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2 April 2024

Dear Sir or Madam

CONSULTATION ON APRIL 2025 NATIONAL MINIMUM WAGE RATES

DEADLINE FOR SUBMISSIONS: 7 JUNE 2024

The Low Pay Commission (LPC) is the independent body that advises the Government on the level of the minimum wage. We have been asked to recommend the National Minimum Wage (NMW) and National Living Wage (NLW) rates to apply from April 2025. I am writing to invite you to submit evidence to our consultation by 7 June 2023. 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.

National Living Wage

On 1 April 2024, the NLW increased to £11.44. We expect this increase to meet the Government's ambition of reaching two-thirds of median earnings in 2024. The age of eligibility for the NLW also changed on this date, from 23 to 21.

The Government's remit to the LPC for 2024 has now been published. This remit asks us to recommend an NLW rate for April 2025 "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." We estimate that the rate required to meet this aim is within the range of £11.61 and £12.18, with a central estimate of £11.89.

Our recommendations are not purely formulaic. The remit also asks us to closely monitor developments in the labour market and advise on emerging risks. This consultation is a vital part of how we assess those economic conditions.

National Minimum Wage for younger workers

The Government has asked us to advise on rates for younger workers (those covered by the 16-17 and 18-20 Year Old Rates, as well as the Apprentice Rate). Our remit in this area is to raise rates as high as possible without damaging the employment prospects of the affected groups.

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 2025 to an NLW rate within the range of £11.61 and £12.18 (with a central estimate of £11.89).
- The impact of increases in the NLW in April 2024 on workers, employers, the labour market and economy.
- The impact of 21-22 year olds becoming entitled to the NLW in April 2024.
- The effect of the minimum wage increases for younger workers on their employment prospects.
- The effects of this year's increase in the Apprentice Rate, and its continued alignment with the 16-17 Year Old Rate.
- Awareness, use and impacts of the Accommodation Offset.

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

Please submit your written consultation responses by e-mail to 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 providing evidence, please contact us via lpc@lowpay.gov.uk.

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

Yours sincerely,



Baroness Philippa Stroud, Chair of the Low Pay Commission

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 9.8 per cent increase to £11.44 in April this year? Our critical interest is in its effects on employment, hours and earnings. We are also interested in the effect of the NLW on any of the areas listed below:

- | | |
|-------------------------------------|-----------------------------|
| a. Profits | f. Training |
| b. Prices | g. Investment |
| c. Productivity | h. Recruitment |
| d. Pay structures and differentials | i. Job quality and security |
| e. Progression and job moves | |

3 To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities and those with disabilities) and migrant workers?

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

5 At what level should the NLW be set from April 2025?

6 Where do employers get their information about the NLW and its future path? Now that the NLW has reached its two-thirds target, do you have any comments on how the path was calculated and communicated?

Experience of those on low pay over the past year

7 How have changes in the cost of living affected workers on or close to the NMW and NLW and how, if at all, has this affected worker needs and expectations from their employment and pay?

8 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).

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

10 What are the barriers preventing workers from moving to a new job, particularly one that is better paid?

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

Young people

The NMW youth rates from 1 April 2024 are £8.60 for 18-20 year olds (a 14.8 per cent increase) and £6.40 for 16-17 year olds (a 21.2 per cent increase).

- 14** How have recent changes in the minimum wages for young people affected their employment prospects?
- 15** The NLW age of eligibility came down from 23 to 21 on April 1 2024 – what has been the impact of this?
- 16** How do the youth minimum wage rates influence employers' decisions about hiring and pay, and young people's decisions about employment?
- 17** What other factors determine pay for young people aside from the rates? For example, job role, skills or length of time in the job.
- 18** 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?
- 19** At what level should these rates be set from April 2025?
- 20** Our [advice to the Government on the future of the NMW](#) recommended lowering the threshold for the NLW over time to 18 if the evidence allows. We welcome any comments on these recommendations.

Apprentices

The NMW Apprentice Rate from 1 April 2024 is £6.40 (a 21.2 per cent increase).

- 21** The Apprentice Rate increased substantially this year. What do you expect the effects of this increase to be?
- 22** What is the outlook for the recruitment and employment of apprentices?
- 23** How widely used is the Apprentice Rate (including pay rates above the Apprentice Rate but below the relevant age-related minimum wage rate)? What kind of apprenticeships are paid this rate? What kind of jobs do these apprenticeships (paid at or just above the Apprentice Rate) lead to?
- 24** 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

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

Accommodation Offset

- 27** What has been the effect of recent increases in the offset on employers' decisions on the provision of accommodation?
- 28** What impact does the offset have on workers? What are the hours, pay and working conditions of workers for whom the offset is deducted?
- 29** Are there particular issues created by the current design of the offset?
- 30** Last year we recommended that a quality standard and suitable enforcement regime are put into place as soon as possible. This would need to be implemented before we could recommend further significant changes to the offset. What would the impact of this policy be for employers and how would it effect the accommodation they provide?
- 31** We also recommended a minimum hours requirement before accommodation costs can be deducted. If implemented what would the effect of this policy be and what should be considered when setting a minimum hour's requirement?

Economic outlook

- 32** What are your views on the economic outlook and business conditions in the UK for the period up to April 2025? We are particularly interested in:
- the conditions in the specific sector(s) in which you operate.
 - the effects of Government interventions to support the economy and labour market.
 - the current state of the labour market, recruitment and retention.
- 33** To what extent have employers been affected by other major trends in the economy and labour market: for example, inflation, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK?
- 34** 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, changes to Universal Credit/other benefits, access to transport or homeworking.
- 35** 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?
- 36** 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?