



Department  
for Business  
Innovation & Skills

## NATIONAL MINIMUM WAGE

Government response to the  
Low Pay Commission's 2013  
report

APRIL 2013

# **NATIONAL MINIMUM WAGE – GOVERNMENT RESPONSE TO THE 2013 LOW PAY COMMISSION REPORT**

The main recommendations put forward by the Low Pay Commission concern the rates of the National Minimum Wage.

The Commission has recommended that the adult hourly rate of the National Minimum Wage should increase from £6.19 to £6.31. The Commission has recommended increasing the development rate which covers workers aged 18-20 years old from £4.98 to £5.03 and increasing the rate for 16-17 year olds from £3.68 to £3.72. It recommends that the apprentice rate should remain at £2.65. It is recommended that these changes take place in October 2013.

The Commission has also recommended that the accommodation offset increases from the current £4.82 to £4.91 in October 2013.

The Government accepts the recommendations on the adult and youth rates and on the accommodation offset, but has concluded that the apprentice rate should be increased by 3p from 1 October 2013.

## **Government's response to individual recommendations in the Low Pay Commission's 2013 report**

### ***National Minimum Wage Rates***

**We recommend that the adult rate of the National Minimum Wage be increased by 1.9 per cent, or 12 pence, to £6.31 an hour, from 1 October 2013.**

**We recommend an increase of 1 per cent in the Youth Development Rate to £5.03 an hour and in the 16-17 Year Old Rate to £3.72 an hour from 1 October 2013.**

**We recommend that the accommodation offset be increased by 1.9 per cent, to £4.91 a day, from 1 October 2013.**

### ***ACCEPT***

**We recommend that the Apprentice Rate should remain at £2.65 an hour from 1 October 2013.**

### ***REJECT***

The Government shares the LPC's concern about non-compliance with the apprentice minimum wage and we are clear that employers must pay their staff at least the minimum wage. However, we believe that it is important to maintain the relative position of the apprentice rate compared to benefits and the youth rates to preserve the attractiveness of Apprenticeships for young people. The Government has concluded therefore that a 1% increase in the apprentice rate would be appropriate. This is in line with the recommended increases in the youth rates; evidence in the LPC's report shows that the majority of apprentices paid on and just above the apprentice rate are young people. It is also the planned level of public sector pay and benefit increases. We consider that the modest level of this increase would not have significant adverse effects on employment or training for apprentices. In conjunction with this we are putting in place a package of measures to improve compliance, including focused communications and targeted enforcement by HMRC.

### ***Accommodation Offset***

**We recommend that the accommodation offset should remain the only permitted benefit-in-kind that can count towards payment of the National Minimum Wage and there should be only one rate. It should apply irrespective of whether the worker has a choice over taking the accommodation.**

***ACCEPT***

### ***Salaried-hours Workers***

**We recommend that the regulations for salaried-hours workers continue to be required in all their essentials. In order to make it as simple and easy as possible to achieve National Minimum Wage compliance the Government should adapt its guidance to include examples and an on-line means of determining what payment is required.**

***ACCEPT***

### ***Compliance***

**We recommend that the Government should combine a communications campaign and a targeted enforcement initiative to ensure that the Apprentice Rate is known to employers and apprentices, and that infringers are caught, punished, and wherever appropriate, named.**

***ACCEPT***

The Government believes that this recommendation should be viewed alongside the apprentice rate recommendation. We share the concerns raised by the LPC regarding compliance with the apprentice rate. The Government accepts this recommendation and in fact goes further than is proposed. There will be a multi-faceted push on non-compliance in this area.

**We recommend that contracts issued by public bodies which commission the provision of social care should contain a clause requiring at least the National Minimum Wage to be paid, just as they may require compliance with other aspects of the law, such as health and safety legislation. The Government should take responsibility for bringing this about.**

***NOTE***

The Government fully agrees with the LPC's aim of reducing non-compliance in this sector. However, we believe there are more effective ways to achieve this. The Department of Health and the Department for Communities and Local Government are working together to develop tougher measures to deter non-compliance as well as support to improve compliance.

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