

## National minimum wage and other employment rate increases



In this update we provide a summary as to how and why rates are changing and what employers need to do.

### National Minimum Wage

#### What is the National Minimum Wage?

As a matter of law, all workers and employees in the UK who are at/above school leaving age must be paid at least the statutory minimum wage, being the National Minimum Wage (“NMW”).

NMW is split into categories based on age and apprenticeship status. Workers are paid at the applicable rate and if an individual changes band then their NMW entitlement changes accordingly. The highest rate of NMW, paid to workers aged 23 and over, is called National Living Wage.

The NMW rates will change on **1 April** as follows:

|      | NMW: Hourly Rate per Age Band |         |         |          |             |
|------|-------------------------------|---------|---------|----------|-------------|
| Year | 23 and over                   | 21 – 22 | 18 – 20 | Under 18 | Apprentice* |

|                   |        |        |       |       |       |
|-------------------|--------|--------|-------|-------|-------|
| Current rate      | £9.50  | £9.18  | £6.83 | £4.81 | £4.81 |
| From 1 April 2023 | £10.42 | £10.18 | £7.49 | £5.28 | £5.28 |

*\*Note: apprentice rate applies to those aged under 19, or, aged 19+ but in the first year of their apprenticeship. Otherwise, they are paid per the relevant age band.*

### Why does National Minimum Wage keep increasing?

Ahead of each tax year, and after monitoring and evaluating the UK's economic conditions, the low pay commission provides the government with a report recommending any changes to the NMW. The government then determines what changes, if any, will be made and generally any increases are in line with the recommendations made by the low pay commission.

**The NMW should, at least in theory, accurately reflect the cost of living in the UK by ensuring that an individual's wage will enable them to afford ordinary goods and services. The UK has, of course, experienced significant inflation rates recently (10.1% in January 2023) and, in view of this, all NMW bands are increasing by at least 9.7%. For the national living wage, this is its biggest ever increase: it amounts to an extra +£1,600 (gross) per year for full time workers.**

We're seeing a similar percentage increase to other statutory pay amounts:

## Statutory Sick Pay

The rate of Statutory Sick Pay is reviewed annually and, whilst it's not on the same date every year (although it's always early April), this year's change occurs on 10 April:

| Year               | SSP: Weekly Rate |
|--------------------|------------------|
| Current rate       | £99.35           |
| From 10 April 2023 | £109.40          |

## Statutory Pay for Family Related Leave

Similarly, the statutory pay rates for various types of family related leave are reviewed annually and this year's change occurs on 10 April:

|      | Weekly Rate<br>(after first six weeks' pay at 90% of normal weekly earnings) |               |              |                     |                          |
|------|--|---------------|--------------|---------------------|--------------------------|
| Year | Maternity Pay  | Paternity Pay | Adoption Pay | Shared Parental Pay | Parental Bereavement Pay |
|      |  |               |              |                     |                          |

|                    |   |
|--------------------|---|
| Current rate       | ALL: £156.66 or 90% of normal weekly earnings, if lower |
| From 10 April 2023 | ALL: £172.48 or 90% of normal weekly earnings, if lower |

## So What Do Employers Need to Do?

- Pay attention to the rate changes: don't let them come as a surprise
- Pre-empt the increases. Make the necessary changes to your payroll, pension and other processes, so that the new rates will be implemented from each relevant date.
- If workers receive NMW then have reviews/measures in place to mitigate any situations (such as a pay deduction) which would otherwise place them below NMW at any stage.
- Look out for our handy updated Employment & HR Guide – coming soon. It will provide more detail on pay rates and timeframes plus What's To Come in 2023.

## For further assistance

For advice or assistance with any of the above matters please get in touch with our [employment team](#).



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