

Press release: Up to 5 million workers benefited from the National Living Wage in 2018

Chair of the Low Pay Commission Bryan Sanderson said:

That 5 million workers received higher pay rises in April than they would have done without the NLW shows how significant an intervention it has been in the labour market.

So far, the evidence suggests the NLW has been successful in raising pay without causing unemployment, but employers have had to adjust in various ways.

Our 2018 Report contains definitive analysis of the NLW so far, and the detailed evidence which underpins our 2019 rate recommendations.

As many as 5 million people benefited from the increase to the NLW in April 2018 – fewer than in 2017 but still a fifth of workers aged 25 and over. The 4.4% increase in the NLW pushed pay up faster than average not only for those on the rate, but also for the bottom 20% of earners (those earning up to £9 per hour). This is because employers have sought to maintain a gap between job grades, or have kept their pay rates above the NLW.

In total, 1.6 million people were paid at or below the NLW, equivalent to 6.5% of all workers aged 25 and above; roughly the same proportion as in 2016 and 2017. Almost two thirds of those paid the NLW, a million workers, were women.

Following the 2018 increase, more workers than ever before were paid at a rate just above the NLW. 1.6 million people were paid between 5p and 50p per hour more than the rate, with almost half a million of these paid at £8 per hour. In 2017, 1.4 million were paid between 5p and 50p above the NLW, and a quarter of a million were paid £8 per hour.

The LPC heard from employers how they have had to adapt to NLW increases: accepting lower profits, increasing prices where possible, restructuring workforces and narrowing the gaps between pay bands. Stakeholders thought improving productivity would be the key to managing future cost increases.

However, the LPC's analysis and research did not find clear evidence of any negative effects on employment from the increased NLW.

The Government announced the NLW and National Minimum Wage (NMW) rates to apply from 2019 in this October's budget, accepting in full the LPC's recommendations. The NLW will rise to £8.21 in 2019, on course to its target

of 60% of median earnings in 2020 (currently forecast to be £8.62).

The LPC's rate recommendations comprised:

	Current rate	Future rate (from April 2019)	Increase
NLW	£7.83	£8.21	4.9%
21-24 rate	£7.38	£7.70	4.3%
18-20 rate	£5.90	£6.15	4.2%
16-17 rate	£4.20	£4.35	3.6%
Apprentice rate	£3.70	£3.90	5.4%
Accommodation offset	£7.00	£7.55	7.9%

Notes:

1. The LPC's 2018 Report was published on gov.uk on Tuesday 27 November
2. The data used in the report is published alongside it.
3. The National Living Wage is the statutory minimum wage for workers aged 25 and over. It was introduced in April 2016 and has a target of 60% of median earnings by 2020, subject to sustained economic growth.
4. Different rates apply to 21-24 year olds, 18-20 year olds, 16-17 year olds and apprentices aged under 19 or in the first year of an apprenticeship.
5. Rates for workers aged under 25, 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.
6. The Accommodation Offset is an allowable deduction from wages for accommodation, applicable for each day of the week. In April 2019 it will increase to £7.55 per day.
7. The National Living Wage is different from the UK Living Wage and the London Living Wage. 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 25 and over. The Low Pay Commission has no role in the UK Living Wage or the London Living Wage.
8. 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 contained in the 2018 Report were agreed unanimously by the Commission.
9. The nine Low Pay Commissioners are:
 - Bryan Sanderson
 - Professor Sarah Brown

- Professor Richard Dickens
- Kate Bell
- Kay Carberry
- Simon Sapper
- Neil Carberry
- Clare Chapman
- Martin McTague