National Minimum Wages
Low Pay Commission

Low Pay Commission

Summary of evidence 2023 Report

November 2023

This report summarises the evidence that influenced the LPC's recommendations for minimum wage rates in April 2024. It should be read in conjunction with our recommendations letter.

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The Low Pay Commission (LPC) is an independent public body that advises the Government on the rates of the National Minimum Wage (NMW), including the National Living Wage (NLW). Our remit from the Government is summarised on the next page.

We are a social partnership body, usually made up of nine Commissioners representing employers, workers and independent experts. Every year since 1998, Commissioners have unanimously agreed the LPC's recommendations to the Government.

This year is the first time in the Low Pay Commission's history that we did not have a full complement of nine Commissioners. We have been reduced to two worker representatives rather than three since the beginning of 2023, but the Government has been unable to agree an appointment to fill this position. We urge the Government to avoid this happening again.

We met in October 2023 to agree recommendations for April 2024. We submitted our advice to the Government on 20 October. Our recommendations, and the content of this report, draw on evidence which was available up to that date.

This short report summarises the evidence underpinning our advice. It should be read in conjunction with our [letter](#) to the Government. All sources and references for charts and data can be found at the end. Our full 2023 Report, which sets out our evidence base in comprehensive detail, will be laid before Parliament and published early next year.

Our recommendations on the NLW and NMW rates were accepted in full by the Government and will come into effect from 1 April 2024.

The NLW and NMW rates effective from April 2024 are shown below.

Rates to apply from 1 April 2024

	NMW rate	Annual increase (£)	Annual increase (per cent)
National Living Wage (for those aged 21 and over)	£11.44	1.02	9.8
21-22 Year Old Rate	See NLW	1.26	12.4
18-20 Year Old Rate	£8.60	1.11	14.8
16-17 Year Old Rate	£6.40	1.12	21.2
Apprentice Rate	£6.40	1.12	21.2
Accommodation Offset	£9.99	0.89	9.8

Our remit for 2023

"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, business impacts, and relevant policy changes."

Our remit is set and published each year by the Government and summarised below

The National Living Wage

The Low Pay Commission was asked to monitor and evaluate the National Living Wage and recommend the rate which should apply from April 2024 in order to reach two-thirds of median earnings (of those eligible for the National Living Wage) by 2024, taking economic conditions into account. Government remains committed to lowering the age threshold for the National Living Wage to aged 21 and over by 2024.

Other National Minimum Wage rates

For other rates, we were asked to recommend rates as high as possible without damaging the employment prospects of each group.

Groups of workers and geographical impacts

In addition to our standard remit on rates of the minimum wage, we were asked to pay special attention to two areas:

- Groups of low-paid workers with protected characteristics.
- The differing impact across the UK of increases in the NLW and NMW.

The future of the National Living Wage

Because this year's recommendation takes us to the target for 2024, Government issued a second remit asking for evidence to inform future minimum wage policy, beyond 2024. We will submit this advice by the end of 2023.

Our evidence base and approach

To arrive at our recommendations, we consider a wide range of evidence.

This year's recommendations have been informed by:

- A written public consultation exercise, held from March to June.
- A UK-wide programme of visits and meetings.
- Oral evidence sessions with 26 organisations representing workers and employers, as well as workers and employers themselves.
- A range of independent research projects.
- Comprehensive analysis of a range of economic and labour market data.

The path of the National Living Wage

Our remit is to recommend a rate of the NLW that will reach two-thirds of median hourly pay (for those aged 21 and over) by October 2024.

Predicting this rate is difficult. The target is a percentage of median hourly pay in the future, so hitting it requires us to predict this future. Our approach relies on forecasts, which are inherently uncertain. The methodology is explained in detail in a report published in March 2023.

Over the last year, nominal pay growth and forecasts of future pay growth have strengthened, increasing our projection of the NLW needed to hit the target. On the next page we explain these factors in more detail.

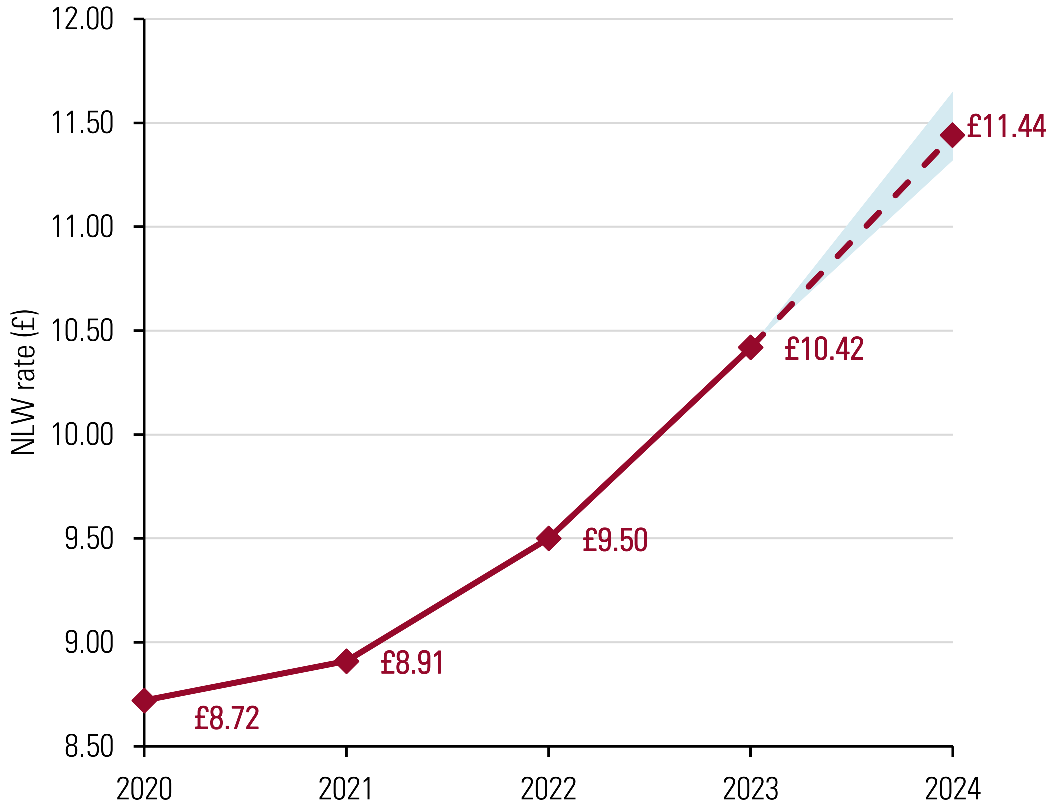
But it's important to remember that the LPC's recommendations are not purely formulaic. Predicting the rate is difficult and uncertain, and navigating this requires judgement. But Commissioners' recommendations also need to work for the economy and labour market. This too requires judgement.

We expect our recommendation of £11.44 to meet the Government's target of two-thirds of median earnings for those aged 21 and over by 2024.

We have also recommended significant increases to the minimum wage rates for apprentices, 16-17 year olds and 18-20 year olds.

In the rest of this report, we set out the evidence that influenced our recommendations for all the rates. It should be read alongside our recommendations letter.

Projected path for the National Living Wage to reach two-thirds of median earnings in 2024, 2020-2024



Strong pay data and forecasts increased our estimate of the NLW needed to hit the target

In the spring we expected the rate of the NLW needed to hit the target in 2024 to be £11.16, but within a range of £10.90 to £11.43. Our recommendation of £11.44 falls just outside this range and here we explain the upward pressures.

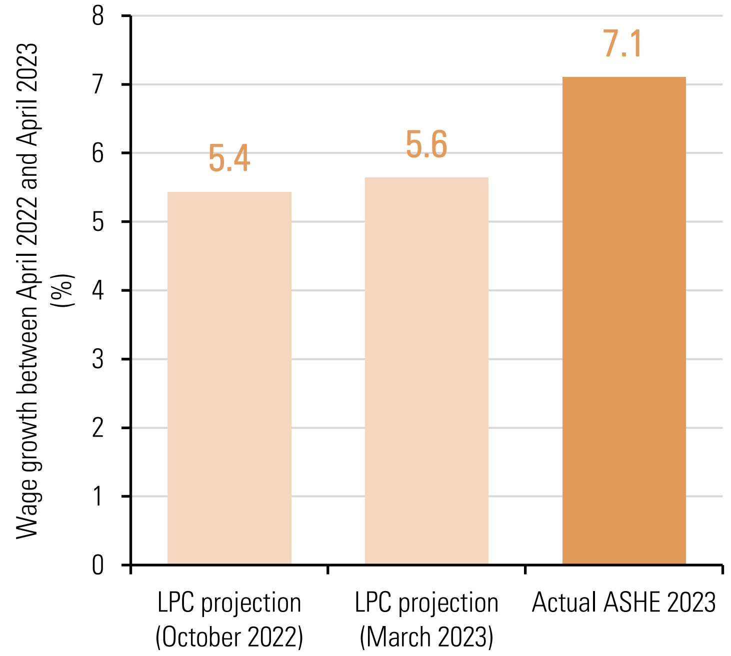
Since the spring, both measured pay and forecasts of pay have driven our estimate of the rate needed to hit the target upwards. The Annual Survey of Hours and Earnings (ASHE) showed median hourly pay grew more than anticipated in the year to April 2023 (left chart).

Then, measures of weekly pay continued to strengthen over the summer (middle chart). While some of this was driven by one-off factors, such as lump sum payments and bonuses, underlying pay growth strengthened too. Though HMRC’s more timely wage data shows slightly weaker growth than the official headline data (see page 12).

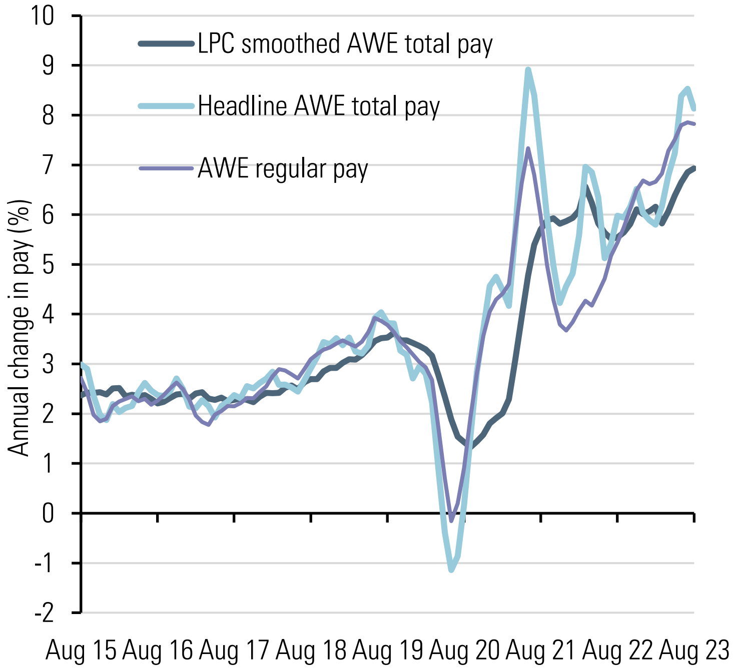
Finally, the chart on the right shows how forecasts for wage growth in 2023 (dark blue line) and 2024 (purple line) have evolved over the last 18 months. Forecast wage growth in 2023 has increased steadily since April 2022 but jumped up sharply in September 2023.

This combination of higher than expected wage growth and forecasts themselves also rising put upward pressure on the rate needed to hit the target.

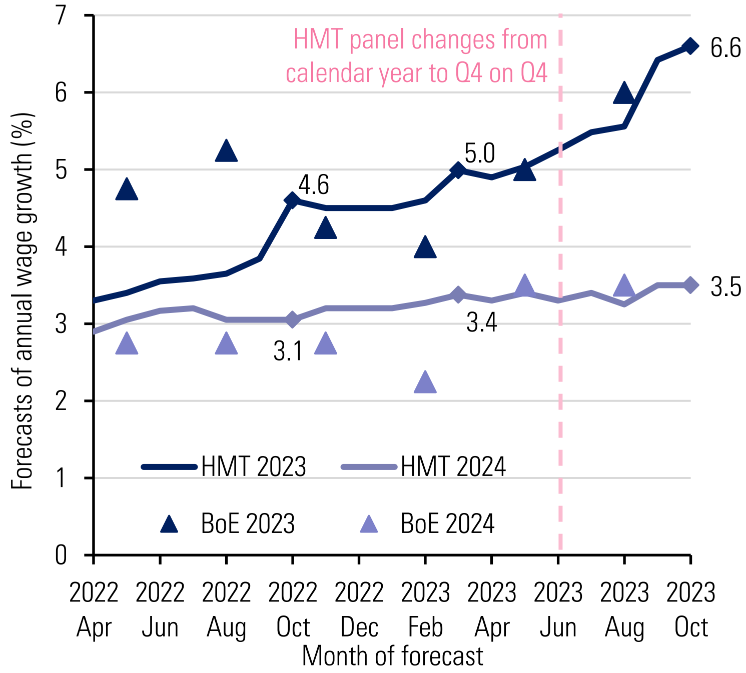
Projected and actual wage growth between April 2022 and April 2023



Year-on-year wage growth, AWE, August 2015-2023



Changing forecasts for average wage growth in 2023 and 2024



Economic growth has slowed and is expected to remain weak

Recent revisions to GDP data show the UK economy recovered from the pandemic faster than previously thought. However, growth has slowed substantially since then. The level of monthly GDP has barely changed in a year.

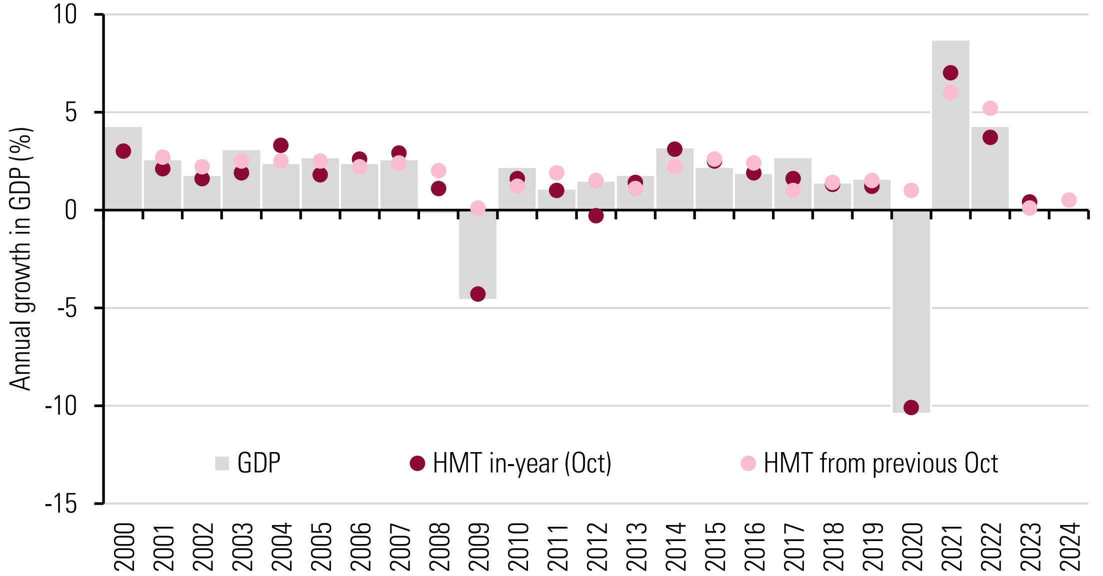
The recovery of GDP per head has been even weaker and is only fractionally above its pre-crisis level.

International comparisons show that the UK suffered the worst recession among G7 countries and has only recovered faster than Germany.

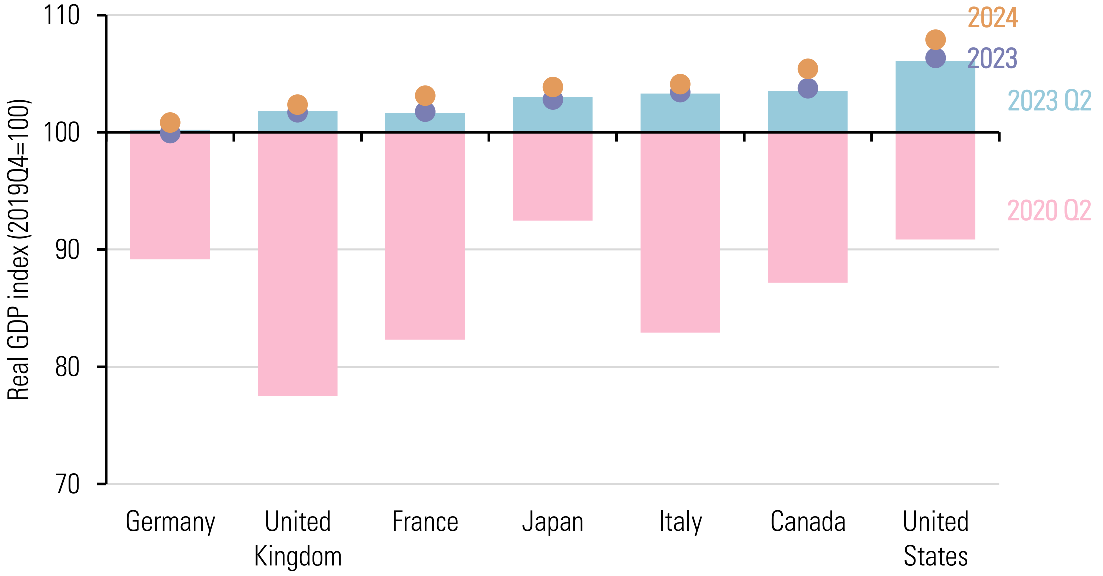
The outlook will depend on the persistence of inflation and its impact on real wage growth and incomes. Monetary policy has tightened with increases in interest rates squeezing both households and firms. But a boost can be expected from falling energy prices and reduced inflationary pressure more generally. However, recent tragic geopolitical events have increased uncertainty and fuel prices have risen again.

Overall, the UK is forecast to grow at around 0.5 per cent in both 2023 and 2024. This is lower than pre-pandemic growth and far lower than the 2.5-3 per cent norm before the financial crisis. The UK is expected to have some of the weakest growth in the G7 in the next year or so.

Annual growth in GDP outturn and HMT panel forecast, 2000-2024



International comparisons of actual and forecast GDP growth, 2019-2024



SMEs and those in low-paying industries are more concerned by costs and debt than other firms

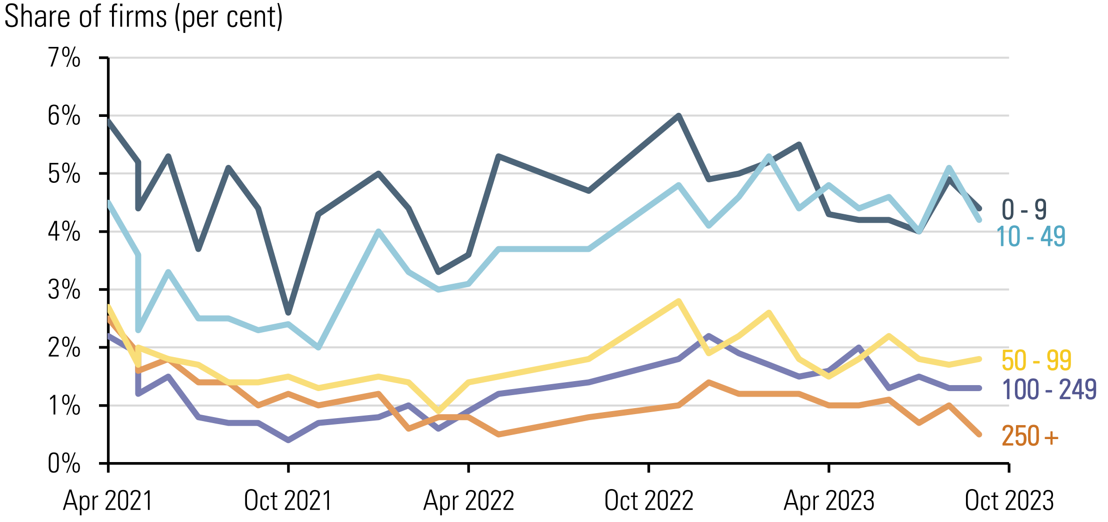
Small and medium-sized enterprises (SMEs) make up 99 per cent of the 1.4m employers in the UK, with the smallest micro firms comprising 80 per cent. SMEs are responsible for over half of all employment.

Despite some easing of business concerns across the last twelve months there are variations by type of firm. The ONS' Business Insights and Conditions Survey (BICS) shows small and micro firms are less confident about meeting their debt obligations. This share remained consistent and higher than larger firms across 2023.

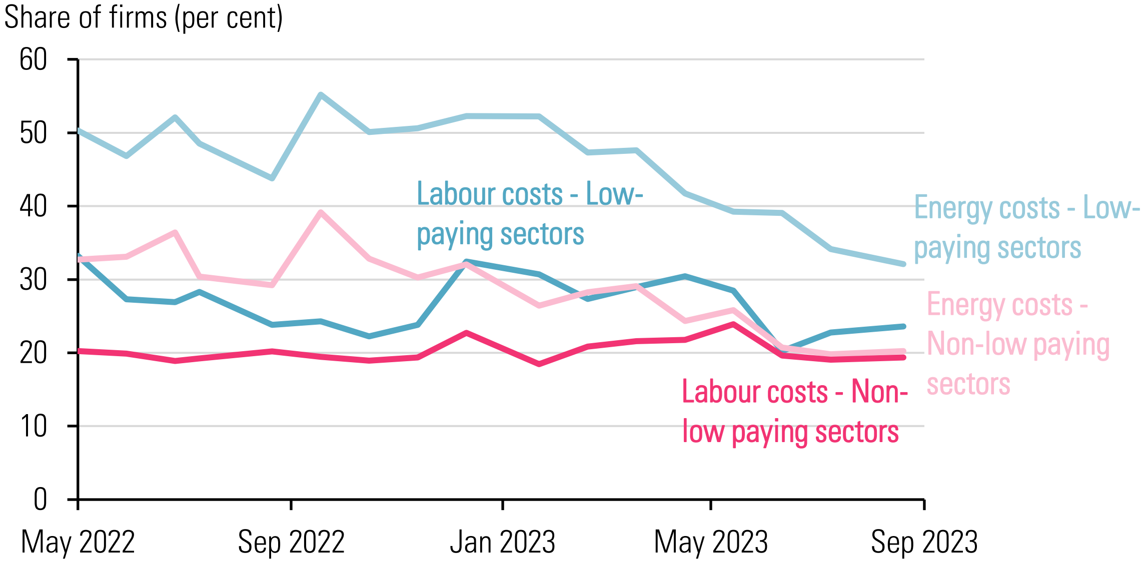
Rising prices for both goods bought and sold remain a concern for firms. We continue to see more firms in low-paying sectors reporting increases in their input prices than in non-low paying sectors. And, while not all firms pass on these costs in their output prices, it remains more common for low-paying sector firms to do so.

Some firms are considering raising prices due to energy and labour costs. While the share citing these costs has fallen in the past year, one in three firms in low-paying sectors still say energy costs are driving their prices, compared with just one in five other firms. Labour costs are also a factor for more firms in low-paying sectors.

Share of firms with low or no confidence of meeting debt obligations by firm size, 2021-2023



Factors affecting firms raising prices, 2022-2023



Falling inflation will mean the NLW more than recovers any lost real value next year

Inflation appears to have peaked in late 2022. The Bank of England and the HM Treasury panel of independent forecasts now expect it to ease further over the rest of 2023 and 2024.

As a result, we expect the 2024 NLW rate (£11.44) to be a large real-terms increase on the 2023 rate (£10.42).

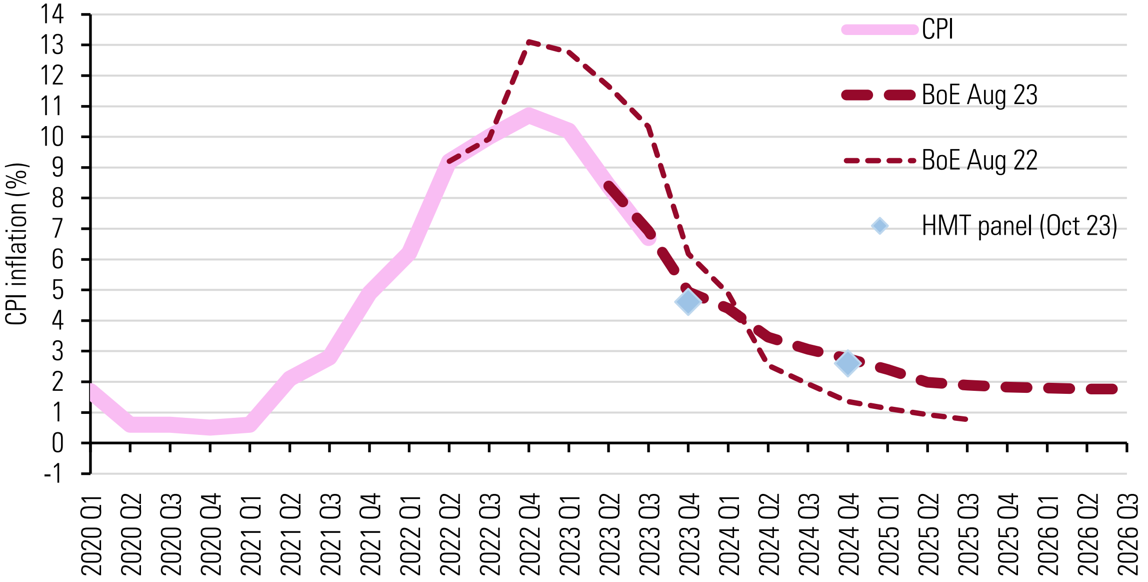
The Bank of England expect prices to grow by 3.3 per cent between the second quarters of 2023 and 2024. In this same period, the NLW will increase by 9.9 per cent. If the Bank's inflation forecast is correct, the NLW will rise by 6.3 per cent in real terms in 2024 .

If inflation is more persistent than expected, the real terms increase will be smaller. However, inflation would have to be much higher than expected (9.9 percent or above) for the planned NLW rise to be a real terms decrease.

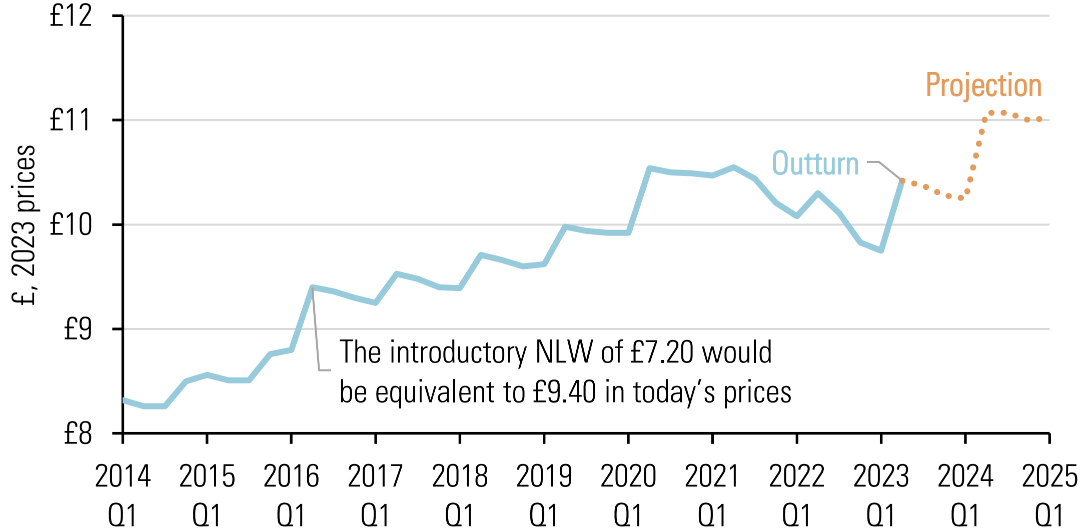
The lower chart shows the real value of the NLW in 2023 prices. It shows that between 2021 and 2023 the real value of the NLW fell as inflation outstripped the rises in the NLW. However, the dotted orange line projects the real value of the NLW in 2024 (based on Bank of England inflation forecasts). It shows that the NLW will reach a new peak next year and more than recover the real value lost over the cost-of-living crisis.

The 2024 rate will be the highest value in real terms that the NMW/NLW has ever reached.

CPI inflation outturn and forecasts, 2020-2026



Real terms value of the adult National Minimum Wage/National Living Wage, 2014-2024



The LFS is likely understating the labour market's current performance

The Labour Force Survey (LFS) is the source for the ONS's headline measures of employment, unemployment and inactivity. So it is of critical importance to policy makers and organisations like ourselves.

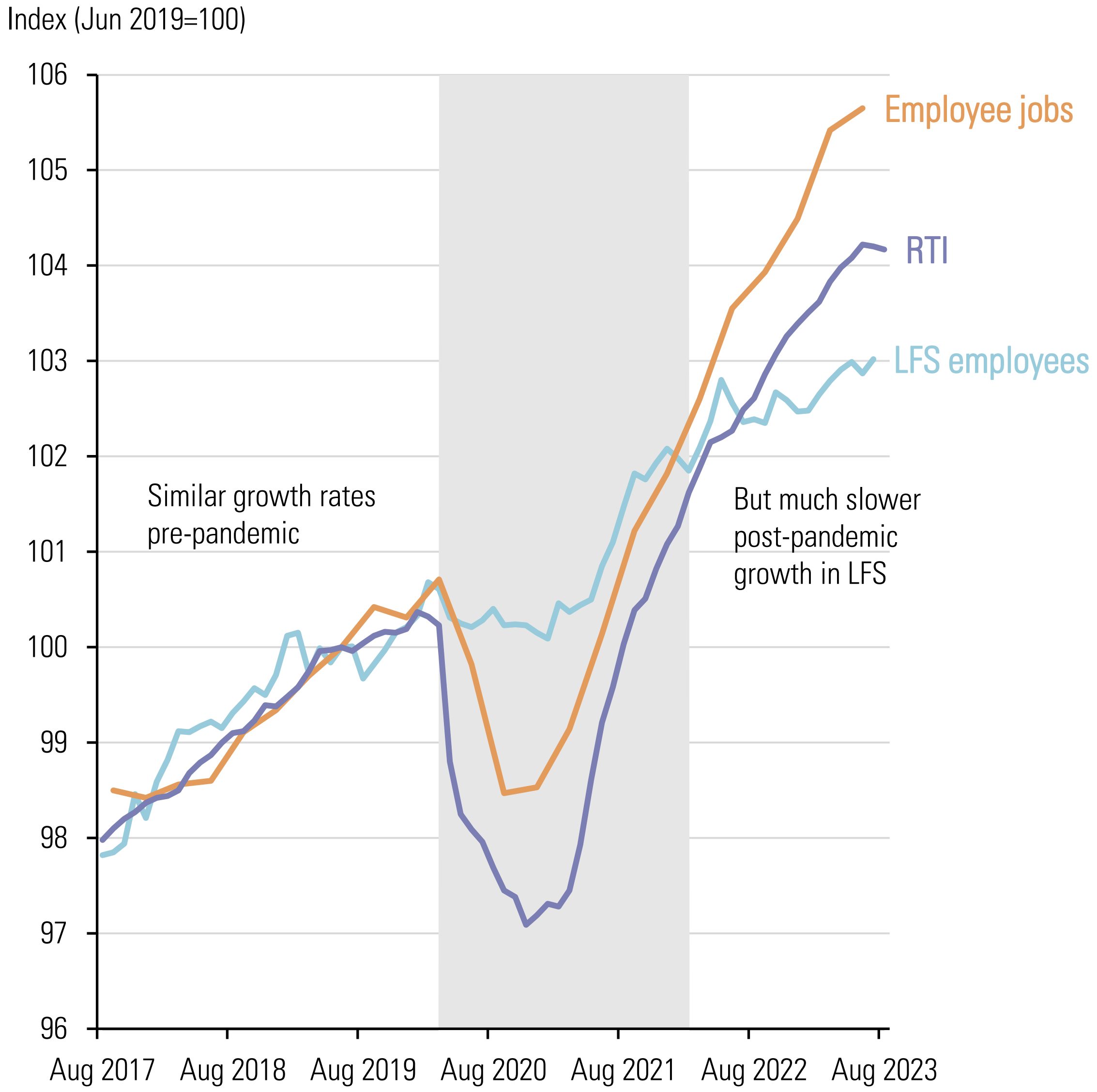
However, over the pandemic, the LFS estimate of the number of employees diverged from the ONS' Employee Jobs series and HMRC's PAYE RTI data (see chart). Page 15 shows how this is particularly apparent in low-paying industries.

This is likely connected to LFS population weights interacting with falling sample response rates (face to face interviews were stopped in the pandemic) and causing more problems than in the past.

In practice, this means the data is subject to greater variability and calls into question the reliability of the headline measures. It also makes it much harder to analyse specific groups of workers, as discussed later in the report.

It appears the LFS is understating the labour market's current performance. Employment growth is higher on other measures, albeit plateauing on the RTI measure. The LFS weighting also feeds into the Annual Survey of Hours and Earnings (ASHE). If LFS is increasingly undercounting the low-paid, this may cast doubt on the accuracy of the ASHE coverage figures.

Growth in LFS employees, Employee jobs and RTI, Aug 2017-Aug 2023



Despite falling vacancies, demand is resilient, and shortages remain

While the LFS may be understating the labour market's current performance, the gradual softening in the demand for labour is clear. The number of job vacancies reported by the ONS has fallen month-on-month from a high of 1.3m in May 2022 to just under 1m in September 2023. These levels nevertheless remain higher than pre-pandemic.

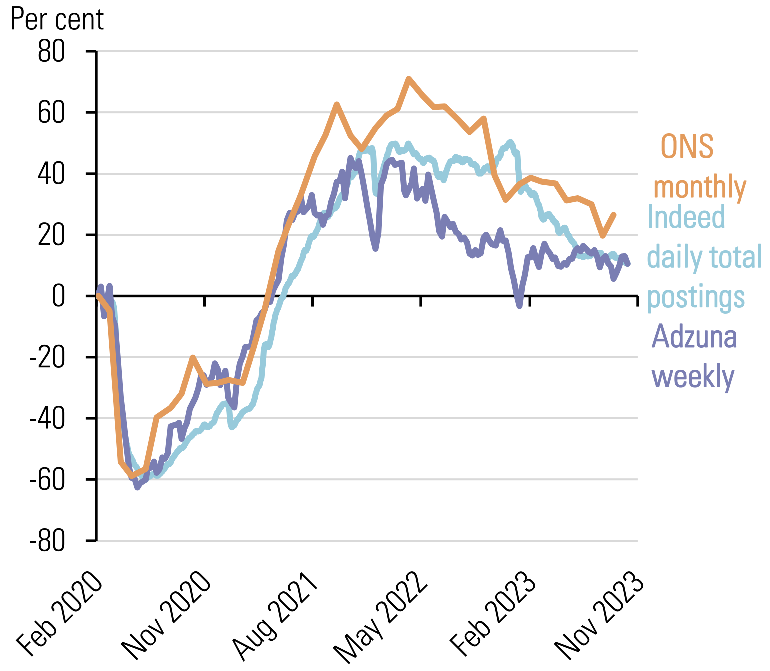
Alternative sources of job vacancies from Adzuna and Indeed tell a similar story. They have softened throughout 2023, but levels are holding up in recent data.

Alongside this, there has been a slight fall in the share of firms in low-paying sectors reporting staff shortages. With fewer vacancies overall, employers may find the market less competitive and so easier to recruit from.

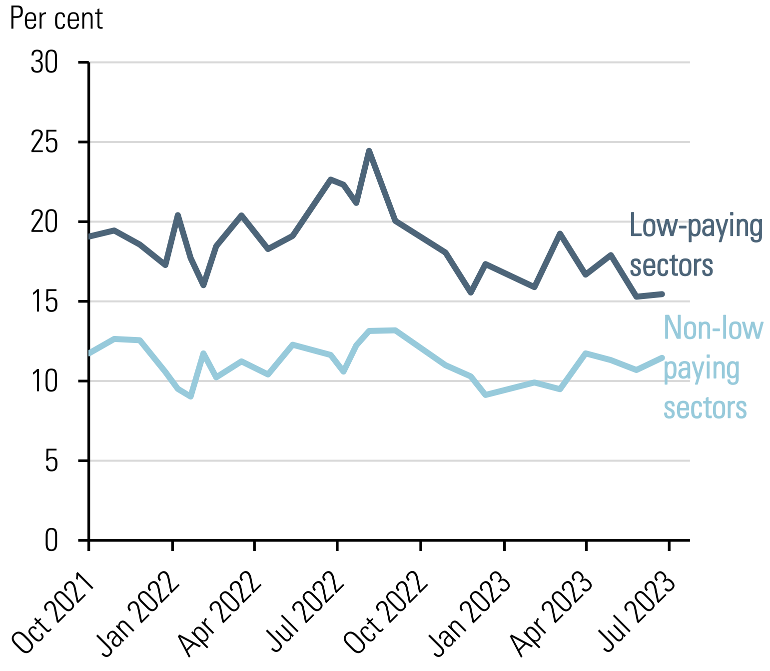
However, despite this fall, worker shortages in low-paying sectors remain above those for other sectors. While worker shortages in hospitality and health and social work have fallen sharply from their peak, the share of firms in these sectors reporting shortages remains substantial.

Overall, demand for labour is softening but remains above pre-pandemic levels, with many low-paying employers struggling to recruit. This suggests demand, while softening, is resilient.

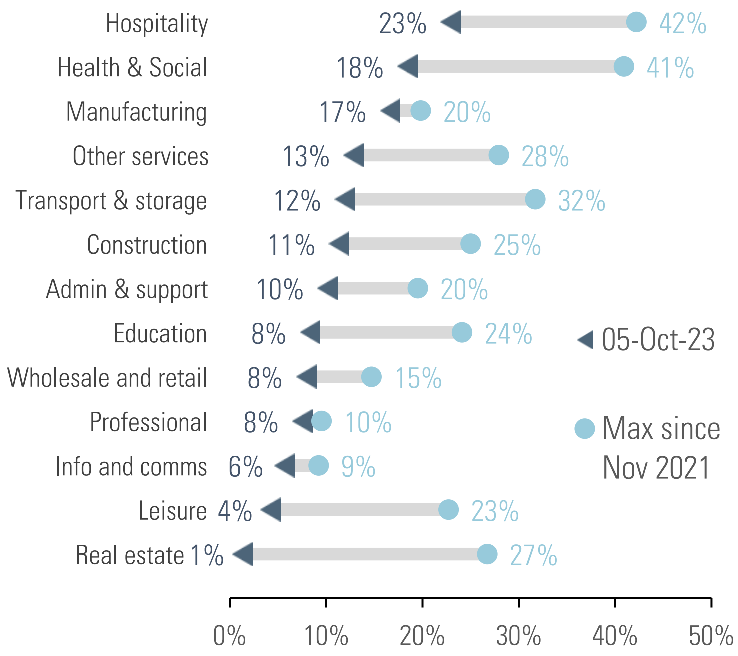
Net change in vacancies since Feb 2020



Proportion of firms reporting worker shortages, Oct 2021-Jul 2023



Proportion of firms with worker shortages by sector, Nov 2021-Oct 2023



Inflation and the tight labour market have driven up pay, but these forces are now softening

The combination of resilience in the labour market and inflation has led to strong growth in nominal wages.

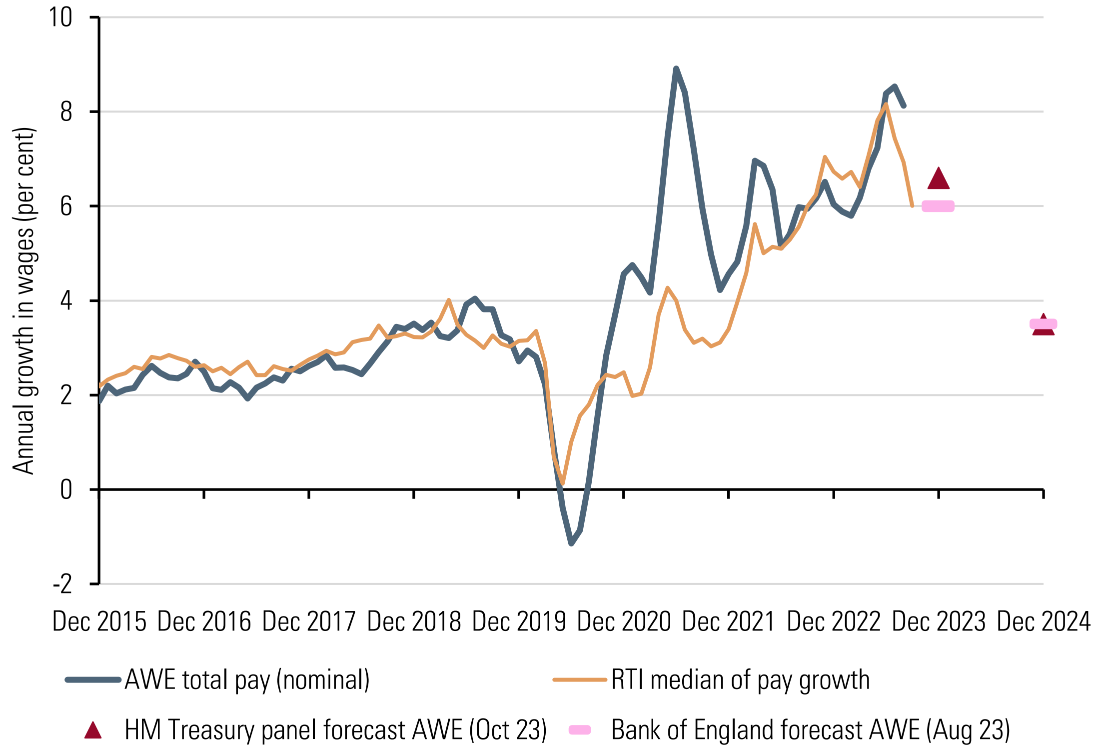
Employers note that inflation was the main driver for their pay settlements in 2023. Shortages and competition from other employers were also significant drivers. The NMW/NLW was a factor for just over a third of employers.

The share of firms expecting these factors to drive settlements in 2024 has declined.

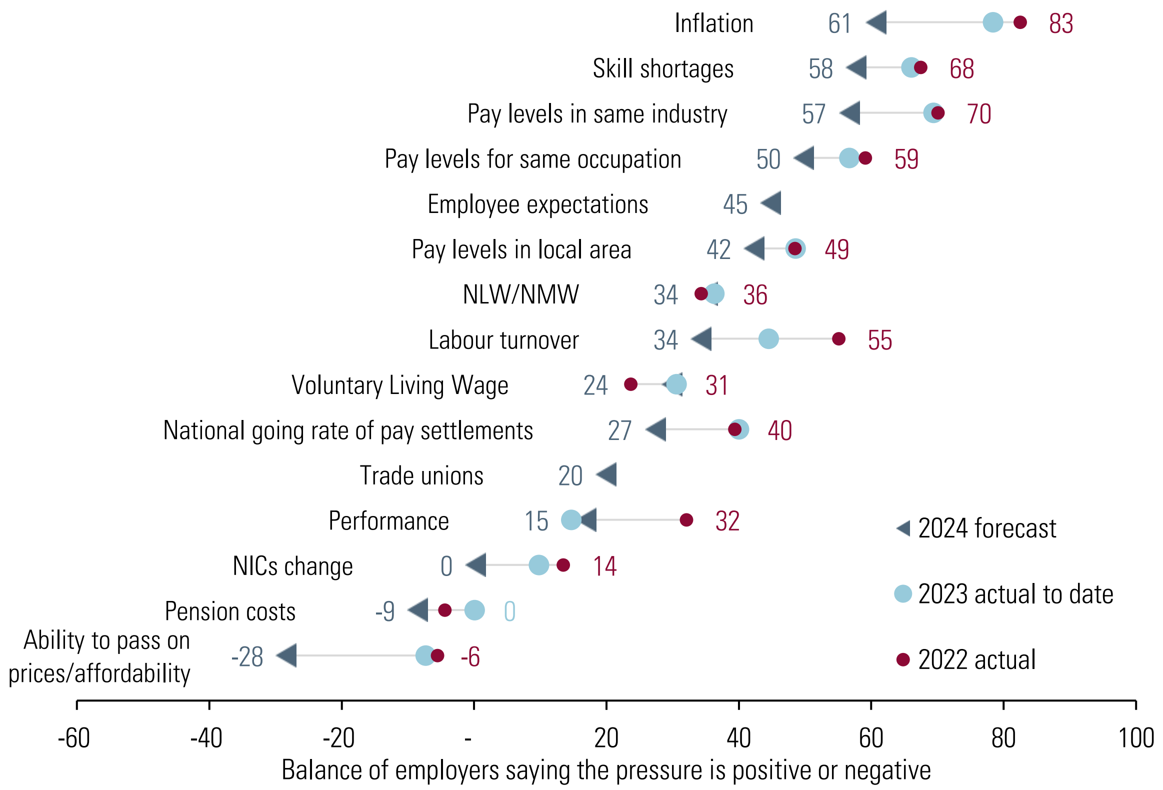
As a result, fewer than 10 per cent of firms expect settlements at 7 per cent or above in 2024. In 2023 around 40 per cent of employers made awards of this size.

As pay pressures diminish, the Bank of England and the HMT panel forecast annual pay growth below 4 per cent by the end of 2024. The RTI median of pay growth measure, which removes compositional effects, already shows annual pay growth falling rapidly in recent months.

Average weekly earnings (AWE) Total pay growth, median of monthly pay growth, and forecasts of AWE Total pay growth, 2015-2024



Balance of pressures on pay settlements, XpertHR, 2022-2024



Fewer jobs paying the NLW and more workers escaping the wage floor suggest a tight low-paid labour market

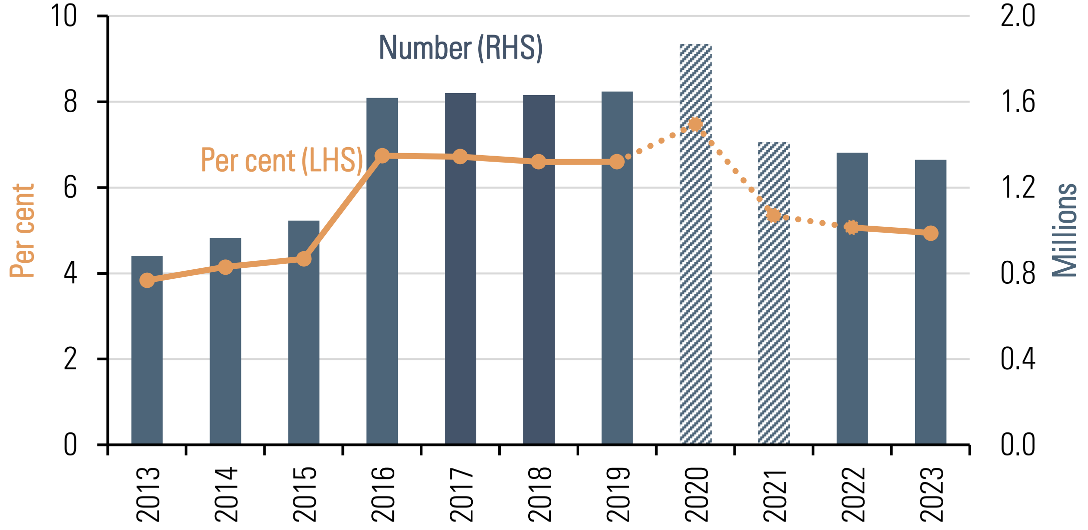
As the NLW moves up the pay scale we expect coverage (the number of jobs paid at or below the rate) to rise. Instead, it fell for the second year in a row. In April 2023 4.9 per cent of jobs were covered, a slight decrease on 2022 (5.1 per cent) and well below 2019 (6.6 per cent). This suggests that other factors are also driving up pay at the bottom of the distribution. This includes the worker shortages and inflation discussed on the previous two pages.

The shares of workers paid up to 50 pence or £1 above the minimum wage are also lower now (11.0 and 17.2 per cent respectively) than in 2019 (12.4 and 18.4 per cent).

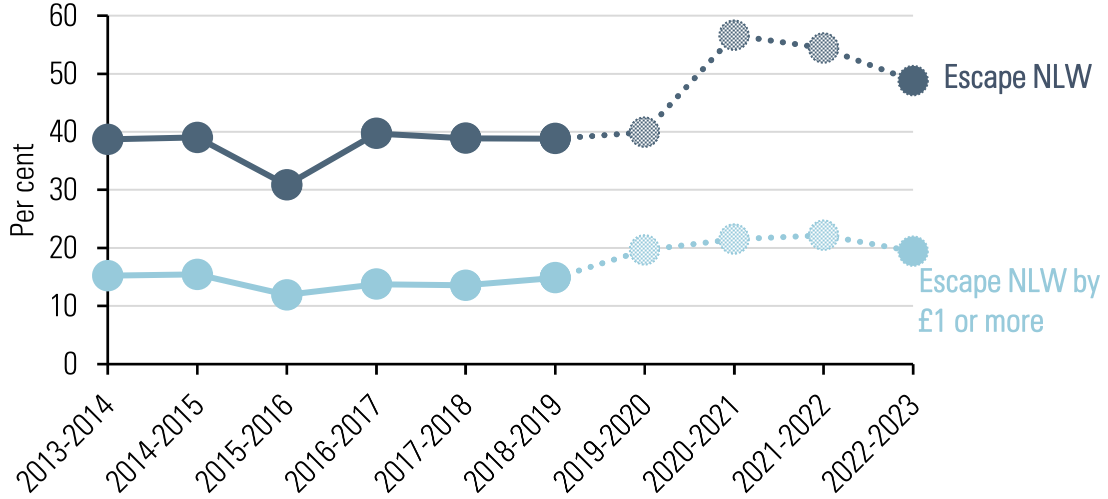
Workers are more likely to progress off the minimum wage into higher pay than pre-pandemic. In 2023, 50 per cent of NLW workers who remained employees progressed off the NLW – a significant increase from the 40 per cent average between 2016 and 2018. The share progressing to be paid £1 or more above it has also increased from 15 to 20 per cent between 2018-19 and 2022-23. Firms seem willing to offer pay above the minimum wage to attract workers.

Employers worry that a rising minimum wage reduces pay differentials within firms and workers' incentive to progress. While we do see some evidence of shrinking differentials (see page 14), the data suggest workers are finding it easier to move off the wage floor. Workers may be using opportunities in other firms and industries to progress, despite falling differentials.

Per cent (LHS) and number (RHS) of jobs paid at or below adult NMW/NLW, UK, 2013-2023



Per cent of adult NMW/NLW workers escaping the NLW in following year, UK, 2013-2023, (only includes workers employed for two consecutive years)



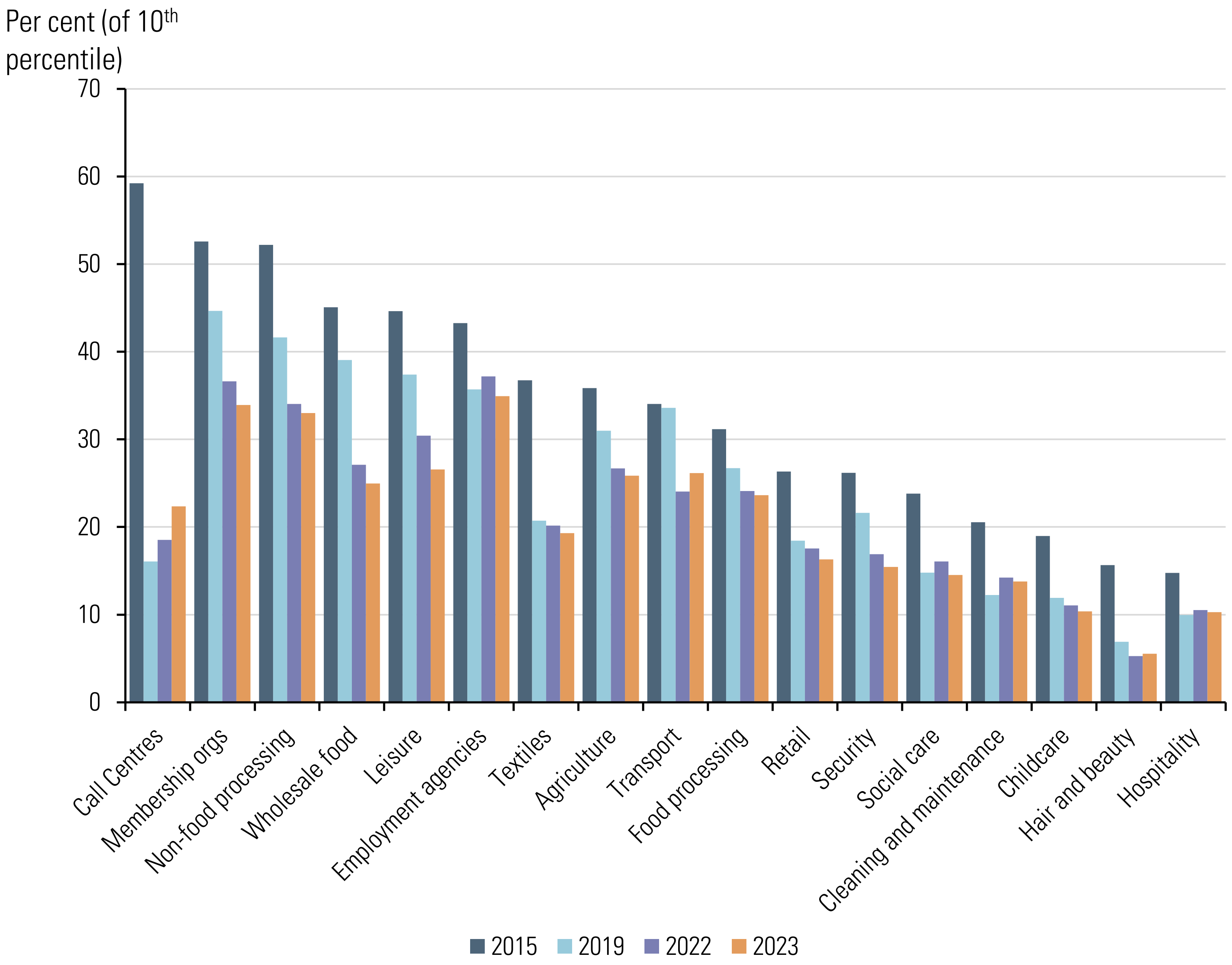
Employers are concerned about cutting pay differentials any further

Many employers tell us it's difficult to keep pay differences fair as the NLW rises. When the NLW rises it puts pressure on the pay of jobs higher up the pay scale, otherwise differentials fall. Firms worry that lower differentials reduce motivation, retention and progression for their staff.

We have tracked industry-level differentials within various low-paying industries since 2015. We found that the difference between the median and 10th percentile of pay fell dramatically within all low-paying industries between 2015 and 2019. For most industries, they also fell between 2019 and 2022.

However, between 2022 and 2023 industry-level differentials stabilised. It is possible firms cannot reduce differentials further without affecting recruitment and retention. If firms choose to maintain differentials, it makes absorbing NLW rises more costly.

Percentage difference in pay between the 50th percentile job and the 10th percentile job, by low-paying industry, UK, workers aged 23+, 2015-2023



Jobs in low-paying sectors have grown more than the LFS suggests, but less than other sectors

Page 10 showed that the LFS is likely to be understating the number of jobs in the economy. This is more apparent in the low-paying industries where most minimum wage jobs are found. Between 2019 and 2023 the number of low-paying industry employees in the LFS dropped 8.8 per cent, but grew by 2 per cent in the Employee jobs series.

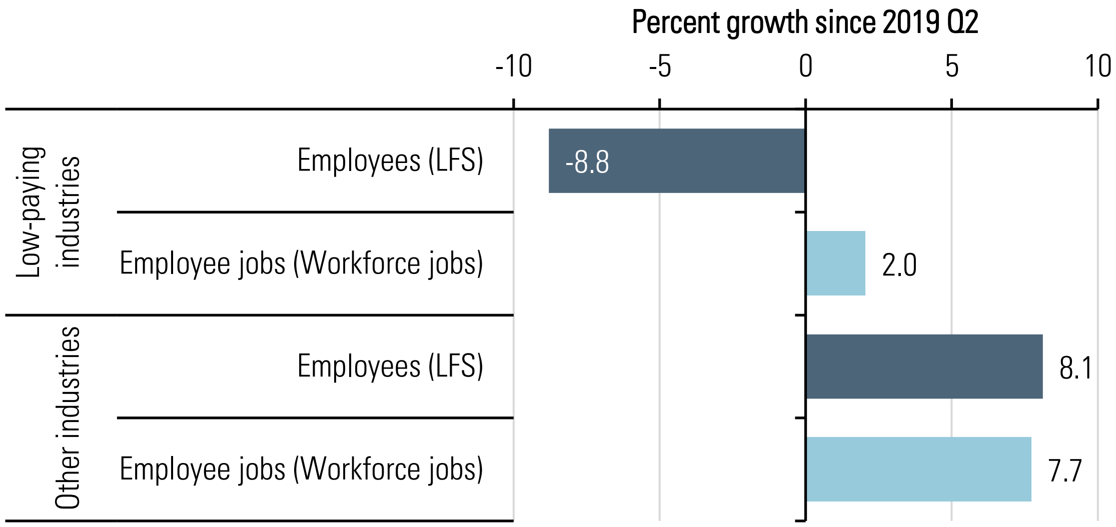
A stark example is hospitality. On firm surveys and HMRC's payroll data, employment is well above pre-pandemic levels (11 per cent and 5 per cent respectively). In the LFS, however, there are 10 per cent fewer employees than pre-pandemic.

However, on any measure, the number of low-paying industry employees has grown more slowly than other industries since 2019 (2.0 per cent compared with 7.7 per cent using Employee Jobs).

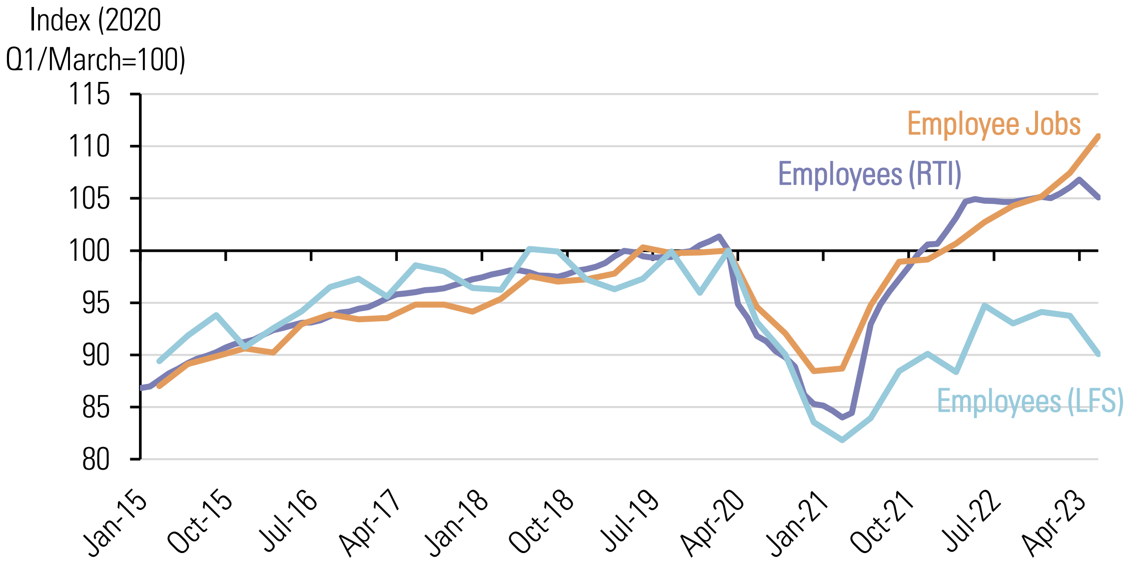
While the minimum wage could be a cause of this relative decline, other factors are likely playing a more important role. We've already shown that minimum wage workers are now more likely to progress onto higher pay. It's possible that these moves are to non-low paying industries. We've also shown that low-paying employers are finding it more difficult to recruit than other sectors. If one industry struggles to recruit and retain because of competition with another, we would expect employment to grow more slowly there.

There are also longer-term factors. These include the shift away from high street retail, changes to the migration system and the pandemic changing employment patterns. We will explore these further in our full annual report to be published in early 2024.

Percentage growth in employees/employee jobs, by low-paying industries (broad definition), UK, 2019 Q2-2023 Q2



Employee levels in Hospitality (Accommodation and Food), UK, 2015-2023



Employers continue to absorb the rising NLW via profits or prices

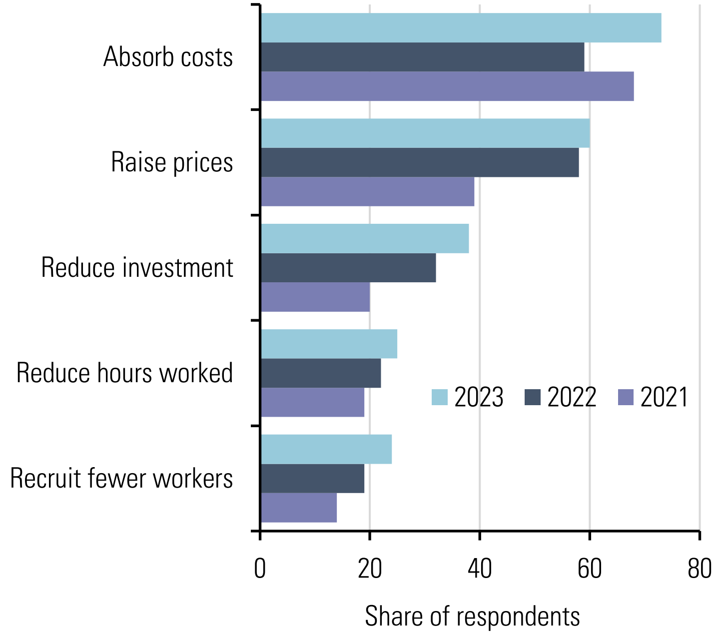
Since the NLW was first introduced, the most common employer responses have been to absorb the increases via reduced profits or, where possible, to pass them onto consumers through higher prices. Cutting employment has been much less commonly reported – and is more often done via reduced hiring rather than redundancies.

This remained the case in 2023 – although the frequency of reported price pass-through has risen markedly in the past two years. This has come in the context of broad-based increases in businesses' costs (driven particularly by energy) and rising inflation making it easier to pass costs through.

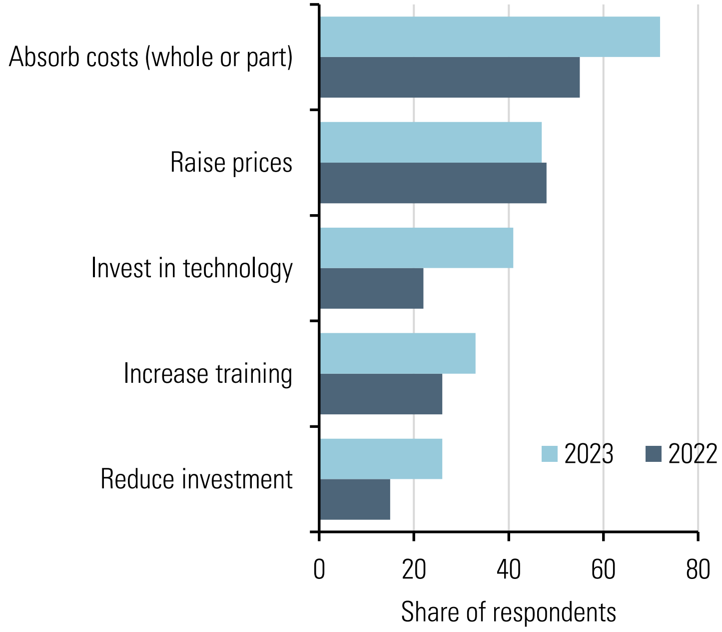
Our assessment is that even if firms passed on 100 per cent of the cost of NLW increases – an improbable scenario – this would have a very small impact on overall inflation (increasing it by up to 0.3 percentage points).

More employers this year told us they were worried they were reaching a limit in what they could pass through without undermining demand. And there remain large low-paying sectors – social care and childcare in particular – where employers' ability to pass on increased costs is highly constrained.

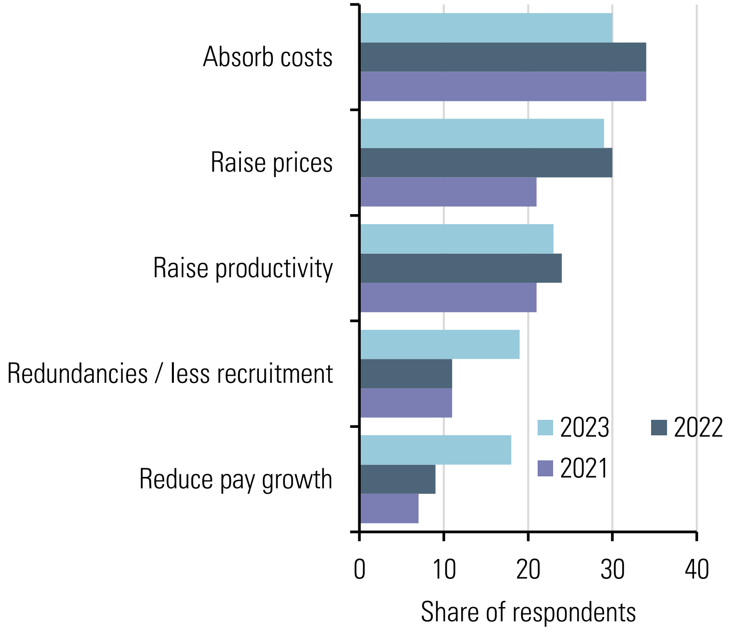
Surveyed responses to NLW increases, Federation of Small Businesses



Surveyed responses to NLW increases, Confederation of British Industry



Surveyed responses to NLW increases, Chartered Institute of Personnel and Development



Despite the rising NLW, low-paid workers continue to face challenges in the workplace

From workers and their representatives we heard that the rising minimum wage had not been enough to avoid growing hardship. We heard accounts of food bank usage and evidence on rising indebtedness, as targeted support introduced last year began to fall away.

"*I've had [colleagues] crying on the phone to me, that they can't feed their children. I've actually taken food out of my own cupboards and taken it round.*" – Care worker, Oldham

Workers in low-paying industries continued to struggle to secure sufficient regular hours; for many, the unpredictability of their working time exacerbated their financial challenges.

Low-paid workers in the labour market

"*[Employers] don't have a recruitment problem, they have a terms and conditions problem.*" – Usdaw official

A range of other barriers hold back low-paid workers in the labour market. These include the direct and indirect costs of getting a new job; the expense and limited availability of transport; and childcare costs, which remain prohibitively high for many parents and force them to choose between working or caring for their children.

Uncertainty over hours and the paucity of full-time roles also exacerbate recruitment problems. As one retail worker told us: "*When you're applying for a job, I literally scroll through to see how many hours I can get and the most hours at the moment is like 30 hours at the most … it's normally between 16 and 24, 25 hours.*"

Quality of work

"*They are just trying to get more for less. …what they require from us is nothing like it was pre-Covid where there was a lot more staff available.*" – Hospitality worker, Birmingham.

Workers across a range of sectors felt more was being expected of them in their jobs and they were being given additional pressures at work.

Low-paid workers in customer-facing roles again told us they received more abuse in the workplace as they grapple with more incidents of unruly customers due to cuts in security budgets.

"*I've been hit on the head, I've been threatened to be stabbed … it's just constant and [the employers] do nothing about it.*" – Retail worker, Belfast

Progression and training

We heard evidence that opportunities for progression and training for low-paid workers were limited. As Unite told us: "*It remains the case that employees in the accommodation sector barely earn more in their thirties and forties than they do in their twenties.*" One Unite official in hospitality commented on the feeling among many low-paid workers that "*this is their 'lot' so to speak, no chance of progression or development will keep them at this level throughout life.*"

Pay has grown strongly for young workers, but youth rates have lagged behind the NLW

Young workers have continued to see robust growth in their median hourly pay into 2023, with 18-20 year olds' growing the most. Even with 2023's large increases in the youth minimum wage rates, young people's median pay has risen faster than minimum wages since 2016. This means the bite of the youth rates (their value relative to the median) fell over the same period.

Over the last decade or so, the gap between adult and youth minimum wages has widened in both percentage and cash terms. Several stakeholders – some employers as well as unions and youth groups – argued this gap had become too large. Our recommended rates for 2024 will go some way to closing the gap.

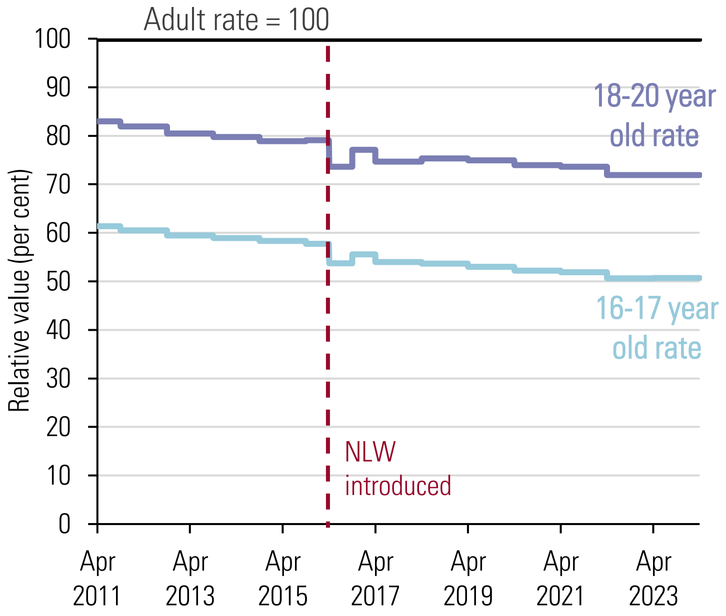
Use of the youth rates remains below pre-pandemic levels. We continued to hear from some employers that higher pay was needed to attract young workers in a competitive labour market. Coverage has fallen particularly sharply in low-paying industries, where firms are more likely to report worker shortages (see page 11).

We have already noted our concerns about the Labour Force Survey. However, the available data taken together suggest a continued very strong employment picture for 16-17 year olds and a more moderate but still healthy recovery for 18-20 year olds. This, combined with strong pay growth and falling use of the minimum wage led us to recommend significant increases to the minimum wage rates for apprentices, 16-17 year olds and 18-20 year olds.

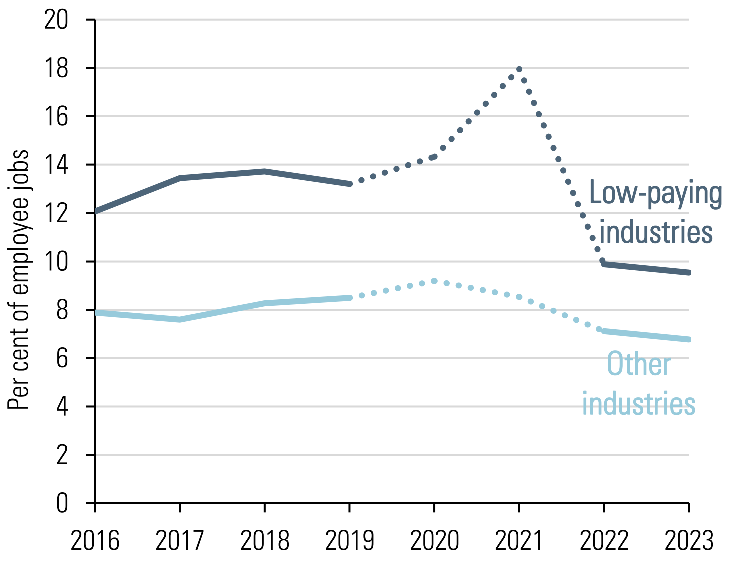
Growth in median and minimum wages, 2016-2023

	Growth in median pay, 2022-2023 (per cent)	Growth in median pay, 2016-2023 (per cent)	Growth in the minimum wage, 2016-2023 (per cent)
16-17	6.7	47.3	36.4
18-20	9.2	47.3	41.3
21-22	8.7	43.2	51.9
23+	7.3	29.8	44.7 (NLW)

Youth minimum wages relative to the adult rate, 2011-2023



Coverage rate by industry group, 16-20 year olds, 2016-2023



21-22 year olds will be entitled to the NLW from April 2024

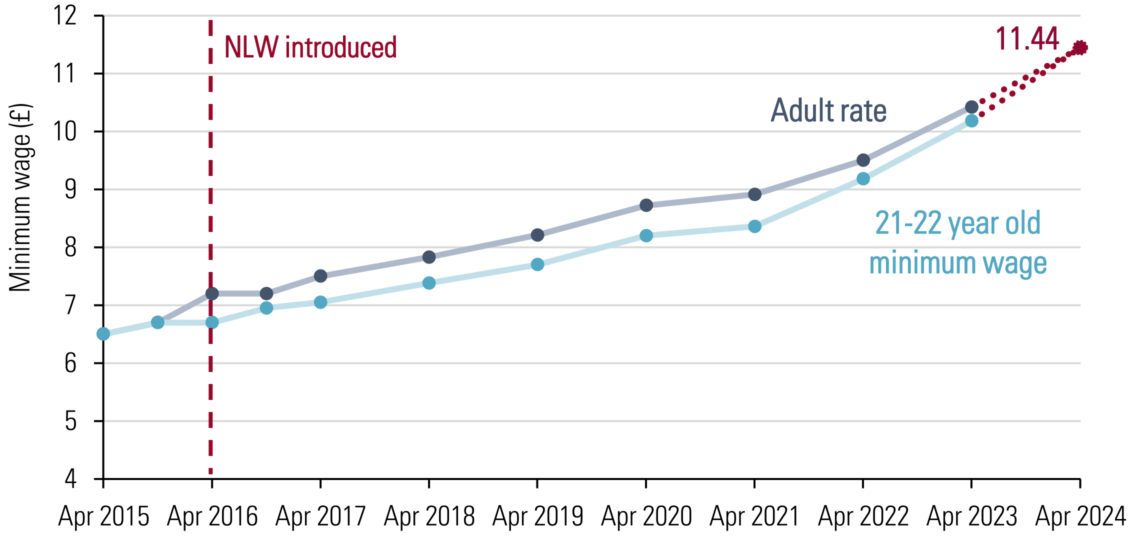
As part of meeting the target, all workers aged 21 and over will be entitled to the NLW (£11.44) from April 2024. This means an increase of 12.4 per cent or £1.26 per hour for 21 and 22 year olds paid at the minimum.

While this is a large increase, stakeholders continue to tell us they support the move and we have prepared for it with recent increases bringing the two rates closer together. Evidence has also shown that 23 and 24 year olds continue to do well since moving to the NLW in 2021.

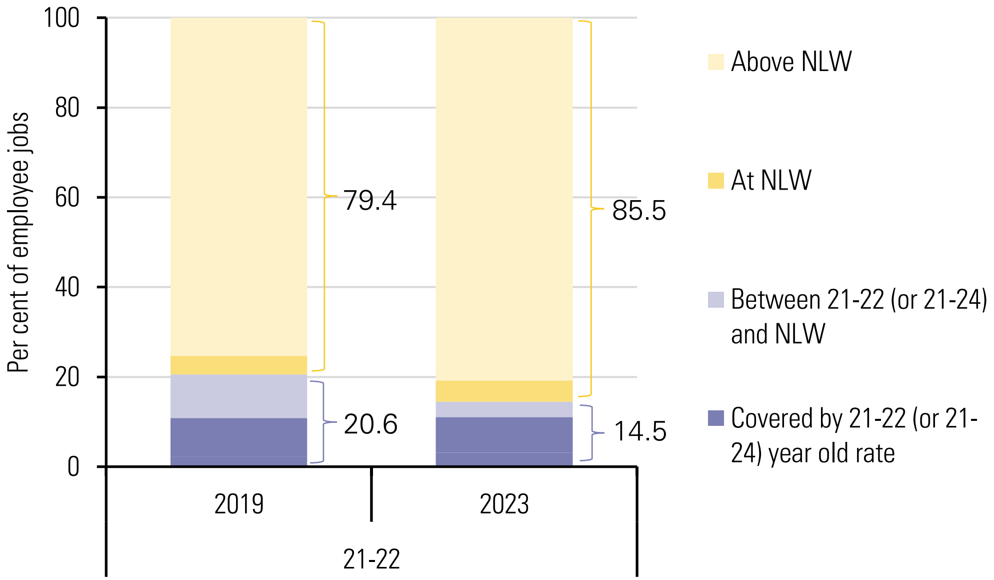
The majority of 21-22 year olds are already paid at the NLW or above, with only around one in ten covered by the current 21-22 Year Old Rate.

We are currently reviewing the broader framework for minimum wages to inform the Government's decisions after 2024. Our current thinking is that we should move towards an adult rate that begins at age 18, but we will have more to say about how we might approach this and the associated evidence base in our forthcoming advice to Government on the post-2024 minimum wage framework.

Changes in the adult and 21-22 year old rates of the minimum wage, 2015-2024



Coverage of age-related minimum wage and NLW, 21-22 year olds, 2019 and 2023



Apprenticeship starts remain stable, while use of the Apprentice Rate has fallen

We have not seen a major change to numbers of apprenticeship starts in the past year. We continue to see a shift away from the lower level courses most likely to be paid the Apprentice Rate towards higher level courses.

In England, this shift has been driven by policy reforms; the majority of the evidence we hear suggests pay and the NMW are not primary causes.

Coverage of the Apprentice Rate fell overall in 2023 compared with 2022. This is likely to be partly due to continued changes in the level and age of apprentices. However, we have also heard that some employers have struggled to recruit to the lowest-paying apprentice roles in the context of rising wages for young people more generally.

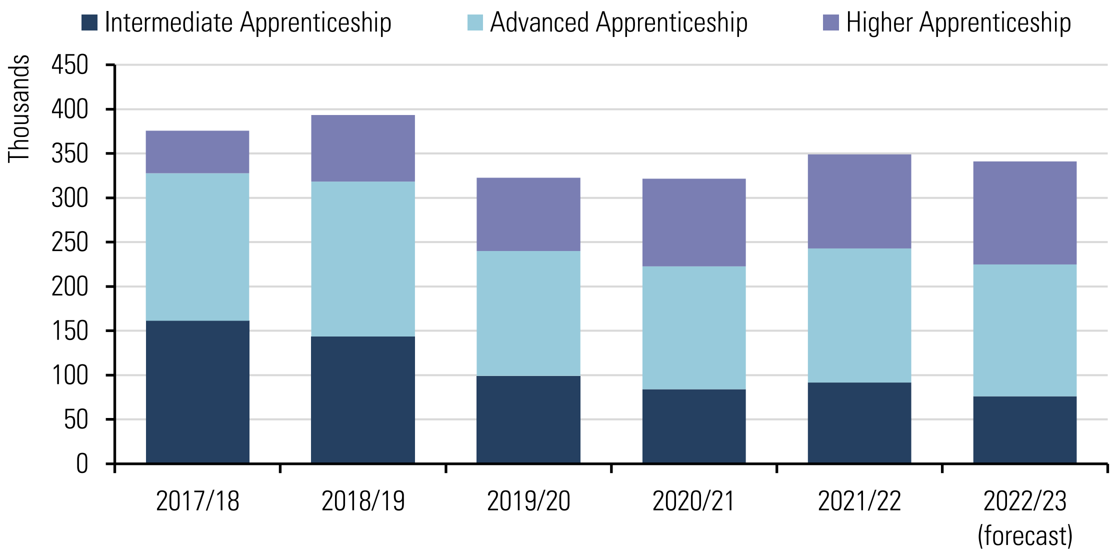
Although coverage has fallen, it remains higher than for other NMW rates. We also estimate that between 30 and 40 per cent of apprentices aged 18-22 are currently paid below the age-related NMW they would be entitled to if not an apprentice.

Many stakeholders continue to tell us that the Apprentice Rate is too low. Both employer and worker representatives told us it discourages young people from choosing apprenticeships. Despite this, there remain sectors where the rate is widely used, or where employers value the flexibility it enables.

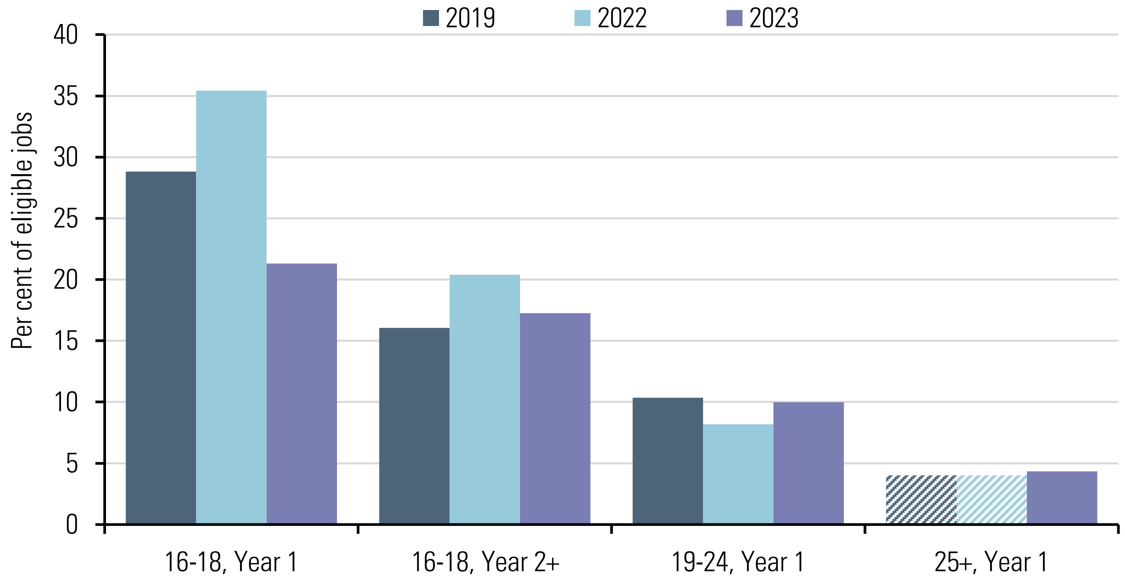
There was widespread support for removing the Apprentice Rate. We will say more on this in forthcoming advice, once we have considered new evidence from DfE's Apprenticeship Evaluation Survey and our own commissioned research.

For now, we recommend keeping the Apprentice Rate aligned with the 16-17 Year Old Rate from April 2024. The large increase we have recommended will go some way to reducing the gap with the NLW while maintaining a reduced rate for those employers who need it.

Apprenticeship starts in England, by level, 2017/18-2022/23



Coverage of the Apprentice Rate, by age and year of apprenticeship, 2019-2023



Sources

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Page 5 chart: LPC projections using estimates of the median of hourly earnings excluding overtime for those aged 21 and over, excluding first year apprentices, from the Annual Survey of Hours and Earnings 2022 and 2023; average weekly earnings (AWE) total pay (KAB9), monthly, seasonally adjusted, GB, September 2021-August 2023; and median of average wage growth forecasts from HM Treasury panel of independent forecasts (August and October 2023) and the Bank of England (Monetary Policy Report, August 2023). The range is derived using ±1 percentage point around the wage forecasts for 2023 and 2024.

Page 6 left chart: LPC projections using estimates of the median of hourly earnings excluding overtime for those aged 21 and over, excluding first year apprentices, from the Annual Survey of Hours and Earnings 2022; average weekly earnings (AWE) total pay (KAB9), monthly, seasonally adjusted, GB, September 2020-January 2023; and median of average wage growth forecasts from HM Treasury panel of independent forecasts (August and October 2022, and March 2023), Office for Budget Responsibility (March 2023) and the Bank of England (Monetary Policy Reports, August 2022 and February 2023). LPC estimates of actual wage growth using Annual Survey of Hours and Earnings 2023.

Page 6 centre chart: LPC estimates using ONS. Headline AWE is Average Weekly Earnings (AWE) total pay growth (KAC3), three-month average on same three months a year ago, monthly, seasonally adjusted, GB, August 2015-August 2023 and LPC smoothed AWE estimates using Average Weekly Earnings (AWE) total pay (KAB9), monthly, seasonally adjusted, GB, September 2013-August 2023.

Page 6 right chart: LPC estimates using the median of the average wage growth forecasts from the HM Treasury panel of independent forecasts, monthly, April 2022-October 2023; and the Bank of England Monetary Policy Reports, May 2022-August 2023.

Page 7 text: Revisions to GDP were set out in the Impact of Blue Book 2023 changes on gross domestic product and incorporated into the Quarterly National Accounts for 2023 Q2, which was published on 29 September 2023. Monthly GDP uses ONS series ECY2. GDP per capita is derived from ONS series IHXW and compared with GDP from ABMI. GDP forecasts in text are taken from the bank of England Monetary Policy Report august 2023; the OECD Economic Outlook, Interim Report September 2023; and the International Monetary Fund (IMF) World Economic Outlook Database, October 2023.

Page 7 top chart: ONS. Real gross domestic product (GDP) year on year growth (IHYP), seasonally adjusted, UK, annual, 2000-2022. LPC estimates of the average of HM Treasury panel of forecasts of annual GDP growth, October 2000-2023.

Page 7 bottom chart: LPC calculations based on OECD data. OECD gross domestic product – expenditure approach (VIXOBSA) volume index (2015=100), quarterly, seasonally adjusted, 2019 Q4-2023 Q2; and forecasts of GDP growth for 2023 and 2024 from the International Monetary Fund, World Economic Outlook Database, October 2023.

Page 8 text: Data on SME firms taken from Business population estimates for the UK and regions 2023: statistical release published 5 October 2023.

Page 8 top chart: LPC estimates using ONS BICS data Waves 27-91, UK, Apr 2021-Sep 2023.

Page 8 bottom chart: LPC estimates using SRS BICS data Waves 55-89, UK, May 2021-Aug 2023.

Page 9 top chart: LPC calculations using ONS CPI data (D7BT); Bank of England Median Inflation Projection based on market expectations of interest rates (from Monetary Policy Reports, August 2022 and August 2023); and HMT panel of independent forecasts October 2023 (median of October forecasts).

Page 9 bottom chart: LPC analysis of historic NLW rates, ONS CPI index (MM23, downloaded September 2023) and Bank of England model CPI projections (August 2023).

Page 10 chart: LPC estimates using ONS LFS employees, Employee jobs and HMRC real time information (RTI), seasonally adjusted, monthly, Sep 2017-Jul 2023 (LFS employees), Sep 2017-Jun 2023 (Employee jobs), and Sep 2017-Aug 2023 (RTI), UK.

Page 11 left chart: LPC estimates using Indeed weekly job postings tracker, Adzuna weekly online job ads, and ONS single month vacancy estimates (X06), February 2020-October 2023.

Page 11 centre chart: LPC estimates using SRS BICS data Waves 42-87, UK, Oct 2021-Jul 2023.

Page 11 right chart: LPC estimates using ONS BICS Wave 92 data, UK, Oct 2023.

Page 12 chart: Pay award data and forecasts from XpertHR. Review of pay awards 2023: Basic and performance-related pay awards - an extraordinary year, XpertHR, September 2023; and Forecasts for pay awards in 2023/2024, XpertHR, October 2023

Page 12 left chart: ONS. Average Weekly Earnings (AWE) total pay growth (KAC3), three-month average, percentage change on a year ago, monthly, seasonally adjusted, GB, 2015-2023; Median of HM Treasury panel forecasts of KAC3 in Q4 2023 and 2024, October 2023; and Bank of England forecast of KAC3 in Q4 2023 and 2024, August 2023.

Page 12 right chart: XpertHR, balance of pressures on pay awards, 2022-2024. For each of the factors likely to influence pay award budgets over the coming year, the balance is calculated by subtracting the proportion of respondent organisations that cite each factor as likely to decrease the value of the pay budget from those who expect it to increase the value.

Sources (continued)

Page 13 top chart: LPC analysis of ASHE, low-pay weights, UK, 2013-2023. 2013-2020 workers aged 25 and over, 2021-2023 workers aged 23 and over. Excludes first year apprentices. There is higher uncertainty over data points from 2020 and 2021 due to data issues relating to the furlough scheme. These estimates show LPC central estimates of pay, for more detail see LPC report 2021. Figures are chain-linked to account for a methodology change in 2021.

Page 13 bottom chart: LPC analysis of ASHE, low-pay weights, UK, 2013-2023. 2013-2020 workers aged 25 and over, 2021-2023 workers aged 23 and over. Excludes first year apprentices. Only includes workers with two consecutive years of data. There is higher uncertainty over data points from 2020 and 2021 due to data issues relating to the furlough scheme. These estimates show LPC central estimates of pay, for more detail see LPC report 2021. Figures are not chain-linked.

Page 14 chart: LPC analysis of ASHE, standard weights, UK, 2015-2023. Workers aged 23 and over. Excludes first year apprentices. Pay differentials are measured here as the difference between the 50th percentile of pay for an industry and the 10th percentile as a percentage of the 10th percentile. Figures are not chain-linked.

Page 15 top chart: LPC analysis of LFS, standard weights, 16+, UK, 2019-2023 and workforce jobs (JOBS03), UK, 2019-2023. Not seasonally adjusted. Analysis based on 2-digit level sic codes. Industries are mapped as "low-paying" if more than half the employees in the industry in 2017-2019 LFS were in low-paying industry according to our detailed definition, more information will be provided in our upcoming full report.

Page 15 bottom chart: LPC analysis of LFS, standard weights, 16+, not seasonally adjusted; workforce jobs (JOBS03, not seasonally adjusted), UK; and RTI data (seasonally adjusted, downloaded September 2023), UK, 2019-2023. Quarterly data is allocated to final month of that quarter.

Page 16 left chart: LPC analysis of the Confederation of Business and Industry’s Employment Trends Survey, 2023 and 2022. Note: Responses are to the question: 'How has your company already responded to the introduction of the NLW?' No comparable question was asked in the 2021 survey.

Page 16 centre chart: LPC analysis of the Chartered Institute of Personnel and Development's Summer Labour Market Outlook surveys, 2023, 2022 and 2021. Note: Responses are to the question: 'You've said that the National Living Wage and the National Minimum Wage has increased your organisation's wage bill since April 2016. How has your organisation been managing these additional wage costs?' In the 2022 and 2021 surveys, respondents were asked to choose up to three options. In the 2023 survey, there was no limit to the number of options they could choose.

Page 16 right chart: LPC analysis of surveys by the Federation of Small Businesses carried out for their submissions to LPC consultations in 2023, 2022 and 2021. Note: Responses are to the question: 'You’ve said that the National Living Wage has increased your organisation’s wage bill. How is your organisation managing these additional wage costs?’

Page 18 left chart: Growth in medians from LPC analysis of ASHE, standard weights, UK, 2016-2023. 16+ population, excluding those eligible for the apprentice rate. Figures are chain-linked to adjust for a methodology change in 2021. Growth in minimum wage from LPC data.

Page 18 centre chart: LPC data on historic minimum wage rates.

Page 18 right chart: LPC analysis of ASHE, low pay weights, UK, 2016-2023. 16-20 year olds, excluding those eligible for the Apprentice Rate. A full list of low-paying industries is available on the LPC website and will be published in our forthcoming 2023 report. Note: Figures are not adjusted for the change in methodology in 2021.

Page 19 top chart: LPC data on historic minimum wage rates. Chart markers indicate upratings of one or both minimum wages. Joining lines illustrate direction of change only.

Page 19 bottom chart: LPC analysis of ASHE, low pay weights, UK, 2019-2023. 21-22 year olds, excluding those eligible for the Apprentice Rate. Note: Figures are not adjusted for the change in methodology in 2021.

Page 20 top chart: DfE Exploring Education Statistics, Apprenticeships and Traineeships Academic Year 2022/23 (accessed 1 October 2023). 2017/18 - 2021/22 data uses full year apprenticeship starts by level; 2022/23 data uses LPC forecast based on August-June apprenticeship starts reported to date.

Page 20 bottom chart: LPC analysis of ASHE, low pay weights, UK, 2019-2023. Employees eligible for the apprentice rate. 2020 and 2021 are excluded due to uncertainty over pay data during the pandemic. Striped bars indicate figures < 4 per cent, which are supressed due to low sample sizes. Note: Figures are not adjusted for the change in methodology in 2021.

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