

The National Living Wage

- ▶ From April 2016 a premium of 50p per hour on top of the national minimum wage for those aged 25 and over will be introduced.
- ▶ After the annual increases to the NMW in October 2015, it will lead to a new national living wage of £7.20 per hour.
- ▶ The government plans for this to increase to 60% of median earnings by 2020, which is expected to be over £9 per hour.
- ▶ The current hourly rates for the National Minimum Wage are:
 - ▶ Apprentice £2.73
 - ▶ Under 18 £3.79
 - ▶ 18 to 20 £5.13
 - ▶ 21 and over £6.50

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- ▶ Taking into account the additional national insurance contributions payable by employers as a result of the new premium, the premium and NIC represent an increase of over 8% on the expected October 2015 level of the NMW.
- ▶ This is to be offset by the increase in the employment allowance from £2,000 to £3,000 but employers with a large number of workers currently earning the NMW will find this insufficient to cover their increased costs.

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- ▶ The government also refers to the reduction in the rate of corporation tax to help meet costs. However, the rate will not begin to fall until 1st April 2017, a year after implementation.
- ▶ Some business will therefore need to make provision for the increased employee costs from April 2016.