



Regulatory Update

The New National Living Wage

Provided by **Crendon Insurance Brokers Ltd**

Quick Facts

In an effort to better address working poverty and to reduce reliance on the state, in July 2015 the Chancellor of the Exchequer introduced the government's compulsory 'National Living Wage'.

The National Living Wage will be £7.20 per hour for workers who are at least 25 years old, and it will come into force in April 2016.

An independent study found that 80 per cent of employers that paid their staff the voluntary Living Wage experienced an enhanced quality of work and a 25 per cent reduction of absenteeism.

To address the issue of working poverty and to reduce reliance on the state, Chancellor George Osborne introduced a compulsory National Living Wage (NLW) which will come into force in April 2016. A Living Wage is the hourly amount at which workers should be paid in order for them to be able to afford basic living necessities such as rent, healthy food and travel.

Since the Living Wage was introduced in 2001, paying it was voluntary. While employers were not required to pay the voluntary Living Wage, it was a sign of employers' commitment to go above and beyond. But starting April 2016, paying the NLW will be mandatory.

Depending on workers' ages and employment status, employers will need to pay employees either the National Minimum Wage (NMW), which is currently set at £6.70 per hour, or the NLW, which will be initially set at £7.20 per hour. The NLW will be regulated by the Low Pay Commission and its value will be determined by median national earnings. The NLW will not replace the NMW. Instead, workers aged 24 and younger will earn the NMW while workers aged 25 and older will earn the NLW.

The NLW will increase, with a projected target of at least £9 per hour by 2020. Non-compliant employers could face tough penalties, such as the following:

- A maximum fine of £20,000 per underpaid worker
- Disqualification of a company director from his or her position for up to 15 years

For more information on the NLW, visit: www.gov.uk/government/publications/national-living-wage-nlw/national-living-wage-nlw.

National Living Wage (NLW)	National Minimum Wage (NMW)
The legal, hourly minimum employers should pay employees starting in April 2016	The legal, hourly minimum employers should pay employees
The NLW rate will be £7.20 per hour starting in April 2016	The NMW rate is currently £6.70 an hour
From April 2016, this applies to workers aged 25 and older	From April 2016, this applies to workers aged 24 and younger



Crendon Insurance Brokers

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