 Regulatory Policy Committee	Opinion	
Impact Assessment (IA)	National Minimum Wage regulations 2013 – increase in rates	
Lead Department/Agency	Department for Business, Innovation and Skills	
Stage	Final	
IA number	Not provided	
Origin	Domestic	
Expected date of implementation (and SNR number)	October 2013 (SNR6)	
Date submitted to RPC	02/05/2013	
RPC Opinion date and reference	05/06/2013	RPC13-BIS-1786
Overall Assessment	GREEN	
RPC comments		
<p>The IA is fit for purpose. The costs and benefits of amending national minimum wage rates have been adequately assessed.</p>		
Background (extracted from IA)		
<p>What is the problem under consideration? Why is government intervention necessary?</p>		
<p>If there is exploitation in the labour market, employers may abuse unequal bargaining power to pay unacceptably low wages, particularly where workers have a lack of experience, skills, mobility or opportunities. The aim of the government intervention is to prevent this. The National Minimum Wage (NMW) is a statutory pay floor that sets the minimum wage standards in the UK. This provides protection to low-paid workers by preventing potential exploitation; prevents businesses from being able to undercut by paying exploitatively low wages; and provides incentives to work. The NMW came into force in April 1999 and, since then, the NMW rates have been reviewed by the independent Low Pay Commission (LPC) annually.</p>		
<p>What are the policy objectives and the intended effects?</p>		
<p>The objective of the NMW is to provide as much support as possible to the wages of the low paid without damaging their employment prospects by setting it too high. The NMW sets a wage floor below which pay cannot fall, ensuring protection for low-paid workers, while also providing incentives to work.</p>		
<p>What policy options have been considered?</p>		
<p>The LPC was set up in 1999 to make recommendations on the NMW to the Government. In making its recommendations in its 2013 report, the LPC has consulted extensively and undertaken substantial analysis.</p>		
<p>The Government have two options to consider:</p>		
<ol style="list-style-type: none"> 1. Agree with all the LPC recommendations on NMW rates and implement them. 2. Reject all, or some, of the LPC rate recommendations. 		

The Government have concluded that: the LPC's recommendations for the adult rate, the development rate and the 16-17-year old rate are appropriate; but that it is appropriate to increase the apprentice NMW rate by 1% (to £2.68 per week) combined with measures to improve compliance, as opposed to a freeze as recommended by the LPC

Comments on the robustness of the OITO assessment

Consistent with the current Better Regulation Framework Manual (paragraph 2.9.8 viii), the majority of the proposed changes to NMW rates are out of scope of One-in, Two-out (OITO) as they represent a periodic adjustment to an existing regulatory regime provided for in existing legislation through the recommendations of a relevant independent statutory body - the LPC for NMW. However, as the proposed increase to the rate for apprentices is above that recommended by the LPC, it is in scope of OITO. The IA says that this aspect of the proposal is regulatory and would impose a net cost to business (an IN) with an equivalent annual net cost to business of £1.5 million. This provides a reasonable assessment of the likely impacts.

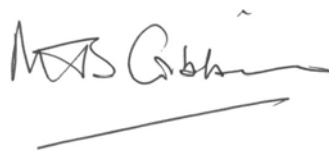
Comments on the robustness of the small & micro-business assessment (SMBA)

The proposals regulate business but come into force before 1 April 2014 and therefore the SMBA is not applicable. However the IA contains a small firms impact test demonstrating that the LPC has considered impacts on small firms when making its recommendations. In future, the Department should consider including more of this information in the IA so that it can be read as a stand-alone document.

Quality of the analysis and evidence presented in the IA

The costs and benefits of amending NMW rates have been adequately assessed and are well presented in the IA.

Signed



Michael Gibbons, Chairman