



Department for
Business, Energy
& Industrial Strategy

National Living Wage and National Minimum Wage

Low Pay Commission remit 2020

March 2020



OGI

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National Living Wage and National Minimum Wage: Low Pay Commission Remit 2020

The government wants to make the UK the best place possible to live and work. This April, increases to the National Living Wage and National Minimum Wage are expected to boost the wages of over 2.4 million low-paid workers.

Accepting the Low Pay Commission's recommendations in full, on 1 April 2020 the National Living Wage for over 25s will increase by 6.2 per cent to £8.72. This is projected to meet the government's objective of reaching a NLW of 60 per cent of median earnings by 2020. The government is also introducing inflation-beating increases to each of the National Minimum Wage rates for younger workers and apprentices of between 4.6 per cent and 6.5 per cent.

The government asks the Low Pay Commission to monitor and evaluate the National Living Wage and recommend the rate which should apply from April 2021 in order to reach two-thirds of median earnings (of those eligible for the National Living Wage) by 2024, taking economic conditions into account. Following recommendations made by the Low Pay Commission, the National Living Wage, will apply to workers aged 23 and over in April 2021, with a target for it to apply to workers aged 21 and over by 2024.

To ensure that the lowest-paid workers continue to benefit from National Living Wage increases, the Low Pay Commission will continue to have a central role. The government asks the Low Pay Commission to monitor the labour market and the impacts of the National Living Wage closely, advise on any emerging risks and - if the economic evidence warrants it - recommend that the government reviews its target or 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 commissioning minimum wage policy evaluations from leading researchers and is expanding its own use of standardised evaluation tools, using new methods and sources of evidence for its assessment of the impact of the National Living Wage, consistent with the recommendations of the Dube review. The government asks the LPC to set out, alongside its rate recommendation, its evidence strategy for ongoing monitoring and evaluation of the impact of National Living Wage increases towards the two-thirds median target.

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 2021 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 2021.

In making these recommendations the LPC is asked to take into account the state of the economy, employment and unemployment levels, and relevant policy changes.

Apprentice rate review

The government notes the Low Pay Commission's intention to produce advice later this year on whether the apprentice rate remains fit for purpose. We want to ensure that the rate protects people from exploitation and does not damage apprenticeship opportunities in the labour market.

In support of the government's ambition to ensure the National Minimum Wage is easy to understand for both workers and employers, and for workers to be paid the correct amount, we ask that the Low Pay Commission considers the factors behind the levels of non-compliance for apprentices when forming its advice.

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 October 2020.

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