

## **Consequences of the NLW and NMW rate increases next year**

The proposed increases to the National Minimum Wage (NMW) and National Living Wage (NLW) set for April 2025 are expected to impact employers and employees significantly.

### ***Financial Pressures on Employers:***

With the NLW expected to rise to approximately £12.21 for those over 21, and NMW rates for younger employees also set to increase, businesses across the UK, particularly in sectors like retail and hospitality, face substantial cost increases. It's estimated that these changes will add around £3 billion to labour costs, with smaller businesses that operate on tight margins potentially feeling the strain the most. According to the Low Pay Commission, this increase will require employers to adjust wages further up the pay scale to maintain differentials between roles, all of which adds pressure to wage budgets.

### ***Benefits for Low-Wage Workers:***

The wage boost is expected to positively impact approximately three million employees, helping lift earnings closer to the "real living wage" and offering support amid rising living costs. This uplift aligns with the Labour government's goal to tie the NLW to two-thirds of median wages, aiming to improve income equality across the workforce.

### ***Productivity and Workforce Planning:***

While the wage hikes aim to support employees, businesses may need to adopt productivity-boosting measures to counterbalance the higher costs. Companies should consider smarter working methods rather than relying on passing the increased costs onto consumers, which may not be sustainable long-term. Investment in workforce training and upskilling is one potential strategy, which could help companies get more value from their labour costs and better retain talent amidst competitive wage increases.

### ***Social and Policy Context:***

The idea of a "social wage" goes beyond basic wage increases, advocating for a more comprehensive support structure to alleviate financial stress for lower-income workers and create a more sustainable living wage environment.

In summary, the planned April 2025 wage increases are set to offer substantial support to lower-paid workers, although they present real challenges for businesses in managing costs and maintaining wage structures. Employers may need to focus on productivity improvements and training investments to balance these increases in a way that supports both staff and operational sustainability.