National Minimum Wage
Low Pay Commission

The National Minimum Wage in 2025

A report by the Low Pay Commission
March 2025

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Introduction

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).

This report sets out some of the immediate impacts of the minimum wage upratings on 1 April 2025. This includes the increase in the value of the NMW relative to inflation and the likely number of jobs affected.

This report normally focuses on our estimates of the future levels of the NLW needed to meet the Government's targets, for example, to reach two thirds of median earnings. However, our remit for the 2026 upratings has not yet been published by the Government. When it does, we may provide a further update.

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 in greater detail the evidence and analysis we used when making our recommendations in October 2024. All sources and references for charts and data in this report are at the end of this document.

We are a social partnership body, 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.

The NLW and NMW rates effective from 1 April 2025 are shown below.

National Minimum Wage rates to apply from 1 April 2025

	NMW rate	Annual increase (£)	Annual increase (per cent)
National Living Wage (for those aged 21 and over)	£12.21	£0.77	6.7
18-20 Year Old Rate	£10.00	£1.40	16.3
16-17 Year Old Rate	£7.55	£1.15	18.0
Apprentice Rate	£7.55	£1.15	18.0
Accommodation Offset	£10.66	£0.67	6.7

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Summary

The Low Pay Commission (LPC) is the advisory body to the Government on the levels of the National Minimum Wage (NMW), including the National Living Wage (NLW). New rates of the NMW come into force on 1 April 2025, based on recommendations we made in October 2024. This report considers some of the potential impacts of these increases and sets out our evidence-gathering plans for the rest of the year. We are keen to hear from workers and employers affected by the rates; more details can be found on page 12.

The NLW rises by 6.7 per cent in April 2025 to £12.21. As a result of this increase, we expect the NLW to equal two-thirds of the median hourly wage in October 2025 – a key part of our remit from the Government. We expect this rate to stay ahead of changes in the cost of living up to March 2026 and therefore provide an increase in real terms for minimum wage workers. It is also expected to boost NLW workers' household incomes, although the exact impact varies by household circumstances because of interactions with the tax and benefit system.

As the NLW rises relative to the average wage, more jobs tend to pay it (we term this measure 'coverage'). We estimate that coverage will rise from 1.9m to 2.2m jobs in 2025. This would be 7.3 per cent of all jobs, slightly higher than the previous peak reached when the NLW was introduced in 2016.

This is also the second year of substantial increases in the youth rates of the NMW. The increase in the 18-20 Year Old Rate of 16.3 per cent is the highest ever awarded to that age group, and the increase of 18 per cent in the 16-17 Year Old Rate the second-highest. In previous advice to the Government, we found that the gap between the youth and adult rates was high by international and historic standards. We argued there was scope to reduce this gap, but doing so cautiously to minimise the employment risks. Following this advice, our remit asked us to narrow the gap between the NLW and 18-20 Year Old Rate. This year's increases continue this. We expect them to lead to more jobs paying the youth rates.

This year's minimum wage rises coincide with an increase in employer National Insurance contributions (NICs), which was announced after we submitted our advice on the NMW rates. From 1 April, the employer National Insurance rate rises from 13.8 to 15 per cent and the annual wage threshold at which employers begin to pay national insurance falls from £9,100 to £5,000. This will increase the cost of employing most minimum wage workers, beyond the impact of the NLW increase. For example, a full-time NLW worker (38 hours) will attract £2,879 in NICs from April 2025, a 54 per cent increase on the previous year's £1,872.

An increase in the employment allowance (from £5,000) means employers can ignore the first £10,500 of their NICs bill, mitigating some of this cost increase. This will mainly help the very smallest employers – those micro employers with 10 or fewer staff that provide around one in five NLW jobs. Jobs with low weekly hours (e.g. ten hours or less) will also see lower NICs costs increases, as workers' earnings in these roles remain below or close to the wage threshold.

However, workers aged below 21 and apprentices aged below 25 will not attract this higher NICs liability (unless they earn over £50,270 a year), as NICs for these workers was abolished in 2015 and 2016 respectively. So while the increases to the youth rates close the gap with the NLW, the gap in total costs to employers stays roughly the same.

Younger workers' lower NICs liability may influence employers' recruitment decisions following the NICs change. We will soon launch a call for written evidence, and we are keen to hear from workers and employers about the impact of increases in both minimum wage rates and NICs. Our consultation will also set out scenarios for lowering the NLW age threshold from 21 to 18 and asking stakeholders for their views on this too.

We expect the April 2025 NLW rise to ensure a real terms increase by March 2026

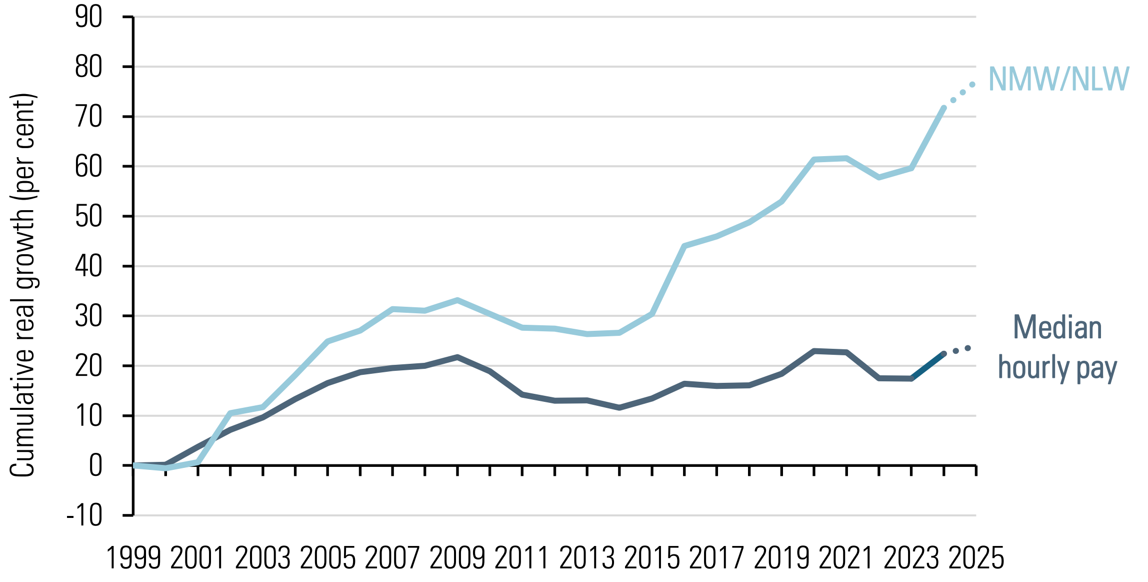
Since its introduction in 1999, the adult rate of the minimum wage has grown faster than average earnings and median hourly pay.

The upper chart shows that, in real terms, median hourly pay was no higher in 2024 than it was in 2009. In contrast, despite falling between 2009 and 2014, the real value of the NLW has more than doubled since 2009.

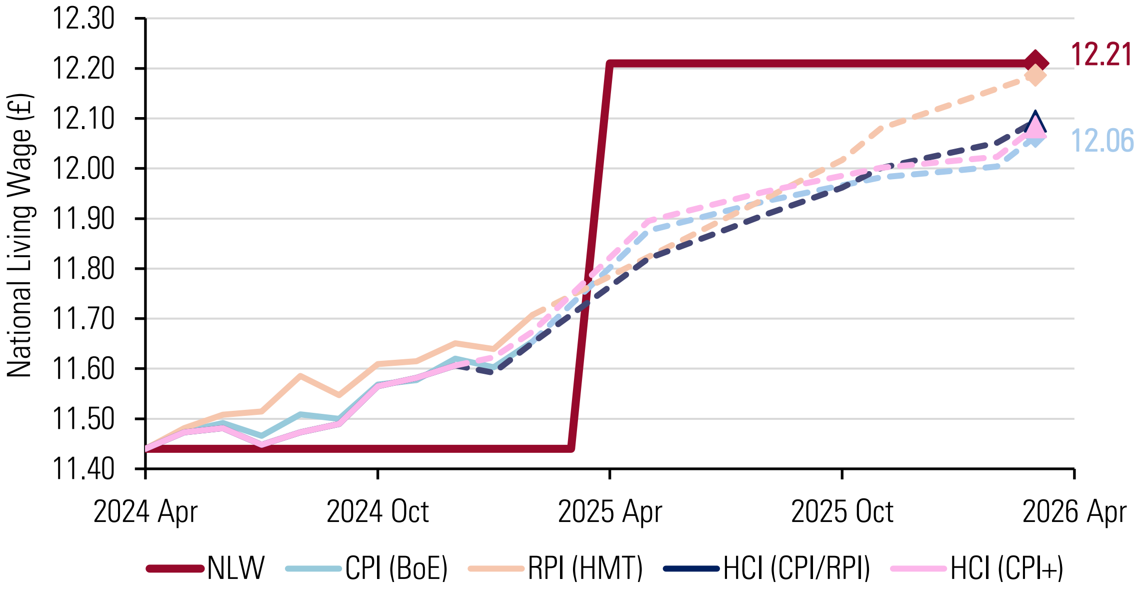
The real value of both the median wage and the NLW fell in the immediate aftermath of the pandemic when inflation rose sharply. But both have rebounded, with the NLW doing so much more strongly.

As we set out in our 2024 Report, we expect the April uprating to £12.21 to ensure a real terms increase in the NLW by March 2026. That remains the case. However, since our recommendations, inflation forecasts have been revised up. The lower chart shows the level of NLW needed to exceed various projections of price changes over the two years from April 2024. These estimates remain below £12.21. In April 2025, the NLW will be at its highest point ever in real terms.

Cumulative real growth, adult NMW/NLW vs median hourly pay, 21+, UK, 1999-2025



NLW uprated in line with various forecast inflation measures, April 2024-March 2026



Household incomes will rise by less than the NLW increase

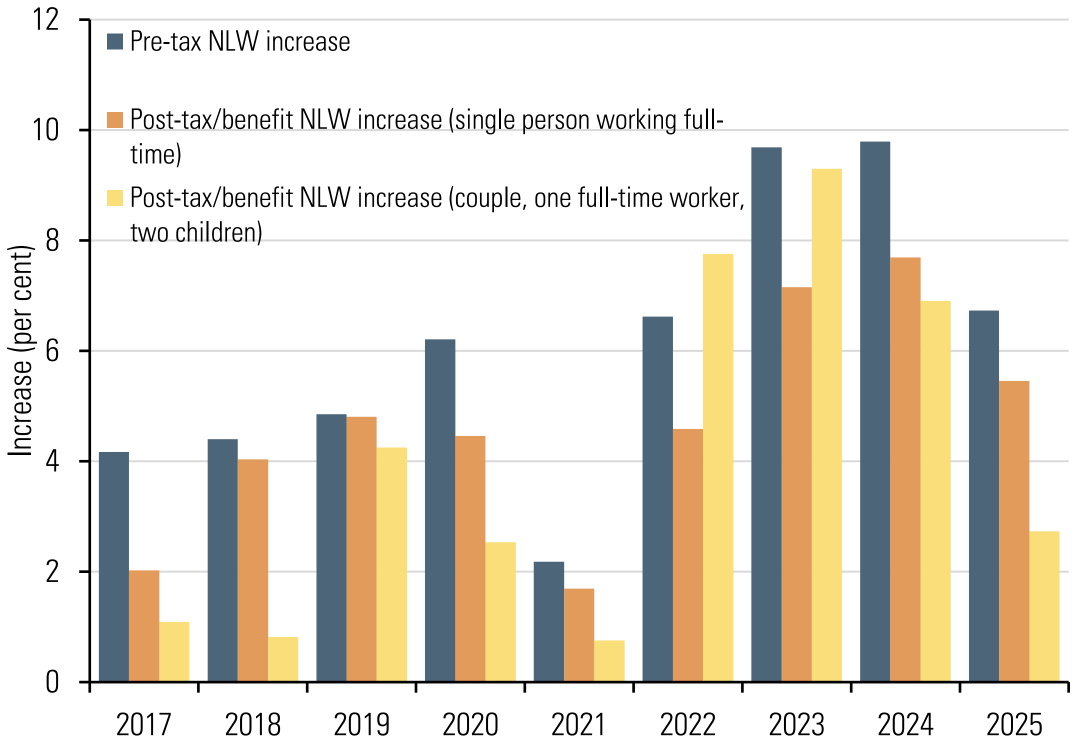
The impact of April's minimum wage increase on household incomes depends on its interaction with taxes, benefits and hours of work. The chart to the right compares pre-tax NLW increases with estimates of the change in household income post-tax and benefits. It uses two example scenarios: a single full-time worker at the NLW, and a two-parent family with one full-time (35 hours per week) NLW earner and two children.

Although minimum wage workers will receive a 6.7 per cent increase in their hourly pay from April 2025, most minimum wage workers will see a smaller increase in their take-home pay. This occurs most years, because, generally speaking, as workers' incomes increase, their average tax rate increases and their benefits taper.

This year (as in most previous years), growth in take-home pay for NLW earners will be less than the NLW rise. The NLW will increase by 6.7 per cent, while household income will grow by 5.5 per cent for the single earner scenario and 2.7 per cent for the family scenario.

The precise outcomes for any particular household will depend on their circumstances, including whether they receive benefits, what benefit components they receive, how many members of the household work and the number of hours they work.

Projected pre-tax/benefit and post-tax/benefit increases in the NLW, England, 2017-2025



We expect the number of jobs paying the NMW or NLW to rise in 2025

We estimate that the April upratings will lead to a rise in the number of jobs paid within 5p of the NMW or NLW, a measure we term "coverage". The total number of covered jobs is projected to increase from 1.9m to 2.2m in 2025. This would mean that around 7.3 per cent of all jobs would be paying a minimum wage rate. As the lower chart shows, this share is slightly higher than the peak reached when the NLW was introduced in 2016. The data in 2020 and 2021 were distorted by the pandemic and the furlough scheme; this is reflected in the hatching and error bars on the chart for these years.

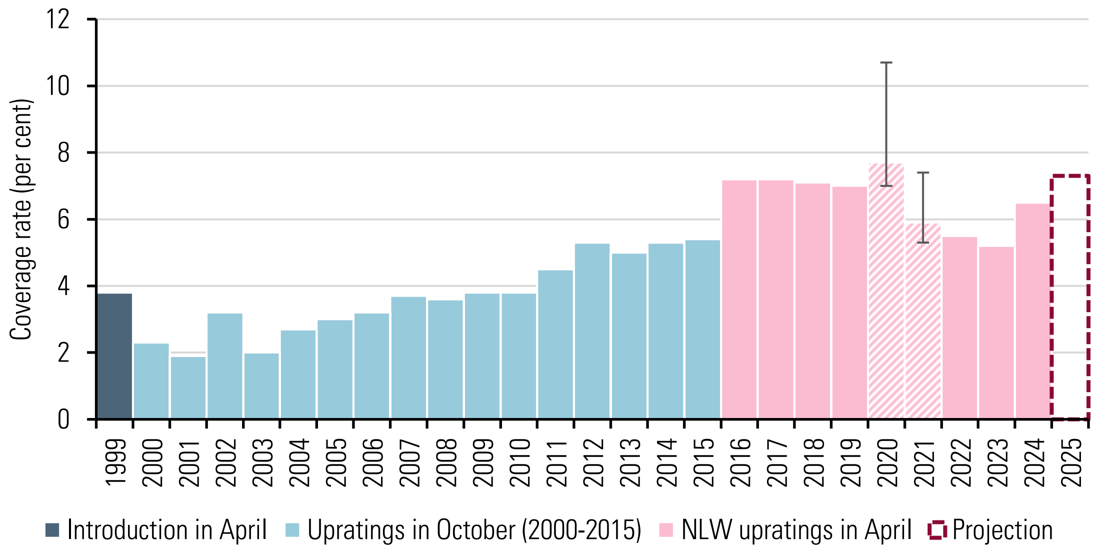
Our estimate of projected coverage is based on the historic relationship between growth in the bite and coverage. The bite is the ratio of the minimum wage to median hourly pay. In years when the bite has grown quickly, we have tended to see larger increases in the number of people paid the minimum wage, but this relationship is not straightforward. For example, in the tight labour market that followed the pandemic, employers paid wage rates above the minimum to attract and retain workers, so coverage fell even as the bite rose.

Since 2016, our projections have tended to overestimate the coverage rate of the incoming minimum wage, though our estimate for 2024 was very close. However, the increase in employer NICs, from April 2025 will also affect coverage. We discuss this in more detail shortly.

Actual and projected number and share of jobs paid the NMW/NLW, by rate population, 2024-2025

	April 2024		April 2025 projection	
Rate	Share of jobs (per cent)	Number of jobs (thousands)	Share of jobs (per cent)	Number of jobs (thousands)
NLW (21+)	6.2	1,748	6.9	1,923
18-20	9.4	88	12.8	121
16-17	15.5	51	24.8	81
Apprentice	14.6	27	17.2	31
Total	6.5	1,914	7.3	2,156

Share of jobs paid the NMW/NLW, 1999-2025



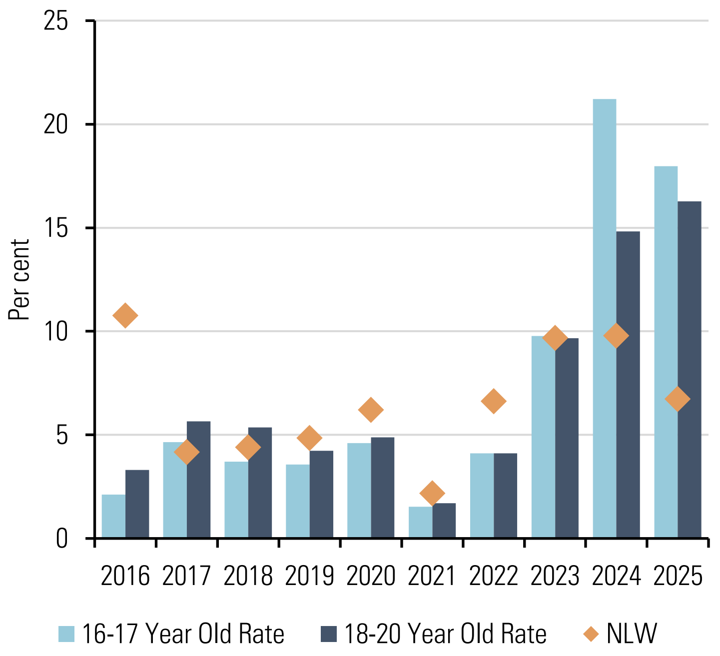
Large increases in youth rates will reduce the gap with the NLW and likely increase coverage

This is the second year of substantial increases in the youth rates of the NMW. The increase in the 18-20 Year Old Rate of 16.3 per cent is the highest ever awarded to that age group, and the increase of 18 per cent in the 16-17 Year Old Rate the second-highest.

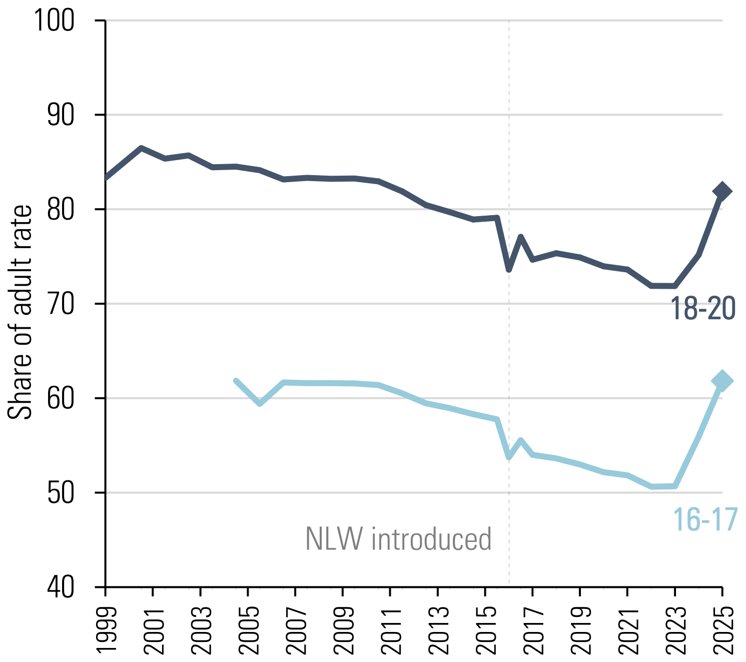
The middle chart shows that these increases have reduced the gap between the youth rates and the NLW. This reverses the pattern of a widening gap since the youth rates were introduced. In advice to the previous Government we noted that the gap between the youth and adult rates was high by international and historic standards. We argued that there was scope to reduce the gap, albeit cautiously as there are risks to employment. Subsequently our 2024 remit asked us to close the gap between the youth rates and the NLW. The remit stated the Government's commitment to achieving a single NLW rate for all those over the age of 18.

The final chart shows that we expect coverage to increase for both age groups following these upratings. For those aged 18-20 we expect coverage to remain close to historical averages. For 16-17 year olds we expect a substantial increase, but this will depend on how employers respond. Past forecasts of coverage have been higher than the outturn.

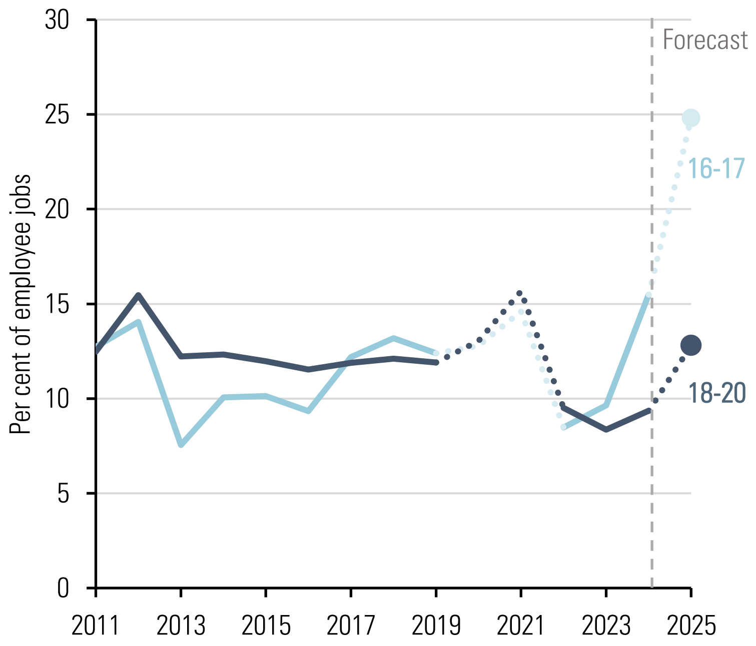
Annual increases in youth and NLW rates (April-April)



Youth rates as a proportion of the adult rate



Share of 16-17 and 18-20s paid the youth rates



The combined NICs and NLW changes mean significant employment cost increases this year

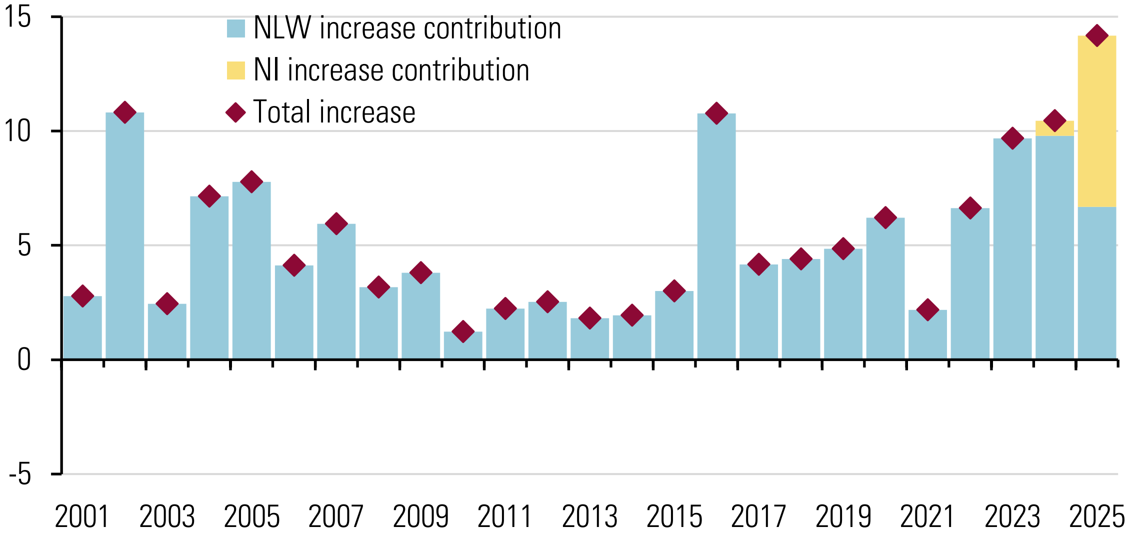
This year's NLW increase coincides with a rise in employer National Insurance Contributions (NICs), which was announced after we had submitted our advice on rates. These charts show the annual percentage increase in employment costs (wages and employer NICs) for each NLW/NMW uprating for those working 16 and 38 hours per week (the two most common working patterns for NLW workers).

Despite the 6.7 per cent NLW increase being significantly lower than the circa 10 per cent increases in 2023 and 2024, NLW jobs involving 16 hours a week will see a relatively larger employment cost increase this year. Jobs at these hours are particularly affected by the NICs annual salary threshold falling from £9,100 to £5,000 a year. Before 2023 these jobs did not attract employer NICs.

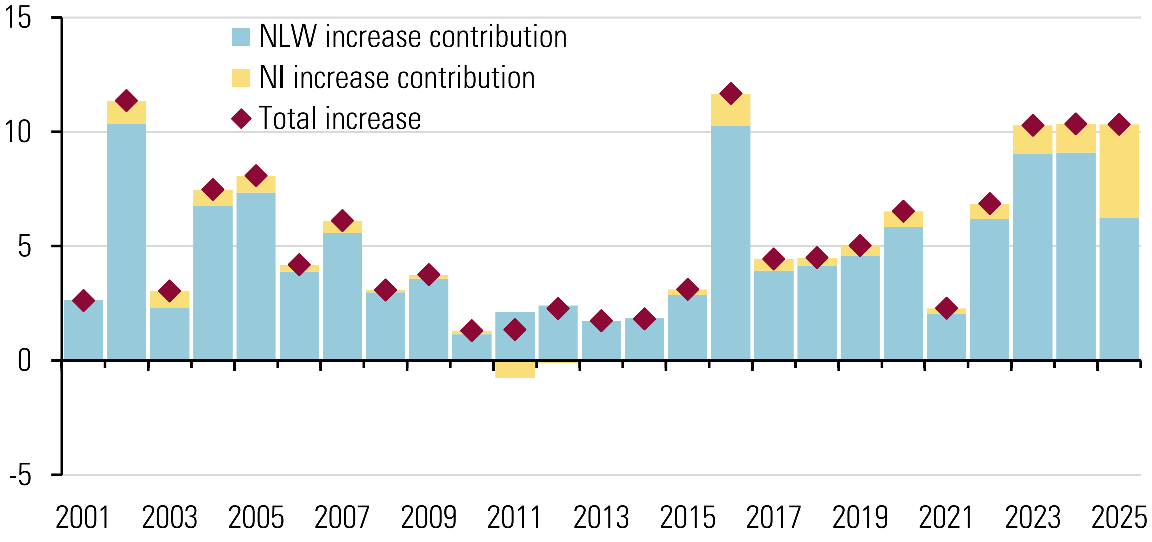
The lower chart shows that the employment cost increase is lower for full-time workers than for 16 hour jobs. However, the extra NICs mean the rise in total employment costs in 2025 is comparable to 2023 and 2024, when the NLW increased substantially.

These charts don't take account of the Employment Allowance because it is calculated on a per employer basis. Its impacts depend on the wage bill of each employer, which in turn depends on how many employees each has. We look at the employment allowance for employers paying the NLW to all of their employees on the next page.

Percentage annual increase in employer costs for 16h/week NLW worker, 2001-2025



Percentage annual increase in employer costs for 38h/week NLW worker, 2001-2025



Changes in the Employment Allowance mitigate some of the cost increases for the smallest employers

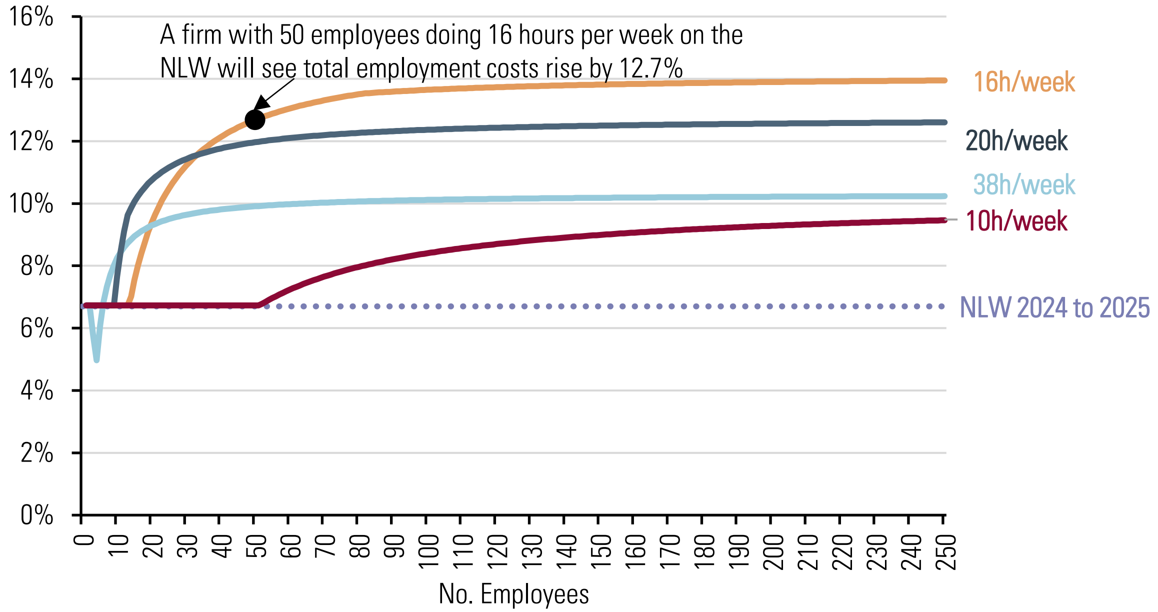
A rise in the Employment Allowance (from £5,000) means employers can ignore the first £10,500 of their NICs bill from April 2025. Here we estimate how this combines with the changes to NICs and the NLW.

The chart shows how employment costs (wages and NICs) will rise between 2024 and 2025 for firms, depending on how many employees they have. Each line shows this for a different number of hours worked per week and, for simplicity, we assume that every employee earns the NLW. For example, the orange line shows that an employer with 50 NLW staff working 16 hours per week will see their employment costs rise by 13 per cent.

The lines start to rise upwards around the point where the Employment Allowance is used up. Depending on hours worked, this is around the 10-employee mark, suggesting that the smallest employers will see relatively lower cost increases. Relaxing the assumption about all workers being paid the NLW would mean the lines spike up earlier (to the left) as, for example, higher paid managers attract more employer NICs and use up the Employment Allowance faster.

Cost rises will also be lower for jobs involving few hours. For example, the Employment Allowance covers the employer NICs costs of 50 employees on the NLW working 10 hours a week in 2025. In addition to around one in five NLW jobs in the micro employers who will see relatively lower cost rises there are a further 8.2 per cent of NLW jobs that involve 10 or fewer hours and so will attract lower NICs costs (see table).

Percentage increase in total employment costs (NICs & wages) by size of employer and working hours (2024 to 2025)



Breakdown of NLW workers by size of employer and hours worked (2024)

Business size	Total hours worked						
	0-10	11-16	17-24	25-32	33-38	39+	Total
Micro	2.5	3.9	5.0	2.4	1.8	2.8	18.4
Small	2.4	2.9	3.7	2.7	2.8	4.9	19.3
Medium	1.2	1.7	2.3	1.9	2.6	4.6	14.4
Large	4.6	7.0	9.8	7.5	9.5	9.6	47.9
Total	10.7	15.4	20.8	14.6	16.7	21.9	100

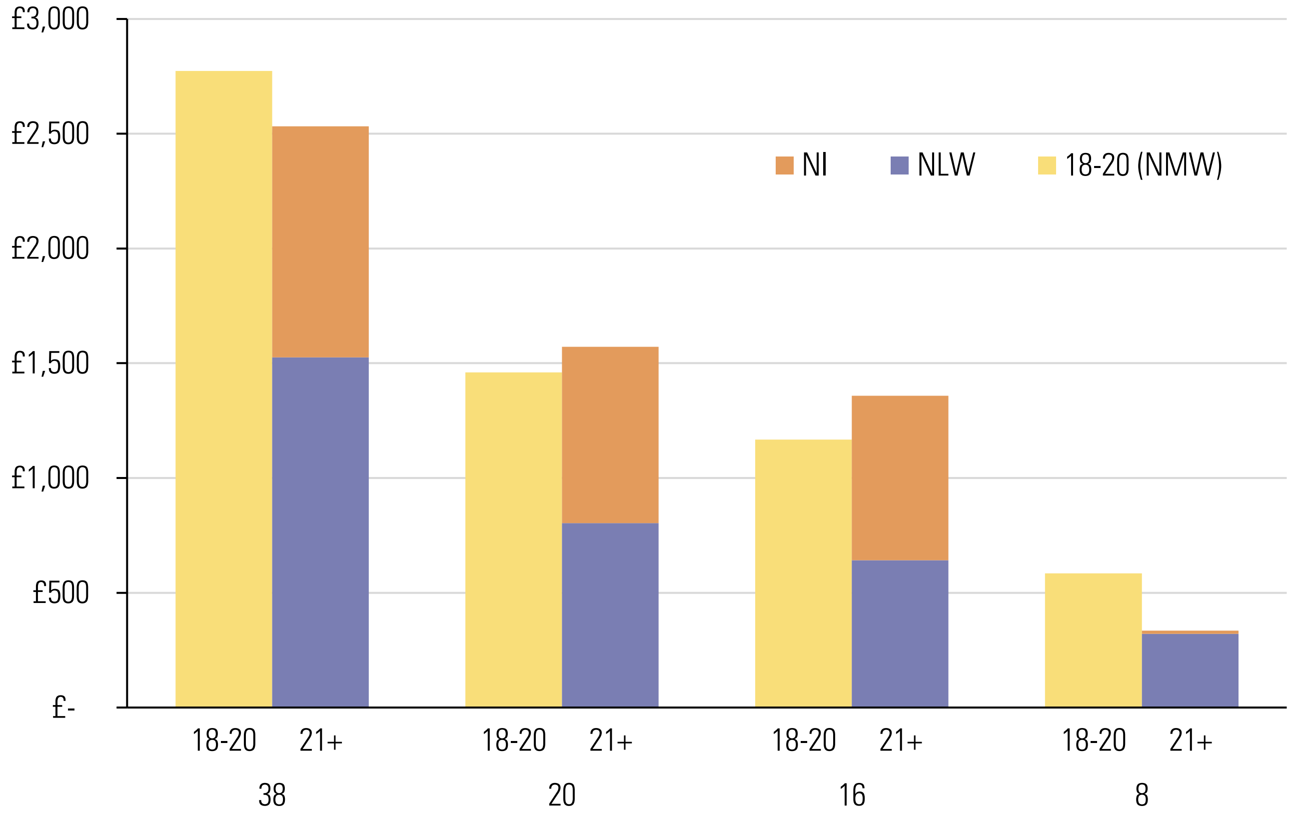
Younger workers won’t attract higher NICs, lowering their relative cost

Workers aged below 21 do not attract employer NICs until they reach very high earnings levels (over £50,270). So, the higher cost of employing workers in this age group will be entirely driven by increases to the NMW.

This means that while the relatively large increases in youth rates close the gap with the NLW, the gap in total employment costs stays roughly the same. This is illustrated in the chart showing the total cash cost increases for 18-20 year olds and those aged 21 and over.

Younger workers' lower NICs liability is likely to influence employers’ recruitment decisions following the NICs change. If an employer chooses to pay an 18-20 year old the NLW, as many already do, there is a substantial difference in employment costs. A 21 year old working 38 hours a week on the NLW will now cost £26,330, including £2,783 NICs. An 18-20 year old on the NLW working the same hours avoids this NICs liability, lowering their total cost relative to someone aged 21 or over by 10.6 per cent. While most workers this age work part-time, the difference for those doing 20 or 16 hours is lower but still substantial (8.3% and 7.1% respectively).

Net change in total employment costs (wage & NIC) for 21+ and 18-20 (2024 to 2025) by hours of work (38, 20, 16, 8)



Our evidence strategy

We are beginning our evidence-gathering in support of the recommendations we will make to the Government in the autumn for the 2026 minimum wage rates. We are keen to hear first-hand views from workers, businesses and other interested parties. You can contribute to our evidence-gathering in a number of ways:

- We will be launching our written call for evidence in the near future. Among other things, we will be looking for evidence on:
    - the economy and labour market;
    - the experiences of workers on low pay;
    - how employers have responded to changes in minimum wage rates;
    - views on the future of the NLW;
    - views on the future of the NMW youth rates, in particular the transition to an NLW for all workers aged 18 and over.
- We are visiting businesses and workers up and down the UK, to talk about their views on the minimum wage. You can read more about our visits programme here.
- We invite meetings with any and all other interested parties. If you have something to contribute, please get in touch with us via lpc@lowpay.gov.uk.

LPC visits programme, 2025

Dundee	19-20 March
London	15-16 April
Swansea	14-15 May
Exeter	11-12 June
Newry	9-10 July
Newcastle	6-7 August

Sources

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Page 5 top chart: LPC analysis of ASHE, UK 1997-2024; ONS data (Consumer price index; D7BT); and forecasts from the Bank of England (Monetary Policy Report, February 2025).

Page 5 bottom chart: LPC estimates using the National Living Wage, and data from ONS, HM Treasury and the Bank of England. CPI inflation data (D7BT); RPI (CHAW), monthly, April 2019-February 2025; and Housing Costs Index (HCI) for all households, monthly April 2019-December 2024; CPI median forecasts, quarterly, 2025 Q1-2026 Q4 from the Bank of England (Monetary Policy Report, February 2025); median of CPI and RPI forecasts for 2025 Q4 and 2026 Q4 from the HM Treasury panel of independent forecasts, monthly, March 2026; LPC projections of HCI using estimates of historical relationship with CPI and CPI forecasts; and using forecasts of CPI and RPI. Note: CPI (BoE) uses Bank of England market median to project the CPI path. RPI (HMT) uses the HM Treasury panel to project the RPI path. HCI (CPI+) projects HCI such that it grows in line with the historic relationship between HCI and CPI. HCI (CPI/RPI) projects HCI so that it grows in line with the average of the CPI and RPI projections.

Page 6 chart: LPC estimates using HM Revenue and Customs information on thresholds and rates. Note: The analysis has been conducted for England. Income tax rates and thresholds vary in Scotland and Wales. Excludes auto-enrolment.

Page 7 table: LPC analysis of ASHE, UK, 1997-2023. For more detail, see Low Pay Commission (2022) Chapter 10. Note: This analysis assumes the total number of jobs remains the same between April 2024 and April 2025. It uses estimated job counts from ASHE, which may differ from other sources.

Page 7 chart: LPC analysis of ASHE, UK, 1997-2023. For more detail, see Low Pay Commission (2022) Chapter 10. Note: This analysis assumes the total number of jobs remains the same between April 2024 and April 2025. It uses estimated job counts from ASHE, which may differ from other sources.

Page 8 left chart: LPC data on historic minimum wage rates. For 2016 and 2017, the growth rates use the minimum wages in the previous April as the base, instead of the most recent minimum wage rates set in the preceding October.

Page 8 middle chart: LPC data on historic minimum wage rates. The 18-20 Year Old Rate has existed since October 2010; prior to this, 18-20 year olds were eligible for a 18-21 Year Old Rate. The 16-17 Year Old Rate was introduced in October 2004.

Page 8 right chart: LPC analysis of ASHE, low pay weights, 16-17 and 18-20 year olds, excluding those eligible for the Apprentice Rate, 2011 - 2024 (provisional). 2025 forecasts use LPC projections of median hourly earnings growth from average weekly earnings (AWE) total pay (KAB9), monthly, seasonally adjusted, GB, September 2022-August 2024; and median of average wage growth forecasts from HM Treasury panel of independent forecasters (August and October 2024) and the Bank of England (Monetary Policy Report, August 2024).

Page 9 top chart: LPC estimates using HM Revenue and Customs information on thresholds and rates. Note: Assumes employers have exhausted the employment allowance.

Page 9 bottom chart: LPC estimates using HM Revenue and Customs information on thresholds and rates. Note: Assumes employers have exhausted the employment allowance.

Page 10 chart: LPC estimates using HM Revenue and Customs information on thresholds and rates.

Page 10 table: LPC analysis of ASHE, UK, 2024, low-pay weights.

Page 11 chart: LPC estimates using HM Revenue and Customs information on thresholds and rates. Note: Assumes employers have exhausted the employment allowance.

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