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Friday 2 May 2025

Dear Sir or Madam

## CONSULTATION ON APRIL 2026 NATIONAL MINIMUM WAGE RATES

### DEADLINE FOR SUBMISSIONS: 30 JUNE 2025

The Low Pay Commission (LPC) is the independent body that advises the Government on the level of the minimum wage. Later this year, we will recommend the National Minimum Wage (NMW) and National Living Wage (NLW) rates to apply from April 2026. I am writing to invite you to submit evidence to our consultation by Monday 30 June 2025. We do not expect respondents to answer all questions unless they are able to; they should focus on the areas which are of most concern to them and where they can provide the most comprehensive evidence.

We have not yet received our remit from the Government. Ordinarily, we would know the terms of our remit, and the parameters for the recommendations we will make later in the year, before launching this consultation. Rather than delay our consultation any further though, we are publishing this document now to allow all stakeholders a substantial length of time to contribute. In asking about the effects of the most recent upratings, the absence of a future remit should not affect questions or responses.

Once our remit is confirmed and published, we may publish an updated version of this document.

### National Living Wage

On 1 April 2025, the NLW increased to £12.21 for all workers aged 21 and over. This increase fulfilled two requirements of the remit set for us last year: it moved the rate to two-thirds of median earnings, and it ensured low-paid workers would receive a real-terms increase in their hourly pay, throughout the period to March 2026.

To maintain the NLW at two-thirds of median earnings, a rate between £12.50 and £12.80 would be required in April 2026 with a central estimate of £12.65. So far this year, wage growth has turned out to be stronger than predicted; if this continues then these figures will likely increase. However, forecasting wage growth remains difficult due to unpredictable economic conditions. Once our remit is published, we will update these estimates.

As noted above, our remit has not yet been published, so we do not know what the Government will ask us to do in respect of the NLW in 2026. The projected figures above are therefore indicative only and assume that two-thirds of median earnings remains a relevant point of reference. They are subject to what the Government says in the remit, and the LPC's own deliberations later in 2025. They are also subject to changes in data sources and forecasts between now and the time we make our recommendations.

## National Minimum Wage for younger workers and apprentices

The Government stated its ambition last year to extend the NLW to all workers aged 18 and over. In our advice to the Government last October, we substantially narrowed the gap between the 18-20 Year Old Rate and the NLW, and we stated our intention to consult “on the appropriate pace and approach to closing the gap the rest of the way, whether by raising the level, lowering the age threshold or a combination of the two.” This consultation asks for views on how we could approach this and what the impact of a reduction in the age threshold might be. An annex to this letter sets out some detail on different potential approaches.

For the 16-17 Year Old Rate and Apprentice Rate, we are seeking views on the effects of recent increases and the scope for future increases.

## What we would like evidence on

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

We are particularly interested in evidence on the following:

- The affordability and effects of an increase in April 2026 to an NLW rate within the range of £12.50 to £12.80 (noting that these figures are indicative only because we don’t have our remit for 2026’s rates yet from the Government).
- The impact so far of increases in the NLW in April 2025 on workers, employers, the labour market and economy.
- The effect of recent minimum wage increases for younger workers on their employment prospects.
- Views on the approaches to lowering the NLW age threshold set out in the annex to this document.

## Who we would like evidence from

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

## How to submit evidence

We would prefer respondents to submit their responses via [our online consultation platform](#). You can also submit written evidence by e-mail to [lpc@lowpay.gov.uk](mailto:lpc@lowpay.gov.uk).

As part of our consultation, we meet people and organisations across the UK to hear first-hand evidence on these questions. We are in the process of running in-person [regional visits](#) and will continue to hold meetings and discussions online alongside these. If you are interested in meeting with us to provide first-hand evidence, please contact us via [lpc@lowpay.gov.uk](mailto:lpc@lowpay.gov.uk).

Our practice is to quote consultation responses in our annual report and to list the names of respondents unless they request otherwise. We will seek clearance from respondents before quoting or referencing their evidence in published documents. This year, we intend to publish consultation responses alongside our annual report. If you do not wish your response to be made public, then please make that clear in your submission.

Yours sincerely,

A handwritten signature in blue ink, reading 'Philippa Stroud', written over a horizontal line.

Baroness Philippa Stroud, Chair of the Low Pay Commission

## Privacy notice

We will only process your personal data for purposes which are compatible with those specified in this privacy notice. This may include archiving in the public interest, or scientific, historical or statistical research, in accordance with Article 89 UK GDPR. Where your data is further used for research purposes, appropriate safeguards (including anonymisation, pseudonymisation and data minimisation techniques) will be used to ensure that your personal data is only processed where it is necessary for us to do so, and that it is processed lawfully and securely.

Compatible research purposes may include analysis to further policy development, or to analyse public consultation responses or similar requests for information from the public. While we use AI models to support the efficiency and effectiveness of this analytical work, all written responses will be read by LPC staff. Unless made expressly clear to you, we will not use AI to either make or inform decisions about you.

# Consultation questions

## About you

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

## The National Living Wage

**2** What has been the impact of the NLW in the past year, particularly the most recent 6.7 per cent increase to £12.21 in April this year? We are interested in the effect of the NLW on any of the areas listed below:

- |                                     |                              |
|-------------------------------------|------------------------------|
| a. Employment                       | h. Other employee benefits   |
| b. Hours                            | i. Progression and job moves |
| c. Earnings                         | j. Training                  |
| d. Profits                          | k. Investment                |
| e. Prices                           | l. Recruitment               |
| f. Productivity                     | m. Job quality and security  |
| g. Pay structures and differentials | n. Demand in the economy     |

**3** To what extent has the NLW affected different groups of workers? In particular, are migrant workers affected differently or do effects differ by protected characteristics? (For example, are there differences by sex, race/ethnicity or disability?)

**4** Employer National Insurance (NICs) has risen at the same time as the NLW. How have employers responded to this, and how has this interacted with the NLW change? Which is the bigger impact?

**5** How has the NLW's impact varied across different areas of the UK?

**6** At what level should the NLW be set from April 2026?

**7** Where do employers get their information about the NLW and future projections?

## Experience of those on low pay over the past year

**8** Recent increases in the NLW have exceeded increases in average prices. How far has this helped workers at or close to the minimum wage to meet their living costs?

**9** What has happened to quality of work recently? For example, have workers experienced changes in contract types, flexibility, workplace harassment and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)?

**10** What has happened to wider benefits available to workers (including premium pay and non-pay benefits across the workforce)?

- 11** What are the barriers preventing workers from moving to a new job, particularly one that is better-paid?
- 12** How has access and cost of childcare and transport affected workers' ability to move into work or to a better-paying job?
- 13** What opportunities are there for progression to better-paid work for low paid workers and how common is promotion?
- 14** What has been workers' experience of the Universal Credit system and how the minimum wage interacts with it? Have these influenced workers' approach to how many hours they work and whether they move to another better-paying job?

## Lowering the age of entitlement to the National Living Wage to 18

- 15** The Government wishes to move to a single adult rate of the minimum wage for all workers aged 18 and over. The supporting annex lays out some options for achieving this. We welcome any comments on these options, including:
- a. How will reducing the age threshold for the NLW affect you, your members or others?
  - b. Are there particular benefits or risks associated with the options presented here (or other options we have not considered)? Do you have views on the best approach to changing the age threshold?
  - c. Do you have views on the pace of the transition to an NLW starting at age 18?
  - d. What approach should the LPC take to the gap between the 16-17 Year Old Rate and the minimum wage for 18 year olds?
  - e. How should we evaluate the impact of the steps that we take to move towards an NLW starting at age 18?

## Young people

- 16** The 18-20 Year Old Rate increased by 16.3 per cent in April to £10.00. The 16-17 Year Old Rate increased by 18 per cent, to £7.55. How have recent changes in the minimum wages for young people affected their employment prospects?
- 17** How do the youth minimum wage rates influence employers' decisions about hiring and pay, and young people's decisions about employment?
- 18** What other factors determine pay for young people aside from the rates? For example, job role, skills or length of time in the job.
- 19** Why do employers make use of the youth rates (including pay rates above the youth minimum wages, but below the NLW)? To what extent has this been affected by the recent tight labour market?
- 20** Employer National Insurance has risen at the same time as the NLW, but workers below 21 do not attract employer NICs. Has this affected employers' recruitment decisions?
- 21** At what level should the youth rates be set from April 2026?

## Apprentices

- 22** The Apprentice Rate increased in April by 18 per cent, to £7.55. What do you expect the effects of this increase to be?
- 23** What is the outlook for the recruitment and employment of apprentices? What are the drivers of employers' decisions on this?
- 24** How do employers set pay for apprentices? How does this differ from other parts of the workforce?
- 25** Our [advice to the Government on the future of the NMW](#) recommended significant changes to the treatment of apprentices, including the replacement of the Apprentice Rate by a discount against the relevant NMW age rate. We welcome any comments on these recommendations.

## Compliance and enforcement

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

## Accommodation Offset

- 28** The Accommodation Offset increased by 6.7 per cent in April, to £10.66. What has been the effect of recent increases in the offset on employers' decisions on the provision of accommodation?
- 29** What impact does the offset have on workers? What are the hours, pay and working conditions of workers for whom the offset is deducted?

## Economic outlook

- 30** What are your views on the economic outlook and business conditions in the UK for the period up to April 2026? We are particularly interested in:
- the conditions in the specific sector(s) in which you operate.
  - the effects of Government policies and interventions.
  - the current state of the labour market, recruitment and retention.
- 31** To what extent have employers been affected by other major trends in the economy and labour market: for example, tariffs, inflation, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK?
- 32** Apart from the minimum wage, what are the key drivers of pay decisions in low-paying sectors and occupations? For example, this could include the cost of living, availability and retention of staff, demand, changes to Universal Credit/other benefits, access to transport or homeworking.

**33** How do employers balance pay pressures for low-paid workers with those for others higher up pay scales? In this context, how do employers decide the money available for their pay bill? Is this based on wages as a share of profits and if so has this changed over time?

**34** How has inflation and the cost of living factored into wage setting? What has been your experience of wage growth and inflation in the last year, and what are your views on forecasts for the next couple of years?

## Annex: Options for lowering the age of entitlement to the NLW to 18

### Summary

- 1** Last year, the Government stated its commitment to reducing the age of entitlement for the NLW to 18. It asked us to recommend “steps year by year in order to achieve a single adult rate”. In our 2024 Report, we committed to consulting on the best way of doing this. This annex supports our 2025 consultation, by outlining options for completing the transition to an adult minimum wage that starts at age 18.
- 2** We could lower the age of entitlement to the National Living Wage (NLW) in one of two ways:
  - a. Reduce the age of entitlement by one age group at a time. That is, first extend the NLW to 20 year olds, then 19 year olds, then 18 year olds. Rates for the remaining age groups (e.g. 18-19 year olds) could be moved closer to the NLW as they prepare to move over.
  - b. Align the 18-20 Year Old Rate with the NLW over a number of years. This would require the 18-20 Year Old Rate to increase faster than the NLW until the two were equal and the 18-20 Year Old Rate was abolished.
- 3** The choice of approach affects the size and timing of the minimum wage increases 18-20 year olds will need to bring them on to the NLW. In general, approach (a) would lead to one-off large increases in the wage floor for each age cohort as they move onto the NLW, while approach (b) would require smaller (but still significant) increases spread over a number of years.
- 4** Whichever approach we recommend, the size of minimum wage increases needed to achieve an 18+ NLW will also be affected by:
  - a. The speed of the transition. The faster we move to an 18+ NLW, the larger the increases in the wage floor needed.
  - b. Changes to the NLW (whether driven by economic factors or Government policy). Larger increases in the NLW would also mean larger increases for 18-20 year olds.
- 5** Including younger workers in the NLW reduces median hourly pay for the NLW population. If the NLW remains connected to median hourly pay, this may lead to lower increases in the NLW.
- 6** Changes in the minimum wage for 18-20 year olds also affect the jump in the wage floor experienced at age 18 (when moving off the 16-17 Year Old Rate).
- 7** The scenarios in this annex are illustrative only. They depend on the factors discussed above and are based on our current forecasts.

### Introduction

- 8** In our 2024 remit, the Government told us that it was “committed to ensuring that every adult worker benefits from [a] genuine living wage” and that we should recommend “steps year by year in



order to achieve a single adult rate". We subsequently committed to consulting on the best way of doing this. This annex outlines some options for completing the transition to an adult minimum wage that starts at age 18.

**9** We invite you to provide evidence and views on the following questions:

- a. How will reducing the age threshold for the NLW affect you, your members or others?
- b. Are there particular benefits or risks associated with the options presented here (or other options we have not considered)? Do you have views on the best approach to changing the age threshold?
- c. Do you have views on the pace of the transition to an NLW starting at age 18?
- d. What approach should the LPC take to the gap between the 16-17 Year Old Rate and the minimum wage for 18 year olds?
- e. How should we evaluate the impact of the steps that we take to move towards an NLW starting at age 18?

**10** There are different ways to reduce the age threshold for the NLW. The age of entitlement could be lowered one age cohort at a time (from 21, to 20, to 19) until it reaches 18 years, or we could recommend larger increases in the 18-20 Year Old Rate until it aligns with the NLW.

**11** Both approaches would require significant increases in the wage floor for workers aged 18-20. The scale of these increases depends not only on the approach taken, but also on how quickly we complete the transition and how the NLW changes over this period.

**12** To make the options more concrete, we have provided scenarios (including indicative increases in minimum wages for 18-20 year olds) alongside them. **Please treat these as illustrative only.** They are based on a range of different assumptions and forecasts, which are subject to change.

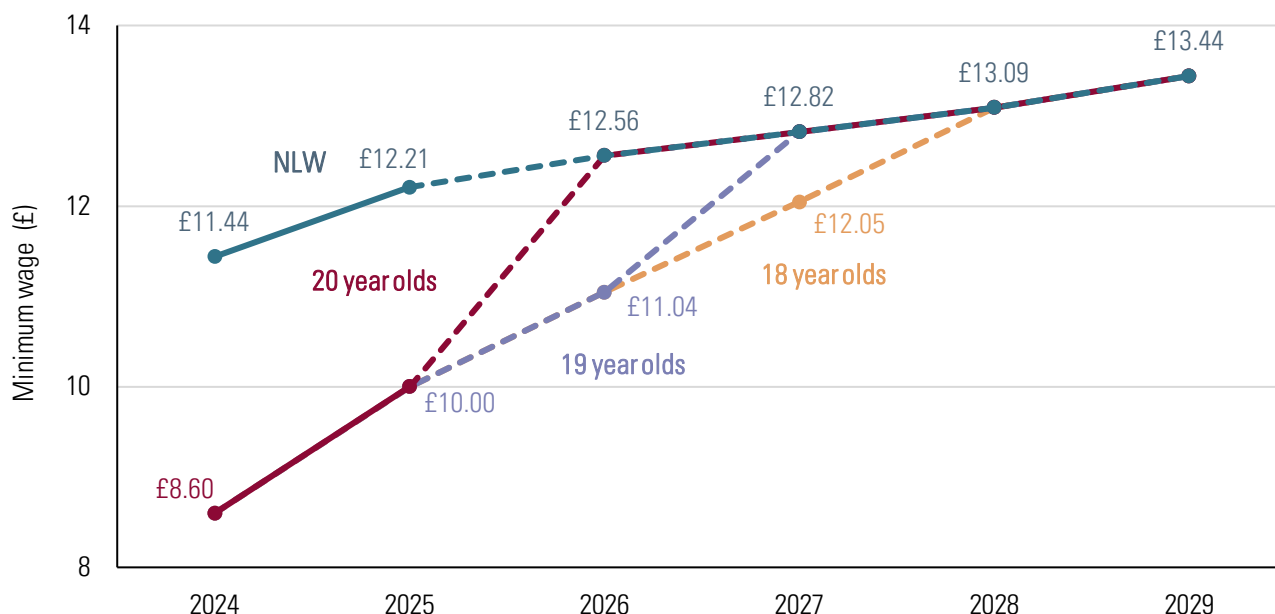
**13** For example, these scenarios present an NLW that remains at two-thirds of the projected median hourly wage. This is not a forecast of what we think will happen with the NLW. We have yet to receive our remit from the Government and so we do not know what the Government's intentions are for 2026, and the actual NLW rate (and therefore associated youth rates) could vary significantly from the figures presented here. These projections also account for each younger age group included in the NLW lowering the median pay reference level.

**14** Whichever approach is taken to changing the age threshold for the NLW, recommended rates for each year will be determined through negotiation among Low Pay Commissioners with reference to the full range of evidence available at that time.

## Lowering the threshold one age at a time

**15** Figure 1 shows a scenario in which 20 year olds become eligible for the NLW in April 2026, 19 year olds in April 2027, and finally 18 year olds in April 2028. The NLW remains at two thirds of median earnings and we assume that the residual rate (e.g. that for 18-19 year olds after 20 year olds have moved to the NLW) is also moved closer to the NLW year by year.

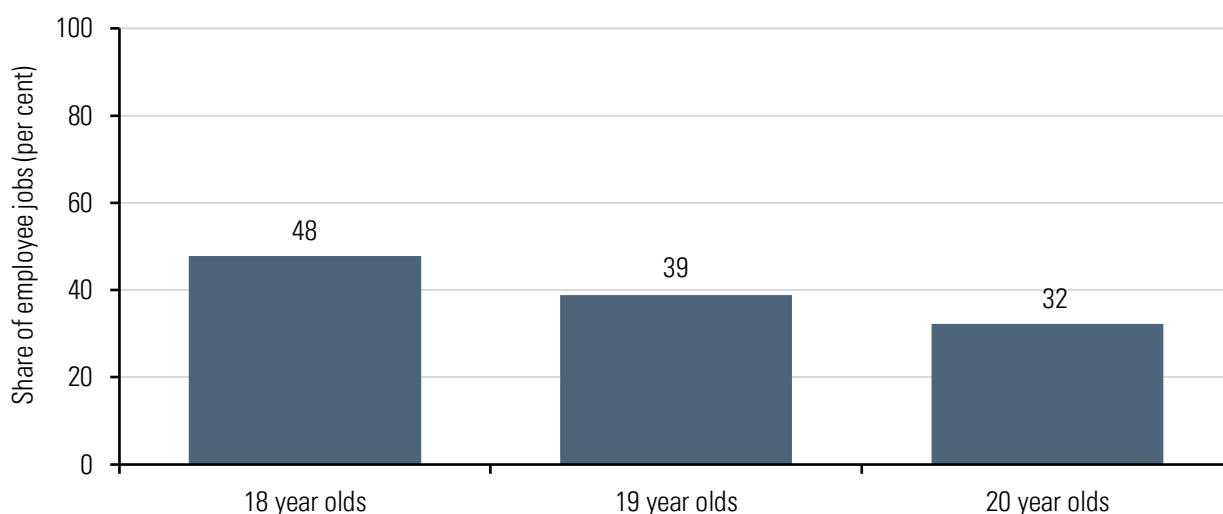
**Figure 1: Individual age rates required to catch up with an illustrative NLW by April 2028**



Source: LPC data on minimum wage rates and LPC projections using ONS data (ASHE and AWE) and forecasts from the HM Treasury (2024e) panel of independent forecasters and the Bank of England (2024c). Dashed lines are illustrative projected values. The minimum wage for 18 year olds is calculated by smoothing the change in the share of the adult rate between April 2025 (61.8 percent) and April 2028 (100 per cent). The minimum wage for 19 year olds is assumed to follow the 18 year old rate until eligibility in April 2027. The projections also account for each younger age group included in the NLW lowering the median pay reference level, and therefore the level of the NLW required to maintain two-thirds bite.

**16** This approach would allow us to evaluate the initial impacts on each age cohort after they become eligible for the NLW and adjust our future recommendations accordingly. Starting by moving older workers onto the NLW would also reflect the differences within the 18-20 age group. Evidence suggests that the risks to employment for 20 year olds are likely to be lower than for 18 year olds, while Figure 2 shows that 18 year olds are more likely to be paid below the NLW than 20 year olds.

**Figure 2: Share of employee jobs paid below the NLW by age, 2024**

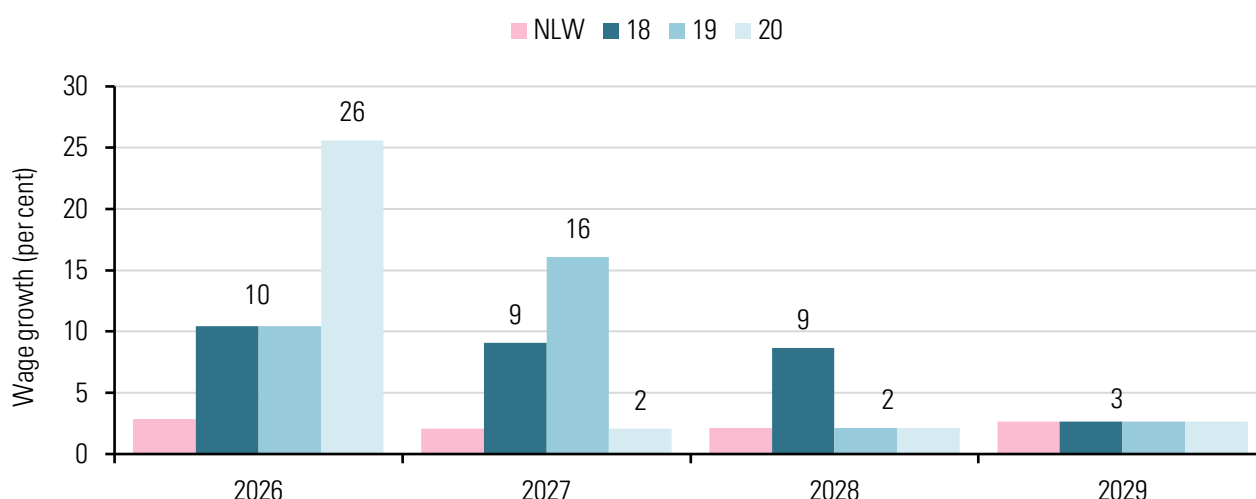


Source: LPC analysis of ASHE, low pay weights, UK, 2024. 18-20 population, excluding those eligible for the Apprentice Rate.

**17** However, each year reduction in the age of eligibility will require a significant increase to the minimum wage for that age cohort. Figure 3 shows that if 20 year olds became eligible for the NLW in April 2026, it would likely increase their minimum wage by around 26 per cent (depending on the agreed NLW uprating). The increases required for 18 and 19 year olds would be smaller because there are additional years to reduce the gap between their youth rate and the NLW in the interim. After the large one-off increase required to move an age cohort onto the NLW, the growth in their minimum wage is likely to slow as it will simply grow in line with the NLW.

**18** If we were to complete the transition later than 2028, this would reduce the scale of increases needed. It would also allow more time to evaluate between the changes.

**Figure 3: Projected growth of minimum wage rates, 18-20 year olds are moved onto the NLW one age at a time, 2026-2029**



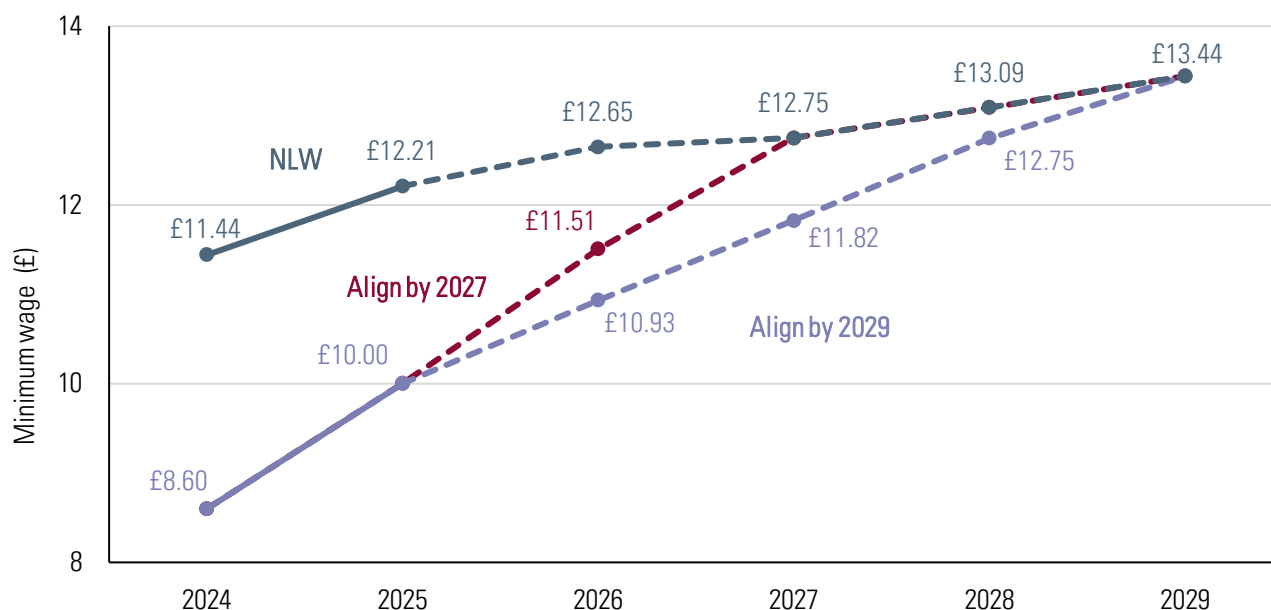
Source: LPC data on minimum wage rates and LPC projections using ONS data (ASHE and AWE) and forecasts from the HM Treasury (2025) panel of independent forecasters and the Bank of England (2025).

## Aligning the 18-20 Year Old Rate

**19** An alternative approach is to increase the 18-20 Year Old Rate until it aligns with the NLW. Figure 4 shows the increases to the 18-20 Year Old Rate required to align it with the NLW at two possible speeds. Again, we assume that the NLW remains at two thirds of median earnings. Alignment of the 18-20 Year Old Rate with the NLW by April 2027 would require increases in the region of £1.40 (11-15 per cent) each year for two years, whereas aligning the rate by April 2029 would require increases of around 90 pence (5-9 per cent) each year for four years. After the transition (either two or four years), rates for 18-20 year olds would follow the growth path of the NLW – here assumed to continue at roughly 3 per cent per year, but subject to change.

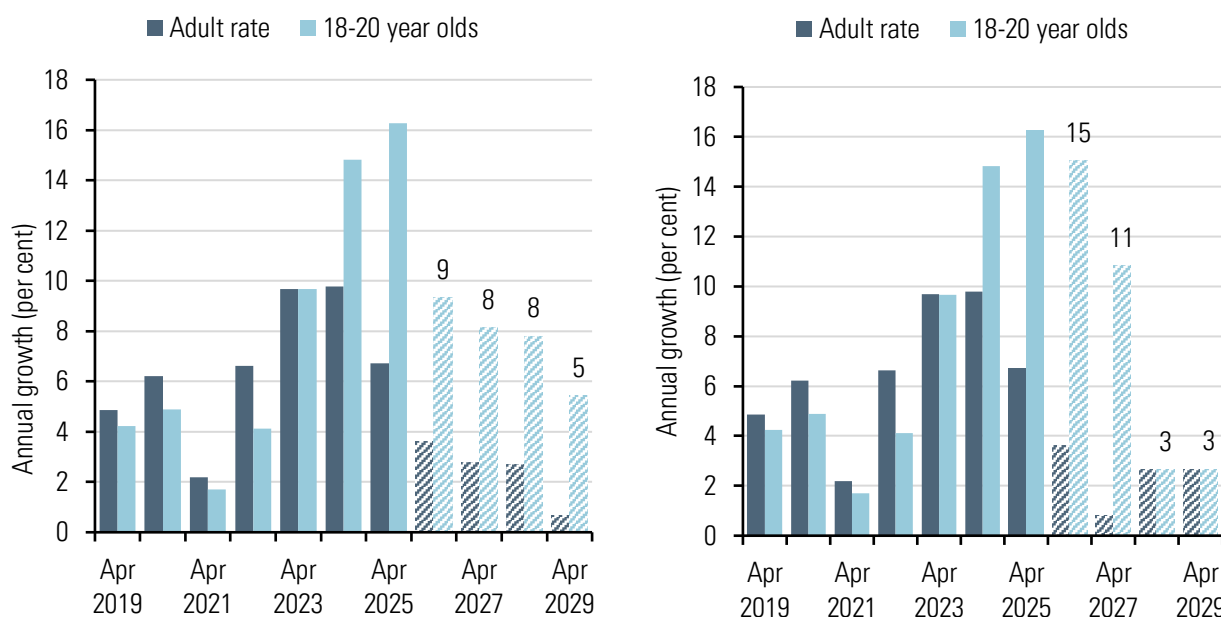
**20** Figure 5 shows the projected increases required to align the 18-20 Year Old Rate by April 2029. The increases required would be larger than most of the historic increases to the 18-20 Year Old Rate, except for the increases seen in the last three years.

**Figure 4: 18-20 Year Old Rate required to align with the NLW by April 2027 and April 2029**



Source: LPC data on minimum wage rates and LPC projections using ONS data (ASHE and AWE) and forecasts from the HM Treasury (2025) panel of independent forecasters and the Bank of England (2025). Dashed lines are illustrative projected values. The 18-20 Year Old Rate is calculated by smoothing the change in the share of the adult rate between April 2025 (61.8 per cent) and the year of alignment (100 per cent). The NLW projection of two-thirds bite shown above assumes that the NLW population changes from 21+ to 18+ in April 2027. If aligning in 2029, NLW estimates for 2027 and 2028 would be around 25 pence higher than shown here. For simplicity, we have not shown this on the chart.

**Figure 5: Past and projected growth of minimum wage rates, aligning 18-20 Year Old Rate by April 2029 (left hand side) and aligning by 2027 (right hand side)**



Source: LPC data on historical minimum wage rates and LPC projections using ONS data (ASHE and AWE) and forecasts from the HM Treasury (2024e) panel of independent forecasters and the Bank of England (2024c). The NLW calculation of two-thirds bite assumes that the NLW population changes from 21+ to 18+ in April 2029.

## Other considerations

**21** Under either approach, the scale of minimum wage increases needed for 18-20 year olds will depend on how quickly the NLW increases. Larger NLW increases could be a result of strong wage growth, increases in the cost of living, changes in policy or other economic factors considered by the Commission. These would all indirectly affect the increases needed for 18-20 year olds.

**22** As the wage floor for 18-20 year olds is increased, the LPC must also consider the implications for the 16-17 Year Old Rate. If the 16-17 Year Old Rate increases more slowly than that for 18 year olds, the 'jump' in the wage floor when workers turn 18 will increase.

*Note: This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates.*