

National Living Wage / Real Living Wage Definitions

National Minimum Wage and National Living Wage

The rates of the Minimum Wage (MW) and the National Living Wage (NLW) are set out in law. The hourly rate depends on your age and whether you are an apprentice. The rates are set on advice received from the Low Pay Commission. Government's stated ambition is that by 2020 the NLW will be 60% of median earning.

You must be at least school leaving age (18) to get the MW, and aged 25 to get the NLW. The MW will still apply for workers aged 24 and under.

The current rate (and proposed 2018 rate which has been accepted) are as follows:

Year	25 and over	21 to 24	18 to 20	Under 18	Apprentice
April 2017	£7.50	£7.05	£5.60	£4.05	£3.50
April 2018	£7.83	£7.38	£5.90	£4.20	£3.70

Apprentices are entitled to the apprentice rate if they are aged under 19, or aged 19 and over and in the first year of their apprenticeship. Apprentices are entitled to the MW for their age if they are aged 19 or over and have completed the first year of their apprenticeship.

The justification for having lower rates for under 25 and apprentices is based on a belief that younger workers and apprentices are more susceptible to being priced out of work. The Low Pay Commission state that *"younger workers are more at risk of being priced out of jobs than older workers, with worse consequences if they end up unemployed"*.

When the NLW was launched (April 2016) the expectation was that it would reach £9.35 by 2020, based on the forecasts of median pay at that time. However, since then pay has underperformed and the latest OBR forecast indicates that the NLW will be £8.56 by 2020 (lower than the current Living Wage Foundation Real Living Wage set out below). The Low Pay Commission expect it to be £8.61 in 2020.

The Low Pay Commission are able to recommend a rate that is lower than what is required to reach the 60% median aspiration if they believe there is a case to do so, e.g. where the economy is showing signs of weakening.

Living Wage Foundation Real Living Wage

The Living Wage Foundation campaign for a living wage based on the cost of living, not just the government minimum. The foundation accredits employers who pay this living wage, or who are committed to pay it with an agreed timetable of implementation. Unlike the National Living Wage and the minimum wage, this rate is not legally enforceable.

The real living wage is calculated by the Resolution Foundation based on a basket of household goods and services. It is currently £8.75 across the UK and £10.20 in London, recognising higher living costs in the capital. This is likely to rise due to current inflation and its influence on the way the rate is calculated. It does not recommend different rates based on age.

Some local authorities, such as Leeds, have introduced a 'local living wage' which doesn't go as far as the real living wage recommendations, but allows them to pay more than the statutory minimum and stay within the realms of what they consider to be affordable. The current rate that Leeds City Council pays is £8.25.