

Press release: 20 years of the National Minimum Wage have boosted pay by £5,000

- The minimum wage has reversed the pre-1999 trend of pay growth inequality.
- Last year the lowest-paid workers earned £2.70 per hour more in real terms than if there had been no minimum wage – £5,000 a year for a full-time worker.
- 30% of workers have benefited either directly or indirectly from the minimum wage – with up to 7 million individuals a year feeling the benefits.
- The LPC has not found significant negative effects on employment from raising the minimum wage.

Bryan Sanderson, Chair of the Low Pay Commission, said:

Today we are celebrating the 20th anniversary of the National Minimum Wage and recognising the transformative effect it has had on the UK's labour market.

It has succeeded in raising the pay of the lowest paid – by £5,000 a year in real terms for a full-time worker – without harming their job prospects.

The Low Pay Commission's social partnership and evidence-based approach have been crucial to the success of the policy.

Today's report by the Low Pay Commission sets out the long-term effects of the National Minimum Wage and the National Living Wage, with new analysis of pay and employment data. It describes the history of the minimum wage in the UK, including the debates leading up to its introduction. And it details how the LPC's model of social partnership informs its advice to Government on the rates.

The introduction of the National Minimum Wage (NMW) in April 1999 had a significant impact on the lives of the lowest paid. Until then, it had been the norm for low-paid workers to see their earnings grow more slowly than the average, regardless of wider economic conditions. The earnings of the lowest-paid rose by much less than the average throughout the 1980s and 1990s. The NMW and National Living Wage (NLW) have reversed this norm: since 1999, the lowest paid have seen their hourly pay grow faster than all other workers.

And in addition, many more workers have benefited indirectly – the effects of an increase in the minimum wage ripple up the pay distribution, as employers maintain a 'differential' between the minimum rate and pay for managers and team leaders just above.

With each annual increase, the NMW and NLW have increased the pay of up to 30% of all jobs – up to 7 million workers on current employment levels. Between 1999 and 2018, we estimate that the total benefit to workers of minimum wage increases has been £60 billion. The bottom 1% of workers were paid £2.70 an hour more in real terms in 2018 than they otherwise would have been – an additional £5,000 a year for the lowest-paid full-time workers.

Notes:

1. [Read the Low Pay Commission's new report '20 years of the National Minimum Wage' here](#). All the data used in the report is published alongside it.
2. £2.70 is the difference between the 2018 earnings of the lowest paid first percentile of jobs held by workers aged 25 and over, and the amount they would have been paid if their wages had grown as fast as jobs in the middle half of the hourly pay distribution. This is multiplied by 36 hours a week, and 52.14 weeks a year to give £5,000.
3. The bottom 30% of workers aged 25 and over have seen faster wage growth than the 31-80th percentiles, which we ascribe to the NMW/NLW.
4. £60bn is calculated by working out the difference between two figures: first, the sum of the real increases in hourly pay since 1999 for the bottom 30% of jobs held by workers aged over 25; second, an estimate of what they would have earned in the absence of the minimum wage. (We assume a counterfactual growth equal to the middle half of the hourly pay distribution). We then multiply this figure by the total number of hours worked by these employees.
5. The National Minimum Wage was introduced on 1 April 1999, and originally applied to workers aged 22 and over. The National Living Wage is the statutory minimum wage for workers aged 25 and over. It was introduced in April 2016 and has a target of 60% of median earnings by 2020, subject to sustained economic growth. The most recent forecasts imply a projected rate of £8.67 in 2020.
6. On 1 April 2019 the National Living Wage and National Minimum Wage rates all increased. See the table below for rates.
7. The Low Pay Commission is an independent body made up of employers, trade unions and experts whose role is to advise the Government on the minimum wage. It was established in 1997 and delivered its first recommendations in 1998, which were implemented the following April.
8. The recommendations of the Low Pay Commission have always been unanimously agreed by Commissioners. The fact that these judgements are made by social partners, working together and reaching decisions via consensus, ensures that the concerns of both workers and employers are taken into account and that all recommendations are backed by both groups alike.
9. The nine Low Pay Commissioners are:
 - Bryan Sanderson (Chair)
 - Professor Sarah Brown
 - Professor Richard Dickens
 - Kate Bell
 - Kay Carberry
 - Simon Sapper

- Neil Carberry
- Clare Chapman
- Martin McTague

Minimum wage rate	Rate to 31 March 2019	Rate from 1 April 2019
National Living Wage	£7.83	£8.21
21-24 Year Old Rate	£7.38	£7.70
18-20 Year Old Rate	£5.90	£6.15
16-17 Year Old Rate	£4.20	£4.35
Apprentice Rate	£3.70	£3.90
Accommodation Offset	£7.00	£7.55