

Low Pay Commission

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From The Deputy Secretary

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CONSULTATION ON THE NATIONAL MINIMUM WAGE

The Low Pay Commission has been asked to prepare a report on the National Minimum Wage (NMW) by the end of February 2015. I am writing to invite you to submit evidence to our consultation, which runs until 26 September 2014.

Our Remit from the Government (the full Remit text is attached) asks us to:

- Monitor, evaluate, and review the levels of the different NMW rates and make recommendations on the levels from October 2015.
- Consider whether any changes can be made to the Apprentice Rate:
 - to make the structure simpler and improve compliance; and
 - whether the structure and level of the Apprentice Rate should continue to be applied to all levels of apprenticeship, including higher levels.
- Review the conditions that need to be in place to allow the value of the minimum wage to increase in real terms.

In making our recommendations in these areas the Commission is asked to take account of the state of the economy; employment and unemployment levels; and relevant policy changes. We are also asked to consider in our recommendations whether, as we concluded in our 2014 Report, we are entering a new phase where real increases in the NMW can be afforded.

We would welcome any evidence you may wish to submit on these matters. In order to assist with this we have:

- included a number of questions below which we would be particularly grateful if you can address; and
- provided alternative methods for the submission of your evidence: you can either respond to our consultation questions via email (to lpc@lowpay.gov.uk), or send it by post (to the address at the top of this letter).

- A questionnaire will also be available to complete online in mid-July. Further notification of this will be communicated soon.

The deadline for responses to the consultation is 26 September 2014.

Our policy is to make responses to our consultation available publicly unless respondents request otherwise. We therefore intend to make responses submitted to this consultation available on our website following publication of the 2015 Report. We may also quote from responses in our report. We will list in the 2015 Report the names of all those who have responded. **If you do not wish all or part of your response (including your identity) 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 the content (or part content) of your submission.**

An important part of our consultation process is the programme of visits our Commissioners make each year around the UK. This adds to our evidence base and provides an opportunity to listen to the views and concerns directly from those affected by the minimum wage. The locations and dates for this year's visits programme are on [our website](#). Please use the website contact details if you would like to meet our Commissioners during any of these visits.

Yours sincerely



Tim Butcher
Chief Economist and Deputy Secretary to the Low Pay Commission

Encl

QUESTIONS FOR LOW PAY COMMISSION CONSULTATION – 2015 REPORT

- What are your views on the outlook for the UK economy, including employment and unemployment levels, from now through to September 2016?
- What has been your experience of wage growth in the UK during the last year and what do you forecast for the next twelve to eighteen months?
- What has been the impact of the National Minimum Wage (NMW), (for example, on employment, hours and profits), in particular over the last twelve months? Has this impact varied (for example, by sector, type and size of business or groups of workers (including women, ethnic minorities, migrant workers, disabled people, older workers, and those who are unqualified)), and if so how?
- What do you estimate will be the impact of the 3 per cent increase in the adult rate of the NMW and 2 per cent increase in the youth and apprentice rates in October 2014?
- In our 2014 Report, we made an additional assessment of the future path of the NMW. This looked at what economic and business conditions needed to be in place to allow a faster increase in the minimum wage rates taking into account the implications on employment. Do you have any comments on that assessment? What economic and business conditions do you think need to be in place for faster increases in the NMW?
- What has been the impact of the minimum wage on young people and what effect do you think it has on their employment prospects?
- What has been the impact of the Apprentice Rate on pay, provision, take up and completion?
- Do you think the structure of the Apprentice Rate should change? Could it be made simpler to help improve compliance? Do you think the Apprentice Rate should apply to all levels of apprenticeships?
- What do you think might help employers to comply with paying the right pay rate for apprentices?
- Do you have any further comments on apprentice pay?
- What issues are there for compliance with the NMW? Do particular groups experience problems with NMW compliance (for example, apprentices, or interns and others undertaking work experience)? Does this non-compliance have implications for the level of the NMW rates, the quality and accessibility of official guidance on the NMW, or for the enforcement work of HMRC?

- At what level should each of the rates of minimum wage (for adults, 16-17 year olds, 18-20 year olds, apprentices, and the accommodation offset) be set in October 2015?
- Do you have any other views or evidence about the operation and impact of the National Minimum Wage?

It may be helpful when responding to these issues to consider that from 1 October 2014: the adult hourly rate of the National Minimum Wage will be £6.50; the hourly rate for the Youth Development Rate will be £5.13; the hourly rate for 16–17 year olds will be £3.79; the Apprentice Rate will be £2.73 per hour; and the daily limit of the accommodation offset will be £5.08 (£35.56 a week).

LOW PAY COMMISSION REMIT – 2015 REPORT

Our aim is to have NMW rates that help as many low-paid workers as possible, while making sure that we do not damage their employment prospects. As the economy continues to recover, the Government's ambition is to increase the real value of the National Minimum Wage.

Against this background, the LPC is asked to consider in their recommendations whether, as they concluded in their 2014 Report, we are entering a new phase where real increases in the NMW can be afforded.

The Government asks the LPC to:

1. Monitor, evaluate and review the levels of each of the different NMW rates and make recommendations on the levels it believes should apply from October 2015.
2. Consider whether:-
 - Any changes can be made to the apprentice rate to make the structure simpler and improve compliance; and
 - The structure and level of the apprentice rate should continue to be applied to all levels of apprenticeship, including higher levels.
3. Review the conditions that need to be in place to allow the value of the minimum wage to increase in real terms. This would include an update on your advice on the future path of the NMW.

In making recommendations in the areas set out above, the LPC is asked to take account of the state of the economy, employment and unemployment levels, and relevant policy changes.

TIMING

The LPC should report to the Prime Minister, Deputy Prime Minister, and the Secretary of State for Business, Innovation and Skills as early as possible in February 2015.