

The National Minimum Wage in 2024

and forecast National Living Wage in 2025

March 2024

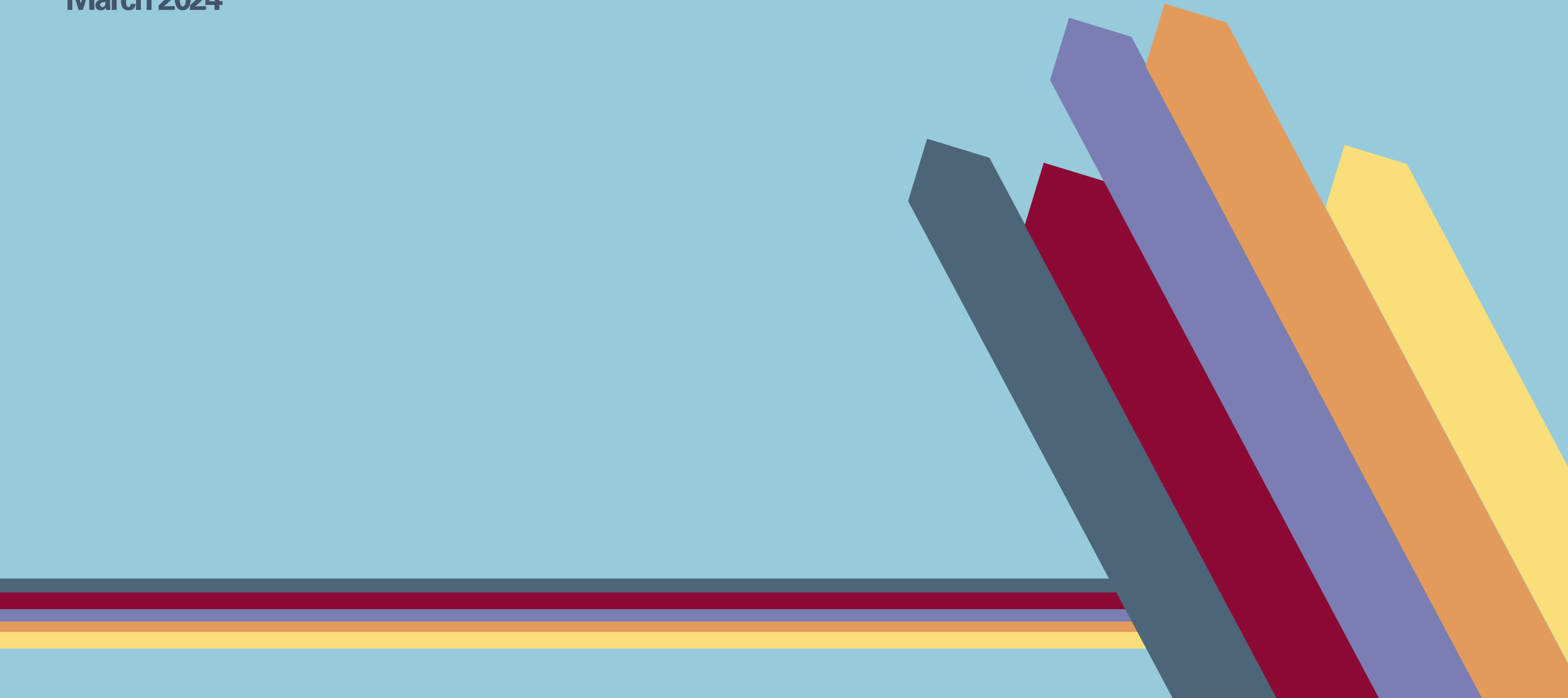


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Introduction

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 [LPC blog](#)

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.

This report sets out some of the immediate impacts of the minimum wage upratings on 1 April 2024. This includes the likely number of jobs affected and the increase relative to inflation. The Government's [remit](#) for 2025 is to maintain the bite at two-thirds of median earnings so we have included a forecast of this figure. It's important to remember that the Commission is required to monitor developments in the labour market and advise on emerging risks. Our recommendations are not purely formulaic.

This report should be read in conjunction with our [letter and summary](#) report to the Government, which summarises the rationale for our recommendations. Our full [report](#) sets out the evidence and analysis we relied to make our recommendations on in greater depth. All sources and references for charts and data in this report

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

are at the end of this document.

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.

2023 was the first year in the LPC's history that we did not have a full complement of nine Commissioners at the time of our recommendations. We have been reduced to two worker representatives rather than three since the beginning of 2023. The Government has been unable to agree an appointment to fill this position. We urge the Government to avoid this happening again, and to appoint a third Commissioner representing the interests of workers as soon as possible.

The NLW and NMW rates effective from 1 April 2024 are shown below.

The adult minimum wage has risen by 70 per cent in real terms since its introduction 25 years ago

We expect this year's National Living Wage (NLW) to be around 70 per cent higher than the first National Minimum Wage introduced 25 years ago – the highest ever in real terms. Much of this increase took place following the NLW's introduction in 2016 (initially as a higher rate for those aged 25 and over). The 2024 NLW is set to be around 30 per cent higher than the adult minimum wage in 2015.

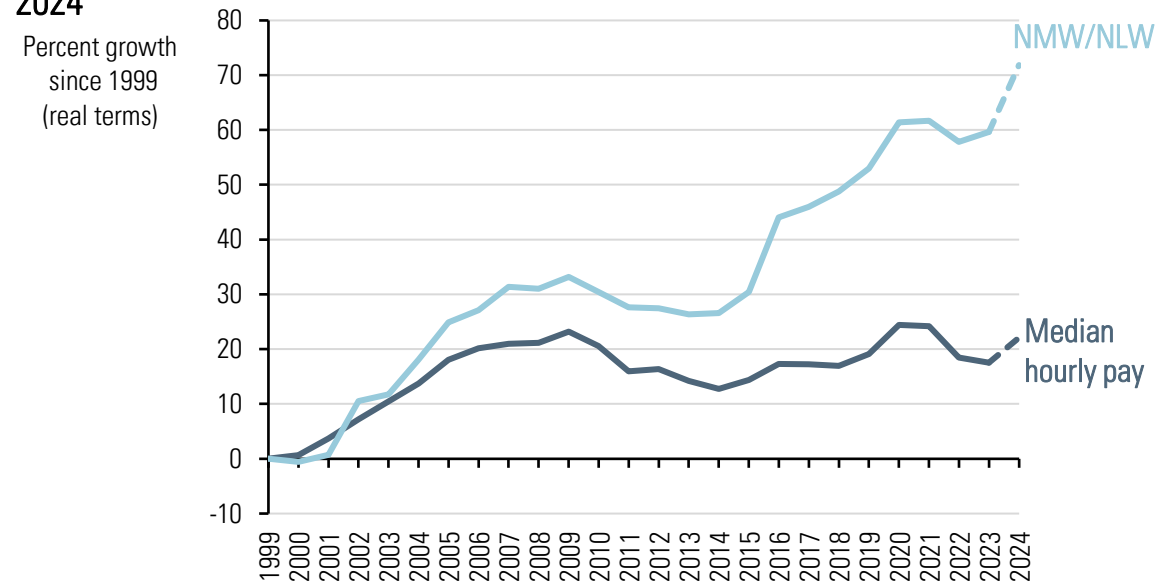
This year's NLW increase is also set to be the third largest (real terms) annual increase in its history. The 2024 NLW rate is £11.44, a 10 per cent increase in cash terms on the 2023 NLW (£10.42). When we made our recommendations in October, Bank of England forecasts suggested that inflation would be above 3 per cent when the 2024 NLW was introduced. Since then, inflation has fallen faster than expected and the latest Bank of England forecasts now

project inflation to only be 2 per cent. If these forecasts are correct the NLW will be 8 per cent higher this year than it was in 2023 in real terms.

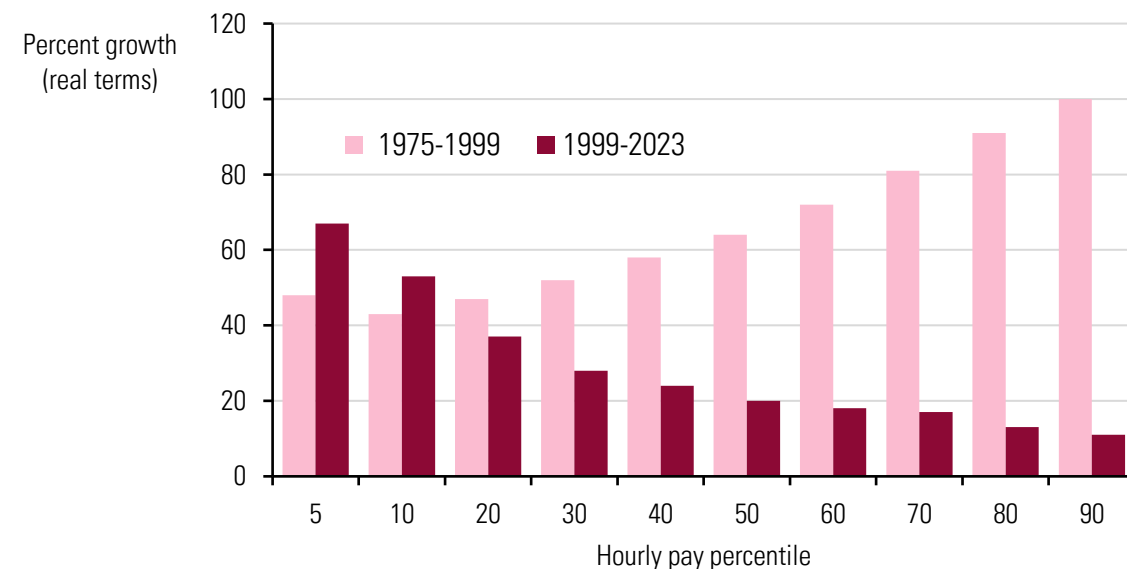
By contrast to the NLW's growth we expect real median hourly pay in 2024 to be broadly unchanged since the onset of the Financial Crisis, though it has recovered from the low point in 2014.

The lower chart on the right looks further back and compares real wage growth in the last 24 years to the previous 24 years. Before 1999, hourly pay grew fastest at the top of the pay distribution and slowest at the bottom – worsening pay inequality. The pattern reversed after the minimum wage was introduced, with much stronger pay growth at the bottom of the pay distribution.

Percent growth in the adult NMW/NLW and median hourly pay, 21+, UK, 1999-2024



Total real terms growth in hourly pay (1975-1999 and 1999-2023) by pay percentile



Household incomes will be boosted by the 2024 National Living Wage increase

To understand the effects of April's minimum wage increase on household income, we need to examine its interaction with taxes and benefits.

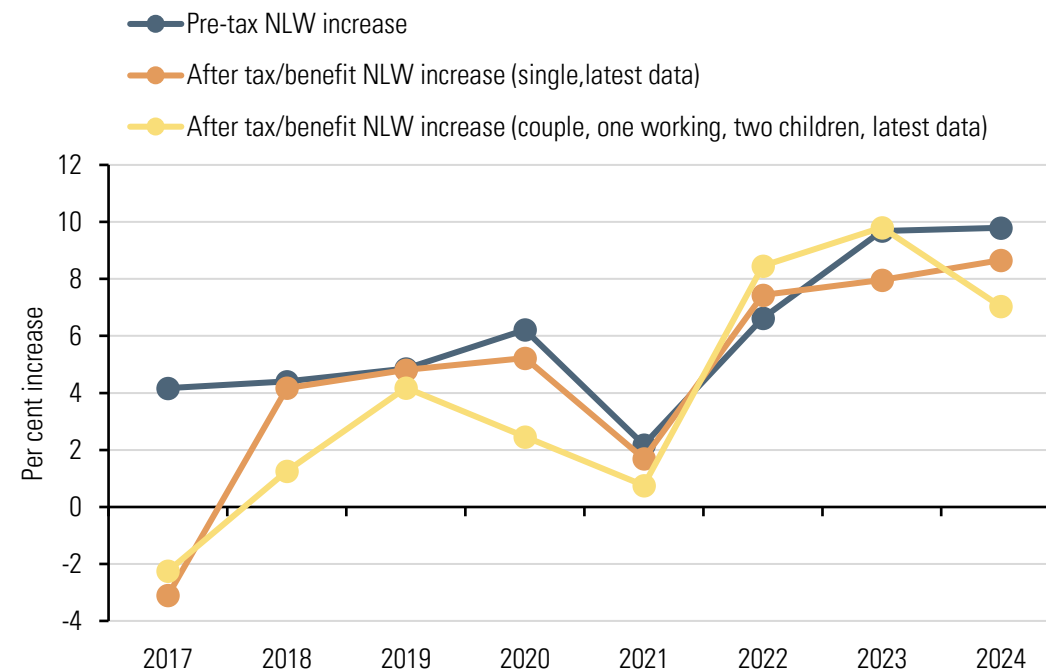
The chart on this page shows estimates of how household income changes in two scenarios: a single full-time worker at the NLW and a two-parent family with one NLW earner and two children. Since 2017, for both groups, the post-tax/benefit income gains have tended to be more modest than the pre-tax/benefit NLW increases. In most years, the family's post-tax gains tended to be smaller than the single worker's, as benefits, which form a larger income share, increased less rapidly than the NLW.

The 2022 and 2023 NLW increases, however, saw the family's post-tax income rise almost as much as the NLW, or indeed slightly more. This was due to changes in the Universal

Credit taper rate and work allowance in 2022 and a 10.1 per cent benefits uprating in 2023, exceeding the 9.7 per cent NLW rise. Single earners households receive a smaller share of their income in benefits and so were less affected.

This year, income growth for NLW earners will be less than the NLW rise. The NLW will increase by 9.8 per cent, while income will grow by 8.6 per cent for single earners and 7.0 per cent for the family. This difference is due to a 6.7 per cent benefits increase and frozen tax thresholds. The National Insurance rate cuts announced in the Autumn Statement 2023 and the Budget 2024 will boost incomes for some low earners. However, two out of five NLW workers work less than 21 hours a week. These workers remain below the NICs threshold and are unaffected by the latest tax cuts.

Projected pre-tax/benefit and after-tax/benefit increases in the NLW (April on previous April, 2017-2024)



(Notes: The after/tax benefit measures do not include the temporary £20 a week Universal Credit uplift or the one-off government cost of living payments). These figures include in the effects of policies announced in Spring Budget 2024.

We project an NLW remaining at two-thirds of median pay to be £11.61-£12.18 (with a central estimate of £11.89) in April 2025

Our previous recommendations were aimed at meeting the Government's targets to increase the minimum wage as a percent of median pay. This meant the NLW increased faster than median pay. However, our remit for 2024 asks us to maintain the NLW at two-thirds of median earnings next year, while monitoring developments in the labour market and advising on emerging risks. This means increasing the NLW in line with median pay.

We currently project that a rate of £11.89 (with a range of £11.61-£12.18) would be sufficient in 2025 to stay at two-thirds of median hourly pay. This would be an increase of 45 pence or 3.9 per cent on the 2024 rate of £11.44. This would be smaller than the two preceding increases (92 pence in 2023 and £1.02 in 2024).

Our projections for next year's NLW are uncertain. We make a projection of median hourly pay in October 2025, based on a

combination of available outturn pay data and forecasts for pay growth. There is uncertainty around these projections, since they rely on forecasts. To show this, we display a range of projections around our central projection. For more detail on how we project median hourly pay, see Annex 1.

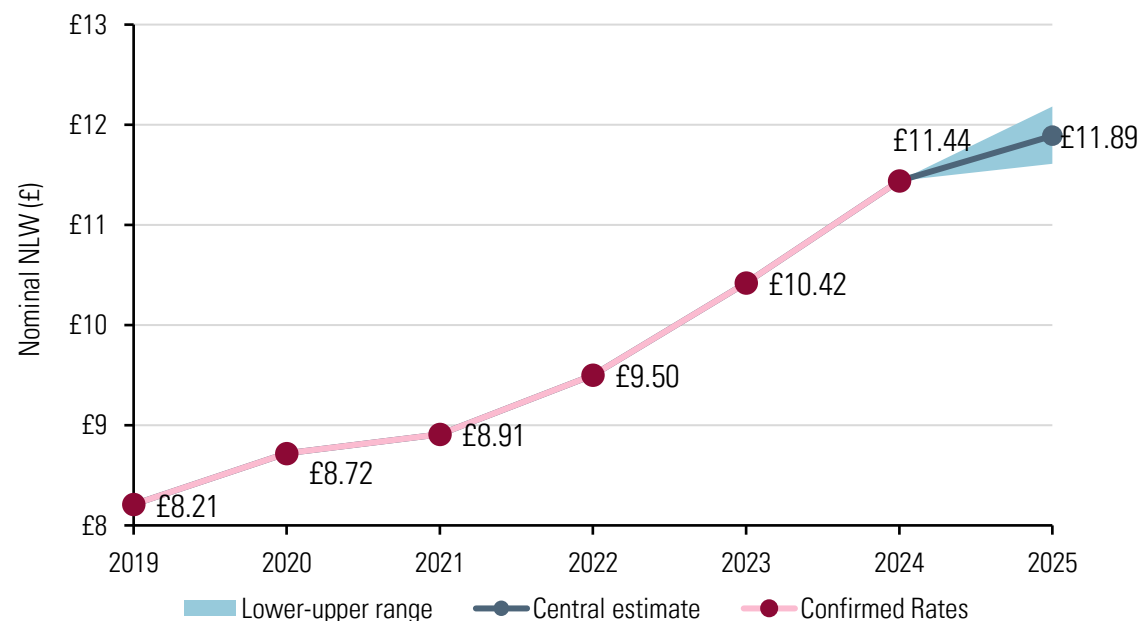
Based on current forecasts, the projected 2025 NLW would be a real-terms increase. The Bank of England forecast prices to grow by 2.7 per cent between 2024 Q2 and 2025 Q2. Using this forecast, our central projected increase would be equivalent to a 0.9 per cent real terms increase for NLW workers.

Commissioners use broader evidence and their own judgement about economic conditions alongside these projections to make their recommendations. Therefore, these projections are a useful but not perfect guide to our future recommendations.

Projected National Living Wage rate for 2025

Scenario	2025 rate	Pence increase on 2024 rate	Per cent increase on 2024 rate
Lower Estimate	11.61	17	1.5
Central Estimate	11.89	45	3.9
Upper Estimate	12.18	74	6.5

Actual and projected National Living Wage rates, 2019-2025



We project the share of jobs paid the minimum wage will rise to 6.7 per cent this year

We estimate that the total number of jobs paid up to 5p above the minimum wage will rise from 1.6 million in 2023 to around 2 million with April 2024's upratings.

Our estimate is based on the historic relationship between growth in the bite (the minimum wage relative to median hourly pay) and coverage (the number of people paid the minimum wage). In years when the bite has grown quickly, we have tended to see big increases in the number of people paid the minimum wage. For example, between 2003 and 2015, the minimum wage tended to grow slightly faster than median hourly pay and minimum wage coverage (for workers 25 and over) increased gradually. When the NLW was introduced in 2016, the bite jumped significantly and coverage did likewise.

However, this relationship is not straightforward. After 2016 the NLW bite continued to rise but coverage remained flat. Then, between 2019 to 2023 the bite

rose still further but coverage fell. One driver of this fall was shortages of workers in some low-paying occupations driving pay above the minimum. Another was firms targeting their pay package towards their lowest-paid workers due to the rising cost of living.

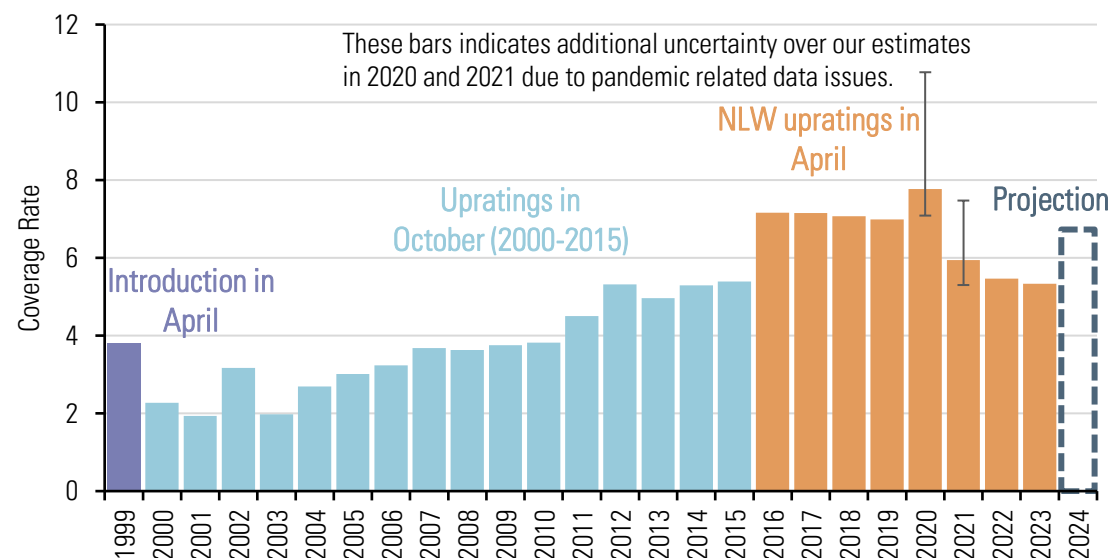
Since 2016, our projections have tended to overestimate the coverage rate of the incoming minimum wage. If this trend continues, we might instead expect coverage to remain broadly flat. However, given this year's increase is likely to be a large real-terms increase, coverage may begin to increase again.

The minimum wage also affects workers paid above the minimum. After accounting for wage inflation, the share of workers paid near the minimum wage has risen over time. The share of jobs paid within £2 of the minimum wage (in 2015 wages) has increased from 25 per cent in 2015 to 31 per cent in 2023.

Actual and projected number and per cent of jobs paid the NMW/NLW, by rate population, 2023-2024

Minimum wage band	April 2023		April 2024 projections	
	Coverage (thousands)	Coverage rate (per cent)	Coverage (thousands)	Coverage rate (per cent)
16-17	35	10.2	55	16.1
18-20	77	8.4	111	12.0
Apprentice Rate	26	13.1	31	15.5
NLW (21+)	1,420	5.1	1,768	6.4
Total	1,560	5.3	2,029	6.7

Per cent of jobs paid the NMW/NLW, 1999-2024



21-22 year olds are now entitled to the National Living Wage, but the impact is likely to be small

From April 2024, the NLW will apply to all workers aged 21 and over. This fulfils a recommendation the LPC made in 2019 and will see the minimum wage for 21-22 year olds increase by 12 per cent.

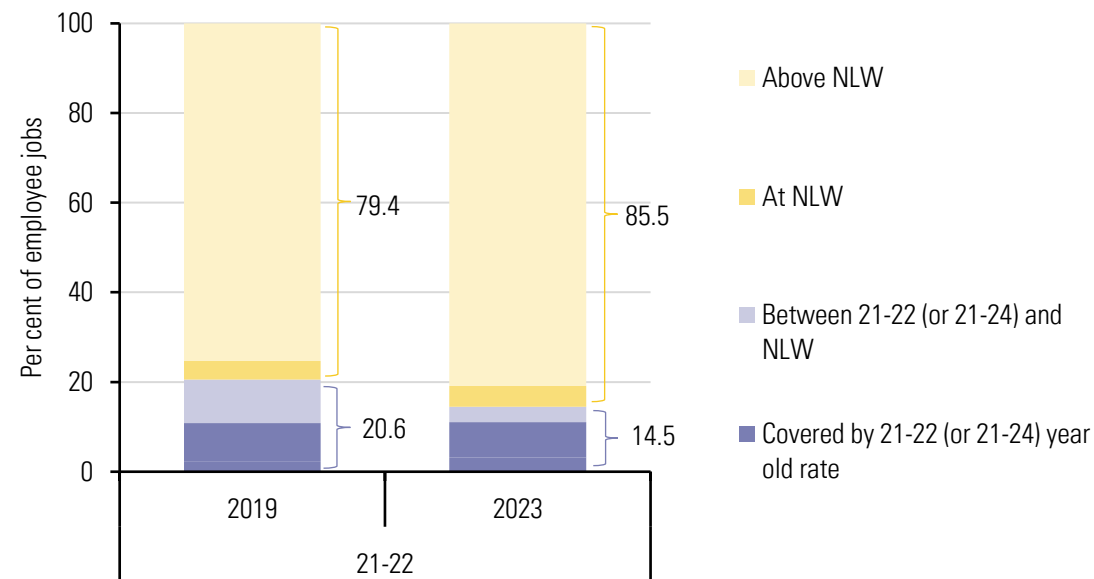
The overall impact of this change on employers is likely to be small: most 21-22 year olds are already paid at or above the NLW. We have also laid the groundwork for the transition by gradually closing the gap between the 21-22 Year Old Rate and the NLW over the past two years. By 2023 there was just 24 pence difference between the rates.

Those affected by the change are likely to be concentrated in certain sectors. In 2023 most employers told us that they already treated the NLW as the wage floor for those aged 21 and above. However, there were some sectors, such as hair and beauty and equestrian activities, where

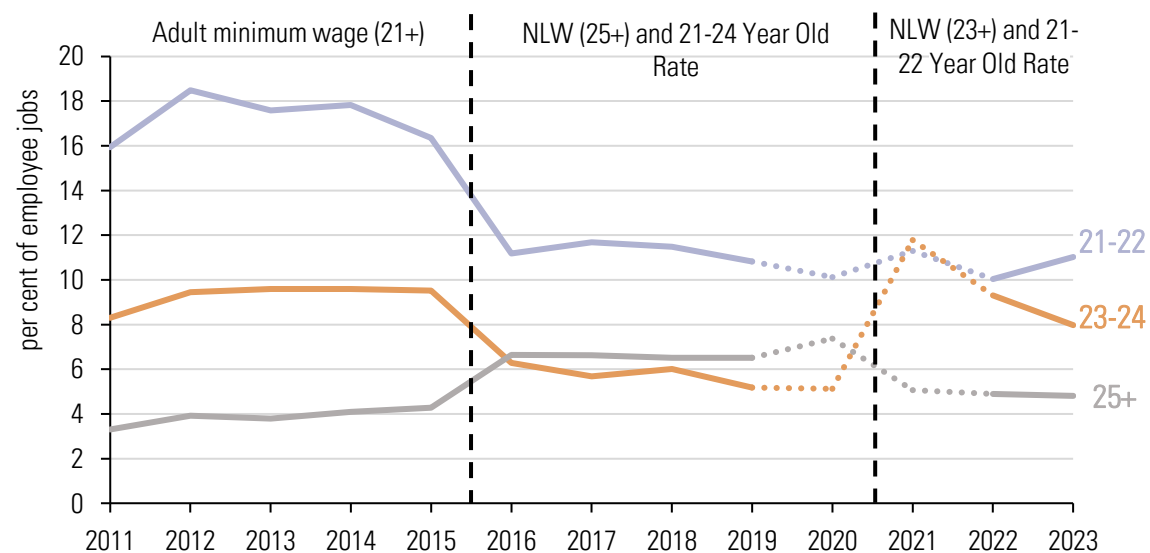
employers used the 21-22 Year Old Rate more often. Small and micro businesses were also more likely to use the lower rate.

We expect to see coverage (the share of jobs paid less than 5 pence above the minimum wage) increase for 21-22 year olds in 2024. If coverage simply extends to all those who were paid at or below the NLW in 2023, it will reach 19 per cent. This is in line with coverage rates for 21-22 year olds when they were previously entitled to the adult minimum wage (prior to 2016). It would also be in line with the increase we saw in 23-24 year old coverage when they became entitled to the NLW in 2021. However, we may see a larger increase in coverage for 21-22 year olds if NLW coverage increases more generally, as discussed on page 7.

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



Minimum wage coverage by age, 21+, 2011-2023



Increases for 16-20 year olds in April 2024 are the largest ever

This year, 16-20 year olds will see the largest ever increases to their minimum wages. The 16-17 Year Old Rate (and the Apprentice Rate) will increase by 21 per cent and the 18-20 Year Old Rate by 15 per cent.

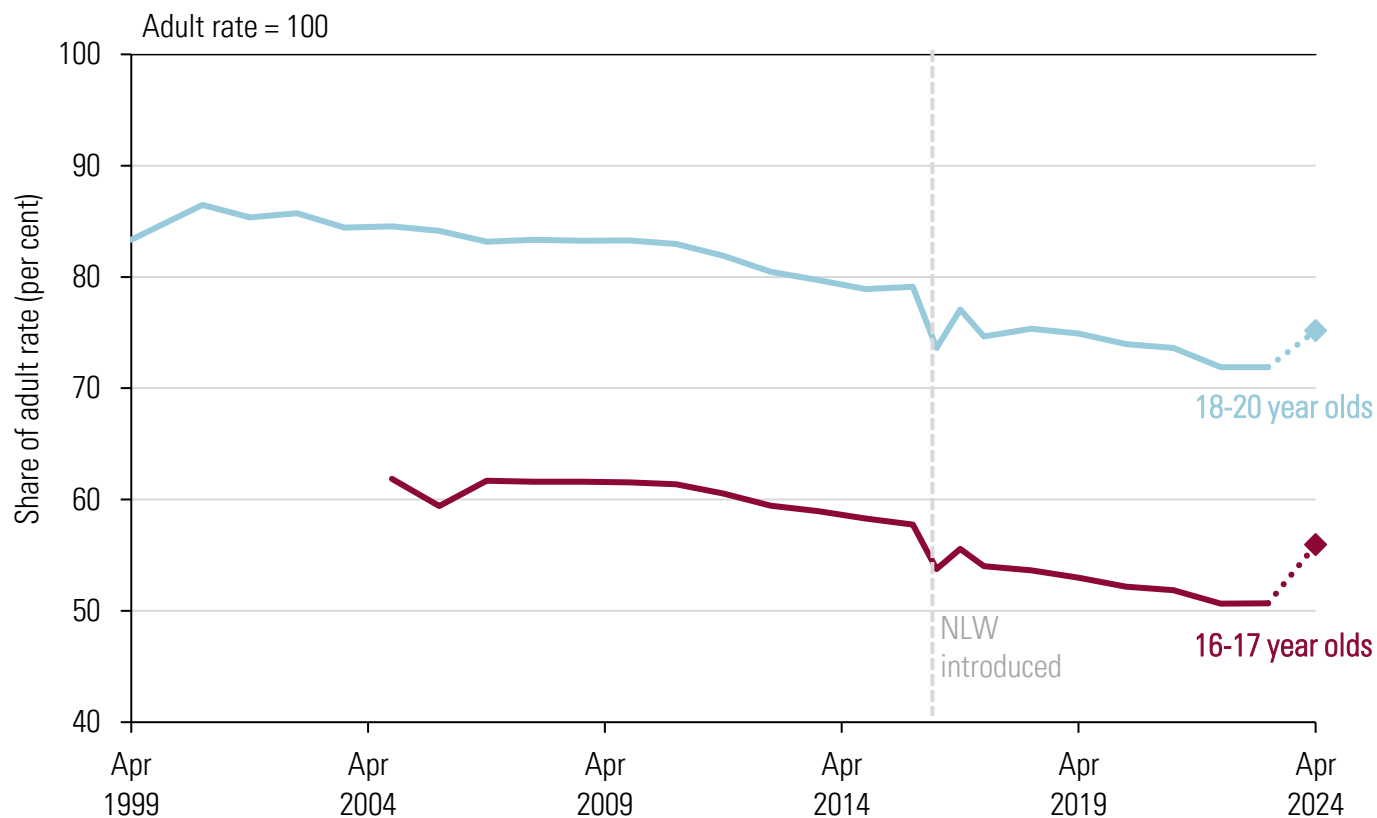
These increases will reduce the gap between the youth rates and the NLW, which has widened in recent years. They will also see the rates reach their highest ever value in real terms (adjusting for inflation). However, the value of the youth rates as a share of the adult rate remains below where it was when they were first introduced, with a significant cash gap (£2.84/£5.04) between the youth and adult rates.

The number and share of workers paid at the youth rates of the minimum wage are likely

to go up following these increases. As shown on page 8, we estimate that an additional 6 per cent of jobs done by 16-17 year olds (approximately 20,000) and an additional 4 per cent of jobs done by 18-20 year olds (approximately 34,000) will be covered (paid up to 5 pence above their respective minimum wage rates) in 2024. We expect a smaller change in coverage of the Apprentice Rate, as the connection between changes in the bite of the rate and changes in coverage has been weaker than for other groups in the past.

However, these estimates are uncertain. If young people's wages continue to grow faster than average wages – as they have over the last two years – we may see smaller or no changes in coverage.

Age-related minimum wages (for 16-20 year olds) relative to the adult rate, UK, 1999-2024



Our remit for 2024

“...recommend the National Living Wage rate which should apply from April 2025 in order to maintain the bite at two-thirds of median earnings...”

On 27 March 2024 [the Government published our remit](#) for minimum wage recommendations to apply from April 2025.

The National Living Wage in 2025

The Government asks the Low Pay Commission to monitor and evaluate the National Living Wage. It also asks the Low Pay Commission to recommend the National Living Wage rate which should apply from April 2025 in order to maintain the bite at two-thirds of median earnings, and protect progress made to end low hourly pay for this group, without recommending any further revisions to the age threshold.

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 is proud of the achievement of ending low hourly pay, and wants to maintain this.

The Government notes that the Low Pay Commission will continue to expand its evaluation capabilities and commission minimum wage research from leading experts, using new methods and sources of evidence for its assessment of the impact of the National Living Wage.

Youth rates of the National Minimum 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-18 and 18-20 age groups and apprentice rate) and make recommendations on the increases it believes should apply from April 2025, such that the rates are set as high as possible without

damaging the employment prospects of each group. In addition, it asks the Low Pay Commission to recommend the accommodation offset rate that should apply from April 2025.

To further expand the evidence base, the Government asks the Low Pay Commission to continue to gather particular evidence on groups of low-paid workers with protected characteristics. As identified in the Government’s impact assessment, groups more likely to be affected by changes to the minimum wage rates include younger, older, disabled, women, and ethnic minority workers.

Additionally, we ask the Low Pay Commission to continue to gather evidence on the differing impact across the United Kingdom of increases to the minimum wage rates, to inform how the minimum wage contributes to the levelling up mission to improve pay, employment, and productivity in all areas of the UK.

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.

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 and Trade by the end of October 2024.

Our evidence strategy

Our work relies on first-hand evidence of the NMW, its impacts and connected issues. We invite any and all interested parties to share evidence. There are a number of ways in which you may contribute. We welcome all evidence and enquiries and can be contacted via email (lpc@lowpay.gov.uk).

Written consultation

Our call for written evidence will open imminently, with a deadline in mid June. The list of questions we are interested in will be available [on our website](#).

We welcome submissions which respond to any of the questions within.

LPC visits programme

Between March and August,

our Commissioners will be visiting locations across the UK to hear first-hand evidence from workers, employers and other interested parties.

If you are based in one of the locations we are visiting and interested in taking part in our programme, please contact us via the email address above.

Research strategy

Our advice will continue to be confirmed by cutting-edge research into the minimum wage and its effects. In the near future we will be inviting bids for research projects. We will hold two research symposia, in April and October.

LPC visits programme, 2024

20-21 March
Isle of Wight and Portsmouth

17-18 April
Dover

15-16 May
Cardiff and Newport

17-18 June
Glasgow and North Ayrshire

3-4 July
Bangor (Northern Ireland)

31 July-1 August
Coventry and Wolverhampton



Annex 1: How we project the NLW on-course rate

The Government have asked us to maintain the NLW in 2025 at two-thirds of median hourly earnings. We project an on-course rate for the NLW in 2025 in three steps.

Step 1: Estimate baseline median hourly pay

We take the most recent estimate of median hourly earnings from the Annual Survey of Hours and Earnings (ASHE), an employer survey of 1 per cent of employees in PAYE as our baseline. The latest (April 2023) estimate of median pay for workers aged 21 and over was £15.98 (the navy dot on the chart opposite).

When recommending rates in October 2024, our baseline will be median hourly pay in April 2024.

Step 2: Estimate pay growth from baseline median hourly pay

Next, we estimate pay growth from the baseline to October 2025 (the target date). To do this we use two data sources. We project growth in line with Average Weekly Earnings data (12-month-on-12-month growth), where this is available (currently up to January 2024.) This is the light blue line on the chart opposite.

We then use forecast growth in average weekly earnings to project further out to the target date. We use the median of forecasts by HMT's independent panel

of forecasters, adding the OBR and Bank of England. This is the purple line in the chart.

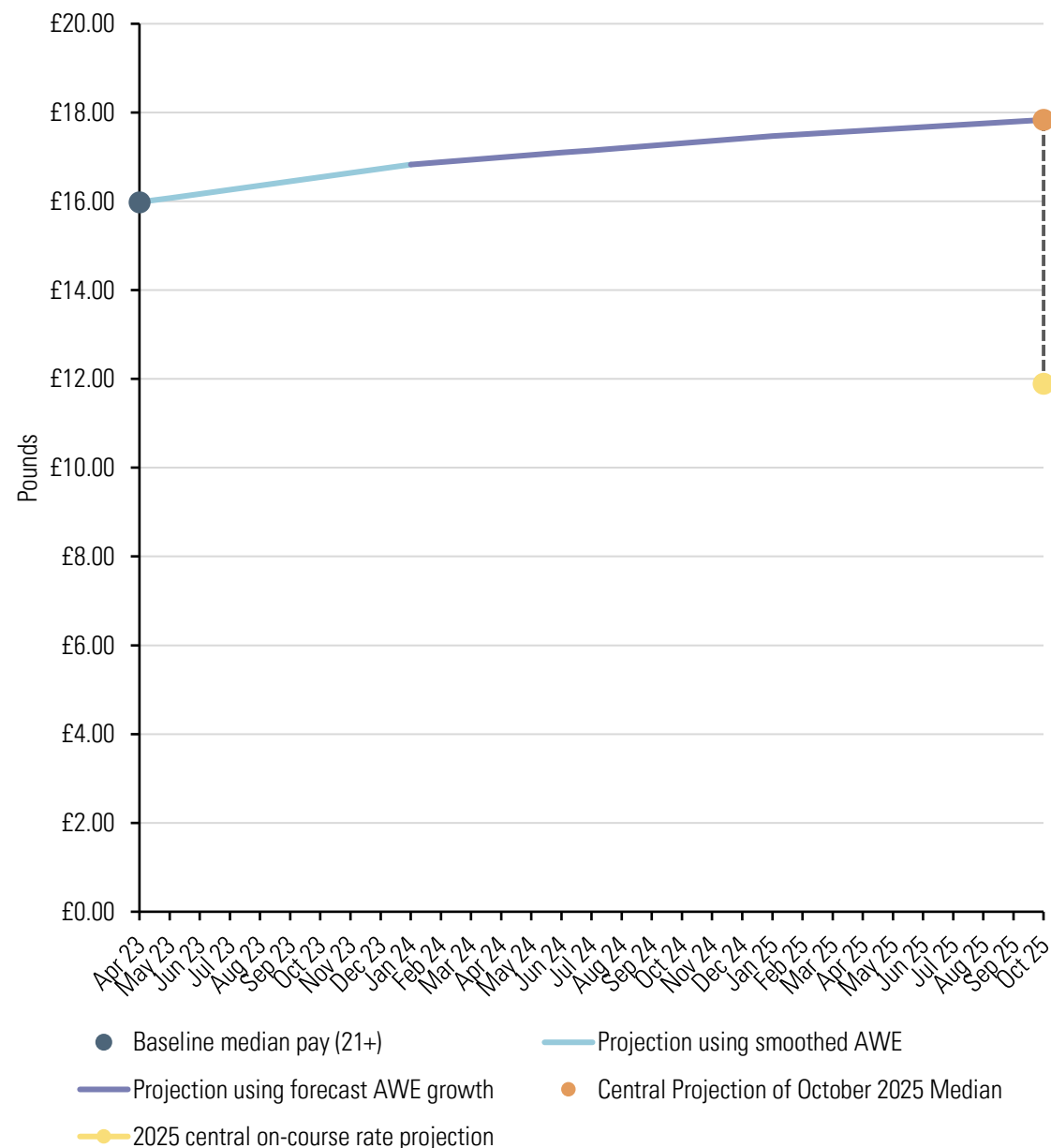
This step gives us an estimate of median hourly pay in October 2025 (orange dot on chart opposite). To reflect uncertainties in the forecasts we also estimate a range where pay growth rates in the projection period are 1 percentage point a year lower or higher than our central estimate.

Step 3: Project on-course rate by calculating two-thirds of our estimate of median hourly pay

Finally, we project the rate of the NLW forward. We do this by taking two-thirds of our estimate of median hourly pay. Our central estimate of the 2025 on-course rate using this approach is £11.89 (the yellow dot on the chart).

This year, we have raised concerns around the reliability of key data sources (discussed in detail in [our 2023 report](#)). We also noted that since Covid forecasts of pay growth have been less accurate. We responded to this increased uncertainty by widening the projected range around the on-course rate. Given the uncertainty over key data sources, we recommend stakeholders use the range (£11.61-£12.18) alongside the central estimate (£11.89) to guide their planning.

Illustration of 2025 on-course rate projection, April 2023 - October 2025



Sources

Page 4 upper chart:

LPC analysis using ASHE, SOC2020 standard weights, UK, 1999-2023, workers aged 21+. Figures from 1999-2020 are chainlinked to account for methodology changes. Pre-2010 data includes apprentices, post-2011 data excludes apprentices. Projection of median pay is based on median wage projections made in December 2023 for LPC report 2023. Real values are calculated by deflating using CPI. 2024 projections are based on modal CPI forecast (market interest rates) Bank of England, February 2024.

Page 4 lower chart:

LPC analysis of NES (1975-1999) and ASHE (1999-2023), UK, workers ages 22 and over and CPI indices. 1975-1999 is unweighted. 1999-2023 uses standard ASHE weights. Includes apprentices.

Page 5 chart:

LPC analysis using HM Treasury modelled estimates of impacts of NLW increases on household incomes. 2024 uprating figures account for latest announced changes to tax and benefit policy, so differ from the figures in the 2023 LPC report. Figures for 2017-2023 uprating available in LPC reports 2016-2022. Estimates taken from projections of year before increase, so may not reflect actual change. For instance estimate for growth in 2018 is available in LPC report 2017. For 2017-2020, workers are modelled to work 30 hours, for 2021 and 2022 workers are modelled to work 35 hours.

Page 6 table and chart:

LPC estimates using 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 2023; average weekly earnings (AWE) total pay (KAB9), monthly, seasonally adjusted, GB; and median of average wage growth forecasts from HM Treasury panel of independent forecasts (March 2024), the Bank of England (Monetary Policy Report, February 2024), and OBR (Economic and Fiscal Outlook, March 2024).

Page 7 table and chart:

LPC analysis using ASHE, SOC2020 low-pay weights, all ages, UK, 1999-2023. Estimates from 1999 to 2020 are chain-linked and so will differ from previously published figures. Data from 1999-2010 include apprentices and use data reweighted based on 2011 census. Note: Coverage is defined as those paid within 5p of the relevant minimum wage rate. Coverage estimates are as of April that year and are rounded to nearest thousand. 2024 estimate is LPC projection based on historic relationship between bite and coverage growth. For more details see chapter 10 of LPC Report 2023. Projections are based on median wage projections made in January 2024 for LPC report 2023.

Note: There is increased uncertainty around the 2020 and 2021 estimates due to the effects of furlough on hourly pay data. For more detail see LPC report 2021.

Page 8 upper chart:

LPC analysis of ASHE, low pay weights, UK, 2019 and 2023. 21-22 population, excluding first year apprentices. Figures are not adjusted for the methodology change in 2021.

Page 8 lower chart:

LPC analysis of ASHE, low pay weights, UK, 2011-2023. 21+

population, excluding first year apprentices. Figures are not adjusted for the methodology change in 2021.

Page 9 chart:

LPC analysis of historic minimum wage rates.

Page 12 chart:

LPC estimates using 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 2023; average weekly earnings (AWE) total pay (KAB9), monthly, seasonally adjusted, GB; and median of average wage growth forecasts from HM Treasury panel of independent forecasts (March 2024), the Bank of England (Monetary Policy Report, February 2024), and OBR (Economic and Fiscal Outlook, March 2024).



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