

# How we'll respond to our updated remit

## A statement by the Low Pay Commission on our approach to recommending minimum wage rates for April 2025

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**1** The Low Pay Commission (LPC) is an independent public body that advises the Government each year on the National Minimum Wage (NMW) and National Living Wage (NLW). On 30 July 2024, the Government issued a new [remit](#) for the Low Pay Commission, which applies to the rates that take effect from April 2025.

**2** The purpose of this document is to show what factors and evidence we will consider in response to this new remit. It should therefore provide some guidance to employers, workers and their representatives.

### Summary

- The NLW increase in 2025 should take account of the cost of living and expected inflation up to March 2026 and not fall below two-thirds of median hourly earnings. These act as a 'floor' to our recommendations.
- The remit also says how important it is to "boost low earnings". So, there is scope to recommend increases above the 'floor' if the economic evidence supports this, i.e. taking into account the impacts on business, competitiveness, the economy and wider labour market.
- We would only recommend an NLW below the 'floor' if this was necessary to avoid substantial negative outcomes, such as significant job losses among low-paid workers.
- The Government's ambition is to abolish the 18–20 Year Old Rate so the NLW applies to those aged 18 and above. The remit says we should achieve this by "taking steps year by year", so "in the interim" our aim for 2025 is to further reduce the gap between the 18-20 rate and the NLW.

## National Living Wage

**3** The purpose of the remit is to ensure the NLW provides a fair wage for the lowest-paid workers while balancing economic considerations. A key change in the remit is that it asks us explicitly to consider the cost of living. Among a range of economic factors, it says we should "*take into account.....the cost of living, including the expected annual trends in inflation up to March 2026*".

**4** To assess the cost of living we will use a broad range of metrics and evidence, including headline measures of inflation, the ONS Household Cost Index (HCI) and other qualitative measures of

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living standards. This will allow a granular understanding of the price pressures faced by different types of household. To inform our judgement about the rates needed to take account of future changes to living costs we will also use the available inflation forecasts produced by the Bank of England and others.

**5** In addition, the remit says that the NLW should not fall below two-thirds of median hourly earnings. Our central estimate is that an NLW increase to £12.10 (5.8 per cent) would be required to maintain the bite (the ratio of the NLW to median hourly pay) at two thirds of median earnings.

**6** However, predicting this figure is challenging, so we project a range around our central estimate which runs from £11.82 to £12.39. We also believe our central estimate (and the ranges around it) may continue to rise over the rest of the year because earnings growth in 2024 so far has been stronger than forecast. Our estimates have already increased from those we published in [March](#) this year for this reason. Our March central estimate was £11.89, with a range of £11.62 to £12.18.

**7** An increase that maintains the bite should also ensure a real terms rise for the lowest-paid workers. This is because average wage growth is currently higher than all measures of inflation<sup>1</sup>. If current trends in prices and wages continue then the increase needed to maintain the two-thirds bite will exceed that required to keep pace with expected inflation. Effectively, as economic conditions stand today, this makes the two-thirds bite a 'floor' to our recommendations.

**8** We would only recommend an NLW below the 'floor' if doing so was necessary to prevent substantial negative outcomes, such as significant job losses among low-paid workers. Conversely, the remit says how important it is to "*boost low earnings*", so there is scope to recommend increases above the 'floor'. In either case, the LPC will need to first consider the impacts on business, competitiveness, the economy and wider labour market. Considering these impacts is standard practice for the Low Pay Commission.

## Youth rates and apprentices

**9** The Government has said it wants "*all adults*" to benefit from a "*genuine living wage*". This ultimately means abolishing the 18-20 Year Old Rate and lowering the NLW age threshold to 18 years of age. Rather than make this change straight away, the remit suggests we should "*take steps year by year*" and in 2025 we should "*continue to narrow the gap*" between the 18-20 Year Old Rate and the NLW. We began narrowing this gap with the largest ever increases for this age group's rate in April this year. Further narrowing the gap will require larger increases for the 18-20 Year Old Rate than for the NLW. Though, we are asked to consider the "*effects on employment of younger workers, incentives for them to remain in training or education and the wider economy*".

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<sup>1</sup> In the year to June 2024, CPI, CPIH, HCI and RPI inflation were 2.0, 2.8, 2.5 and 2.9 per cent respectively. Total Average Weekly Earnings growth (KAC3) was 4.5 per cent over the same period.

**10** For 16-17 year olds and apprentices, we will continue to recommend rates in the same way that we've done since this rate was introduced. Our aim is to raise the rate as high as possible without damaging the employment prospects of the groups affected.

## Next steps

**11** The Low Pay Commission will continue gathering evidence until it is due to submit its recommendations to Government by the end of October 2024. This includes a wide range of evidence to assess the impacts on business, competitiveness, the labour market, the wider economy. We'll also receive the Annual Survey of Hours and Earnings (ASHE) which we use to calculate our final central estimate (and ranges) of the rate needed to maintain the rate at two thirds of median earnings.

**12** If our recommendations are accepted, they will come into effect in April 2025. If stakeholders have questions or thoughts on our new remit – particularly on how we should take the cost of living into account – then they should contact us [lpc@lowpay.gov.uk](mailto:lpc@lowpay.gov.uk).