



Department for
Business, Energy
& Industrial Strategy

National Minimum Wage and National Living Wage

Low Pay Commission Remit 2022

March 2022



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National Living Wage and National Minimum Wage: Low Pay Commission Remit 2022

The government wants to make the UK the best place possible to live and work. Making work pay for the lowest earners in our society is a core part of our commitment. This April, increases to the National Living Wage and National Minimum Wage rates are expected to boost the wages of around 2 and a half million low-paid workers.

The National Living Wage was introduced in April 2016, and in 2019, the Government set a target for the National Living Wage to reach two-thirds of median earnings by 2024 for workers aged 21 and over, taking economic conditions into account.

Having accepted the Low Pay Commission's recommendations in full, on 1 April 2022 the National Living Wage will increase by 6.6 per cent to £9.50 an hour, applicable for workers aged 23 and over. The Government is also introducing increases between 4.1 per cent and 11.9 per cent to each of the National Minimum Wage rates for younger workers and apprentices.

National Living Wage and National Minimum Wage rates

As we continue to navigate our way out of the pandemic, the labour market has shown strong signs of recovery, but workers and employers continue to face economic challenges.

In this context, the government asks the Low Pay Commission to monitor and evaluate the National Living Wage and recommend the rate which should apply from April 2023 in order to reach two-thirds of median earnings (of those eligible for the National Living Wage) by 2024, taking economic conditions into account. We remain committed to lowering the age threshold for the National Living Wage to aged 21 and over by 2024. We ask the Low Pay Commission to comment on the impacts to date of an increased wage for workers aged 21-22 ahead of the further lowering of the age threshold.

The government asks the Low Pay Commission to closely monitor developments in the labour market, including the impact of increases to the minimum wage rates, and advise on emerging risks. The government remains committed to the 2024 target, but if the economic evidence warrants it, the Low Pay Commission should advise the government to review the target or its timeframe. This emergency brake will ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects.

The government notes that the Low Pay Commission will continue to expand its evaluation capabilities and commission minimum wage research from leading experts, using new methods and sources of evidence for its assessment of the impact of the National Living Wage.

The government also asks the Low Pay Commission to monitor and evaluate the levels of each of the different National Minimum Wage rates (under-18s, 18-20, 21-22 age groups and apprentice rate) and make recommendations on the increases it believes should apply from

April 2023, such that the rates are set as high as possible without damaging the employment prospects of each group. In addition, we ask the Low Pay Commission to recommend the accommodation offset rate that should apply from April 2023.

To further expand the evidence base, the government asks the Low Pay Commission to continue to gather particular evidence on groups of low paid workers with protected characteristics. As identified in the government's impact assessment, groups more likely to be affected by changes to the minimum wage rates include younger, older, disabled, women, and ethnic minority workers.

Additionally, to continue supporting the government's levelling up agenda we ask the Low Pay Commission to continue to gather evidence on the differing impact across the United Kingdom of increases to the minimum wage rates, to inform how the minimum wage contributes to the mission to improve pay, employment, and productivity in all areas of the UK.

In making its recommendations for the minimum wage rates, the Low Pay Commission is asked to take into account the state of the economy, employment and unemployment levels and the wider labour market, business impacts, and relevant policy changes.

Accommodation offset review

We note the Low Pay Commission's intention in their 2021 report to review the operation of the accommodation offset. Government asks the Low Pay Commission to consider on what basis the accommodation offset should increase in the future.

Timing

The Low Pay Commission is asked to provide a final report in response to this remit to the Prime Minister and the Secretary of State for Business, Energy and Industrial Strategy by the end of October 2022.

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