

National Minimum Wage

History

Hailed as a flagship policy of the 1997 Labour Party general election campaign manifesto the National Minimum Wage Act 1998 took effect from April 1999 and was the first Act to be laid that set a National Minimum pay rate. Previously minimum pay rates had been set across different sectors.

The Low Pay Commission was formed in 1997 and is an independent body tasked with advising the government about the National Living Wage and the National Minimum Wage.

When the minimum wage was first enacted it had two rates, the adult rate for workers aged 22 and over and the youth rate for workers aged 18 – 21. Since 2016 there have been five different rates.

The National Living Wage for workers age 25 and over was introduced in April 2016 with an overarching aim to achieve a rate of 60% median earnings by 2020.

Types of work

There are four different types of work for the purposes of calculating and paying the National Minimum Wage. They are salaried hours work, time work, output work and unmeasured work. Establishing the type of work is important because the rules and calculation of hours are different for each type.

Compliance and enforcement

The Department for Business, Energy and Industrial Strategy (BEIS) is responsible for National Minimum Wage policy and issue employer guidance [Calculating the National Minimum Wage](#). HM Revenue and Customs (HMRC) are contracted to ensure compliance and enforcement of the National Minimum Wage. Where an employer is found to have failed to pay the National Minimum Wage, HMRC will issue a Notice of Underpayment (NoU).

Penalties

The financial penalty that could be applied to an employer for failure to pay the National Minimum Wage is 200% up to a maximum penalty £20,000 per worker. If the terms of the NoU are settled in full within 14 days the penalty will be reduced by 50%

The employer can appeal a NoU within 28 days of the notice being served to an employment tribunal or industrial tribunal in Northern Ireland.

BEIS naming scheme

Where an employer is issued with a NoU for arrears of more than £100, BEIS will consider the case for naming. Written appeal can be made against being listed through the [BEIS naming scheme](#) where:

- Naming by BEIS carries a risk of personal harm to an individual or their family
- There are national security risks associated with naming in this instance
- Other factors which suggest that it would not be in the public interest to name the employer

Rates payable for pay reference beginning on or after 1 April

Category of worker	1 April 2018	1 April 2019
Workers aged 25 and over (the National Living Wage)	£7.83	£8.21
Workers aged 21-24	£7.38	£7.70
Workers aged 18-20	£5.90	£6.15
Workers aged under 18 (but above compulsory school leaving age)	£4.20	£4.35
Apprentices aged under 19 Apprentices aged over 19 in first year of apprenticeship	£3.70	£3.90

Workers dispute

In the first instance a worker should talk to their employer where they believe they have not been paid the minimum wage however workers can lodge a complaint of underpayment in a number of ways:

- ACAS helpline 0300 123 1100
- Online using HMRC [Pay and Work Rights complaint](#)
- Direct to an employment tribunal

HMRC will follow up all complaints made.

Samantha Mann MAAT, MCIPPDip
Senior policy and research officer

www.cipp.org.uk

CIPP, Goldfinger House, 245 Cranmore Boulevard, Shirley, Solihull, B90 4ZL

info@cipp.org.uk