

**Government's individual response to recommendations in the Low
Pay Commission's 2005 Report**

National Minimum Wage Rates

The adult rate of the minimum wage should be increased to £5.05 in October 2005. The rate should be further increased to £5.35 in October 2006, subject to confirmation by the Commission in February 2006, following review, both to check that the macroeconomic conditions continue to make it appropriate, and in the light of the implementation of age discrimination legislation.

Accept. The increase in the adult rate will take place on 1 October 2005. The 2006 increase is provisionally accepted, subject to further advice from the Commission.

The youth Development Rate should be increased to £4.25 in October 2005 and £4.45 in October 2006.

Accept.

The Government should invite the Commission to review the operation of the 16–17 year old rate (above compulsory school age) and to report in February 2006, with recommendations for any subsequent increases suitably adjusted to take account of the absence of any uprating in 2005.

Accept.

Young People

Twenty-one year olds should receive the adult rate of the National Minimum Wage.

The Government believes that the evidence on this point remains mixed, but will look carefully at this issue in the future.

Training

We have provisionally concluded that the older workers' Development Rate should be abolished from October 2006, and that, simultaneously, the 12 months exemption from the minimum wage should be extended to cover all apprentices aged 19 and over. The Government should invite the Commission to review these provisional conclusions and make firm recommendations on these matters by February 2006.

Accept.

Awareness

The Government should undertake a review of its minimum wage publicity strategy to consider how best to target low-paid workers more pro-actively, with particular emphasis on vulnerable groups of workers.

Accept.

Enforcement

The Government should introduce interest charges payable on arrears arising from minimum wage underpayment and financial penalties for seriously non-compliant employers.

The Government will consider this carefully. We intend to make a statement on enforcement in the early summer.

Salary Sacrifice

The Government should invite the Commission to review the issue of salary sacrifice in depth and to report by February 2006.

The Government agrees that the Commission should review the minimum wage treatment of benefits in kind, including where those benefits are offered as part of a salary sacrifice arrangement.

Accommodation Offset

The accommodation offset should increase in line with the adult rate of the minimum wage, rising to £3.90 per day from October 2005 and £4.15 per day from October 2006.

Accept.

Social Care Sector

The Government should continue to make clear to local authorities that policies on commissioning care must reflect the costs of provision, and monitor the approach of local authorities, examine the reasons for any uneven provision and, if appropriate, provide further guidance.

The Government will make it clear to local authorities that we expect contracts to reflect current minimum wage rates.

Volunteers

The Government should review and draw together existing guidance into a single source to provide clear and accessible advice to the voluntary sector.

Accept.