

Large minimum wage increases help protect low-paid workers' living standards

The National Living Wage (NLW) will rise to £10.42 from 1 April 2023, an increase of 92 pence or 9.7 per cent.

The Low Pay Commission's (LPC) recommendations ensure the NLW continues on track to reach the Government's target of two-thirds of median earnings by 2024. The recommendations were unanimously agreed by Commissioners and accepted in full by the Government.

Alongside today's announcement, the LPC has published its letter of recommendations to the Government and a summary of the evidence that informed them. Our full 2022 Report, which sets out the evidence in detail, will be published and laid in Parliament later this year.

The increases announced today will support the wages and living standards of low-paid workers at a time when many are feeling increased pressure from a rising cost of living. They are recommended against a backdrop of a tight labour market where unemployment is at record lows and vacancies remain high as businesses compete to recruit and retain staff.

Bryan Sanderson, Low Pay Commission Chair, said:

The rates announced today include the largest increase to the NLW since its introduction in 2016 and will provide a much-needed pay increase to millions of low-paid workers across the UK, all of whom will be feeling the effects of a sharply rising cost of living. For a full-time worker, today's increase means nearly £150 more per month.

The tightness of the labour market and historically high vacancy rates give us confidence that the economy will be able to absorb these increases.

Businesses also have to navigate these economically uncertain times and by ensuring we remain on the path to achieve our 2024 target, employers will have greater certainty over the forward path.

These recommendations have the full support of the business, trade union and academic representatives who make up the Commission.

Alongside the NLW, the Commission recommended significant increases in the National Minimum Wage (NMW) rates for younger workers. The 21-22 Year Old Rate will increase to £10.18, narrowing the gap with the NLW and leaving this age group on course to receive the full NLW by 2024. NMW rates for 18-20 and 16-17 year olds and apprentices will increase in line with the NLW increase of 9.7% in recognition of the tight labour market and strong demand for labour in youth-friendly sectors.

	Rate from April 2023	Current rate (April 2022 to March 2023)	Increase
National Living Wage	£10.42	£9.50	9.7%
21-22 Year Old Rate	£10.18	£9.18	10.9%
18-20 Year Old Rate	£7.49	£6.83	9.7%
16-17 Year Old Rate	£5.28	£4.81	9.7%
Apprentice Rate	£5.28	£4.81	9.7%
Accommodation Offset	£9.10	£8.70	4.6%

The LPC's full report will be published and laid in Parliament in the coming weeks. It will set out the full evidence base for this year's recommendations, and Commissioners' advice to the Government in several areas. These include the LPC's review of the Accommodation Offset; evidence around the NLW's impacts on different regions of the UK; and the effects of the minimum wage on workers with protected characteristics.

1. The LPC submitted its recommendations on 24 October 2022. The Government has today announced its acceptance of those recommendations.
2. The Government's remit to the LPC, which determines the Commission's work through the year, was published in March and is available [here](#).
3. The National Living Wage (NLW) is the statutory minimum wage for workers aged 23 and over. Different minimum wage rates apply to 21-22 year olds, 18-20 year olds, 16-17 year olds and apprentices aged under 19 or in the first year of an apprenticeship.
4. The LPC's recommendations on the NLW are informed by a Government-set target for that rate to reach two-thirds of median earnings by 2024. In this year's remit, the Government asked the LPC "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 remains committed to the 2024 target, but if the economic evidence warrants it, the Low Pay Commission should advise the government to review the target or its timeframe. This emergency brake will ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects."
5. Following LPC recommendations in 2019, the age threshold for the NLW was lowered from 25 to 23 in April 2021 and is due to be lowered to 21 by 2024.
6. Rates for workers aged under 23, and apprentices, are lower than the NLW to reflect lower average earnings and higher unemployment rates. International evidence also suggests that younger workers are more exposed to employment risks arising from the pay floor than older workers. Unlike the NLW (where the possibility of some consequences for

employment have been accepted by the Government), the LPC's remit requires us to set the rates for younger workers and apprentices as high as possible without causing damage to jobs and hours.

7. The Accommodation Offset is an allowable deduction from wages for accommodation, applicable for each day of the week. In April 2023 it will increase to £9.10 per day. The Government's remit to the LPC this year acknowledged the LPC's intention to review the operation of the Accommodation Offset. The findings and recommendations of this review will be published shortly.
8. For an NLW worker working 37.5 hours per week, the increases announced today will increase their annual pay by £1798.83 and their monthly pay by £149.90.
9. The National Living Wage is different from the UK Living Wage and the London Living Wage calculated by the Living Wage Foundation. Differences include that: the UK Living Wage and the London Living Wage are voluntary pay benchmarks that employers can sign up to if they wish, not legally binding requirements; the hourly rate of the UK Living Wage and London Living Wage is based on an attempt to measure need, whereas the National Living Wage is based on a target relationship between its level and average pay; the UK Living Wage and London Living Wage apply to workers aged 18 and over, the National Living Wage to workers aged 23 and over. The Low Pay Commission has no role in the UK Living Wage or the London Living Wage.
10. The Low Pay Commission is an independent body made up of employers, trade unions and experts whose role is to advise the Government on the minimum wage. The rate recommendations introduced today were agreed unanimously by the Commission.
11. The current Low Pay Commissioners are: Bryan Sanderson (Chair), Kate Bell, Kay Carberry, Matthew Fell, Louise Fisher, Martin McTague, Professor Patricia Rice, Simon Sapper and Professor Jonathan Wadsworth.
12. Bryan Sanderson can be contacted via the Low Pay Commission's press office (07592 272382)