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## CONSULTATION ON APRIL 2024 NATIONAL MINIMUM WAGE RATES

### DEADLINE FOR SUBMISSIONS: 9 JUNE 2023

The Low Pay Commission (LPC) is the independent body that advises the Government on the level of the minimum wage. Later this year, we will recommend the National Minimum Wage (NMW) and National Living Wage (NLW) rates to apply from April 2024. I am writing to invite you to submit evidence to our consultation by 9 June 2023. We do not expect respondents to answer all questions unless they are able to; they should focus on the areas which are of most concern to them and where they can provide the most comprehensive evidence.

#### National Living Wage

On 1 April, the NLW will increase to £10.42. This increase keeps us on course to reach our estimate of the target of two-thirds of median earnings in 2024.

This year, we expect the Government to once more ask the LPC to increase the NLW towards the 2024 target, taking economic conditions into account. In addition, the Government intends to move the age threshold for the NLW from 23 to 21 in 2024. Our remit from the Government this year will be published in due course.

In April 2024, we anticipate the on-course NLW will be between £10.90 and £11.43 with a central estimate of £11.16. This is based on the latest wage growth forecasts, but actual wage growth may turn out higher or lower. However, knowing where we are on the path to the current target is only one part of our decision-making process. Our recommendations are also subject to Commissioners' assessment of economic conditions.

#### National Minimum Wage youth rates

On 1 April, the NMW will increase for younger workers. The 21–22 Year Old Rate will increase by 10.9 per cent to £10.18, narrowing the gap with the NLW and leaving this age group on course to receive the full NLW by 2024.

The 18-20 Year Old Rate will increase to £7.49 and the 16-17 Year Old Rate to £5.28, in both cases an increase of 9.7 per cent in recognition of the tight labour market and strong demand for labour in youth-friendly sectors.

If, as expected, we fulfil the goal of reducing the NLW's age threshold to 21 in 2024, then 2023 will be the last year in which there is a separate 21-22 Year Old Rate.

## **Apprentice Rate**

In our letter to government in October 2022 we recommended continuing to align the Apprentice Rate and the 16-17 Year Old Rate as we saw no evidence of negative effects stemming from this change. This year we are considering if there is a need for a separate Apprentice Rate in the longer term. We are therefore asking for evidence on the effects of abolishing this rate and what considerations should inform our decision.

## **Minimum wages after 2024**

Subject to economic conditions, in April 2024 the NLW will reach its target of two-thirds of median earnings; and the age threshold for this rate will be reduced to 21. We are seeking submissions on the question of what should happen to the NLW (and other rates) after this point, to inform advice we will provide to the Government at the end of the year.

## **What we would like evidence on**

We are seeking evidence on the broad economic and labour market conditions that workers and businesses are facing, as well as the specific impacts of the rates themselves.

We are particularly interested in evidence on the following:

- The affordability and effects of an increase in April 2024 to an NLW rate within the on-course range of between £10.90 and £11.43 with a central estimate of £11.16.
- The impact of the NLW's increase to £10.42 on workers, employers, the labour market and economy.
- The impact of lowering the NLW age threshold to 21 years of age and the removal of the 21–22 Year Old Rate.
- The effect of the minimum wage on young people and their employment prospects.
- The effects of this year's increase in the Apprentice Rate, and its continued alignment with the 16-17 Year Old Rate.
- Awareness, use and impacts of the Accommodation Offset.

In respect of minimum wages after 2024, we are interested in views on the following:

- The purpose of the NMW and NLW, and the role of the Low Pay Commission.
- Whether a separate minimum wage rate for apprentices is necessary.
- The range of policy options for the minimum wage and how these might work.
- The potential effects of further minimum wage increases and the risks we should consider.
- The evidence that should support future policy decisions.

## Who we would like evidence from

We would like evidence from the widest possible range of contributors, from all parts of the UK: employers, workers, representatives, experts and the public. We are interested in all sectors affected by the minimum wage: those accounting for a lot of minimum wage workers (e.g. retail and hospitality); those where a high proportion of workers are on the minimum wage (e.g. social care); and those not traditionally considered low-paying but where rising rates nonetheless have an effect (e.g. education and public services).

## How to submit evidence

Please submit your written consultation responses by e-mail to [lpc@lowpay.gov.uk](mailto:lpc@lowpay.gov.uk).

As part of our consultation, we meet people and organisations across the UK to hear first-hand evidence on these questions. We are in the process of running in-person [regional visits](#) and will continue to hold meetings and discussions online alongside these. If you are interested in providing evidence, please contact us via [lpc@lowpay.gov.uk](mailto:lpc@lowpay.gov.uk).

Our policy is to quote consultation responses in our annual report and to list the names of respondents unless they request otherwise. If you do not wish your response to be made public, then please make that clear in your submission. Before including any evidence including direct quotes or summaries of responses we will clear this with the respondent directly. If after several attempts to contact, we do not hear back we will include the evidence provided to us.

Yours sincerely,



Bryan Sanderson

Chair of the Low Pay Commission

# Consultation questions

## About you

**1** Please provide information about yourself or your organisation. If possible, include details about your location, the type of job or business (occupation and/or sector) you are involved in, your workforce if you are an employer (including number of minimum wage workers), and anything else you think is relevant.

## The National Living Wage

**2** What has been the impact of the National Living Wage (NLW) in the past year, including the rise to £10.42? Our critical interest is in its effects on employment, hours and earnings. We are also interested in the effect of the NLW on any of the areas listed below:

- a. Profits
- b. Prices
- c. Productivity
- d. Pay structures and differentials
- e. Progression and job moves
- f. Training
- g. Investment
- h. Recruitment
- i. Job quality and security

**3** To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities and those with disabilities) and migrant workers?

**4** How has the NLW's impact varied across different areas of the UK?

**5** At what level should the NLW be set from April 2024? Our current central projection for the on-course rate is £11.16 within a range of £10.90 and £11.43.

## Experience of low-paid workers

**6** What has happened to quality of work recently? For example, have workers experienced changes in contract types, flexibility, workplace harassment and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to a higher standard etc).

**7** What has been workers' experience of the wider benefits available to workers (including premium pay and non-pay benefits across the workforce)?

**8** What are the barriers preventing workers from moving to a new job, particularly one that is better paid?

- 9** What are workers' views on the recruitment difficulties reported by many employers since the pandemic? Why have employers found it difficult to recruit?
- 10** How has access and cost of childcare and transport affected workers' ability to move into work or to a better-paying job?
- 11** What opportunities are there for progression to better-paid work for low-paid workers and how common is promotion?
- 12** What has been workers' experience of the Universal Credit system and how the minimum wage interacts with it? Has this influenced workers' approach to how many hours they work?
- 13** How has the rising cost of living affected workers on or close to the NMW and NLW and how, if at all, has this affected workers' needs and expectations of their employment and pay?

## Young people

- 14** What has been the effect of changes in the minimum wages for young people on their employment prospects?
- 15** How do the youth minimum wage rates influence employers' decisions about hiring and young people's decisions about employment?
- 16** What other factors determine pay for young people aside from the rates? For example, job role or length of time in the job?
- 17** Why do employers use the NMW youth rates? To what extent has this been affected by the recent tight labour market (difficulties in recruiting)?
- 18** To meet the Government's 2024 target, the NLW age threshold would be lowered to 21 in 2024. What impacts do you think this would have, including on employment?
- 19** At what level should the NMW youth rates be set from April 2024?

## Minimum wages after 2024

Since 2020, our remit for the NLW has been to recommend a rate consistent with reaching the target of two-thirds of median hourly earnings by 2024. We are now gathering evidence to inform Government's decisions on policy options for the future beyond 2024. We are seeking evidence and views on:

- 20** The purpose of the NMW and NLW.
- 21** The role of the Low Pay Commission.
- 22** The range of policy options and how these might work (for example, a further target; or an approach not driven by targets).
- 23** The potential effects of further minimum wage increases and risks we should consider.
- 24** The levels and existence of different age-related minimum wages.
- 25** The evidence that should inform future policy decisions.

## Apprentices

An annex to this letter sets out background on apprentice pay and the coverage of the minimum wage among this group. We are particularly interested in the effects of the Apprentice Rate on those groups more likely to be low-paid: apprentices under the age of 19, and those working towards level 2 qualifications.

- 26** What is the outlook for the recruitment and employment of apprentices?
- 27** How widely used is the Apprentice Rate? What kind of apprenticeships are paid this rate? What kind of jobs do these apprenticeships (paid at the Apprentice Rate) lead to?
- 28** The Apprentice Rate increases this year to £5.28, the same level as the 16-17 Year Old Rate. What do you expect the effects of this increase to be?
- 29** What criteria should we use when considering whether to keep or remove the Apprentice Rate?
- 30** What would be the effect of removing the Apprentice Rate (so that minimum wages for all apprentices were the same as for other workers the same age)?

## Compliance and enforcement

- 31** What issues are there with compliance with the minimum wage and what could be done to address these?
- 32** What comments do you have on HMRC's enforcement work?

## Accommodation Offset

- 33** What has been the effect of recent increases in the offset on employers' decisions over providing accommodation?
- 34** What impact does the offset have on workers? What are the hours, pay and working conditions of workers for whom the offset is deducted?
- 35** Last year we recommended that a quality standard and suitable enforcement regime are put into place as soon as possible. This would need to be implemented before we could recommend further significant changes to the offset. What would the impact of this policy be for employers and how would it affect the accommodation they provide?
- 36** We also recommended a minimum hours requirement before accommodation costs can be deducted. If implemented what would the effect of this policy be and what should be considered when setting a minimum hours requirement?

## Economic outlook

- 37** What are your views on the economic outlook and business conditions in the UK for the period up to April 2024? We are particularly interested in:
- the conditions in the specific sector(s) in which you operate.
  - the effects of Government interventions to support the economy and labour market.
  - the current state of the labour market, recruitment and retention.

**38** To what extent have employers been affected by other major trends in the economy and labour market: for example, inflation, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK?

**39** Apart from the minimum wage, what are the key drivers of pay decisions in low-paying sectors and occupations? For example, this could include the cost of living, availability and retention of staff, changes to Universal Credit and other benefits or access to transport.

**40** How has inflation and the cost of living factored into wage setting? What has been your experience of wage growth and inflation in the last year, and what are your views on forecasts for the next couple of years?

## Annex: Additional information on the Apprentice Rate

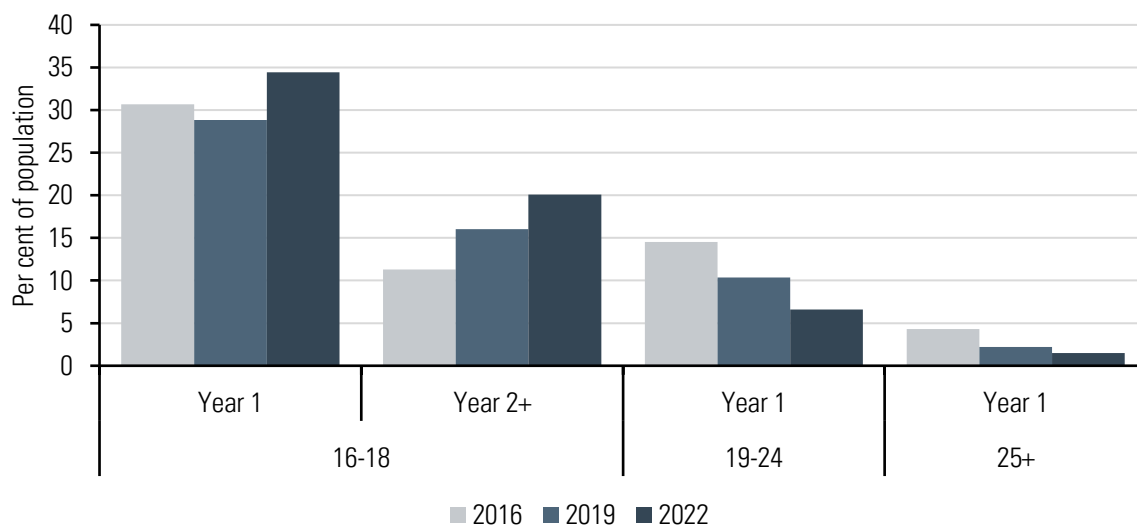
This note provides additional information to support the Low Pay Commission’s 2023 consultation.

The Apprentice Rate applies to all apprentices aged under 19 and to those apprentices aged 19 and over in their first year. Apprentices aged 19 and over, from the second year of their course onwards, are entitled to the National Minimum Wage rate for their age. Regardless of their hourly rate, apprentices must be paid for all normal working hours as well as for any training, on or off the job, that is part of the apprenticeship (according to DfE guidance, off-the-job training should make up 20 per cent of an apprentice’s normal working hours).

Coverage of the Apprentice Rate is highest for the 16-18 age group; nearly 35 per cent among first-year and 20 per cent among second-year apprentices. These figures are substantially higher than those for older age groups; and are higher than those previously recorded.

Coverage of the rate for the youngest apprentices has increased in 2022, in contrast to other groups of young people, where coverage has fallen. For older apprentices, coverage has fallen, likely due in part to the continued move towards more higher-level apprenticeships. Overall, Annual Survey of Hours and Earnings (ASHE) data suggest that coverage of the Apprentice Rate has fallen from 16.1 per cent in 2019 to 14 per cent in 2022. This figure should be treated with caution as it will also capture changes in the ASHE sample of apprentices that may not reflect the underlying population.

### Coverage of the apprentice minimum wage, by age and year of apprenticeship, UK, 2016-2022



Source: LPC analysis of ASHE, standard SOC 201 and SOC 2020 weights, 16+ population (apprentices in the first year of their apprenticeship or aged 16-18), 2016-2022. Figures before 2021 are not chain linked

As the above chart shows, in 2019 and 2022 the number of apprentices paid at the Apprentice Rate was roughly equal at just over 20,000 – although in 2019 there were more apprentices paid just on either side of the rate.

In our analysis of the ASHE data, we found a high level of apprentices paid less than the NMW rate to which they are entitled. Apprentices remain the group most likely to be underpaid. Of the 4.5 per cent of apprentices paid below the rate in 2022, around one in five were paid at the 2021 Apprentice Rate



suggesting that employers have been slow to implement the latest uprating. Around a quarter were paid just below – within 5 pence of – the minimum wage rate.

However, it is likely that ASHE does not fully capture underpayment, particularly where employers do not report training time as hours worked. Previous data from the Apprenticeship Evaluation Survey has indicated much higher levels of underpayment.

We believe the critical factor which explains the level and persistence of underpayment is that employers fail to pay apprentices for some or all of their training hours. In cases where this happens, while employers may state that rates of pay are NMW-compliant, if they do not include all training hours in their calculation, the actual pay the apprentice receives may be lower than their legal entitlement. The examples below set out how this might work.

### Examples of non-compliant apprentice pay

The following examples illustrate how non-payment of training hours can lead to non-compliance.

#### Example 1

An 18 year old enters a level 2 apprenticeship role which the employer advertises as paid at the Apprentice Rate of £5.28 per hour. She spends four days a week in the workplace, working eight hours each day, including both work tasks and on-the-job training. She spends a fifth day receiving off-the-job training at a training provider. At the training provider, she receives six hours of training.

In total, she should be paid for 38 hours each week (thirty-two hours in the workplace and an additional six hours at her training provider). Instead her employer pays only for time in the workplace and disregards the hours of off-the-job training. This means the apprentice receives a weekly wage of £168.96. This equates to an effective hourly wage of £4.45, which is non-compliant.

#### Example 2

A 30 year old works thirty-seven hours a week in a role where he is paid £10.50 per hour. He is offered the chance to undertake a two-year level 4 apprenticeship, which involves spending one seven-hour day a week at a local further education college, working a thirty-hour week in the remaining days.

His employer pays only for hours spent in the workplace and disregards the hours spent in college. In the first year of his apprenticeship, he receives £315 each week. This means his effective hourly rate is £8.51. His pay is compliant with minimum wage rules, as this is above the Apprentice Rate of £5.28.

In the second year of his apprenticeship, his hourly pay increases to £11.50 and he continues to work and study for the same number hours. His employer continues to pay for hours in the workplace only, and he receives £345 each week. This equates to an effective hourly rate of £9.32, less than the National Living Wage to which he is entitled. His pay is now non-compliant.