**Low Pay Commission Business Plan 2021/22**

The Low Pay Commission will update this plan as appropriate.

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**1 - Purpose**

The Low Pay Commission (LPC) is an independent statutory Non-Departmental Public Body set up under the National Minimum Wage Act 1998 to advise the Government on the National Minimum Wage. The Commission is made up of nine Commissioners and supported by a small Secretariat of eight staff.

The LPC receives its funding from the Department for Business, Energy and Industrial Strategy (BEIS), and the relationship between the two organisations is governed by a Framework Agreement. The LPC’s work contributes to the BEIS [goal](https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy/about) of making the UK the best place in the world to work.

The LPC advises Government on the National Minimum Wage (NMW). It recommends the level for all rates of the NMW – the National Living Wage (NLW) for workers aged 23 and over, the 21-22 Year Old Rate, the 18-20 Year Old Rate, the 16-17 Year Old Rate and the Apprentice Rate. It also recommends the level of the Accommodation Offset.

The Government’s remit to the LPC for 2021 is available [online](https://www.gov.uk/government/publications/national-minimum-wage-and-national-living-wage-low-pay-commission-remit-2021) and included here at Annex A. The Government asks the LPC to monitor and evaluate the National Living Wage and increase the rate in order to reach two-thirds of median earnings by 2024, taking economic conditions into account. For all other NMW rates, the Commission’s recommendations should aim to help as many low-paid workers as possible without any significant adverse impact on their employment prospects. The Commission is also asked to closely monitor developments in the labour market, including the impact of increases to the minimum wage rates, and advise on emerging risks.

On 1 April 2021, the National Living Wage was increased by 2.2 per cent to £8.91 and will now apply to workers aged 23 and over for the first time, down from aged 25 and over. This is the first step towards the National Living Wage applying to workers aged 21 and over by 2024. The age band for 21-24 rate was also changed and now applies to 21-22 year olds.

This year’s remit also asks the LPC to gather particular evidence on groups of low paid workers with protected characteristics. Groups more likely to be affected by changes to the minimum wage rates include younger, older, disabled, and women workers, and workers of ethnic minorities.

Additionally, to support the Government’s levelling up agenda the LPC has been asked to gather evidence on the differing impact across the UK of increases to the minimum wage rates to improve understanding of what part low-paid work plays in outcomes in different parts of the UK.

Along with these, the remit also asks the LPC to gather evidence on the application of the ‘live in domestic worker exemption’ to minimum wage entitlement and present findings on which sectors make use of this exemption, how often is it used and the impact of this on the labour market, with a special focus on equalities impacts.

Our advice to the Government will be based on the best available evidence. We will engage with stakeholders to seek their views and gather evidence from them on the LPC’s remit to 2024, involving a new NLW target of two-thirds of median earnings and lowering the NLW age threshold to 21.

This business plan sets out what the Secretariat will do in 2021/22 in order to achieve this purpose and the resources it will use.

**2 - Key Milestones**

In order to meet its objectives, the Secretariat has commissioned a programme of research (see section 3 below) and prepared a Work Programme for 2021/22, setting out its main actions and tasks.

The following key milestones have been set to ensure the Secretariat assists the Commission in fulfilling its remit.

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| --- | --- |
| **Milestone** | **Target Completion Date** |
| Draft initial Work Programme | December 2020 |
| Agree, tender then Commission research programme for 2021 Report | March 2021 |
| Draft Business Plan for 2021/22 | April 2021 |
| Create budget forecasts for 2021/22 | April 2021 |
| Finalise expenditure/year-end actions for 2020/21 | April 2021 |
| Hold a research workshop to discuss methodology and content of research projects for 2021 Report | April 2021 |
| Carry out written consultation for 2021 Report | March to June 2021 |
| Hold oral evidence sessions with main stakeholder groups | July 2021 |
| Quarterly review of actual expenditure and planned expenditure for the rest of the year | July 2021, October 2021, January 2022, April 2022 |
| Quarterly review of the LPC’s Risk Register | April 2021, July 2021, October 2021, January 2022 |
| Hold Research symposium to discuss findings from the commissioned research | September 2021 |
| Commission agrees recommendations and submits to the Government | October 2021 |
| Commission agrees and signs-off its 2021 Report and full report submitted to the Government | November 2021 |

**3 - Research**

In order to meet the priorities set by the Commission, a programme of external research has been established and a number of research contracts let. The purpose of commissioning external research is to add to the Commission’s evidence base, by providing independent robust findings on the impact of the minimum wage. Details of the research contracts commissioned for the 2021 Report can be found at Annex B.

Each research project will be managed by a member of the Secretariat (the project manager), who will be responsible for ensuring that a contract for the research is agreed and put in place, the conditions of the contract are fulfilled, progress is monitored, and upon completion payment is made to the contractor. Commissioners will be given regular updates on the progress of the research projects.

**4 - Risks**

In light of the current pandemic, the Secretariat has been and will be reviewing the Risks Register regularly and have identified the key procedural and operational risks and incorporated these into the Risk Register. The register will be reviewed by the Secretariat on a quarterly basis, updated as appropriate, and copied to the Sponsor Team in BEIS as required by the LPC Framework Document.

**5 – Resources**

This year will publish a shorter non-compliance “monitoring report” setting out the evidence on underpayment and assessing progress on previous LPC recommendations.

The report will be similar in format to the summary of findings which accompanies our main report, reflecting the evidence heard in last year’s consultation, recapping the latest data on enforcement (both the 2019/20 enforcement statistics and the latest naming round) and outlining what we see as the main policy challenges for compliance and enforcement, and assessing progress on our previous recommendations.

BEIS provides the Commission with its annual budget. The Secretary to the Commission is the designated Accounting Officer and will be responsible for providing assurances to BEIS with regard to the management and control of the resources. This will be done through quarterly reports to BEIS which will be produced to assess whether they meet the LPC Business Plan, and through response to BEIS’s mid-year and end-year budget review exercises.

The Secretariat will report quarterly to BEIS on its expenditure. All expenditure will be made in accordance with departmental guidelines. The Secretariat will, at all times, keep in mind the need to ensure value for money and will seek ways to increase its efficiency and effectiveness and thus reduce its costs. Actions taken which reduce costs and improve efficiency will be reported to BEIS.

The LPC’s budget for 2021/22 is £825,000. The Secretariat has agreed how resources will be allocated for its 2021 Report between research, staffing and other running costs. The breakdown of the LPC’s projected spending is at Annex C. Annex B provides details of the research contracts for the 2021 Report, and Annex D shows the staffing structure for the Secretariat for the 2021 Report.

All members of the Secretariat will be managed, and have their performance appraised in accordance with BEIS guidelines. All Commissioners will have an annual performance appraisal, after publication of the 2021 Report. Commissioners will be appraised by the Chair, and the Chair will be appraised by the Director, Labour Market Directorate, BEIS.

**6 - Transparency**

The LPC will comply with the Government’s requirements on transparency, as given to sponsoring departments. We will operate transparently, but will protect sensitive data.

The Commission will publish, and keep up to date, on its website:

* all responses to requests made under the FoI Act
* all LPC expenditure (regardless of value)
* details of fees and expenses paid to Commissioners
* a Register of Commissioners’ Interests
* the Commission’s Terms of Reference
* Commissioners’ Code of Conduct, and
* underlying data used in the LPC Report

**7 – Communication activities**

The LPC will continue to develop and enhance communication activities to raise the profile of the Commission amongst its key stakeholders and the wider public. It will aim to engage and communicate through new channels and maximise audience reach. Particular communication activities it will undertake are:

* Using most appropriate channels to communicate with a range of audiences
* Undertake selected events and actions as follow:

|  |
| --- |
| We will produce an annual report on the National Minimum Wage and National Living Wage as per the core remit and a summary report. |
| We will publish on our website a short report with data to explain the rationale for our recommendations. |
| We will hold a launch event after the publication of our main report to explain our recommendations and rationale to our leading stakeholders, press and other interested parties. |
| We will use all opportunities to increase awareness and understanding of the LPC’s work among stakeholders and other interested parties with the aim of improving the quantity and quality of evidence we receive. This will include presenting at external events, where appropriate, to promote our work and emphasise the value of the LPC’s knowledge on the minimum wage and related matters. |
| Monitor quantitative and qualitative evidence about the audience and reception of our products, and the impact of our press engagement. |
| We will comment as appropriate on the stories of others and partner with stakeholders (including BEIS, OGDs, media, employer, and employee representatives) for communications campaigns and items. |

**Annex A**

**National Living Wage and National Minimum Wage: Low Pay Commission Remit[[1]](#footnote-2) 2021**

The Government wants to make the UK the best place possible to live and work. Making work pay for the lowest earners in our society is a core part of our commitment. This April, increases to the National Living Wage and National Minimum Wage rates are expected to boost the wages of over 2 million low-paid workers.

The National Living Wage was introduced in April 2016, and the Government has set a target for the National Living Wage to reach two-thirds of median earnings by 2024 for workers aged over 21, taking economic conditions into account.

On 1 April 2021, the National Living Wage will increase by 2.2 per cent to £8.91 and will apply for workers aged 23 and over for the first time, down from aged 25 and over. This is the first step towards the National Living Wage applying to workers aged 21 and over by 2024. The Government is also introducing increases between 1.5 per cent and 3.6 per cent to each of the National Minimum Wage rates for younger workers and apprentices.

**National Living Wage and National Minimum Wage rates**

This is an extraordinary time. Low paid workers, in particular key workers, have made incredible contributions during the Covid-19 pandemic. Workers and employers alike have shown exceptional resilience in the face of continued economic uncertainty.

In this context, the Government asks the Low Pay Commission to monitor and evaluate the National Living Wage and recommend the rate which should apply from April 2022 in order to reach two-thirds of median earnings (of those eligible for the National Living Wage) by 2024, taking economic conditions into account.

The Government asks the Low Pay Commission to closely monitor developments in the labour market, including the impact of increases to the minimum wage rates, and advise on emerging risks. The Government remains committed to the 2024 target, but if the economic evidence warrants it, the Low Pay Commission should advise the Government to review the target or its timeframe. This emergency brake will ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects.

The Government notes that the Low Pay Commission will continue commissioning minimum wage policy evaluations from leading researchers and is expanding its own use of evaluation tools, using new methods and sources of evidence for its assessment of the impact of the National Living Wage.

The Government also asks the Low Pay Commission to monitor and evaluate the levels of each of the different National Minimum Wage rates (under-18s, 18-20, 21-22 age groups and apprentice rate) and make recommendations on the increases it believes should apply from April 2022, such that the rates are set as high as possible without damaging the employment.

prospects of each group. In addition, we ask the Low Pay Commission to recommend the accommodation offset rate that should apply from April 2022.

The Government asks the Low Pay Commission to gather particular evidence on groups of low paid workers with protected characteristics. Groups more likely to be affected by changes to the minimum wage rates include younger, older, disabled, and women workers, and workers of ethnic minorities.

Additionally, to support the Government’s levelling up agenda we ask the Low Pay Commission to gather evidence on the differing impact across the United Kingdom of increases to the minimum wage rates, to improve understanding of what part low-paid work plays in outcomes in different parts of the United Kingdom.

In making its recommendations for the minimum wage rates, the Low Pay Commission is asked to take into account the state of the economy, employment and unemployment levels and the wider labour market, and relevant policy changes.

**Live-in Domestic workers**

We also ask the Low Pay Commission to gather evidence on the application of the ‘live in domestic worker exemption’ to minimum wage entitlement (regulation 57(3) of the National Minimum Wage Regulations 2015). We ask the Low Pay Commission to present findings on which sectors make use of this exemption, how often is it used and the impact of this on the labour market, with a special focus on equalities impacts. We ask that evidence found be included in the report made by October 2021.

**Timing**

The Low Pay Commission is asked to provide a final report in response to this remit to the Prime Minister and the Secretary of State for Business, Energy and Industrial Strategy by the end of October 2021.

**Annex B**

**Low Pay Commission Research Projects for 2021 Report**

|  |  |  |
| --- | --- | --- |
| **Lead Researcher** | **Institute** | **Research Project** |
| Robert Joyce | Institute for Fiscal Studies | The impact of the UK National Living Wage on earnings, employment hours and incomes |
| Abigail McKnight | London School of Economics | The impact of the UK National Living Wage by disability and ethnicity |
| Kerry Papps | University of Bath | Hiring Behaviour and the National Minimum Wage |
| Andreas Georgiadis | Brunel University | Impact of the NLW in the adult social care sector in England during the pandemic and Brexit |
| Andrew Clark | London School of Economics | Non-wage rewards and the low paid |
| Katherine Heffernan | Incomes Data Research | Pay in the pandemic |

**Annex C**

**Low Pay Commission Expenditure – 2021/22**

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| --- | --- |
| **Spend Type** | **Budget (£)** |
| **Total Wage Costs** | 589,000 |
|  |  |
| **Research** | 188,225 |
|  |  |
| **Travel and Subsistence (inc Commissioners’ fees)** | 30,000 |
|  |  |
| **Report Production** | 3,000 |
|  |  |
| **Three-day Rates Retreat to agree rate and other recommendations** | 6,000 |
|  |  |
| **Other (hospitality, training, publications, stationery etc)** | 8,775 |
|  |  |
| **Total** | **825,000** |

**Annex D**

**Low Pay Commission Organogram**

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| --- | --- |
| **David Massey**  (Secretary of the Low Pay Commission)  Overall responsibility for leading the Secretariat, delivering the work programme, and ensuring the Commission meets its remit in full | |
| **ANALYSIS**  **Tim Butcher**  (Chief Economist)  Overall responsibility for leading the analytical work of the Secretariat.  Lead on research, pay and prices, and the macroeconomy  **Emma Hill**  (Statistician)  Lead on the National Minimum Wage rates for young people and apprentices, and ASHE  **Anthony Lord**  (Economist)  Lead on the National Living Wage  **Kevin Wrake**  (Senior Statistical Officer)  Lead on the labour market, groups of workers, small firms, and the Labour  Force Survey | **POLICY & ADMINISTRATION**  **Joseph Wilkinson**  (Head of Policy & Administration)  Lead on National Living Wage and National Minimum Wage policy, including compliance & enforcement, stakeholder engagement, including with the BEIS Sponsorship team, report production, and administration of the LPC  **Fatima Dudhia**  (Policy Adviser & Communications Lead)  Lead on specific sector/worker issues, minimum wages in other countries, Press enquiries, FoI, visits, stakeholder engagement, and website  **Jay Arjan**  (Office and Finance Manager)  Finance, office management, HR, public enquiries, training & development, and BEIS sponsorship |

1. <https://www.gov.uk/government/publications/national-minimum-wage-and-national-living-wage-low-pay-commission-remit-2021> [↑](#footnote-ref-2)