

NATIONAL MINIMUM WAGE

Government response to the Low Pay Commission's 2015 report

MARCH 2015

NATIONAL MINIMUM WAGE – GOVERNMENT RESPONSE TO THE 2015 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 £6.50 to £6.70. The Commission has recommended increasing the development rate which covers workers aged 18-20 years old from £5.13 to £5.30 and increasing the rate for 16-17 year olds from £3.79 to £3.87. It recommends that the apprentice rate should increase from at £2.73 to £2.80. It is recommended that these changes take place in October 2015.

The Commission has also recommended that the accommodation offset increases from the current £5.08 to £5.35 in October 2015.

The Government accepts the rate recommendations for the adult and youth rates (16-17 and 18-20) and on the accommodation offset, but have concluded that the apprentice rate should be £3.30.

Government's response to individual recommendations in the Low Pay Commission's 2015 report

National Minimum Wage Rate Recommendations

We recommend that the adult rate of the National Minimum Wage be increased by 3%, or 20 pence, to £6.70 an hour, from 1 October 2015.

We recommend an increase of 3.3% in the youth development rate to £5.30 an hour; an increase of 2.2% in the 16 to 17 year-old rate to £3.87 an hour.

ACCEPT

We recommend an increase of 2.6% in the apprenticeship rate to £2.80 from 1 October 2015.

REJECT

The Government proposes to increase the National Minimum Wage for apprentices by 57 pence an hour to £3.30. This is the largest ever increase in the National Minimum Wage for apprentices and will halve the gap with the age rate for 16-17 year olds, currently £3.79 an hour.

Increasing the Apprentice rate to £3.30 will equate to a 21% increase in the statutory minimum hourly rate for those apprentices aged under 19 and for those aged 19 and over and in the first year of their apprenticeship. We know that many of these apprentices will already be paid considerably more than the current apprentice rate and that the average hourly pay for level 2 and level 3 apprentices is £6.79. Approximately 67,000 of apprentices will be affected by the increase, with an estimated cost to business of £93m.

Government will publish a full Impact Assessment, agreed through the Regulatory Policy Committee, ahead of laying draft regulations.

Accommodation offset

We recommend that the accommodation offset be increased by 3.5 per cent, to £5.08 a day, from 1 October 2015.

ACCEPT

Apprentice rates – rate for Higher Apprentices

We recommend that the apprentice rate should not apply to Higher Apprentices.

ACCEPT

Apprentice rates – structure and proposal for simplification

We recommend that the Government commits to further consultation on the proposed approach before any legislative change is made.

ACCEPT



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