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24 March 2021

CONSULTATION ON APRIL 2022 NATIONAL MINIMUM WAGE RATES

DEADLINE FOR SUBMISSIONS: 18 JUNE 2021

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 2022. I am writing to invite you to submit evidence to our consultation by Friday 18 June 2021.

On 1 April, the NLW will increase by 19 pence, to £8.91. This increase comes against the background of the largest economic shock in modern history. The LPC's recommendation balanced the need to minimise significant risks to employment prospects while protecting low-paid workers' living standards.

This year, the Government has once more asked the LPC to increase the NLW towards a target of two-thirds of median earnings, by 2024, taking economic conditions into account. In addition, the Government intends to move the age threshold for the NLW to 21 by 2024 (the planned reduction from 25 to 23 will come into effect this April).

Although our recommendations in the autumn will be subject to Commissioners' assessment of economic conditions, our current best estimate for the on-course NLW rate in April 2022 is £9.42, with a likely range of 7 pence above or below this figure. Our current best estimate of an NLW set at two-thirds of median earnings for those aged 21 and over in 2024 would be £10.33, with a likely range of 23 pence above or below this figure. These are based on the latest wage growth forecasts, but actual wage growth may turn out higher or lower, and we will update these ranges in the summer based on changing forecasts.

What we would like evidence on

For the NLW, we are seeking evidence to advise on our approach to reaching the stated target, including how we should take economic conditions into account. Unlike for other minimum wage rates, in setting a target for the NLW there is some tolerance for job loss.

We are particularly interested in evidence on the following:

- The impacts of the pandemic on employers and workers in low-paying sectors, and the prospects for recovery.

- The affordability and effects of an increase in April 2022 to an NLW rate within the on-course range of £9.42 plus or minus 7 pence.
- Views on the LPC's remit to 2024, involving the target of two-thirds of median earnings and lowering the NLW age threshold to 21.
- The impact of increases in the NLW since its introduction, including the April 2021 uprating on workers, employers, the labour market and the economy.
- The impact on 23 and 24 year olds of this April's lowering of the NLW age threshold to 23; and the impact on 21 and 22 year olds of the eventual lowering to 21.

For the other NMW rates, affecting workers aged under 23 and apprentices, we are seeking evidence to make recommendations on the basis of raising the pay of as many low-paid workers as possible without damaging their employment prospects.

The live-in domestic worker exemption

Section 57(3) of the National Minimum Wage Regulations 2015 sets out an exemption from the minimum wage, for work done by a worker in relation to an employer's family household. This exemption applies if the worker lives in the employer's family home and is treated as a member of the family.

In this year's remit, the Government has asked us to gather evidence on the application of this exemption and to present findings on its use, its impact on the labour market and its impacts from an equalities standpoint. To this end, we are seeking evidence on the exemption from affected workers, employers and stakeholders with experience and knowledge of its use and consequences.

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 account for 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. childcare, social care and hair and beauty).

There are several sectors affected by the minimum wage from whom we receive relatively less evidence: this is particularly the case for the security, transport and cleaning and maintenance sectors. It is also the case that a rising NLW will begin to affect sectors which have not previously been considered as minimum wage employers, and we would like to hear evidence from those areas which may be caught by this (for example, the education sector or call centres).

How to submit evidence

Please submit your written consultation responses by e-mail to lpc@lowpay.gov.uk. Due to Covid-19 restrictions, we cannot guarantee receipt of any responses submitted in hard copy by post.

As part of our consultation, Low Pay Commissioners and secretariat meet stakeholders across the UK to hear direct evidence on these consultation questions. We will not be undertaking in-person visits while Covid-related restrictions remain in place, but will be carrying out a full programme of meetings and discussions online. Should you be interested in providing evidence via these routes please contact us via lpc@lowpay.gov.uk.

Our policy is to quote consultation responses in our annual report and to list the names of respondents unless they request otherwise. 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

About you

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

Economic outlook

2 What are your views on the economic outlook and business conditions in the UK for the period up to April 2022? We are particularly interested in:

- the conditions in the specific sector(s) in which you operate.
- the prospects for economic recovery from the effects of the Covid-19 pandemic.
- the effects of Government interventions to support the economy and labour market.
- the current state of the labour market, recruitment and retention.
- your experience of wage growth and inflation in the last year, and forecasts for the next couple of years.

3 To what extent have employers been affected by other major trends in the economy and labour market: for example, Brexit, the shift to homeworking or any changes in the numbers of migrant workers in the UK.

4 What is your experience over the past year in the following areas?

- Prices and profits
- Productivity
- Pay structures and differentials
- Wider benefits available to workers (including premium pay and non-pay benefits across the workforce)
- Quality of work, including contract types, flexibility and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)
- Progression and job moves
- Training
- Investment
- Business debt

5 Apart from the minimum wage, what other factors affect workers in low-paying sectors and occupations? Among other things, we are interested in evidence and views on:

- The effect on workers of Universal Credit and other rules around benefits and tax.
- The relationship between the minimum wage and weekly income.
- Access to transport and the effects this has on working life.

The National Living Wage

- 6** What has been the impact of the NLW in the past year? Our critical interest is in its effects on employment, hours and earnings. We are also interested in the effect of the NLW on any of the areas listed in question 4.
- 7** To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities) and migrant workers?
- 8** How has the NLW's impact varied across different areas of the UK?
- 9** The Government's remit for the NLW is based on achieving a target of two-thirds of median earnings by 2024. Based on forecasts, our current central projection for the April 2024 NLW rate is £10.33. What are your views on this target?
- 10** How have employers responded to the lowering of the NLW age threshold to 23?
- 11** At what level should the NLW be set from April 2022? Our current central projection for the on-course rate is £9.42, with a likely range of 7 pence above or below this figure.

Young people

- 12** What do you think has been the effect of the minimum wage on young people and on their employment prospects?
- 13** This year sees the creation of a new 21-22 Year Old Rate, which will remain in place until the NLW age threshold is lowered again to 21.
- To what extent will employers use the new 21-22 Year Old Rate?
 - At what level should it be set from April 2022?
 - When do you think the NLW age threshold should be lowered to 21? What factors should we consider in making this decision?
- 14** At what level should each of the other NMW youth rates (the 18-20 Year Old Rate and the 16-17 Year Old Rate) be set from April 2022?

Apprentices

- 15** What is the outlook for the recruitment and employment of apprentices?
- 16** What have been the impacts of recent increases in the Apprentice Rate?
- 17** At what level should the Apprentice Rate be set from April 2022? Should we go ahead with our intention to equalise the rate with the 16-17 Year Old Rate next year?

Compliance and enforcement

- 18** What issues are there with compliance with the minimum wage and what could be done to address these?
- 19** What comments do you have on HMRC's enforcement work and the guidance available to employers?

Accommodation Offset

20 What are your views on the Accommodation Offset? What difference, if any, have recent increases in the rate made to the provision of accommodation?

Live-in domestic workers

21 Under section 57(3) of the National Minimum Wage Regulations 2015, work done by a worker in relation to an employee's family household is exempt from the NMW if the worker lives with the employer and is treated as a member of the family. What evidence do you have on the use of this exemption? We are particularly interested in evidence on the characteristics of workers affected; and the prevalence of its use.

Miscellaneous

22 Is there any other evidence, not touched on in the questions above, which you wish to share on issues relating to the NLW/NMW?