Feature Article

THE PROPOSED WAGES COUNCIL REFORMS: AN EVALUATION

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1. The development of wages councils

The origins of Wages Councils lie in the Trade Board Act (1909) which provided for the regulation of pay to prevent the payment of wages below subsistence level. The Boards had power to fix only minimum time rates and piece work rates. Following the Whitely Committee Report in 1919 the philosophy towards Trade Boards was extended. It was hoped that union representation on the Boards would help the growth of unionisation in their areas such that ultimately the Boards could be replaced by voluntary collective bargaining arrangements. In 1945 the Wages Councils Act changed the name of the Trade Boards to Wages Councils which were given wider powers than the Boards had in that they could deal with all aspects of pay and holidays. However, it was hoped that Councils would not only prevent 'sweated trades' and encourage the growth of voluntary collective bargaining arrangements but would also provide a ratchet below which wages would not fall. It was envisaged that this 'floor' of pay would help maintain employment levels so that the immediate post second world war period would not see a repeat of what happened after the end of the first world war, namely a short sharp boom followed by slump.

When the Donovan Commission reported on the UK industrial relations system in 1968, one of its conclusions was that trade unions were too weak in Wages Councils areas of employment. It proposed a number of measures designed to encourage the growth of unionisation in these and other areas of employment. It proposed that Wages Councils should eventually be replaced by voluntary collective bargaining arrangements and to give further encouragement to this shift advocated that the procedures and conditions for abolishing Wages Councils should be relaxed. The Employment Protection Act (1975) provided for the establishment of Statutory Joint Industrial Councils to operate without independent members, the intention being that they should provide a stepping stone on the way to the development of voluntary collective bargaining machinery.

The present Government is not the first to want to seek the demise of Wages Councils. However, its reasons for this are different than previous governments. The present Government wishes to abolish or reform the Wages Council system as a means of freeing the labour market, whilst previous Governments have wished to see them ended and replaced by voluntary collective bargaining arrangements.

2. The extent and functions of Wages Councils

There are at present 26 Wages Councils in Great Britain, covering about 2.75 million workers and nearly 400,000 establishments, primarily in service industries such as retailing, catering and hairdressing. The number of employers affected by their operation is 260,000. Overall, the Wages Council system establishes minimum rates for about 11% of the employed labour force.

Wages Councils have two 'sides' normally appointed by employers' associations and

unions and three 'independent' members appointed by the Secretary of State. The task of the independent members is primarily to mediate and bring the sides to agreement. The Councils set legally enforceable minimum rates of pay and holidays, published in the form of wages orders. In March of this year most minimum rates set by Wages Council for full-time adult employees ranged from £63 to £72 per week. Ministers have no powers to veto or amend Wages Council's decisions. Enforcement of Wages Council orders is the responsibility of the Department of Employment's Wages Inspectorate which aims to check the pay of workers at one tenth of the establishments on its register each year.

Evidence from inspection visits indicates that the proportion of establishments found to be underpaying on wages orders is relatively high. However, some argue that such figures cannot be taken as an indication of the overall level of compliance because visited establishments are not typical and where establishments are found to have underpaid only one or two workers are normally involved.

Some, therefore, consider the proportion of workers found to be underpaid in all checks to be a more reliable measure of the degree of compliance. The Department of Employment Consultative document on Wages Councils issued in 1985 reported that of the workers covered by checks by visits and other methods in the past three years, only about 6% were found to be underpaid and that this resulted from employers **misunderstanding** the provisions of the wages order. Where underpayments are found, the inspectors assess the amount of arrears due. About 10,000 complaints are received annually from workers covered by a Council order of which over one third involve entitlement to accrued holiday pay on leaving employment. The Inspectorate has powers to prosecute offending employers but these are rarely used. They prefer to secure compliance by advice and persuasion and the majority of employers appear to respond to this approach.

3. The Government's proposals on Wages Councils

In March 1985 the Government published a consultative paper on the future of Wages Councils (see Consultative Paper on Wages Council, Department of Employment, 1985) in which it canvassed two main options: either total abolition or reform of the Wages Council system, including particularly the limitation of their powers and duties and the removal of young people from the scope of Wages Councils.

In addition to canvassing these options the document stated that since the Government's overriding concern was to maximise employment opportunities it would have to consider deratifying International Labour Convention No 26. This Convention requires those countries which ratify it - and the UK has - to create or maintain minimum wage fixing machinery The convention also contains provision for deratification. This can be considered at 5-yearly intervals but it is necessary to give 12 months notice and to consult representatives of employers and trade unions. Obligations under the Convention cease 12 months after notification of deratification.

Over 700 organisations and individuals responded to the consultative paper. The TUC and individual unions favoured retention, but employers expressed widespread dissatisfaction with the present Wages Council system. However, the majority of them favoured a range of substantial reforms rather than an abolition to meet these concerns. On 17 July 1985 the Employment Secretary announced to the House of Commons that the Government proposed to introduce legislation in the parliamentary session which has just begun which would -

(1) remove all young people under 21 from any regulation by Wage Council

(2) confine wage Councils to setting only a single minimum hourly rate and a single overtime rate for those 21 and over.

(3) simplify the procedures under which the Employment Secretary may modify or abolish individual Councils.

In addition, the statement indicated that the Government had decided to deratify International Labour Convention No 26.

4. Evaluation of the proposals

The Government's proposed reform of Wages Councils represents a compromise between those who advocated outright abolition and those such as the TUC, who favoured retention of the Councils in a form at least as powerful as they are at present. Evaluation of the Government's proposals is facilitated by first considering the arguments for and against preservation of the **status quo.**

(a) The case against the Wages Councils

The major objection to Wages Councils is that they interfere with the operation of the labour market in such a way as to reduce employment. There are two main mechanisms through which the Councils are argued to exert a contractionary effect on employment. First, by setting a legal floor to wages, the Councils have the direct effect of "pricing workers out of jobs". Thus, the Chancellor in his budget speech this year argued that "Wages Councils destroy jobs by making it illegal for employers to offer work at wages they can afford and the unemployed are prepared to accept". Secondly, Wages Councils tend to "red-tape" workers out of jobs by subjecting often small firms to what can be very lengthy and complex orders, detailing minimal requirements on hours of work, holiday entitlements and other aspects of the employment relation as well as setting a whole range of minimum financial rewards for various categories of workers. Such red-tape, it is argued, inhibits the development and growth of small firms by, in effect, increasing the administrative costs, broadly defined, which are associated with employment.

The "pricing workers out of jobs" argument is based on the notion that firms covered by any Council's orders operate in commodity markets which are highly competitive and in labour markets which would be highly competitive if it were not for the inflexibilities imposed by the Wages Councils themselves. In such circumstances an effective minimum wage rate forces the "real product wage" to be above that which would prevail in a competitive market. The real product wage - the money wage rate divided by the price of firms' output - measures the real cost of labour to firms. An effective minimum wage rate then raises this cost to firms, and under competitive assumptions, this will lead to a contraction in firms' demands for labour.

The inverse relation between the real product wage and the demand for labour in present circumstances reflects the operation of two adjustment mechanisms. First, the higher wage imposed by Wages Councils forces firms to increase the price of their output. This leads to a contraction in consumers' demands for that output and so to a reduction in firms' demands for labour. This **output effect** of a wage increase on employment is reinforced by the **substitution effect.** This refers to the notion that as the real product wage increases firms are induced to substitute other, now cheaper, inputs for labour in their productive process. For example, firms might be induced to shift to a more capital intensive mode of production in an effort to mitigate the effects of the wage increase on costs and on profits.

Abolition of the Wages Councils would, in these circumstances, permit wages to fall to their "equilibrium" level ie the level which, in a free market, equates the demand and supply of labour services. This would generate a stimulus to employment via both the output and substitution effects. Thus the reduction in wages would be expected to: reduce firms' prices and so stimulate consumer demand for their output and thereby increase firms' demands for labour; induce a substitution effect away from other inputs and in favour of employment.

These anticipated employment gains from abolition were expected to be disproportionately favourable for young workers for two main reasons. First, although only about 5% of the Wages Council workforce are full-time employees under the age of 18, this represents about 20% of all young people in employment. Works Council trades, especially in retailing and catering, have traditionally employed higher proportions of young people. Secondly, it has been suggested that Wages Councils had the effect of raising youth workers' wages by a greater

proportional amount than adult wages, so reducing the youth-to-adult wage differential. Also, adult rates start at comparatively early ages. (Thus: 16-year olds were entitled to about 65% of adult minima; 17-year olds were entitled to about 70% of adult minima; in most Councils adult rates start at 18 and, in two of the largest, at 19). Abolition of the Councils would then be expected to generate particularly favourable substitution effects in favour of younger workers, who are disproportionately represented among the unemployed.

The "red-tape" argument tends to reinforce the case for "pricing workers into jobs" by abolishing the Wages Councils. The wages orders can run to 30 pages in length and apply to many different types of workers; their provisions are often complex and difficult to interpret. The Councils consequently impose a considerable bureaucratic burden on firms and so inhibit flexibility and efficiency. These arguments were thought to be particularly telling in view of the fact that two-thirds of Wages Council establishments employ less than ten people.

(b) Assessment of the case against the Wages Councils

Clearly any employment reducing effects of Wages Councils are dependent on the Councils having been effective in setting wages above the level that would otherwise have prevailed. On this point two issues are of interest: the extent of non-compliance and the numbers of workers who receive only the minima laid down by the Wages Councils.

Of the establishments visited by the Wages Council inspectorate, over 35% were found to be underpaying some workers. This very high proportion is in part explicable in terms of the criteria used to decide on whether a visit is required. In fact, as has already been noted, in many of these cases only one or two workers were underpaid, and only 6% of the workers covered by checks were found to be underpaid. There is little evidence then of wages orders simply being neglected by covered firms.

The numbers of Wage Council employees who are actually paid the statutory minima has been increasing since 1974 and is currently around 1 million workers. This suggests that at least for these 1 million employees wages are higher than they would be in the absence of Wages Councils.

Furthermore, it could well be that the minima exert a "ratchet effect" on the entire wage structure within covered industries (and perhaps beyond) so that even those who are paid above the minima receive more than they would in the absence of Councils. Such an effect could arise if firms or workers acted on the basis of conventional differentials. However, a ratchet effect would be inconsistent with the notion that Wages Councils' coverage applies to what otherwise would be highly competitive labour markets.

In summary, it seems that non-compliance with wages orders is not quantitatively very important, and that Wages Councils are responsible for increasing the wages of at least one million of their workers above what they would otherwise be.

However, the low absolute levels of minimum adult full-time rates may give rise to scepticism concerning the scope for significant reductions in wages following abolition of the Wages Councils. The social security and tax transfer systems provide an effective floor to the levels of wages at which it pays individuals to become employed. On the other hand, given that four fifths of Wages Council workers are female and about two-thirds work only part-time, the effective floor to wages in these industries provided by the social security system may be very low indeed. Furthermore, if the demand for labour in these trades was highly responsive to wage changes, significant employment gains could be made even if the wage reductions which followed abolition were relatively slight.

How responsive then is the demand for labour to real wage changes? This is an extremely difficult question to answer and one on which there is conflicting evidence and a wide diversity of opinion. There

is not even general agreement on the likely **direction** of the impact of effective minimum wages on employment. Wages Councils' upward stimulus to the real product wage could actually increase employment in at least two circumstances: where they cover industries which are non-competitive in certain key respects in either commodity or labour markets; and where Wages Councils actually have the effect of "shocking" firms into seeking more efficient methods of production (a phenomenon which itself requires less than perfect competition in product markets).

Consider, first, the importance of the assumed degree of labour market competition for the supposed disemployment effects of minimum wages. If firms have "market power" on the demand side of the labour market (ie if they have a degree of "monopsony" power), which can arise from labour immobilities, firms can increase their profits by employing fewer workers and at a lower wage than would be the case in a competitive labour market. In such circumstances labour would be "exploited" in the sense that a part of the contribution of labour to the value of output would be captured by firms in the form of higher profits. Wages Councils in such a context would constitute a "counterveiling power", and as such could actually increase employment by increasing real wages over a range, and eliminating exploitation. If a degree of monopsonistic power is prevalent in Wages Council industries, then their abolition would indeed lower wages, but could also lower employment. Both these responses would be reflected in increased profits going to employers in the previously covered sector.

It may appear at first sight that the monopsony power argument can hardly be applicable in the present case since, as we have already noted, some two-thirds of Wages Council establishments employ less than ten people. In fact, however, the distribution of covered employment across **establishments** is a highly misleading indicator of market structure in the present context. The retail trade, the hotel industry and the licensed trade which jointly employ over 2 million of 2.7 million covered workers, tend to be dominated by large and, in some cases, giant **firms** (such as Marks and Spencer, John Lewis and Boots). Such firms employ the vast majority of workers in the retail trade and account for the bulk of turnover. A recent market survey on the grocery trade found that in 1982 about 80% of turnover went through only 20% of all outlets owned by just 0.3% of the businesses concerned. (Source: IDS Report 448, May 1985, p1).

The possibility that some firms, who are important employers in the service industries affected by Wages Council orders, are in a position to exert a degree of monopsony power cannot readily be discounted (although their importance in the product market is certainly no guarantee of this). Elimination of the Wages Councils would create greater potential for the exploitation of current Wages Council employees, which could have the effect of increasing profits and perhaps even decreasing employment.

Imperfect competition in the product market, notably in the form of price-setting behaviour by firms, offers a possible source of insensitivity of firms' demands for labour services to the real wage. For if prices are set on a simple "cost-plus" basis (for which there is some evidence), firms' sales become physically constrained by consumers' demands for their products. In such circumstances the output effect of a decrease in the real product wage will be inoperative: firms cannot sell all they would wish at prevailing real wages, so that there is no incentive to take on more labour to produce more output (which the firm cannot sell). Technology permitting, over the longer-term a substitution effect would still be operative, but clearly the real wage responsiveness of the demand for labour would be much less than in the competitive commodity market case. Furthermore, it is likely that by far the most important determinant of employment in such circumstances would be the level of effective demand in the commodity market. Given sales constraints on firms, the employment creating effects of a Wages-Council-abolition-induced real wage reduction is likely to be very limited, and probably would be a long time in coming. The only really effective and immediate means of stimulating employment in the assumed conditions would be an expansion in the effective demand for commodities (of the sort that would result from Keynesian demand-management policies).

The shock effect argument presumes that, in the absence of Wages Councils, at least some firms in the relevant service sectors are generally characterised by rather slack management practices. The increase in the wage which accompanies Wages Council formation "shocks" firms into more efficient management practices with respect to labour utilisation, investment policies and adaptiveness to new technology. This effect could so predominate that employment could **increase** as a result. (Note that the presumed advantageous response is quite distinct from the conventional analysis of the effects of a wage increase outlined in the preceding section of the paper. The adoption of more capital intensive techniques in that context represents a "damage-limitation" strategy associated with what can generally be regarded as a degree of "over-investment".) Perhaps the converse argument applied to Wages Council abolition is less persuasive since it requires that management actually becomes less efficient. The idea here is that management attention would become focussed on the possibilities of wage-cutting, rather than on, for example, investment strategies etc.

The Government would no doubt argue that such sources of limited, or even perverse, real wage sensitivity of labour demand are of little more than theoretical interest. In the longer-term especially, labour would be regarded as sufficiently mobile and labour market competition sufficiently effective to preclude the exercise of monopsony power; the profit motive combined with competitive pressures would be regarded as eliminating the scope for shock effects and for "irrational" product pricing policies which give rise to sales constraints. Nevertheless, the available evidence by no means offers unequivocal support for these arguments.

It should perhaps be acknowledged at this stage that the arguments considered so far by no means constitute a comprehensive account of possible responses to Wages Council abolition (or reform). Thus, no explicit consideration has been given to the possible longer-term consequences involving inter-sectoral mobility of capital. However, suitable extension of the analysis would, in our view, considerably complicate matters without adding anything of other than second-order importance to the issues of current concern. Similarly a full evaluation of available empirical evidence is outwith the scope of the present paper. Consequently, we simply provide a brief discussion intended to give a flavour of the evidence, and the problems to which its interpretation is subject.

One source of evidence, emphasised in the consultative paper on Wages Councils, is the recent review of the wage-employment relation published by the Treasury (HMT, 1985). Whilst this review suggests a fairly strong inverse relation between wages and employment, its conclusions and interpretation are open to dispute. (As, for example, in an article by Bell, Holden and McGregor in the May issue of this **Commentary**). In particular, much of the beneficial effect of "wage restraint" in the Treasury's own simulations arose through the supposed stimulus to aggregate effective demand consequent upon the impact of general wage and price "deflation", rather than through any reduction in the real product wage. It is fair to note, however, that a growing number of fairly aggregate studies, based on competitive assumptions, have tended to find evidence of a significant negative influence of real wages on employment.

One problem with these aggregative econometric studies, as well as with those which are more micro-orientated and directed more specifically at the Wages Council sectors, is that they tend not to be explicitly directed at the crucial issue: discrimination among competing visions of the degree of competition in product and labour markets. A recent econometric study of the impact of wages floors in the clothing industry (Morgan, Paterson and Barrie, 1985) found that models based on non-competitive labour markets outperformed the alternative. Under the assumption that prices in product markets did not adjust so as to continuously "clear" (ie equate demand and supply in) product markets, they estimated that roughly 10% of the decline in the clothing industry's male employment over the period 1954/6 to 1977/9 was attributable to real minimum wages. Under competitive product market assumptions (which, recall, permit an output as well as a substitution effect) this estimate rose to 20%. Notwithstanding the professionalism of the

study, its findings, like those of virtually any applied econometric exercise, must be subject to a plethora of qualifications. For example, it is extremely difficult to successfully isolate the impact of minimum wages **per se** in a world in which so many factors relevant to employment have changed. Also many relevant variables are subject to horrendous measurement problems, notably firms' and individuals' expectations, adjustment costs, the capital stock and fixed employment costs. Furthermore, some alternative model formulations (eg monopsony) are not considered, and notionally conflicting models are not forced to compete on a proper statistical basis. For these and a host of other reasons the estimates which result from this exercise are extremely speculative.

An alternative approach involves a questionnaire and interview-based analysis of Wages Council employers and employees. A recent example of a comprehensive study of this type is the Craig and Wilkinson (1985) analysis of four retail trades, which suggested that the relevant Wages Councils had not had an important independent employment effect. Furthermore, the authors considered that the evidence favoured the existence of "shock" type effects of Wages Councils, and that they provided an important, stable wage-fixing structure. However, this approach is subject to its own set of difficulties, notably the possibility that firms behave in a rather different fashion from that which they actually describe (and perhaps perceive). For example, free-market oriented economists would emphasise the link between the "state of trade" which was emphasised as a key determinant of employment - and the wage paid to labour, through its impact on pricing behaviour, which was apparently not so regarded by firms.

Given the problems which, it has already been noted, are attendant on any attempt to isolate the Wages Council-employment relation for all workers, it should be unsurprising that identical problems beset investigation of the Councils' impact on youth employment. There does exist, however, some evidence which suggests an inverse relation between the youth-adult differential and youth employment (see Wells, 1983).

Some attempts have been made to estimate the likely overall effects on employment of abolition of all Wages Councils. These have all suggested a positive stimulus to employment ranging from 8,000 (Low Pay Unit), through 70,000 (Metcalfe), up to 300,000 (Minford). The differences reflect conflicting judgements on a whole range of issues relevant to the real wage responsiveness of employment - a not-unexpected state of affairs in view of the preceding discussion.

Finally, it may be worth noting that the impact on registered unemployment is likely to be far less than that on employment (irrespective of the direction of the effect) since Wages Council employees tend to be concentrated among (part-time) female workers who are particularly prone to "non-participation" rather than to **registered unemployment**. Overall, the case against Wages Councils on the basis that they price significant numbers of workers out of jobs must be judged to be not proven, notwithstanding the Government's claims to the contrary.

What of the argument that the Councils' "red-tape" workers out of jobs? This argument seemed particularly telling in view of the large numbers of Wages Council establishments with less than ten employees, but as has already been noted, this gives a rather misleading picture of market structure in covered industries. The additional induced administrative burden per employee in large firms is likely to be negligible. Also, there is some evidence that small firms do not widely regard general employment legislation as a major burden (Clifton and Tatton-Brown, 1979), and that some firms, at least, regard Wages Councils as a useful forum which substitutes for collective bargaining in establishing conventional wage-fixing arrangements and ensuring "orderliness" in labour market behaviour (whilst avoiding what some firms would regard as the additional costs of unionisation). There seems little doubt, however, that the often long and complex wage orders could inhibit employment growth in small firms.

Finally, it should be noted that wages constitute by far the major part of

households' incomes. Abolition of Wages Councils would certainly generate a reduction in the incomes of those workers currently employed in Wages Council industries - workers who are already among the very lowest paid. Whatever the Government would wish, notions of equity, farness and morality abound in the wage fixing process (often among firms as well as workers). Such considerations would lead some to oppose the abolition of Wages Councils even if the employment creating effects of this change could be proven.

The response to the "equity case" for Councils is three-fold. First, the composition of employment is such that it is likely that many covered workers are not the main earners in the households of which they are a part. Secondly, if the demand for labour is quite responsive to real wage changes, **total** labour incomes could actually increase as a consequence of abolition. In any event, those who would fill the newly created jobs need to be considered in any concept of "fairness". Thirdly, and more fundamentally, these notions, however well-intentioned, are misplaced and interfere with the efficient operation of labour markets. Better to resolve income distribution problems through the tax-transfer system, and leave price determination and resource allocation to the free markets.

The reader will note that the second and third of these counter-arguments involve implicit assumptions about the competitive nature of both product and labour markets in the absence of Wages Councils. Furthermore, the third argument presumes both that a tax transfer reform could be devised that compensated the poorer households (yet had a lesser disincentive effect on employment) and that the Government would be committed to the implementation of such a reform.

5. Assessment of the Government's proposed reforms

The Government's proposals exhibit a number of asymmetries in their implied response to the arguments considered in previous sections. Thus, adults (now defined as 21 and over) continue to be subject to minimum wage and overtime premium regulations (albeit in terms of a single rate in each case), yet non-wage regulations are to be abolished for adults and youths are no longer to be covered by Wages Councils at all.

The retention of the Council's wage minima for adult workers seems curious when juxtaposed against the Government's continued exhortations for workers to "price themselves into jobs". Perhaps it reflects some concern about "employer power" in the covered industries; but this raises the question of why adults need wage "protection" although they do not need protection on non-wage benefits and why young workers apparently need no protection whatsoever.

Alternatively, perhaps retention of adult minima reflects acceptance of an element of the "shock" effect or stability enhancing properties of Wages Councils. But again it is not clear why these considerations do not apply equally to non-wage benefits and to youth workers.

In fact, elimination of non-wage benefits from the Wages Councils control seems likely to result in some reduction in these benefits in at least partial compensation for the impact of wage minima on the total price of labour services to covered firms. Thus, a given minimum wage, after reform, is likely to be associated with a lower total cost of labour services than is currently the case. Whether this results in lesser disemployment effects or simply higher profits depends to a large degree on the extent of competition in product and factor markets.

On the treatment of young workers it could be that the balance of arguments was held to be more persuasively in favour of abolition: there had been some suggestion of a disproportionately adverse effect of Wages Councils on youth employment; the freeing of youth wages alone would be

unlikely to create disorder in labour markets generally (given their relative lack of importance in terms of total employment in covered industries); any disadvantageous distributional effect would be far less likely to be widely regarded as unacceptable since very many of those affected are unlikely to be main breadwinners.

However, any disproportionate employment effect which existed could have been eliminated by restricting the youth **differential** in covered industries to whatever was felt to be a more appropriate level (perhaps based on differentials in uncovered sectors). By controlling the wages of adult workers and freeing those of youth workers the Government has not simply eliminated what it perceived to be a "distortion" - it has created a new one, operating in the opposite direction. Firms will be induced to substitute youth for adult workers and, to the extent that other employment legislation permits, to encourage turnover of young employees approaching 21. Furthermore, if many young workers are as productive as their adult counterparts (and firms have a degree of market power) exploitation of younger workers and increased profits could result.

The proposed reforms radically diminish the "red-tape" associated with Wages Council operations, since they permit the setting of only one wage minimum and one overtime minimum rate, and since only adults are covered and non-wage benefits are excluded from consideration. Little additional complexity would have arisen from setting minimal conditions for certain non-wage benefits such as holiday pay entitlement.

Overall, the simplification afforded by the proposed reforms of the Wages Council system is likely to be widely welcomed, although many will consider this aspect of reform to have been taken too far. However, the influential Monetarist wing within the Government will undoubtedly be disappointed at the decision to reform rather than abolish the Councils, and feel distinctly uncomfortable with the inconsistency implied by Government exhortations for workers to price themselves into jobs whilst adult workers in Wages Council industries are legally prevented from doing so. Those more sceptical of the effectiveness of competitive pressures in commodity and labour markets, and concerned for the likely impact on the incomes of those who are already on extremely low pay, will be relieved at the retention of the Wages Councils, but apprehensive that restricting their scope to cover only wage benefits paid to adult workers will increase the potential for exploitation of the weak in the labour market. For the sceptics, inconsistency in the application of what they regard as misconceived policies is to be welcomed.

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