates** General Secretary, National Union of Knitwear, Footwear and Apparel Trades
- **Professor David Metcalf** Professor of Industrial Relations, London School of Economics
- **Stephanie Monk** Director of Human Resources, Granada Group plc

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Source: *The National Minimum Wage: First Report of the Low Pay Commission* (1998).

The Commission's first report was the product of a huge research effort. The LPC received 580 evidence submissions, met with or visited 233 different interested parties all over the UK and listed references for more than 350 pieces of literature which informed their report. The Commission was bounced by Peter Hain, then Parliamentary Under-Secretary of State at the Welsh Office, into incorporating a strong regional visits element into its work programme, visiting more than 200 places – but this proved hugely beneficial both in terms of getting buy-in and bringing the Commission together. The Commission uncovered a lot of real abuse – for instance an

<sup>16</sup> Interview with the author (July 2011).

advertisement for a night-watchman at £1 an hour for a 100 hour week where the employee had to bring their own dog.

The members of the Commission who came to the policy union were agreed that this process was crucial to the success of the LPC. It allowed them to go through, in the words of one commissioner, “a shared and mutual education” and in doing so build trust and strong working relationships with each other.<sup>17</sup> A programme of visits was planned with the assistance of organisations including Federation of Small Business and the Citizens Advice Bureau to ensure that all stakeholders had a chance to contribute to the process.<sup>18</sup> Dan Corry commented:

*I think the social partnership model of the Low Pay Commission was a great success... The fact that they went round the country, going into work places, all around, really was tremendously important... because everybody realised everybody's issues were being thought about. It really helped when it got down to the sticky issues.<sup>19</sup>*

The LPC presented its first report to the Prime Minister on the 18 June 1998. It made a total of 24 recommendations including how to define the wage; that young people (between 16 and 17) and apprentices should be excluded from the minimum wage; that there should be a reduced rate for 18 to 20 year olds; that the rate should start at £3.60 an hour in April 1999, rising to £3.70 per hour in June of 2000; and the enforcement and review mechanisms. Members of the Commission were determined to reach unanimous conclusions – to avoid handing the initiative back to government.

## Decision

The minimum wage was established in the National Minimum Wage Act, which came in to force on 31 July 1998. The act gave a broad definition of an eligible worker, stipulated that there would be no regional variation in the rate, gave workers the right to recover any past underpayment and specified financial penalties for firms which did not comply. Crucially, it also put the Low Pay Commission on a permanent statutory footing with an ongoing remit to make recommendations on the NMW, a move that was initially opposed by the Treasury which wanted to take over the right to set the minimum wage in the future.

Having established the Commission, decisions had to be taken on what to do with its recommendations. Margaret Beckett, President of the Board of Trade at the time, commented at the reunion that it “*was the soundness of the work that the Low Pay Commission did that was so crucial to how easy it was or was not to convince everybody in government...that this was a policy that we could pursue as well as should pursue.*” Beyond the practicalities, Beckett also explained the report’s political role in keeping a lot of proverbial cans of worms closed:

<sup>17</sup> The Low Pay Commission, *The National Minimum Wage: Making a Difference: The Next Steps. Third Report of the Low Pay Commission* (2001).

<sup>18</sup> William Brown, ‘The Operation of the Low Pay Commission’, *Employee Relations*, vol. 24:6 (2002), pp. 595-605.

<sup>19</sup> IfG Policy Reunion.



*I did my utmost to persuade my colleagues that we should put through the Low Pay Commissions report entirely unamended. It seemed to me that that was the simple straight forward political choice and it meant that none of my colleagues needed to get involved in the detail...to any great degree. You could say 'the Low Pay Commission has done the work, and they say that this will work, and that's why we have this figure etc etc.'<sup>20</sup>*

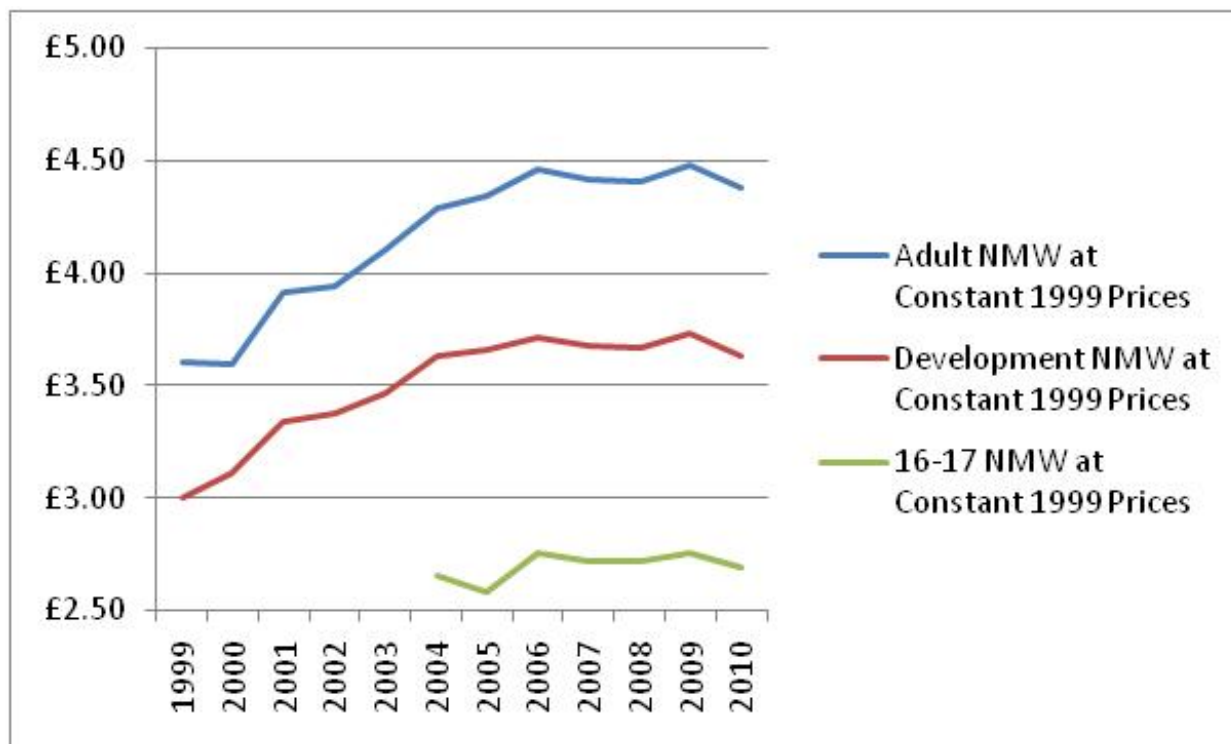
The most controversial issue was the youth rate. This was an area where evidence suggested that there could be employment impacts and anything showing that the minimum wage was destroying jobs for young people would be politically disastrous. The intervention of Peter Mandelson, who was a minister in the Cabinet Office at the time, saying that people were “not old” until they were 25 brought the Commission together to assert their independence, but the youth rate proved to be the one area where concessions had to be made to the Treasury. The minimum wage, set at £3.60, and with a rate for workers aged 18-21 of £3.00 finally came into force on 1 April 1999, but there was no minimum wage set for those aged 16-17.

## Implementation

The LPC has now produced 11 annual reports and there have been a series of adjustments to the rates, as well as an introduction of the new 16-17 year old rate in October 2004 and a separate apprentice rate in October 2010. Putting the Low Pay Commission onto a permanent basis meant the minimum wage could evolve over time. At our policy reunion, David Metcalfe, who served on the commission for ten years, noted how the arrangements meant the initial rate could be set low and then increased as it became clear that it was not having damaging effects on the labour market. As the below graph shows, the minimum wage was ratcheted up significantly over time in real terms. Indeed, due to a measurement error in the data being used to make the decision, the original level for the minimum wage turned out to be too low. Initial prediction had been that the £3.60 starting rate would affect two million people. As it happened, when recalculated with better data after the initial introduction of the NMW, only one million were affected. According to Paul Gregg, on the council of economic advisers at the time, Brown's team at the Treasury pushed hard for the adult rate to be increased in the light of this new information. They were influenced in this by the strength of research evidence showing there was little effect on adult employment rates.

<sup>20</sup> IfG Policy Reunion.





Source: Institute for Government – Data from <http://www.statistics.gov.uk/StatBase/tsdataset.asp?vlnk=7172&More=Y>

The national minimum wage made a significant impact at the bottom of the income scale – particularly to women who comprised 70% of the beneficiaries and who were not covered by existing collective bargaining agreements.<sup>21</sup>

The biggest implementation challenge has been on enforcement, which can either be pursued by individual employees or by compliance officers from HMRC. According to Richard Croucher and Geoff White, the Labour government was wary of creating another layer of bureaucracy to enforce the NMW, a “*vast new inspectorate*” in the words of Barbara Roche (PPS to Beckett at the time).<sup>22</sup> Consequently, enforcement efforts are not particularly well resourced. Information on levels of compliance are not available because data sets on pay do not include the relevant information to determine eligibility for the NMW.<sup>23</sup> The best evidence about the extent of non-compliance therefore comes from data on complaints received and enforcement efforts.

<sup>21</sup> Low Pay Commission, *Making a Difference: Third Report of the Low Pay Commission*, vol. one, p. vi.

<sup>22</sup> Richard Croucher and Geoff White, ‘Enforcing a National Minimum Wage: The British Case’, *Policy Studies*, vol. 28:2 (2007), pp. 145-61.

<sup>23</sup> ONS, *Low Pay Estimates* (2010); available at: <http://www.ons.gov.uk/ons/rel/ashe/low-pay/april-2010/index.html>

	2003/2004	2004/2005	2005/2006		2009/2010
Complaints	1,963	1,909	2,100		2,900
Arrears identified	2.5 million	3.7 million	3.3 million		4.4 million

Source: Institute for Government – Data from DTI and Inland Revenue, *National Minimum Wage Annual Report 2004/5* (2005); BIS and HMRC, *Delivering Results: National Minimum Wage Compliance 2009/2010* (2010); and BIS, *National Minimum Wage Compliance Strategy* (2010).

The Employment Act 2008 introduced automatic fines for non-complying businesses. Other recent innovations include a three year £6m awareness campaign and a unified employment rights helpline. At our policy reunion, participants thought there was a missed opportunity to join up enforcement as bad employers in this regard tended to be bad employers across the board.

## Consensus

The Conservative Party bitterly opposed the original minimum wage legislation in acrimonious debates on the floor of the House of Commons. They first signalled that they were planning to drop their opposition to the minimum wage just a month after the NMW came into force; apparently as a part of an attempt to secure the resignation of John Redwood from the shadow cabinet.<sup>24</sup> On 2 February 2000, the Conservative Leader, William Hague, reshuffled his cabinet, removing John Redwood entirely and making Michael Portillo Shadow Chancellor. His first act was to reverse his party's opposition to both the NMW and independence of the Bank of England.<sup>25</sup> Portillo said the party should not be concerned with the NMW "*at the modest level at which it has been set by the government... The minimum wage has caused less damage to employment than we feared*", pledging instead to improve the way it was administered.<sup>26</sup> The 2001 Conservative Party manifesto, however, made no mention of the minimum wage and it was not until the 2005 election, under the leadership of Michael Howard, that the party made a manifesto pledge to retain the NMW. In the same year, David Cameron, then shadow Secretary of State for Education and Skills, commented that the NMW had "*turned out much better than many people expected, including the CBI*".<sup>27</sup>

The wider business community also came round to the NMW. In 2000, an Ipsos Mori publication entitled *Business on Blair* included results from a poll of 210 employers, which suggested the

<sup>24</sup> Nicholas Watt, 'Redwood out in the cold as Tories back minimum wage', *The Guardian* (29 May 1999), available at: <http://www.guardian.co.uk/politics/1999/may/29/uk.politicalnews1>

<sup>25</sup> 'Tories deny Portillo-Hague deal', *BBC* (9 February 2000), available at: [http://news.bbc.co.uk/1/hi/uk\\_politics/636384.stm](http://news.bbc.co.uk/1/hi/uk_politics/636384.stm)

<sup>26</sup> Patrick Barkham, 'Portillo transforms Tories' economic outlook', *The Guardian* (3 February 2000), available at: <http://www.guardian.co.uk/politics/2000/feb/03/thatcher.uk3>

<sup>27</sup> Cited in Alan Manning, *The UK's National Minimum Wage* (2009); available at: <http://cep.lse.ac.uk/pubs/download/cp290.pdf>

minimum wage was supported by 53% of businesses.<sup>28</sup> By 2006, a survey found three quarters of employers were in favour of the minimum wage.<sup>29</sup>

When asked about what could have been done better, participants at our policy reunions identified some important issues. First was the treatment of London, where the minimum wage was “irrelevant” (a fact now reflected in the campaign for a London living wage). Another concern was that although the NMW put a “*plimsoll line*” floor under the labour market (and was a critical enabler of the attack on poverty and of the introduction of tax credits), it did nothing to tackle the issue of people stuck on low wages – one effect of the NMW was to remove or reduce the possibility of progression. There were also issues about the poor quality of the data on which decisions had to be made. It was also notable that the social partner model on which the Low Pay Commission was based was not extended to other areas such as the Working Time Directive. More generally, there was a concern about the risk that the NMW may be eroded in coming years despite apparent consensus with pressure for regionalisation or exemption of small businesses or a reduction in enforcement.

## Reflections

There are a number of interesting lessons for policy makers from the introduction of the national minimum wage:

The first is the importance of creating a context for action. The extended public campaign by the Low Pay Unit, National Union of Public Employees (NUPE) and others changed attitudes within the labour movement. It was a sign of the times that the Labour Party’s ‘fat cats’ campaign resonated with people and helped create wider support for action on low pay. This was backed up by academic research which not only highlighted the low pay in various occupations, but also dispelled the Conservative Party’s concerns about the impact on jobs.

The second is the willingness to learn from history. Labour had been burned over the national minimum wage in 1992 with an inflexible formula that laid it open to charges of economic irresponsibility. The new more flexible approach was important both to getting important groups on board before the election, but also reduced its vulnerability on the issue.

The third notable feature is the extensive preparation done in opposition by the Labour front bench team to both prepare the detail of the proposals and be able to capitalise on the political momentum of the Labour victory and also to prepare the political ground which paved the way for business support. This included the reframing of the issue into a wider economic and social justice context and positioning low pay as an issue about abusive employment practices which undermined other businesses. This preparation not only meant the minimum wage was not a

<sup>28</sup>All the businesses in the sample had more than 200 employees. For further details, see: <http://www.ipsos-mori.com/researchpublications/researcharchive/1475/Business-On-Blair.aspx>

<sup>29</sup>IfG Policy reunion.

contentious issues in 1997 in the way it had been in the 1992 election, but also enabled the government to get legislation establishing the Low Pay Commission into their first Queen's speech.

The move from a commitment to a specific level for the national minimum wage, the institutional innovation of the creation of an independent Commission, with high quality Chair, commissioners and secretariat, allowed the minimum wage to be set in a consensual way. It defused potential opposition in advance of the election – and then made it easier to implement the proposals when made. This was underpinned by the strength of the analytic base it developed. Moreover the decision to put the Low Pay Commission on a permanent statutory basis enabled it to adopt an incremental and adaptive approach as it could solve issues over time and could start with relatively modest proposals and see the impact and then adjust. The Commission also allowed the many difficult technical issues to be dealt with over time. John Cridland told us that this adaptive approach was crucial for the business community because it would stop the minimum wage becoming a “*political football*”, which might be subject to large and unpredictable movement on the basis of political considerations.<sup>30</sup>

Ministers at the Department of Trade and Industry also played a very significant role in driving through the initial proposals and then protecting the integrity of the Commission's proposals, not least preventing too much interference by their colleagues. That gave the LPC credibility and independence. What was notable too was the division of labour between DTI ministers – with Ian McCartney focusing on the detail and Margaret Beckett as Secretary of State playing a more strategic role with her colleagues.

George Bain, Chair of the Commission, had previously served on the decidedly unsuccessful Bullock Committee on industrial representation in the 1970s. Reflecting on the differences between the Bullock Commission, which ended in failure and the success of his own, he drew out the critical success factors that made all the difference.<sup>31</sup> The first is that there was consensus among the unions for the LPC report, but not for Bullock, which was an important precondition for achieving broader inter-group consensus. The second crucial difference was that the LPC had incentives to agree a unanimous line to maximise the chances of having their report accepted by the government; the alternative being that the Treasury set the minimum wage more or less unilaterally. The reunion participants noted how George Bain would carefully remind them of this during periods of real disagreement. The third difference was that fewer of the commissioners were leaders of their organisation, meaning they were not rigidly bound by a corporate line.

Over a period of thirty years, the minimum wage went from an intervention unwanted by most of the labour movement and employers into a policy accepted by all major political parties and both sides of industry, which has benefitted significant numbers of the lowest paid workers.

<sup>30</sup> Interview with author (July 2011).

<sup>31</sup> George Bain, *The Bullock Committee and the Low Pay Commission: Some Reflections* (2001); available at: [http://www.instituteforgovernment.org.uk/pdfs/sir\\_george\\_bain\\_minimum\\_wage\\_speech.pdf](http://www.instituteforgovernment.org.uk/pdfs/sir_george_bain_minimum_wage_speech.pdf)

## List of Participants at Policy Reunion

<b>Name</b>	<b>Role at the time</b>
Rt. Hon. Margaret Beckett MP	President of the Board of Trade 1997-1998
Sir George Bain	First Chair of the Low Pay Commission, (1997-2002)
Sir Ian McCartney	Shadow Employment Minister (1994-1997), Minister at Department for Trade and Industry (1997-1999)
Rodney Bickerstaffe	President of TUC (1992), General Secretary of UNISON (1995-2000)
Dan Corry	Senior Economist IPPR 1992-1997, Special Adviser DTI and DTLR (1997-2002)
Geoffrey Norris	Special Adviser (Business), Number 10 Policy Unit (1997-2008)
Sir Bill Callaghan	Chief Economist and Head of the Economic and Social Affairs Department at the Trade Union Congress, Commissioner, Low Pay Commissioner (1997-2000)
John Rhodes	First Secretary of the Low Pay Commission
Chris Pond	Director of the Low Pay Unit (1980-1997), Chair, Low Pay Unit (1997-1999)
Dr Martin Lodge	Department of Government, LSE – Academic Discussant