



Department
for Business
Innovation & Skills

NATIONAL MINIMUM WAGE

Low Pay Commission remit
2016 (Autumn)

MARCH 2016

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The Government is building on its strong economic performance that has seen 2 million more people in work in the last five years. A remaining, key economic challenge the Government wants to address is to move away from a low wage, high tax, high welfare society and encourage a model of higher pay and higher productivity – supporting people who work hard and want to get on in life to fulfil their aspirations.

On the 1 April 2016 the Government's new National Living Wage will come in to effect for workers aged 25 and over. The Government has set the initial rate at £7.20 – 50p higher than the current National Minimum Wage rate for those workers. The Government's objective is to have a National Living Wage of over £9 by 2020.

The Government asks the LPC to monitor and evaluate the NLW and recommend the level of the National Living Wage to apply from April 2017. We estimate that the level of the National Living Wage in April 2016 will be 55% of median earnings. The ambition is that it should continue to increase to reach 60% of median earnings by 2020, subject to sustained economic growth. In making recommendations in relation to the National Living Wage the LPC is asked to consider the pace of the increase, taking into account the state of the economy, employment and unemployment levels, and relevant policy changes. In addition to providing a recommendation for the NLW rate that will apply from April 2017, the Government also asks the LPC to provide an indicative rate for April 2018.

The Government will align the NMW and NLW cycles so that both rates are amended in April each year. This will take effect from April 2017. The Government would like the LPC to monitor, evaluate and review the levels of each of the different NMW rates (16-17, 18-20, 21-24 and apprentice rates) and make recommendations on the increase it believes should apply from April 2017. Our aim is to have NMW rates that help as many low-paid workers as possible without damaging their employment prospects. The LPC is therefore asked to consider the state of the economy and labour market as well as any relevant policy changes while making these recommendations.

Timing

The LPC is asked to provide a report to the Prime Minister and the Secretary of State for Business, Innovation and Skills on the NMW and NLW rates as early as possible in October 2016.



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