

National Minimum Wage –
Low Pay Commission remit
for 2011 report and
Government response to
the 2010 report

JUNE 2010

NATIONAL MINIMUM WAGE – REMIT FOR THE 2011 LOW PAY COMMISSION REPORT

The Low Pay Commission is asked to:

1. Monitor, evaluate and review the NMW and its impact, with particular reference to:
 - the effect on pay, employment and competitiveness in the low paying sectors, with particular reference to the competitiveness of small firms;
 - the effect on the pay structures and employment of different groups of workers, including in particular different age groups, women, ethnic minorities, people with disabilities and migrant workers.
2. Review the labour market position of young people, including those in apprenticeships and internships.
3. Review the levels of each of the different minimum wage rates and make recommendations for October 2011.
4. Review the arrangements for the apprentice minimum wage.
5. Report to the Prime Minister and the Secretary of State for Business, Innovation & Skills by the end of February 2011.

NATIONAL MINIMUM WAGE - GOVERNMENT RESPONSE TO THE 2010 LOW PAY COMMISSION REPORT

The main recommendations put forward by the Low Pay Commission concern the rates of the minimum wage and an apprentice minimum wage. The Commission have recommended that the adult hourly rate of the minimum wage should increase from £5.80 to £5.93 and reaffirmed the recommendation in their 2009 report that the adult rate should also apply to workers aged 21. They have also recommended increasing the development rate (which will cover workers aged 18-20 years) from £4.83 to £4.92 and that the rate for 16-17 year olds moves from £3.57 to £3.64. They recommend that these changes take place in October 2010.

The Commission have also recommended that there should be a single apprentice minimum wage rate of £2.50 per hour for those apprentices currently exempt from the National Minimum Wage; that is, all those under the age of 19 and those aged 19 and over in the first 12 months of their apprenticeship.

The Government **accepts** these recommendations.

In addition, the Government **accepts** the Commission's recommendations that there should be specific guidance on the National Minimum Wage for the entertainment sector; and that HMRC investigates whether contract and agency cleaners in the hotel sector are receiving their entitlement under the National Minimum Wage for their hours worked.

The Government **notes** the Commission's recommendation that there should be a commitment, as a minimum, to maintaining current funding in real terms for monitoring and enforcement of the National Minimum Wage until at least March 2014.

Government's response to individual recommendations in the Low Pay Commission's 2010 report

National Minimum Wage rates

We recommend that the adult minimum wage rate should increase from £5.80 to £5.93 from October 2010.

We recommend that the Youth Development Rate should increase from £4.83 to £4.92 and that the 16-17 Year Old Rate should increase from £3.57 to £3.64 from October 2010.

We recommend that the accommodation offset should increase from £4.51 to £4.61 per day from October 2010.

ACCEPT

Apprentices

We recommend that non-employed apprentices are excluded from the apprentice minimum wage and continue to be exempt from the National Minimum Wage.

We recommend that the apprentice minimum wage be applied as a single rate to those apprentices currently exempt from the National Minimum Wage. That is all those under the age of 19 and those aged 19 and over in the first 12 months of their apprenticeship. The wage should cover both those employed on traditional contracts of apprenticeship and employed apprentices on government-supported Level 2 and 3 schemes.

We recommend that all hours of work and training (relating to both on-the-job and off-the-job) under an apprenticeship should be counted as hours for which the apprentice wage must be paid. All hours should be paid at the same wage rate.

We recommend that the apprentice minimum wage be set at an hourly rate.

We recommend the apprentice minimum wage is set at a rate of £2.50 per hour and is introduced from October 2010.

We recommend that in England transitional arrangements are put in place so that current apprentices retain a contractual entitlement to at least £95 per week for the remainder of their apprenticeship or until they are entitled to the National Minimum Wage.

We recommend that the Government includes the review of the apprentice minimum wage rate and arrangements in our annual terms of reference.

ACCEPT

Particular groups of workers

We recommend that the Government produces, in conjunction with interested parties, sector specific guidance on the National Minimum Wage for the entertainment sector.

We recommend that HMRC investigates whether contract and agency cleaners in the hotel sector are receiving their entitlement under the National Minimum Wage for their hours worked.

ACCEPT

Compliance and enforcement

We recommend that the Government commits, as a minimum, to maintaining current funding in real terms for monitoring and enforcement of the National Minimum Wage until at least March 2014.

NOTE

The Government considers that effective enforcement of the National Minimum Wage is extremely important; however we do not believe that it would be appropriate to accept a recommendation that would commit the Government to the allocation of resources for future years.

