



Department for
Business, Energy
& Industrial Strategy

NATIONAL LIVING WAGE AND NATIONAL MINIMUM WAGE

Government response to the Low Pay
Commission's Autumn 2017 Report



November 2017

Introduction

The National Living Wage and the National Minimum Wage continue to be integral to our commitment to building an economy that works for everyone. The Government is committed to setting the minimum wage rates based on the independent and expert advice of the Low Pay Commission.

The Government asked the Low Pay Commission to make recommendations for the National Minimum Wage rates such that they are set as high as possible without causing unemployment effects; a judgement requiring expert judgement and consideration of data and evidence from a wide range of sources and stakeholders.

The employment rate for the UK is strong at 75%, and the unemployment rate is at its joint lowest since 1975. Economic conditions have enabled the Low Pay Commission to recommend significant increases across all minimum wage rates, ensuring that low paid workers are fairly rewarded for their contribution to the economy.

On the National Living Wage, the Government asked the Low Pay Commission to recommend the rate such that it reaches 60% of median earnings by 2020, subject to sustained economic growth. The National Living Wage was introduced in April 2016 and was increased to £7.50 in April 2017 – benefitting over 1.5 million workers. The Low Pay Commission's recommendation is to remain on path to meet 60% of median earnings by 2020.

Recommendations from the Low Pay Commission

The main recommendations put forward by the Low Pay Commission concern the rates at which the Government should set the National Living Wage and the National Minimum Wage from April 2018.

The Low Pay Commission has recommended that:

The **National Living Wage** (for workers aged 25 and over) should increase from £7.50 to £7.83;

The rate for **21-24 year olds** should increase from £7.05 to £7.38;

The rate for **18-20 year olds** should increase from £5.60 to £5.90;

The rate for **16-17 year olds** should increase from £4.05 to £4.20; and

The **apprentice rate** (for apprentices aged under 19 or in the first year of their apprenticeship) should increase from £3.50 to £3.70.

The Low Pay Commission has recommended that the **accommodation offset** increases from the current £6.40 to £7.00 from 1 April 2018.

Government Response

The Government accepts all of the rate recommendations as set out in the Low Pay Commission's autumn report 2017.

We welcome the Low Pay Commission's recommendation of an increase to the National Living Wage rate such that it remains exactly on path to reach 60% of median earnings by 2020.

Further to this, economic indicators have enabled the LPC to be more ambitious when setting the youth rates, within their remit of recommending rates which do not damage the employment prospects of younger workers. Those entitled to the 21-24 age rate will see the fastest percentage increase since 2006. Similarly, those entitled to the 18-20 age rate will see the fastest increase since 2004.

Next steps

These increases are due to come into effect from April 2018, subject to Parliamentary approval. The Government intends to lay implementing Regulations before Parliament in due course.

The Government will respond to the Low Pay Commission's Enforcement Report from summer 2017 and will be issuing the Low Pay Commission's remit for 2018 in due course.



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