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5 March 2018

From: Sarah Morgan, Secretary to the Commission

Consultation on April 2019 National Minimum Wage rates

Deadline for submissions: 1 June 2018

The Low Pay Commission (LPC) is the independent body that advises the Government on the level of the minimum wage. We have been asked to recommend in October of this year the rates to apply from April 2019. I am writing to invite you to submit evidence to our consultation by 1 June 2018.

This year the LPC has also been asked to look at a recommendation made in 'Good work: the Taylor review of modern working practices'. We will be considering both the potential impact of a premium, i.e. a higher minimum wage, for those hours that are not 'guaranteed', as well as alternative means for tackling the issue of 'one sided flexibility', which is some workers experiencing uncertain and unpredictable work schedules.

Separately, we are also conducting a review of the minimum wage structure, encompassing: a review of the youth rates of the minimum wage, in light of changes over time in young peoples' participation in work and education, and the introduction of the National Living Wage; and a review of the Apprentice Rate, in light of significant policy changes to apprenticeship policy in England.

What we would like evidence on

For the National Living Wage, we are seeking evidence in order to advise on the best path towards a target – 60 per cent of median earnings by 2020. We are particularly interested in:

- Views on the affordability and effects of an increase to the ‘on target’ rate for 2019 – currently around £8.20 – or whether we should be more or less cautious.
- Evidence of the impact of increases in the NLW since its introduction – including the April 2018 uprating – on workers, employers, the labour market and the economy. This includes how firms are adjusting i.e. the impacts on pay, terms and conditions, income, hours, employment, productivity, prices and profits.
- Evidence on the economic outlook more generally

For the other rates – those affecting workers under 25 and apprentices – we are seeking evidence in order to make recommendations on our traditional basis of ‘helping as many low-paid workers as possible without damaging their employment prospects’. We are particularly interested in:

- Evidence on the impact of the rates on younger workers’ employment prospects including how widely the 21-24 Year Old Rate is used, and what effect, if any, the gaps between the different rates have on different age groups’ labour market performance.

This year we’re also interested to hear views on Matthew Taylor’s proposal of a premium rate of the NMW/NLW for hours that are not guaranteed as part of a contract. The problem that this seeks to tackle is that some workers are subject to erratic and unpredictable working hours and income. The rationale is that a higher minimum wage for non-guaranteed hours, such as those worked by zero hour contract workers, could both compensate workers for the additional risk they bear and encourage employers to offer more stable schedules of work. We have also been asked to consider other ideas that might alleviate the problem. We are keen to

hear from employers, employees and their representatives who could be affected by these policies.

We are particularly interested in:

- Evidence as to the scale and nature of income/hour volatility for low-paid workers
- Views on the potential impact of a premium for non-guaranteed hours on both employers and workers.
- What other potential policy changes could elicit the same or similar intended outcome

We are also seeking views on the operation and effectiveness of the youth and apprentice rates to inform the review that we committed to in last year's report. We are particularly interested in:

- Whether the level of the youth and apprentice rates influence employers' decisions on whether to employ young people or apprentices; and, equally, whether they influence young people's labour market behaviour and decision-making.
- What factors employers consider when deciding whether to employ a young person or apprentice; and equally, what factors young people consider when weighing up their options.
- What bearing the youth and apprentice rates have on employers when determining where to set pay for younger workers.
- The extent to which employers, or workers, perceive productivity differences between younger and older workers; and the extent to which additional training is required, and provided, for younger workers.
- The extent to which other policies – for example, reductions in employer National Insurance and/or the Apprenticeship Levy – influence employers when deciding whether to employ young workers or apprentices.

In providing evidence many stakeholders undertake surveys of their members. Last year we provided guidance on these surveys for the first time. This year's guidance can be found in Appendix 2, it includes additional questions, for those who have the scope to use it, on the Matthew Taylor premium.

Who we would like evidence from

As in past years, we seek evidence from the widest possible range of contributors: employers, workers, representatives, experts and the public, with a particular interest in sectors that either make up a lot of minimum wage workers (e.g. retail and hospitality) or where a high proportion of workers are on the minimum wage (e.g. social care). However, there are also some areas where we would particularly welcome stronger evidence including:

- Sectors that make use of flexible contracting practices such as zero and short hours contracts (e.g. hospitality, retail, social care)
- Call centres and security – both newly affected by the NLW;
- Minimum wage employers and workers in non-low paying sectors (around a quarter of workers paid the minimum are found outside of sectors traditionally affected like retail and hospitality);
- Employers of young people and apprentices and youth labour market experts.

How to submit evidence

The main channel is by written submission via lpc@lowpay.gov.uk, or the address at the top of this letter. However, as part of our consultation, LPC Commissioners and Secretariat meet stakeholders bilaterally and is undertaking a UK-wide programme of front-line visits (see Appendix 1 below for locations and dates). Should you be interested in providing evidence by these routes please contact Joe Cooper at lpc@lowpay.gov.uk

Our policy is to make responses to our consultation available publicly and list names unless respondents request otherwise. We may also quote from responses. If you do not wish your response to be made public, then please make that clear in your

submission. Otherwise, we will assume that by responding to our consultation you have given consent to us publishing your name and content of your submission.

Yours sincerely

Sarah Morgan

Secretary to the Low Pay Commission

Low Pay Commission consultation questions 2018

Please consider the questions below when responding to the LPC's 2018 consultation. You can answer the questions that relate to you directly or use them as a starting point for your submission. If there is anything you would like to tell us that is not covered by the questions, do not hesitate to do so.

About you

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

Economic Outlook

2. What are your views on the outlook for the UK economy, including employment and unemployment levels for, the period up to April 2019, and the period up to April 2020?
3. What has been your experience of wage growth and inflation in the last year and what do you forecast for the next couple of years?

Impact of the National Living Wage and National Minimum Wage

4. What has been the impact of the NLW since April 2016? The rate was set at £7.20 in 2016, rose to £7.50 in 2017 and will rise to £7.83 in April 2018. Our critical interest is views or data on the effects on employment, hours and earnings. We are also very interested in evidence on pay structures (including premium pay) and benefits, outsourcing, differentials, progression, job moves, training, contract type, business models, productivity, prices or profits.
5. To what extent has the NLW particularly affected certain occupations or industries, types of firms (small, large etc), regions or groups (for example women, ethnic minorities, migrant workers etc)?

April 2019 rates of the NLW and other minimum wages

6. At what level should the NLW be set in April 2019? To continue on a straight-line bite path to would mean a rate of £8.20 in 2019, rising to £8.61 by 2020 using current forecasts.
7. What do you predict would be the effects of a rate of £8.20 in 2019 (earnings, employment, competitiveness)?
8. At what level should the 21-24 Year Old Rate be set in April 2019?
9. At what level should each of the other rates of the minimum wage be set in April 2017 – that is, for 16-17 year olds, for 18-20 year olds, for apprentices, and the accommodation offset?
10. Last year we recommended larger increases for the youth and Apprentice rates, to start narrowing the gap that had grown with the NLW and between the rates. What are your views on continuing to close this gap this year?

21-24 year olds

11. What has been the effect of the minimum wage and the NLW on workers aged 21-24 and what effect do you think this has on their employment prospects?
12. To what extent are firms using the 21-24 Year Old Rate (set at £7.05 since April 2017)?

Young people and apprentices

13. What do you think has been the effect of recent increases in the minimum wage on young people, and on their employment prospects?
14. What has been the effect of the Apprentice Rate on pay, provision and take-up of places, and training volume and quality? How have changes to Apprenticeship policy affected these issues?

15. How does the level of the youth and apprentice rates influence employers' decisions on whether to employ young people or apprentices; or influence young people's labour market behaviour and decision-making?
16. What factors do employers consider when deciding whether to employ a young person or apprentice; and equally, what factors do young people consider when weighing up their options?
17. What bearing do the youth and apprentice rates have on employers when determining where to set pay for young workers?
18. Are there productivity differences between younger and older workers; and is additional training required, and provided, for younger workers?
19. What influence do other policies – for example, National Insurance and/or the Apprenticeship Levy – have on employers when deciding whether to employ young workers or apprentices?

Compliance and enforcement

20. What issues are there with compliance with the minimum wage? Has the NLW affected compliance and enforcement? Are there any other trends, for example in particular sectors or groups?
21. What comments do you have on HMRC's enforcement work? What is your opinion on the quality and accessibility of the official guidance on the NLW/NMW?
22. What more could be done to improve compliance with the NLW/NMW?
23. What are your views on the accommodation offset? To what extent is it protecting low-paid workers? What difference, if any, has the increase in the rate since 2013 made to the provision of accommodation?

The Taylor premium and hours/income volatility

24. What is the scale and nature of the problem described in the Taylor review – that is low-paid workers who face uncertain, unpredictable and volatile work schedules? Does it affect particular workers or parts of the economy?
25. How are these flexible working arrangements – zero hours, short hours and other arrangements – used in your sector?
26. Are there examples of particularly good practice in the use of flexible employment arrangements for low-paid workers? That is, ways of working that manage to balance flexibility and security for workers but also work for employers?
27. What policies or approaches might tackle this problem and/or encourage existing good practice? How might these work in practice? What would their effect be on employers and workers? What compliance issues would need to be considered?
28. The LPC has been asked to consider the impact of Matthew Taylor's idea of a higher minimum wage for hours that are not guaranteed as part of the contract. What impact would this have on workers? Would it achieve greater stability of hours/income for workers and/or compensate them for the volatility of their work schedules? Are there any trade-offs, for example more predictable hours in exchange for fewer hours overall?
29. How would employers respond to a higher minimum wage for non-guaranteed hours? In particular, would they seek to offer more fixed/predictable hours to workers or pay it to maintain their flexibility? What about changes to overall hours worked or employment, or more use of self-employed labour or technology?
30. What are the potential interactions with the tax and benefit system for workers of Matthew Taylor's idea? For example, how would the higher minimum wage affect those on Universal Credit?

31. In considering any recommendations on measures to alleviate volatile and unpredictable hours for low-paid workers, what should we bear in mind to make them most effective?

Appendix 1: the focus of this consultation and visits programme

Age Group	Previous/current rate		Focus of this consultation and remit
	April 2017	April 2018	April 2019
25+	£7.50	£7.83	LPC to recommend ‘the level of the NLW to apply from April 2019 such that it reaches 60% of median earnings by 2020, subject to sustained economic growth.’
21-24	£7.05	£7.38	LPC to recommend rates ‘with the objective of helping as many low-paid workers as possible, without damaging their employment prospects.’
18-20	£5.60	£5.90	
16-17	£4.05	£4.20	
Apprentices¹	£3.50	£3.70	

¹The Apprentice Rate is applicable to all apprentices in year one of their apprenticeship, and for 16-18 year olds in any year of their apprenticeship; otherwise, the appropriate rate for an apprentice’s age applies.

LPC visits 2018	
Date	Location
25-26 April	Kendal & South Lakeland
23-24 May	Barnstaple and North Devon
13-14 June	Newry
13-14 June	Perth
4-5 July	Anglesey
8-9 August	Birmingham

Please email us at lpc@lowpay.gov.uk if you would like to meet our Commissioners during any of these visits.

For more information visit our [website](#) or [blog](#).

Appendix 2: Employer survey guidance for stakeholders

Many of our stakeholders provide surveys of employers as part of their written evidence submissions. These, for example, show the proportion of employers that had raised their prices in response to the National Living Wage (NLW). These surveys are very useful and help us to understand what is going on in low paid sectors before evidence from national datasets is available.

One of our aims last year was to try to improve the comparability of this survey evidence by providing broad guidance on question structure for surveys and, because some stakeholders have asked for it, some specific examples of surveys/questions.

We've repeated this same guidance below to help our evidence remain consistent over time. However, we have also included some extra questions on the Matthew Taylor premium for those stakeholders with the scope to use them.

However, to be clear, we're not expecting or asking all of our stakeholders to carry out a survey, or to completely change one that they regularly do. We realise that not all of our stakeholders have the time and resources to do this and that others have been surveying their members for a long time and so need to keep their surveys consistent over time. Instead, this is simply broad guidance for those who have the scope to use it.

General guidance on questions regarding the NLW

Firstly, if you are surveying employers it is useful if there is a question that identifies those employers whose wage bills have increased as a direct result of the NLW/NMW. For example, "Has your wage bill increased because of the NLW?" Then, amongst the group who answer yes to this question, we are interested in the impacts of this on their organisation. Many of the surveys we saw covered a range of impacts, but in some cases not all of those we want to know about. In particular we are keen to understand the impact of NLW/NMW changes on:

- total employment
- profits
- the age profile of the workforce
- recruitment

- hours worked, including overtime
- price levels
- investment
- non-pay benefits
- the pay levels of other workers i.e. differentials
- the nature of employment e.g. use of zero hours contracts, self-employment

Understanding the scale of the impacts is also key, for example have hours worked been reduced 'slightly' or 'significantly'? However, it is challenging to measure the scale of the impacts without additional questions for each individual impact – see the second example questionnaire below. For this reason, we understand if stakeholders are unable to include all of these questions.

Finally, when submitting survey evidence to the LPC it is useful to include the sample size (i.e. how many responses there were to your survey), how many employers the survey was sent to (so we can calculate a response rate) and how the sample was attained e.g. did you send a link to an online survey to your members or did you employ a survey company to produce a random sample? We also need to know when the survey was carried out.

Questions on the Matthew Taylor higher minimum wage for non-guaranteed hours

As with the questions on the NLW it is useful to have a screening question followed by questions on the impact of the policy. There are 6 questions below with the first three being the most important.

1. Do you make use of flexible working arrangements such as zero hours contracts, short hours contracts or agency work for low-paid workers (paid at or close to the National Minimum Wage/National Living Wage)?
2. Do you currently pay more for hours worked beyond contracted hours, for example a premium for zero hours contracts, overtime or for short notice shifts?
 - Yes
 - No

3. Mathew Taylor's review of modern working practices recommended a higher minimum wage for non-guaranteed hours, which would affect low-paid workers on flexible employment contracts, such as those on zero or short hours contracts. If such a policy were implemented how would you respond? (tick all that apply)

- Pay the higher minimum wage to maintain flexibility
- Increase the number of hours you guarantee as part of a contract and therefore avoid the higher minimum wage
- Reduce hours overall for workers on these arrangements
- Reduce employment overall
- Use more self-employed contractors
- Move employees to other forms of flexible working
- Outsource
- Automate/make use of technology
- Other
- Don't know
- None of the above

4. Thinking of your low-paid workers on flexible employment contracts, how much advance notice of their work/hours schedule is typically provided to them?

- Less than 12 hours,
- Between 12 and 24 hours
- At least 24 hours
- Between 1 and 3 days
- Between 4 and 7 days
- more than 1 week but less than 2,
- between 2 and four weeks,
- more than 4 weeks

5. Thinking of your low-paid workers on flexible employment contracts, do you provide a minimum shift length?

- No
- Yes, less than an hour
- Yes, between 1 and 3 hours
- Yes, between 3 and 5 hours
- Yes, more than 5 hours

6. Thinking of your low-paid flexible workers on flexible employment contracts, how variable are their weekly hours?

- They typically work similar hours each week (demand for labour is fairly steady)
- Their hours typically fluctuate by a few hours each week (demand is slightly variable)
- Their hours typically fluctuate by 4 to 8 hours a week (demand is quite variable).
- Their hours typically fluctuate by more than 8 hours a week (demand is highly variable/difficult to predict).
- Their hours are fairly regular week to week but vary seasonally for example regular peaks during the year e.g. Christmas or over the summer months or at other regular predictable periods of high demand

Example survey questionnaires

Many of our stakeholders have told us that some kind of survey guidance would be useful, but their circumstances vary. Some have told us that they have a lot of scope to send detailed questionnaires to their members, and simply want guidance on which questions to ask. Others have told us that their scope is far more limited, either because they have limited resources to carry out a survey or because they don't want to overburden their members.

Below are two example survey designs which should be useful for stakeholders in each of these positions. The first is a simple light touch survey of just two questions, which would nevertheless provide us with very useful information. This survey may be useful for those stakeholders who have limited scope to design a survey themselves or add questions to an existing survey. The second is more detailed and may be useful as a guide for those stakeholders who have more scope to use it. These two questionnaires should be seen as two ends of a spectrum, not two fixed options. Stakeholders are welcome to choose which, if any, of these questions they use in their own surveys.

Example Survey 1

1. The National Living Wage (NLW) was introduced in April 2016 requiring all workers aged 25 and over to be paid at least £7.20 an hour, it rose to £7.50 on 1 April 2017 and will rise to £7.83 on 1 April 2018. Has the NLW increased your wage bill?
 - Yes, to a large extent
 - Yes, to some extent
 - Yes, to a small extent
 - No, but expect it to do so in future
 - No, and don't expect it to do so
 - Don't know

2. You've said that the National Living Wage has increased your organisation's wage bill. How is your organisation managing these additional wage costs? Select all that apply.
 - Reduced number of employees through redundancies
 - Reduced number of employees by recruiting fewer workers
 - Reduced hours worked by staff
 - Increased share of workforce on atypical employment contracts e.g. zero-hour contracts
 - Taken lower profits/absorbed the costs
 - Raised prices

- Cut back on training expenditure
- Improved efficiency/raised productivity
- Cancelled/scaled down plans for investing in/expanding the business
- Reduced the amount of overtime/bonuses
- Reduced other aspects of the reward package (such as paid breaks or premium pay rates)
- Hired more workers aged 24 and under (excluding apprentices)
- Cut back on pension contributions
- Recruited more apprentices

Example Survey 2

Impact of the NLW

3. The National Living Wage (NLW) was introduced in April 2016 requiring all workers aged 25 and over to be paid at least £7.20 an hour, it rose to £7.50 on 1 April 2017 and will rise to £7.83 on 1 April 2018. Has the NLW increased your wage bill?
- Yes, to a large extent
 - Yes, to some extent
 - Yes, to a small extent
 - No, but expect it to do so in future
 - No, and don't expect it to do so
 - Don't know
4. What effect has the NLW had on the total number of jobs in your firm/business?
(select one)
- No effect on jobs.
 - We have made redundancies
 - We have recruited fewer staff.

5. What effect has the NLW had on total hours worked in your firm/business?
(select one)
- No effect on hours.
 - We have reduced staff hours a little
 - We have reduced staff hours significantly
6. As a result of the NLW have you: (select all that apply)
- Made more use of zero hours contracts
 - Made more use of self-employed contractors
 - Made more use of temporary/agency workers
 - What effect has the NLW had on profits in your firm/business? (select one)
 - No effect on profits.
 - Our profits have reduced a little.
 - Our profits have reduced a lot.
 - Increased profits
7. What effect has the NLW had on the prices you charge for your products/
services? (select one)
- No effect on prices.
 - We have increased our prices a little.
 - We have increased our prices a lot.
8. What effect has the NLW had on staff training in your firm/business? (select one)
- No effect on staff training.
 - We have reduced staff training a little.
 - We have reduced staff training a lot
 - We have increased staff training.

9. Have you taken any of the following measures to increase worker productivity as a result of the NLW? (select all that apply)

- Made more use of technology/automation
- Invested in training
- Changed your workforce structure

10. Have you noticed any of the following positive impacts as a result of the NLW? (select all that apply)

- Increased worker effort/motivation
- Reduced absenteeism
- Reduced staff turnover

11. What effect has the NLW had on investment in your firm/ business? (select one)

- No effect on investment
- Reduced investment a little
- Reduced investment a lot
- Increased investment

12. What effect has the NLW had on premium and overtime pay in your firm/business? (select one)

- No effect on premium/overtime pay.
- We have reduced premium/overtime pay.
- We have increased premium/overtime pay.
- Other/Mixed

13. What effect has the NLW had on pay differentials in your firm/business? (select one)

- We have maintained pay differentials.

- We have reduced pay differentials.
- We have increased pay differentials
- Other/Mixed

14. What effect has the NLW had on the total benefit package in your firm/business? (select one)

- No effect on total benefit package.
- We have reduced the total benefit package a little.
- We have reduced the total benefit package a lot.

15. What effect has the NLW had on the age profile of the workforce in your firm/business? (select one)

- No effect on age profile.
- We have more staff aged 25 and over now.
- We have more staff aged below 25 now.

16. The NLW is currently estimated to reach £8.75 in April 2020. What effect do you expect this will have on your business? (select one)

- The 2020 NLW will have no effect on our business.
- The 2020 NLW will have a small effect on our business.
- The 2020 NLW will have a big effect on our business.

17. How will your business respond to this rate by 2020? (select all that apply)

- Reduce employment
- Reduce hours
- Go out of business
- Change our business model
- Invest in labour saving technology
- Don't know