



Department for
Business, Energy
& Industrial Strategy

NATIONAL MINIMUM WAGE AND NATIONAL LIVING WAGE

Low Pay Commission Remit 2021

March 2021



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National Living Wage and National Minimum Wage: Low Pay Commission Remit 2021

The Government wants to make the UK the best place possible to live and work. Making work pay for the lowest earners in our society is a core part of our commitment. This April, increases to the National Living Wage and National Minimum Wage rates are expected to boost the wages of over 2 million low-paid workers.

The National Living Wage was introduced in April 2016, and the Government has set a target for the National Living Wage to reach two-thirds of median earnings by 2024 for workers aged over 21, taking economic conditions into account.

On 1 April 2021 the National Living Wage will increase by 2.2 per cent to £8.91, and will apply for workers aged 23 and over for the first time, down from aged 25 and over. This is the first step towards the National Living Wage applying to workers aged 21 and over by 2024. The Government is also introducing increases between 1.5 per cent and 3.6 per cent to each of the National Minimum Wage rates for younger workers and apprentices.

National Living Wage and National Minimum Wage rates

This is an extraordinary time. Low paid workers, including many key workers, have made incredible contributions during the Covid-19 pandemic. Workers and employers alike have shown exceptional resilience in the face of continued economic uncertainty.

In this context, the Government asks the Low Pay Commission to monitor and evaluate the National Living Wage and recommend the rate which should apply from April 2022 in order to reach two-thirds of median earnings (of those eligible for the National Living Wage) by 2024, taking economic conditions into account.

The Government asks the Low Pay Commission to closely monitor developments in the labour market, including the impact of increases to the minimum wage rates, and advise on emerging risks. The Government remains committed to the 2024 target, but if the economic evidence warrants it, the Low Pay Commission should advise the Government to review the target or its 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 evaluation tools, using new methods and sources of evidence for its assessment of the impact of the National Living Wage. The Government asks the Low Pay Commission to continue 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 2022, 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 2022.

The Government asks the Low Pay Commission to gather particular evidence on groups of low paid workers with protected characteristics. Groups more likely to be affected by changes to the minimum wage rates include younger, older, disabled, and women workers, and workers of ethnic minorities.

Additionally, to support the Government's levelling up agenda we ask the Low Pay Commission to gather evidence on the differing impact across the United Kingdom of increases to the minimum wage rates, to improve understanding of what part low-paid work plays in outcomes in different parts of the United Kingdom.

In making its recommendations for the minimum wage rates, the Low Pay Commission is asked to take into account the state of the economy, employment and unemployment levels and the wider labour market, and relevant policy changes.

Live-in Domestic workers

We also ask the Low Pay Commission to gather evidence on the application of the 'live in domestic worker exemption' to minimum wage entitlement (regulation 57(3) of the National Minimum Wage Regulations 2015). We ask the Low Pay Commission to present findings on which sectors make use of this exemption, how often is it used and the impact of this on the labour market, with a special focus on equalities impacts. We ask that evidence found be included in the report made by October 2021.

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 the end of October 2021.

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