



10 South Colonnade
Canary Wharf
London
E14 4PU

lpc@lowpay.gov.uk
www.lowpay.gov.uk

28 March 2022

Dear Sir or Madam,

CONSULTATION ON APRIL 2023 NATIONAL MINIMUM WAGE RATES DEADLINE FOR SUBMISSIONS: 20 JUNE 2022

The Low Pay Commission (LPC) is the independent body that advises the Government on the level of the minimum wage. We have been asked to recommend the National Minimum Wage (NMW) and National Living Wage (NLW) rates to apply from April 2023. I am writing to invite you to submit evidence to our consultation by 20 June 2022. We do not expect consultees to answer all questions unless they are able to, they should focus on the areas which are of most concern to them and where they can provide the most comprehensive evidence.

On 1 April 2022, the NLW will increase to £9.50. This increase reflects improvements in economic conditions over the past year. It puts us back on course to reach our estimate of the target of two-thirds of median earnings in 2024. The LPC will publish an [uprating report](#) on 1st April 2022 which looks at the new rates and the path up to 2024.

This year, the Government has once more asked the LPC to increase the NLW towards the 2024 target, taking economic conditions into account. In addition, the Government intends to move the age threshold for the NLW from 23 to 21 by 2024. See [here](#) for full details of our remit from the Government this year.

Our current estimate of the on-course NLW in 2023 is £10.32 (within a range of £10.14 to £10.50) and £10.95 in 2024 (within a range of £10.58-£11.33). We present a wider than usual range around the path for the NLW this year. This reflects the higher than normal uncertainty caused by the volatile economic and geopolitical situation and ongoing data issues related to Covid-19. Indeed, the recent OBR projection of the NLW path is lower than ours (see the uprating report for more details). The NLW path also depends on when the age threshold is lowered to 21, the projections above assume this occurs in 2024. We plan to publish an updated path in the summer.

Knowing where we are on the path to the current target is only one part of our decision-making process. Our recommendations are also subject to Commissioners' assessment of economic conditions.

What we would like evidence on

We are seeking evidence on the broad economic and labour market conditions that workers and businesses are facing, as well as the specific impacts of the rates themselves. We are particularly interested in evidence on the following:

- The affordability and effects of an increase in April 2023 to an NLW on-course rate of £10.32 within a range of (£10.14-£10.50)
- Views on the path of the NLW to 2024, when we currently project a rate of £10.95 for all workers aged 21 and over.
- The impact of increases in the NLW on workers, employers, the labour market and economy.
- The impact on 23 and 24 year olds of lowering the NLW age threshold to 23 last year; and the potential impact on 21 and 22 year olds of the eventual lowering to 21.
- The effects of this year's large increase in the Apprentice Rate, which aligns it with the 16-17 Year Old Rate.
- Awareness, use and impacts of the accommodation offset, which allows employers to deduct some accommodation costs from minimum wage pay.

Who we would like evidence from

We would like evidence from the widest possible range of contributors, from all parts of the UK: employers, workers, representatives, experts and the public. We are interested in all sectors directly or indirectly affected by the minimum wage; those accounting for a lot of minimum wage workers (e.g. retail and hospitality); those where a high proportion of workers are on the minimum wage (e.g. social care); and those not traditionally considered low-paying but where rising rates nonetheless have an effect (e.g. education).

How to submit evidence

Please submit your written consultation responses by e-mail to lpc@lowpay.gov.uk.

As part of our consultation, we meet people and organisations across the UK to hear first-hand evidence on these questions. We will be returning to in-person regional visits later in the year and will continue to hold meetings and discussions online alongside these. If you are interested in providing evidence please contact us via lpc@lowpay.gov.uk.

We always seek permission from responders before quoting them in our reports. If you do not wish your response 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 content of your submission.

Yours sincerely,



Bryan Sanderson

Chair of the Low Pay Commission

Consultation questions

About you

1 Please provide information about yourself or your organisation. If possible, include details about your location, the occupation or sector you are involved in, your workforce if you are an employer (including number of minimum wage workers), and anything else you think is relevant.

Economic outlook

1 What are your views on the economic outlook and business conditions in the UK over the next 12-24 months? We are particularly interested in:

- the conditions in the specific sector(s) in which you operate.
- the effects of Government interventions to support the economy and labour market.
- the state of the labour market, recruitment, and retention.
- wage growth and inflation in the last year, and expectations for the next couple of years.

2 To what extent have employers been affected by other major trends in the economy and labour market: for example, rising energy costs, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK.

3 What is your experience over the past year in the following areas?

- a. Profits
- b. Prices
- c. Productivity
- d. Pay structures and differentials
- e. Wider benefits available to workers (including premium pay and non-pay benefits across the workforce)
- f. Quality of work, including contract types, flexibility and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)
- g. Progression and job moves
- h. Training
- i. Investment
- j. Business debt

4 Apart from the minimum wage, what are the key drivers of pay decisions in low-paying sectors and occupations? For example, this could include the cost of living, availability and retention of staff, changes to Universal credit/other benefits or access to transport.

The National Living Wage

- 5** What has been the impact of the NLW in the past year? Our critical interest is in its effects on employment, hours and earnings. We are also interested in the effect of the NLW on any of the areas listed in question 3.
- 6** To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities and those with disabilities) and migrant workers?
- 7** How has the NLW's impact varied across different geographical areas of the UK?
- 8** The Government's remit for the NLW is based on achieving a target of two-thirds of median earnings by 2024. Based on forecasts, our current central projection for the April 2024 NLW rate is £10.95. What are your views on this target?
- 9** How have employers responded to the lowering of the NLW age threshold to 23?
- 10** At what level should the NLW be set from April 2023? Our current central projection for the on-course rate is £10.32.

Young people

- 11** What do you think has been the effect of the minimum wage on young people and on their employment prospects?
- 12** Last year saw the creation of a new 21-22 Year Old Rate, to remain in place until the NLW age threshold is lowered again to 21.
- To what extent do employers use the 21-22 Year Old Rate?
 - When do you think the NLW age threshold should be lowered to 21? What factors should we consider in making this decision?
 - At what level should the rate be set from April 2023?
- 13** How widely used are the other NMW youth rates (the 18-20 Year Old Rate and the 16-17 Year Old Rate)?
- 14** At what level should these rates be set from April 2022?

Apprentices

- 15** What is the outlook for the recruitment and employment of apprentices?
- 16** How widely used is the Apprentice Rate? What are the characteristics of apprentices paid the rate?
- 17** How common is it for employers to set the pay of first-year apprentices below the NLW/NMW rates?
- 18** The Apprentice Rate increases this year to £4.81, the same level as the 16-17 Year Old Rate. What do you expect the effects of this increase to be?
- 19** At what level should the Apprentice Rate be set from April 2023?

Compliance and enforcement

- 20** What issues are there with compliance with the minimum wage and what could be done to address these?
- 21** What comments do you have on HMRC's enforcement work?

Accommodation Offset

- 22** What evidence can you provide on how the Accommodation Offset is applied? We believe the offset is most commonly applied in the agriculture, horticulture and hospitality sectors.
- 23** Are there other sectors where employer provide accommodation to workers and deduct the offset?
- 24** What has been the effect of recent increases in the offset on employers' decisions? Please consider both how common it is for employers to provide accommodation and the quality of the accommodation provided.
- 25** What impact does the offset have on workers? What are the hours, pay and working conditions of workers for whom the offset is deducted? Are there particular groups of workers who are more likely to be affected by the offset?
- 26** Are there particular issues for compliance created by the current design of the offset?
- 27** What approach should we take in recommending the offset rate in the future?