

Government presses ahead with its promises to upgrade the National Minimum Wage

In its General Election Manifesto, the Labour Party promised to upgrade the National Minimum Wage to reflect the cost of living and ensure that all adults received the same rate. Less than a month after being elected, the Labour Government has set the wheels in motion for these changes to take effect in April 2025.

What was promised in the Manifesto?

In its General Election Manifesto, the new Labour Government promised that it would *"make sure the minimum wage is a genuine living wage"*. It planned to do this by changing the remit of the Low Pay Commission (the LPC), the independent body that advises Government about the minimum wage. The expanded remit would mean that the minimum wage rates should account for the cost of living. Currently, the 21 year+ national minimum wage rate sits at £11.44 per hour (also known as the "National Living Wage" rate). If adjusted for the cost of living, it would be brought closer to the pay rates championed by the charity, the Living Wage Foundation. The Living Wage Foundation recommends that employers pay, on a voluntary basis, a "real living wage" of £12.00 per hour outside London and £13.15 per hour within London.

Labour also promised to remove the "discriminatory" minimum wage rate age bands, so that all adults would be entitled to the same rate. Effectively, this would mean doing away with

the 18 to 20 year old rate (currently, £8.60 per hour). However, there were no plans to remove the 16 to 18 year old rate or the Apprentice rate (currently, £6.40 per hour in both cases).

What steps have been taken since the election?

The Government has already taken steps to fulfil these Manifesto promises. On 30 July 2024, the Government wrote to the Chair of the LPC to confirm the update to its remit. The LPC has been asked to recommend a National Living Wage rate to apply from April 2025 which should take into account the cost of living, including the expected annual trends in inflation between now and March 2026. In addition to the cost of living, the remit of the LPC will continue to consider the impact on business, competitiveness, the labour market and the wider economy, as well as ensuring that the rate does not drop below two-thirds of UK median earnings for workers aged 21 and over.

As far as regional differences in pay rates are concerned, the Government has asked the LPC to continue to gather evidence on the differing impact across the United Kingdom of increases to the minimum wage rates, to inform how the minimum wage helps to deliver greater living standards for working people in all areas of the UK.

On top of this, the LPC has also been asked to recommend a new national minimum wage rate for 18 to 20-year-olds to apply from April 2025. The aim is to narrow the gap with the National Living Wage rate as a first step towards achieving the promise of a single adult rate. The Government says that steps will need to be taken year by year to achieve this,

taking into account the effects on employment of younger workers, incentives for them to remain in education or training, and the wider economy.

As far as under-18s and Apprentices are concerned, the Government has asked that these rates should be set “*as high as possible*” without damaging the employment prospects of each group.

Next steps?

The LPC has been asked to provide its recommendations to the Government by the end of October 2024. In due course, the Government will confirm the new rates, which will come into force in April 2025. Employers who have workers paid at a rate on or around the national minimum wage will need to take care to ensure that the new rates are applied on time. Care must also be taken not to inadvertently fail to pay in line with the new rates, since this can lead to action by HMRC who can demand underpayments going back six years, issue fines and publicly “name and shame” the employer. For example, many employers operate salary sacrifice arrangements as a way of providing benefits, such as pensions, to staff in a tax efficient way. However, it is the *post* salary sacrifice pay that counts for national minimum wage purposes.

[National Minimum Wage and National Living Wage: Low Pay Commission remit – July 2024](#)

BDBF is a law firm based at Bank in the City of London specialising in employment law. If you would like to discuss any issues relating to the content of this article, please

contact Principal Knowledge Lawyer Amanda
Steadman (amandasteadman@bdbf.co.uk) or your usual BDBF
contact.