EXPLANATORY MEMORANDUM TO

THE NATIONAL MINIMUM WAGE (AMENDMENT) (No. 2) REGULATIONS 2014

2014 No. 2485

1. This explanatory memorandum has been prepared by the Department for Business Innovation and Skills and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The National Minimum Wage (Amendment) (No. 2) Regulations 2014 ("the Regulations") amend the National Minimum Wage Regulations 1999.

2.2 The Regulations increase the hourly rate of the National Minimum Wage ("NMW") for adults aged 21 years or older, 18-20 year olds, 16-17 year olds and apprentices who are under the age of 19 or in the first year of their apprenticeship. The Regulations also increase the maximum daily amount for living accommodation that is allowed to count towards pay for NMW purposes. These provisions will come into force on 1 October 2014.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Background

4.1 The Regulations implement the recommendations on the NMW rates contained in the 2014 report of the Low Pay Commission ("the LPC"). The LPC is an independent body which assisted with the introduction of the NMW and which has the continuing function under the National Minimum Wage Act 1998 ("the Act") of reporting on matters relating to the NMW that are referred to it by the Secretary of State.

5. Territorial Extent and Application

5.1 This instrument applies in the United Kingdom.

6. European Convention on Human Rights

6.1 The Parliamentary Under Secretary of State for Employment Relations and Consumer Affairs has made the following statement regarding Human Rights:

In my view the provisions of the National Minimum Wage (Amendment) (No. 2) Regulations 2014 are compatible with the Convention rights.

7. Policy Background

- What is being done and why

7.1 The NMW was introduced on 1 April 1999 and creates an obligatory threshold pay level. The intention is to protect workers from unacceptably low rates of pay and provide incentives to work.

7.2 Decisions on NMW rates and other related matters are usually based on recommendations made by the LPC. The LPC's 2014 report was published on 12 March 2014. Copies of the report and the Government's response have been presented to both Houses. The Regulations follow the recommendations of the LPC on the NMW rates.

7.3 The Government believes that the Regulations will be of public interest because it estimates that around 2 million low paid workers stand to benefit from the NMW rate increases.

- Consolidation

7.4 The Department are consolidating the numerous NMW regulations into a single set of regulations. We expect to introduce the improved set of regulations, following consultation, during this Parliament.

8. Consultation outcome

8.1 The LPC carries out a wide-ranging consultation and fact-finding exercise before arriving at its recommendations, including taking written and oral evidence and making a series of visits throughout the UK. Details of this consultation are referred to in its annual report.

9. Guidance

9.1 Information about NMW regulations and requirements can be found on the Gov.uk website.

10. Impact

10.1 A regulatory impact assessment of the increases in the NMW rates is attached to this memorandum and will be published on the www.legislation.gov website.

10.2 The impact on business of the increases in the NMW rates is estimated to be a £525.1 million cost. This is because the Department believes that in the absence of any statutory requirement to increase the NMW, employers would freeze the wage rates of low paid workers. The NMW is now part of employment practices and implementation costs of administering the proposed increase will be minimal.

11. Regulating small business

11.1 The LPC's recommendations were based upon extensive analysis and gathering of evidence, including evidence received from, and discussion with, small businesses and their representatives.

12. Monitoring & review

12.1 The LPC monitors, evaluates and reviews the NMW rates on an annual basis. In doing this, it takes account of the state of the economy and employment and unemployment levels. The results of this work are published in its annual report.

13. Contact

13.1 Vibeke Bjornfors at the Department for Business Innovation and Skills, Tel: 020 7215 6424 or email: vibeke.bjornfors@bis.gsi.gov.uk can answer any queries regarding the instrument.