



8th Floor,
Fleetbank House,
2-6 Salisbury Square,
London
EC4Y 8JX

lpc@lowpay.gov.uk

www.lowpay.gov.uk

From: David Massey, Secretary to the Commission

CONSULTATION ON APRIL 2020 NATIONAL MINIMUM WAGE RATES DEADLINE FOR SUBMISSIONS: FRIDAY 7 JUNE 2019

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 National Minimum Wage (NMW) and National Living Wage (NLW) rates to apply from April 2020. I am writing to invite you to submit evidence to our consultation by Friday 7 June 2019.

This year we are also seeking views on the path for the minimum wage beyond 2020. The current target for the NLW will be met (subject to sustained economic growth) by April 2020. In the 2018 Budget, the Chancellor stated his intention to give the LPC a new remit beyond 2020. The Government intends to consult the LPC on this, and we are inviting views on how the existing NLW target has worked and on potential future arrangements.

What we would like evidence on

For the NLW, we are seeking evidence in order to advise on the viability of the stated target - 60 per cent of median earnings by 2020. The NLW was introduced by the Government to raise pay and productivity, and – unlike for the other minimum wage rates – there is some tolerance of job loss. We are particularly interested in:

- Views on the affordability and effects of an increase to the ‘on target’ rate for April 2020 – currently forecast to be around £8.67.
- Evidence of the impact of increases in the NLW since its introduction – including the April 2019 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, prices and profits.
- Evidence of how employers are seeking to improve productivity – whether this is via investment, automation of some tasks, requiring staff to take on additional tasks or be more flexible, or other means.
- Evidence on how the economic outlook is affected by the process of leaving the European Union (including effects on the labour market and workers like a weaker currency, higher inflation, and possible changes to migration).

For the other rates – affecting workers under 25 and apprentices – we are seeking evidence to make recommendations on our traditional basis of ‘helping raise the pay for 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.

Who we would like evidence from

As in past years, we are seeking 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). There are some areas where we would particularly welcome stronger evidence, including:

- Office workers
- Call centres and security – both increasingly affected by the NLW;

- Minimum wage employers and low-paid workers in non-low paying sectors – for example, the education sector.

How to submit evidence

Please submit your written consultation responses by e-mail to lpc@lowpay.gov.uk. You can also submit responses by post to the address at the top of this letter.

As part of our consultation, LPC Commissioners and Secretariat meet stakeholders bilaterally. We are undertaking a UK-wide programme of visits (see Appendix 1 below for locations and dates). Should you be interested in providing evidence via these routes please contact 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.

Consultation questions

Please consider the questions below when responding to the LPC's 2019 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 2020?
3. What are your views on the current state of the labour market? Has the labour market tightened over the past year? If you are an employer, what has been your experience of filling vacancies?
4. 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

5. What has been the impact of the NLW since April 2016? The rate is currently £7.83 and will rise to £8.21 in April 2019.
 - Our critical interest is in views or data on the NLW's effects on employment, hours and earnings.
 - We are also very interested in evidence on pay structures, differentials and benefits (including premium pay and impacts on parts of the workforce above the NLW), outsourcing, progression, job moves, training, contract type,

business models, productivity (and the different ways in which productivity improvements can be achieved), prices or profits.

6. 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 2020 rates of the NLW and other minimum wage rates

7. Under our latest forecasts, the target April 2020 rate for the NLW would be £8.67. Do you agree that the LPC should seek to meet this target?
8. What do you predict would be the effects of a rate of £8.67 in 2020 (earnings, employment, competitiveness)?
9. At what level should the 21-24 Year Old Rate be set in April 2020?
10. 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?
11. What, if any, are the barriers to larger increases in the 21-24 Year Old rate, 18-20 Year Old Rate, 16-17 Year Old Rate and Apprentice Rate?

The minimum wage beyond 2020

In the October 2018 Budget, the Chancellor stated:

“Next year we will need to give the LPC a new remit beyond 2020. We will want to be ambitious with the ultimate objective of ending low pay in the UK but we will also want to be careful – protecting employment for lower paid workers. So we will engage responsibly with employers, the TUC, and the LPC itself over the coming months gathering evidence and views to ensure we get this right – and I will confirm the final remit at the Budget next year.”

HM Treasury noted that the OECD define relative low pay as two-thirds of median earnings.

12. Reflecting on your experience of the NLW since its introduction in 2016, what lessons do you think should be learned for the period after 2020?

13. Given the Chancellor's statements in the 2018 budget, what are your views on the future trajectory of the NLW and other NMW rates after 2020? What considerations should inform this?

21-24 year olds

14. 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 had on their employment prospects?
15. To what extent are firms using the 21-24 Year Old Rate (set at £7.38 since April 2018 and rising to £7.70 in April 2019)?

Young people and apprentices

16. What do you think has been the effect of the minimum wage on young people, and on their employment prospects?
17. What has been the effect of the Apprentice Rate on the pay, provision and take-up of apprenticeship places, and training volume and quality?
18. What are your views on the Apprentice Rate given the substantial policy changes to apprenticeships in England? Should the design of the Apprentice Rate change in response? If so, how?
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 and the extent to which it is protecting low-paid workers? What difference, if any, have the increases in the rate since 2013 made to the provision of accommodation?

Appendix: LPC visits 2019

Date	Location
20-21 March	Neath and Swansea
10-11 April	Ayr and Kilmarnock
15-16 May	Derry
5-6 June	Hartlepool
3-4 July	Great Yarmouth

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.