

National Living Wage Increase boosts pay of low-paid workers

The National Living Wage (NLW) will increase on Friday 1 April by 6.6 per cent to £9.50, providing a pay rise to millions of workers across the UK. There will be a real terms pay increase for 21-22 year olds who will see their pay increase by 9.8 per cent to £9.18 per hour. These increases follow recommendations made to the Government by the Low Pay Commission in the autumn. The increase means a significant step forward towards reaching the target set by the Government for the NLW to reach two-thirds of median earnings by 2024.

The Government published its [remit](#) to the LPC for 2022 in March. This asks the Low Pay Commission (LPC) “to monitor the labour market and the impacts of the National Living Wage closely, advise on any emerging risks and – if the economic evidence warrants it – recommend that the government reviews its target or timeframe. This emergency brake will ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects.” The LPC will make its recommendations to Government on the 2023 National Minimum Wage rates in October.

Bryan Sanderson, Chair of the Low Pay Commission, said:

Minimum wage workers across the United Kingdom continue to play a vital role in ensuring a strong post-pandemic economic recovery. In previous years the LPC has sought to keep increases to the minimum wage above inflation. However, inflation is now expected to be higher than the forecasts we had when we made our recommendations last October.

Workers on the minimum wage; care for our elderly and sick, harvest and deliver our food, and do a multitude of other tasks which help us all. Many public sector workers including for example teaching assistants will also shortly be included. They all deserve to be properly remunerated and respected as key members of our society.

Therefore, while today’s NLW increase of 6.6 per cent gets us back on track to reach the 2024 target of two-thirds of median earnings, it will unfortunately likely be a real terms cut. Though, 21-22 year olds will receive a real terms increase with a rise of 9.8 per cent. We will soon make this group eligible for the NLW and judged it sensible to close the gap between the rates over a longer period, rather than a very large increase once they become eligible.

The Low Pay Commission met with around a hundred representative bodies last year before making its recommendations. We are frequently their main sometimes even their only advocates. With government support we will continue to try to ensure that they do not suffer from the neglect which was so often characteristic of the past.

The LPC has today published a short [report](#) which looks ahead at what the new rates will mean, and the path of the NLW to its target of two-thirds of median hourly earnings by 2024. Estimating the forward path of the NLW is very challenging as earnings growth is difficult to measure and predict in the current economic climate. Nevertheless, our estimate of the on-course rate of the NLW for 2023 is £10.32 (an 8.6% increase) and £10.95 in 2024 (a 6.1% increase). Because of the uncertainty we will update our estimates in the summer

Today, the other rates of the National Minimum Wage will also increase alongside the NLW.

	Previous rate	Rate from April 2022	Increase
National Living Wage	£8.91	£9.50	6.6%
21-22 Year Old Rate	£8.36	£9.18	9.8%
18-20 Year Old Rate	£6.56	£6.83	4.1%
16-17 Year Old Rate	£4.62	£4.81	4.1%
Apprentice Rate	£4.30	£4.81	11.9%
Accommodation Offset	£8.36	£8.70	4.1%

We are seeking evidence on the effects of the National Living Wage and National Minimum Wage, to inform our recommendations on the 2023 rates. This consultation will run from: 28 March to 20 June 2022. For more information on the consultation including how to respond please see [here](#).

Notes for editors

1. The LPC originally submitted its recommendations in October 2021. The Government subsequently announced its acceptance of those recommendations on 27 October 2021. The LPC's [2021 Report](#), which sets out the evidence underpinning its recommendations, was published in December 2021.
2. Rationale for our recommendations: In October 2021 we judged that the economic situation had improved in 2021. GDP was approaching its pre-crisis level and the labour market was also recovering, with payroll employment above its pre-crisis level and vacancies hitting record levels, suggesting further improvement, although total employment remained below its pre-crisis level. In October, we also noted some risks to the economy relating to global supply chains, the end of the furlough scheme, rising input costs and staff availability. The improvement in the economic and labour market situation led us to recommend an NLW increase (6.6 per cent) that was expected to get the NLW back on track to the 2024 target, following the relatively low

increase (2.2 per cent) in 2021. We plan to align the 21-22 Year Old Rate with the NLW by 2024, so we judged it sensible to reduce the gap between the 21-22 Year Old Rate and the NLW next year and recommended an increase of 9.8 per cent to £9.18. For the other youth rates we recommended an increase of 4.1 per cent because their labour market position was not as strong. We recommended going ahead with our previous proposal to align the Apprentice Rate with the 16-17 year old rate with a 11.9 per cent increase. Our letter to the Minister and our full report provide more detail on our recommendations.

3. The National Living Wage (NLW) is the statutory minimum wage which will apply as of 1 April 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 age threshold for the NLW will be reduced to 21 by 2024. This follows the LPC's review of the structure of the National Minimum Wage youth rates and its recommendations in 2019.
5. The Government published its remit to the LPC for 2022. In the remit, the Government asks the LPC "closely monitor developments in the labour market, including the impact of increases to the minimum wage rates, and advise on emerging risks ... 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." The full remit letter is available [here](#).
6. Rates for workers aged under 23, and apprentices, are lower than the NLW in reflection of 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 2022 it will increase to £8.70 per day.
8. 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.
9. 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.
10. The current Low Pay Commissioners are: Bryan Sanderson, Professor

Patricia Rice, Professor Jonathan Wadsworth, Kate Bell, Kay Carberry, Simon Sapper, Matthew Fell, Louise Fisher and Martin McTague.

11. Bryan Sanderson can be contacted via the Low Pay Commission's press office (0207 211 8132).