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Evidence on the National Minimum Wage (including the National Living Wage)

Deadline for submissions: 7 July 2017

The Low Pay Commission (LPC) is the independent body that monitors the impact of the minimum wage. We are seeking evidence of the impact of the most recent increases to inform thinking about future upratings, with initial views sought by 7 July.

The LPC undertakes consultation on the effects of the minimum wage each year and future rates with a view to building the evidence base and providing recommendations to the Government. The Government decides whether to accept or reject the LPC's recommendations. Because of the forthcoming election on 8 June these decisions and the LPC's terms of reference will fall to the Government formed after this date.

What we would like evidence on

The National Living Wage, the rate applying to workers aged 25 and over, was introduced subject to a relative target – 60 per cent of median earnings by 2020 – so its cash value changes in line with economic circumstances.

We are particularly interested in:

- evidence of the impact of past increases in the NLW (both the 2016 introduction and the latest April 2017 increase) on workers, employers, the labour market and

the economy – including how firms are adjusting and impacts on pay, terms and conditions, income, hours, employment, investment, productivity, prices and profits.

- evidence on the economic outlook following the vote to leave the EU (including effects on the labour market and workers such as a weaker currency, higher inflation, and possible changes to labour supply).
- views on the affordability and effects of possible future increases, particularly for 2018 (we projected in the autumn a rate in the range £7.80-£7.91 under the NLW target, assuming a straight line path) .

The other rates – those affecting workers under 25 and apprentices – have previously been set on the basis of ‘helping as many low-paid workers as possible without damaging their employment prospects’. We are particularly interested in:

- evidence on the impact of the rates on younger workers’ employment prospects including how widely the new 21-24 Year Old Rate is used, and what effect, if any, the gaps between the different rates have on different age groups’ labour market performance.
- arguments for and against faster increases for these rates.
- views on the affordability and effects of possible future increases, particularly for 2018.

Who we would like evidence from

We seek evidence from employers, workers, representatives, experts and the public, with a particular interest in sectors that either employ a lot of minimum wage workers (eg, retail and hospitality) or where a high proportion of workers are paid the minimum wage (eg, social care and hairdressing). However, there are also some areas where we would particularly welcome stronger evidence including from:

- Cleaning and facilities management, which have for previous evidence gathering exercises submitted little evidence – either from a worker or employer perspective;
- Call centres and security – both now more affected by the minimum wage;
- Minimum wage employers and workers in non low-paying sectors (around a quarter of workers paid the minimum are found outside of sectors traditionally affected like

retail and hospitality). For example, this includes teaching assistant roles in schools;

- Youth labour market experts.

Each year many of our stakeholders provide extremely useful surveys of employers as part of their written evidence submissions. Because some of our stakeholders have asked for it, Appendix 2 to this document provides some broad background guidance and illustrative sample questions for surveying employers on the impacts of the rates.

How to submit evidence

The main channel is by written submission via lpc@lowpay.gov.uk, or the address at the top of this letter. If you have any questions about this exercise please contact Joe Cooper at lpc@lowpay.gov.uk.

Our policy is to make the evidence we receive available publicly and list names unless respondents request otherwise. We may also quote from responses in future reports. If you do not wish your response to be made public, then please make that clear in your submission. Otherwise, we will assume that by responding to this request for evidence you have given consent to us publishing your name and content of your submission.

Yours sincerely

Simon Blake

Secretary to the Low Pay Commission

Evidence on the minimum wage: Low Pay Commission questions 2017

About you

1. Please provide some information about yourself or your organisation. If possible, include relevant details about your location, the occupation or sector you are involved in, your workforce if you are an employer (including number of NMW/NLW workers), and anything else you think is relevant.

Impact of the National Living Wage and National Minimum Wage

2. What has been the impact of the NLW since April 2016? The rate was set at £7.20 in 2016 and rose to £7.50 on 1 April 2017. Our critical interest is views or data on the initial effects on employment, hours and earnings. But we are also very interested in evidence on:
 - pay structures (including premium and age-related pay) and benefits
 - age structure of the workforce
 - outsourcing
 - differentials
 - progression
 - job moves
 - training
 - contract type
 - business models
 - productivity
 - investment
 - prices and
 - profits.
3. To what extent has the NLW particularly affected certain occupations or industries, types of firms (small, large etc), regions or groups (for example women, ethnic minorities, migrant workers etc)?

21-24 year olds

4. What has been the effect of the minimum wage and the NLW on workers aged 21-24, particularly their employment prospects?
5. To what extent are employers using the 21-24 Year Old Rate (set at £7.05 since 1 April 2017)?

Young people (16-20 year olds) and apprentices

6. What has been the effect of the minimum wage(s) on young people (aged 16-20), particularly their employment prospects?
7. What has been the effect of the Apprentice Rate on pay, provision and take-up of places, and training volume and quality?
8. What has been the impact of the Apprenticeship Levy and the new funding model (introduced in April 2017 in England)?

Economic Outlook

9. What are your views on the outlook for the UK economy, including employment and unemployment levels for the period to April 2020, focusing on the next 18 months?
10. What is the broad economic outlook for your sector? Are there any significant changes, for example around tax or regulations, which are having an impact?
11. What has been your experience of wage growth and inflation in the last year and what do you forecast for the next couple of years?
12. What is your assessment of the effects of the UK's decision to leave the EU, since the referendum in June 2016 and in the future? Has it or will it affect you?

Accommodation offset

13. What are your views on the accommodation offset? To what extent is it protecting low-paid workers? What difference, if any, have faster increases in the rate since 2013 made to the provision of accommodation?

Future rates of the NLW and other minimum wages

14. What are your views on future rates of the minimum wage (the current structure covers workers aged 25 and over, 16-17 year olds, 18-20 year olds, 21-24 year olds, apprentices, and the accommodation offset)?

Compliance and enforcement

15. What issues are there with compliance with the minimum wage? Has the NLW affected compliance and enforcement? Are there any other trends, for example in particular sectors or among particular groups?
16. What more could be done to improve compliance? What more could be done to encourage or enable underpaid workers to make a complaint via the formal channels?

Appendix one: current structure and rates of the minimum wage

Age Group	Previous/current rate		
	April 2016	October 2016	April 2017
National Living Wage (25+)	£7.20 Introduction of the National Living Wage	£7.20 (No increase in NLW. All other rates increased).	£7.50 First increase of all rates simultaneously
21-24	£6.70	£6.95	£7.05
18-20	£5.30	£5.55	£5.60
16-17	£3.87	£4.00	£4.05
Apprentices¹	£3.30	£3.40	£3.50
Accommodation offset	£5.35	£6.00	£6.40

¹The Apprentice Rate is applicable to all apprentices in the first year of their apprenticeship, and for 16-18 year olds in any year of their apprenticeship; otherwise, the appropriate rate for an apprentice's age applies.

Appendix 2: Employer survey guidance for stakeholders

In previous years many of our stakeholders have provided surveys of employers and workers as part of their written evidence on the minimum wage. These surveys are very useful in helping us to understand what is going on in low paid sectors before evidence from national datasets is available.

One of our aims is to try to improve the comparability of this survey evidence. Below we provide some very broad guidance on question structure for surveys and, because some stakeholders have asked for it, some specific examples of surveys/questions.

General guidance

Firstly, if you are surveying employers it is useful if there is a question that identifies those employers whose wage bills have increased as a direct result of the minimum wage. For example, “Has your wage bill increased because of the minimum wage?” Then, amongst the group who answer yes to this question, we are interested in the impacts of this on their organisation. In particular we are keen to understand the impact of minimum wage changes (particularly the higher recent rates including the National Living Wage) on:

- total employment
- profits
- the age profile of the workforce
- recruitment
- hours worked, including overtime
- price levels
- investment
- non-pay benefits
- the pay levels of other workers i.e. differentials
- the nature of employment e.g. use of zero hours contracts, self-employment

Understanding the scale of the impacts is also key, for example have hours worked been reduced ‘slightly’ or ‘significantly’? However, it is challenging to measure the scale of the impacts without additional questions for each individual impact – see the second example questionnaire below. For this reason, we understand if stakeholders are unable to include all of these questions.

Finally, when submitting survey evidence to the LPC it is useful to include the sample size (i.e. how many responses there were to your survey), how many employers the survey was sent to (so we can calculate a response rate) and how the sample was attained e.g. did you send a link to an online survey to your members or did you employ a survey company to produce a random sample? It is also helpful to know when the survey was carried out.

Example survey questionnaires

Below are two example survey designs. The first is a simple light touch survey of just two questions, which would nevertheless provide us with very useful information. The second is more detailed.

Example Survey 1

1. The National Living Wage was introduced in April 2016 requiring all workers aged 25 and over to be paid at least £7.20 an hour [and rose to £7.50 on 1 April 2017]. Has the NLW increased your wage bill?

- a) Yes, to a large extent
- b) Yes, to some extent
- c) Yes, to a small extent
- d) No, but expect it to do so in future
- e) No, and don't expect it to do so
- f) Don't know

2. You've said that the National Living Wage has increased your organisation's wage bill. How is your organisation managing these additional wage costs? Select all that apply.

- a) Reduced number of employees through redundancies
- b) Reduced number of employees by recruiting fewer workers
- c) Reduced hours worked by staff
- d) Increased share of workforce on atypical employment contracts e.g. zero-hour contracts
- e) Taken lower profits/absorbed the costs
- f) Raised prices

- g) Cut back on training expenditure
- h) Improved efficiency/raised productivity
- i) Cancelled/scaled down plans for investing in/expanding the business
- j) Reduced the amount of overtime/bonuses
- k) Reduced other aspects of the reward package (such as paid breaks or premium pay rates)
- l) Hired more workers aged 24 and under (excluding apprentices)
- m) Cut back on pension contributions
- n) Recruited more apprentices

Example Survey 2

Impact of the NLW

1. The National Living Wage was introduced in April 2016 requiring all workers aged 25 and over to be paid at least £7.20 an hour and rose to £7.50 on 1 April 2017. Has the NLW increased your wage bill? (select one)

- a) Yes, to a large extent
- b) Yes, to some extent
- c) Yes, to a small extent
- d) No, but expect it to do so in future
- e) No, and don't expect it to do so
- f) Don't know

2. What effect has the NLW had on the total number of jobs in your firm/business? (select one)

- a) No effect on jobs.
- b) We have made redundancies
- c) We have recruited fewer staff.

3. What effect has the NLW had on total hours worked in your firm/business? (select one)
- a) No effect on hours.
 - b) We have reduced staff hours a little
 - c) We have reduced staff hours significantly
4. As a result of the NLW have you: (select all that apply)
- a) Made more use of zero hours contracts
 - b) Made more use of self-employed contractors
 - c) Made more use of temporary/agency workers
5. What effect has the NLW had on profits in your firm/business? (select one)
- a) No effect on profits.
 - b) Our profits have reduced a little.
 - c) Our profits have reduced a lot.
 - d) Increased profits
6. What effect has the NLW had on the prices you charge for your products/ services? (select one)
- a) No effect on prices.
 - b) We have increased our prices a little.
 - c) We have increased our prices a lot.
7. What effect has the NLW had on staff training in your firm/business? (select one)
- a) No effect on staff training.
 - b) We have reduced staff training a little.
 - c) We have reduced staff training a lot
 - d) We have increased staff training.

8. Have you taken any of the following measures to increase worker productivity as a result of the NLW? (select all that apply)

- a) Made more use of technology/automation
- b) Invested in training
- c) Changed your workforce structure

9. Have you noticed any of the following positive impacts as a result of the NLW? (select all that apply)

- a) Increased worker effort/motivation
- b) Reduced absenteeism
- c) Reduced staff turnover

10. What effect has the NLW had on investment in your firm/ business? (select one)

- a) No effect on investment
- b) Reduced investment a little
- c) Reduced investment a lot
- d) Increased investment

11. What effect has the NLW had on premium and overtime pay in your firm/business? (select one)

- a) No effect on premium/overtime pay.
- b) We have reduced premium/overtime pay.
- c) We have increased premium/overtime pay.
- d) Other/Mixed

12. What effect has the NLW had on pay differentials in your firm/business? (select one)

- a) We have maintained pay differentials.
- b) We have reduced pay differentials.
- c) We have increased pay differentials
- d) Other/Mixed

13. What effect has the NLW had on the total benefit package in your firm/business? (select one)

- a) No effect on total benefit package.
- b) We have reduced the total benefit package a little.
- c) We have reduced the total benefit package a lot.

14. What effect has the NLW had on the age profile of the workforce in your firm/business? (select one)

- a) No effect on age profile.
- b) We have more staff aged 25 and over now.
- c) We have more staff aged below 25 now.