

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT NATIONAL MINIMUM WAGE  
(AMENDMENT) REGULATIONS 2021

*Wednesday 3 March 2021*

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**Sunday 7 March 2021**

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**The Committee consisted of the following Members:**

*Chair:* †SIR DAVID AMESS

Andrew, Stuart (*Treasurer of Her Majesty's Household*)

† Chamberlain, Wendy (*North East Fife*) (LD)

Docherty, Leo (*Aldershot*) (Con)

Freer, Mike (*Comptroller of Her Majesty's Household*)

† Furniss, Gill (*Sheffield, Brightside and Hillsborough*) (Lab)

Gideon, Jo (*Stoke-on-Trent Central*) (Con)

Harris, Rebecca (*Lord Commissioner of Her Majesty's Treasury*)

Hendrick, Sir Mark (*Preston*) (Lab/Co-op)

† Holden, Mr Richard (*North West Durham*) (Con)

† Hussain, Imran (*Bradford East*) (Lab)

Keeley, Barbara (*Worsley and Eccles South*) (Lab)

Lewis, Clive (*Norwich South*) (Lab)

† Pursglove, Tom (*Corby*) (Con)

† Scully, Paul (*Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy*)

Thompson, Owen (*Midlothian*) (SNP)

Throup, Maggie (*Lord Commissioner of Her Majesty's Treasury*)

† Tomlinson, Michael (*Lord Commissioner of Her Majesty's Treasury*)

Robi Quigley, *Committee Clerk*

† **attended the Commit**

## Fourth Delegated Legislation Committee

Wednesday 3 March 2021

[SIR DAVID AMESS *in the Chair*]

### Draft National Minimum Wage (Amendment) Regulations 2021

2.30pm

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Paul Scully):** I beg to move,

That the Committee has considered the draft National Minimum Wage (Amendment) Regulations 2021.

It is a pleasure to serve under your chairmanship, Sir David.

The purpose of the regulations is to raise the national living wage and national minimum wage rates on 1 April 2021. The economic impact of coronavirus has been significant—the UK economy contracted by 9.9% in 2020. This recession has clearly been more severe than previous ones. However, effects on the labour markets have so far been muted. The latest Office for National Statistics headline estimate of the unemployment rate was 5.1% from October to December 2020, lower than forecasted, or than following the 2008 recession. That is partly due to Government intervention, including the coronavirus job retention scheme, which allowed workers to retain some form of attachment to a job. I am pleased that earlier today, the Chancellor announced that this scheme would continue until September, with some changes in the final months. That will bring businesses and workers much needed certainty.

The regulations will increase the minimum wage rates. We estimate this will give around 2 million workers a pay rise. I am delighted to say that we accepted all the recommendations made by the Low Pay Commission in 2020. The independent LPC brings together business and worker stakeholder views, supported by research and analysis, to provide their advice. I would like to state my gratitude for their work.

Low-paid workers have supported the country through these challenging times. The Government recognise that many businesses are also struggling during this crisis. The LPC sought to balance those needs against the wider economic conditions in its recommendations. Owing to this, the 2021 increase to minimum wage rates is smaller than previous years. We have concluded that these rates will give low-paid workers, who have contributed throughout this pandemic, a real-terms pay rise, recognising their contributions, without presenting a significant risk to employment prospects. Business stakeholders supported cautious increases to minimum wages. The regulations increase the national living wage by 19p to £8.91, and we are lowering the age threshold for the national living wage to 23. As a result, 23 and 24-year-olds will get a 71p increase. We are also increasing the rates for younger workers, apprenticeships and the accommodation offset.

This year, we are also making another change to minimum wage regulations to do with the records employers must keep to ensure compliance with the minimum wage. Currently, the records must be held for three years. We are extending that period to six years. This will align the time period for which an employer must retain records with the period of liability under the National Minimum Wage Act 1998, which is six years. I thank the hon. Member for Liverpool, Wavertree (Paula Barker), who introduced a private Member's Bill on this issue; our discussions on that helped to formulate the change. Making that change will ultimately enable underpaid workers to receive the money they are owed as soon as possible.

Last year, we announced a target for the national living wage to reach two thirds of median earnings by 2024. The national living wage is also to apply to those aged 21 and over by 2024. Earlier today, as part of the Budget, we published the Government's remit to the LPC for 2021. In this, we reaffirmed our commitment to those targets, recognising decisions continue to be dependent on economic conditions. We asked the LPC to provide its recommendations for rates to apply from 2022 this autumn.

The regulations ensure that the lowest paid workers are fairly rewarded for their valuable contribution to the economy during this crisis. I commend them to the Committee.

2.34 pm

**Imran Hussain (Bradford East) (Lab):** It is a pleasure to serve under chairmanship, Sir David. I echo the thanks from the Minister to my hon. Friend the Member for Liverpool, Wavertree who has done significant work on this matter and has an outstanding private Member's Bill that addresses some of the issues that we are addressing today.

The regulations are not contentious and I hope that the Minister will agree that raising the minimum wage—the wage that some of the poorest in our society are paid—should never be contentious. We welcome any rise in the minimum wage and we also recognise the step in the right direction made by the change within the regulations, which will see a reduction in the age at which an individual is eligible to be paid the full rate from the age of 25 to 23.

Broadly, therefore, the regulations have our support. However, let us remember that when the Government speak of increases in the minimum wage, it was indeed a Labour Government who introduced the national minimum wage in the first place, and that when the Government pat themselves on the back for introducing, in their words, a national living wage, it is actually no such thing. The living wage is currently set at £9.50, and at £10.85 an hour in London, by the Living Wage Foundation, taking into account a range of living costs and considerations, compared with the Government's rate of £8.91 an hour.

We recognise that the increases in the different rates of the national minimum wage for different age groups come at the recommendation of the independent Low Pay Commission, as highlighted by the Minister, and that the Government tasked the Commission with recommending the increases required to reach two thirds of median earnings by 2024. However, for too many workers with high costs of living, particularly in the capital and other urban areas, this increase may not

prove sufficient to match their rising costs, particularly during this pandemic, when we have seen those on the lowest end of the pay scale being hit the hardest. Instead, the last Labour manifesto set out an ambitious but achievable goal of introducing a national minimum wage for all employees by 2020, creating a real living wage whereby everyone is rewarded with a fair day's pay for a fair day's work.

We also recognise the above-inflation rise for apprentices, who are woefully underpaid, and we hope that this increase will not end there and will also be matched by a real ambition to boost the number of quality apprenticeships across the country. The Government should seriously consider using the underspend in the apprenticeship levy to help pay the wages of new apprentices directly in order to boost take-up, as those of us on the Labour Benches have advocated many times. An apprentice is an investment by an employer in their local economy and their workforce, and employers must always be encouraged to treat them as an investment and not as low-paid, disposable labour.

Although reducing the age limit at which an individual is eligible for the full rate of the national minimum wage is, of course, also a step in the right direction, the Government have still retained the age limit. This retention fails to acknowledge that those under the age of 23 face many of the same pressures as those faced by someone over the age of 23. Many young people below the age of 23 still have to make rent, cover bills and put food on their tables, and it is wrong that they are being held back because the Government and employers do not believe that their contribution to society and to the economy is worth the full rate of the national minimum wage. Therefore, the Government should look closely at scrapping this ridiculous age limit. Those below the age of 23 are more likely to spend their wages than put them away in savings, which will put money back into our local economies at exactly the same time that we need to bolster consumer spending, in order to recover from the present crisis and get the country back on its feet.

The regulations also increase the time limit for which employers are required to retain records for the purpose of enforcement of the national minimum wage from three years to six years, following a recommendation from the Director of Labour Market Enforcement. Again, this change is, of course, welcome.

Underpayment of the national minimum wage remains a serious problem, which sees unscrupulous employers exploiting their workforce, particularly in certain sectors of the economy, such as the care sector, and we should rightly clamp down on practices that see staff being cheated of their pay. However, we note that this was a recommendation put forward by the now departed Director of Labour Market Enforcement, who left his post last month. His post remains unfilled, despite his offering to remain in the position over an interim period. Allowing this post to remain vacant during a pandemic in which many workers, and predominantly those on the lowest end of the pay scale, are being exploited is a grave oversight by the Government, particularly when we know that so many employers are trying to circumvent minimum wage rules and so few punishments for doing so have been handed down.

In conclusion, we will not oppose the regulations. However, we must leave ourselves in no doubt that, although any rise in the minimum wage is a positive

thing, those proposed in the regulations will not be the answer to the endemic problem of low pay in our economy, and nor will they help deliver the transformation that our economy desperately needed even before this crisis. It will also not solve the ills that are faced by many workers in low-paid roles, who face disproportionately higher living costs and who have to pay a poverty premium, whereby they are financially penalised just for being poor. We therefore urge the Government to look at the remit and scope of the LPC—particularly during these pressing times, in which those who are on low pay have been hit the hardest—and to scrap the age limits for the minimum wage to ensure that all are paid fairly for their work, regardless of age.

2.40 pm

**Paul Scully:** I thank the hon. Member for Bradford East for his contribution to the debate, and I thank other colleagues for being here in a collegiate spirit to look at this important issue. The national minimum wage and national living wage make a real difference to millions of workers in this country, particularly during the current crisis. I am glad that he talked about apprenticeships, which are incredibly important to our recovery, as well about the prospects of young people, who have been particularly badly hit by this pandemic. I hope he welcomes the doubling of the apprenticeship payments to £3,000 for all new hires of any age, which was announced earlier by my right hon. Friend the Chancellor of the Exchequer, and the flexi apprenticeship scheme as well.

The hon. Member for Bradford East talked about the changes to the rates for younger people. Traditionally, we have looked at young people having more vulnerability in the employment market, but the LPC's advice noted that, generally, employment transfers of workers aged 23 and 24 tended to be similar to those of workers aged 25 and over. That is why we have decided to cautiously expand the full rate to younger people.

Clearly, there is agreement that the lowest-paid workers in this country, who have contributed so much during this pandemic, deserve an above-inflation pay rise to protect their standards of living, which the regulations will provide. The policy of the national minimum wage was first announced in 2015, and workers will now be accumulatively £4,030 better off over each year compared with that point—a 33% increase. For the first time, the national minimum wage increases will benefit workers aged 23 and 24. We know that most businesses support increases in the minimum wage rates, and I am glad that we can bring businesses clarity by approving the regulations. I am also pleased that we are making changes to the record-keeping requirements for employers. That will improve our enforcement of the national minimum wage and ensure that underpaid workers receive the money that they are owed.

We committed to raise the national living wage to 60% of median earnings back in 2016. We reached that target with the increases in 2020. Although this year's increases are more modest than in recent years, we remain committed to the target for the national living wage to reach two thirds of median earnings by 2024, provided that economic conditions allow. We will monitor the labour market closely and carefully over the coming months, to make the best decisions to support low-paid workers and their employers.

[Paul Scully]

Again, I would like to thank the LPC for the substantial evidence gathering that it performs, and for providing well-reasoned recommendations. It reached a consensus agreement on its recommendations to the Government, and those increases balance the ambitions of the Government's long-term target against current economic

conditions. We look forward to receiving the LPC's recommendations for 2022 later this year. I commend the regulations to the Committee.

*Question put and agreed to.*

2.44 pm

*Committee rose.*