**Low Pay Commission Business Plan 2020/21**

The Low Pay Commission will update this plan as appropriate.

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**1 - Purpose**

The Low Pay Commission (LPC) is an independent statutory Non-Departmental Public Body set up under the National Minimum Wage Act 1998 to advise the Government on the National Minimum Wage. The Commission is made up of nine Commissioners and supported by a small Secretariat of eight staff.

The LPC receives its funding from the Department for Business, Energy and Industrial Strategy (BEIS), and the relationship between the two organisations is governed by a Framework Agreement. The LPC’s work contributes to the goal in [BEIS’s single departmental plan](https://www.gov.uk/government/publications/department-for-business-energy-and-industrial-strategy-single-departmental-plan/department-for-business-energy-and-industrial-strategy-single-departmental-plan-june-2019) of promoting fairness in the labour market, improved working conditions and greater earning power for all.

The LPC advises Government on the National Minimum Wage (NMW). It recommends the level for all rates of the NMW – the National Living Wage (NLW) for workers aged 25 and over, the 21-24 Year Old Rate, the 18-20 Year Old Rate, the 16-17 Year Old Rate and the Apprentice Rate. It also recommends the level of the Accommodation Offset.

The Government’s remit to the LPC for 2020 is available [online](https://www.gov.uk/government/publications/national-minimum-wage-and-national-living-wage-low-pay-commission-remit-2020) and included here at Annex A. The government asks the LPC to monitor the labour market and the impacts of the NMW and NLW closely, and to advise on any emerging risks. This year marks the beginning of a new remit for the NLW, with the LPC requested to increase the rate towards a new target of two-thirds of median earnings by 2024, taking economic conditions into account. Alongside this, the age threshold for the NLW will be reduced from its current level of 25, to 23 in 2021 and then to 21 by 2024. For all other NMW rates, the Commission’s recommendations should aim to help as many low-paid workers as possible without any significant adverse impact on employment or the economy. This year’s remit also includes an additional task: a review of the Apprentice Rate to ensure this rate remains fit for purpose

Our advice to the Government will be based on the best available evidence. We will engage with stakeholders to seek their views and gather evidence from them on the LPC’s remit to 2024, involving a new NLW target of two-thirds of median earnings and lowering the NLW age threshold to 21 as well as to inform decisions about the projection on youth and Apprentice rate reviews.

This business plan sets out what the Secretariat will do in 2020/21 in order to achieve this purpose and the resources it will use.

**2 - Key Milestones**

In order to meet its objectives, the Secretariat has commissioned a programme of research (see section 3 below) and prepared a Work Programme for 2020/21, setting out its main actions and tasks. The following key milestones have been set to ensure the Secretariat assists the Commission in fulfilling its remit.

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| **Milestone** | **Target Completion Date** |
| Draft initial Work Programme | December 2019 |
| Agree, tender then Commission research programme for 2020 Report | March 2020 |
| Draft Business Plan for 2020/21 | April 2020 |
| Create budget forecasts for 2020/21 | April 2020 |
| Finalise expenditure/year-end actions for 2019/20 | April 2020 |
| Hold a research workshop to discuss methodology and content of research projects for 2020 Report | April 2020 |
| Carry out written consultation for 2020 Report | March to June 2020 |
| Hold oral evidence sessions with main stakeholder groups | July 2020 |
| Quarterly review of actual expenditure and planned expenditure for the rest of the year | July 2020, October 2020, January 2021, April 2021 |
| Quarterly review of the LPC’s risk register | April 2020, July 2020, October 2020, January 2021  |
| Hold research symposium to discuss findings from the commissioned research  | September 2020 |
| Commission agrees recommendations and submits to the Government | October 2020 |
| Commission agrees and signs-off its 2020 Report and full report submitted to the Government | November 2020 |

**3 - Research**

In order to meet the priorities set by the Commission, a programme of external research has been established and a number of research contracts let. The purpose of commissioning external research is to add to the Commission’s evidence base, by providing independent robust findings on the impact of the minimum wage. Details of the research contracts commissioned for 2020 Report can be found at Annex B.

Each research project will be managed by a member of the Secretariat (the project manager), who will be responsible for ensuring that a contract for the research is agreed and put in place, the conditions of the contract are fulfilled, progress is monitored, and upon completion payment is made to the contractor. Commissioners will be given regular updates on the progress of the research projects.

**4 - Risks**

The Secretariat has identified the key procedural and operational risks and incorporated these into a risk register. The register will be reviewed by the Secretariat on a quarterly basis, updated as appropriate, and copied to the Sponsor Team in BEIS.

**5 - Resources**

BEIS provides the Commission with its annual budget. The Secretary to the Commission is the designated Accounting Officer and will be responsible for providing assurances to BEIS with regard to the management and control of the resources. This will be done through quarterly reports to BEIS which will be produced to assess whether they meet the LPC Business Plan, and through response to BEIS’s mid-year and end-year budget review exercises.

The Secretariat will report quarterly to BEIS on its expenditure. All expenditure will be made in accordance with departmental guidelines. The Secretariat will, at all times, keep in mind the need to ensure value for money and will seek ways to increase its efficiency and effectiveness and thus reduce its costs. Actions taken which reduce costs and improve efficiency will be reported to BEIS.

The LPC’s budget for 2020/21 is £864,000. The Secretariat has agreed how resources will be allocated for its 2020 Report between research, staffing and other running costs. The breakdown of the LPC’s projected spending is at Annex C. Annex B provides details of the research contracts for the 2020 Report, and Annex D shows the staffing structure for the Secretariat for the 2020 Report.

All members of the Secretariat will be managed, and have their performance appraised in accordance with BEIS guidelines. All Commissioners will have an annual performance appraisal, after publication of the 2020 Report. Commissioners will be appraised by the Chair, and the Chair will be appraised by the Director, Labour Market Directorate, BEIS.

**6 - Transparency**

The LPC will comply with the Government’s requirements on transparency, as given to sponsoring departments. We will operate transparently, but will protect sensitive data.

The Commission will publish, and keep up to date, on its website:

* all responses to requests made under the FoI Act
* all LPC expenditure (regardless of value)
* details of fees and expenses paid to Commissioners
* a register of Commissioners’ interests
* the Commission’s Terms of Reference
* Commissioners’ Code of Conduct, and
* underlying data used in the LPC Report

**7 – Communication activities**

The LPC will continue to develop and enhance communication activities to raise the profile of the Commission amongst its key stakeholders and the wider public. It will aim to engage and communicate through new channels and maximise audience reach. Particular communication activities it will undertake are:

* Using most appropriate channels to communicate with a range of audiences
* Undertake selected events and actions as follow:

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| We will produce an annual report on the National Minimum Wage and National Living Wage as per the core remit and a summary report.  |
| We will publish on our website a short report with data to explain the rationale for our recommendations.  |
| We will hold a launch event after the publication of our main report to explain our recommendations and rationale to our leading stakeholders, press and other interested parties.  |
| We will use all opportunities to increase awareness and understanding of the LPC’s work among stakeholders and other interested parties with the aim of improving the quantity and quality of evidence we receive. This will include presenting at external events, where appropriate, to promote our work and emphasise the value of the LPC’s knowledge on the minimum wage and related matters. |
| Monitor quantitative and qualitative evidence about the audience and reception of our products, and the impact of our press engagement. |
| We will comment as appropriate on the stories of others and partner with stakeholders (including BEIS, OGDs, employer and employee representatives) for communications campaigns and items. |

**Annex A**

**The Government’s 2020 remit to the LPC**

<https://www.gov.uk/government/publications/national-minimum-wage-and-national-living-wage-low-pay-commission-remit-2020>

**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 lndustrial Strategy by October 2020.

**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.

**Annex B**

**Low Pay Commission Research Projects for 2020 Report**

|  |  |  |
| --- | --- | --- |
| **Lead Researcher** | **Institute** | **Research Project** |
| Dan Popov | Frontier Economics | The impact of the National Living Wage on businesses |
| Robert Joyce | Institute for Fiscal Studies | The impact of the NLW regime on earnings, employment, hours and household incomes |
| Dan Popov | Frontier Economics | The impact of the NLW on prices |
| Peter Dickinson | University of Warwick | How employers set the pay of apprentices |
| Andrew Aitken | NIESR | The impact of the NLW on automation and investment |
| Louisa Withers | Incomes Data Research | A study of future changes in pay structures and age-related pay |

**Annex C**

**Low Pay Commission Expenditure – 2020/21**

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| --- | --- |
| **Spend Type** | **Budget (£)** |
| **Total Wage Costs** | **595,000** |
|  |  |
| **Research** | **236870** |
|  |  |
| **Travel and Subsistence (inc Commissioners’ fees)** | **22,500** |
|  |  |
| **Report Production** | **4,000** |
|  |  |
| **Three day Rates Retreat to agree rate and other recommendations** | **6,000** |
|  |  |
| **Other (training, publications, stationery, etc)** | **10630** |
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| **Total** | **875,000** |

**Annex D**

**Low Pay Commission Organogram**

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| **David Massey**(Secretary of the Low Pay Commission)Overall responsibility for leading the Secretariat, delivering the work programme, and ensuring the Commission meets its remit in full |
| **ANALYSIS****Tim Butcher**(Chief Economist)Overall responsibility for leading the analytical work of the Secretariat.Lead on research, pay and prices, and the macroeconomy**Emma Hill**(Statistician)Lead on the National Minimum Wage rates for young people and apprentices, and ASHE**Anthony Lord**(Economist)Lead on the National Living Wage**Kevin Wrake**(Senior Statistical Officer)Lead on the labour market, groups of workers, small firms and the Labour Force Survey | **POLICY & ADMINISTRATION****Joseph Wilkinson**(Head of Policy & Administration)Lead on National Living Wage and National Minimum Wage policy, including compliance & enforcement, stakeholder engagement, including with the BEIS Sponsorship team, and administration of the LPC**Fatima Dudhia**(Policy Adviser & Communications Lead)Lead on specific sector/worker issues, minimum wages in other countries, Press enquiries, FoI, visits, report production and website**Jay Arjan** (Office and Finance Manager)Finance, office management, HR, public enquiries, training & development and BEIS sponsorship |