

23<sup>rd</sup> March 2016

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## Compulsory National Living Wage Effective from 1 April 2016

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From 1 April 2016 a National Living Wage of £7.20 per hour for workers aged 25 and over is set to be introduced. Entitlement to the National Living Wage will include not only employees and workers, but also apprentices aged 25 and over, casual labourers and agricultural workers. The Low Pay Commission will recommend any future rise to the rate, but it is anticipated that the National Living Wage will rise to £9.00 or over by 2020.

The National Living Wage differs from the 'Living Wage', which is assessed in accordance with the basic cost of living in the UK, and which employers can voluntarily choose to pay. This rate is currently £9.40 per hour in London and £8.25 for the rest of the UK.

The National Minimum Wage will remain in force for workers under the age of 25, and will continue to be updated on 1st October every year.

Worker complaints of underpayment must be brought to the employer in the first instance. However, if the employer continues to refuse payment workers can advance their complaint to ACAS to seek resolution, or HMRC. Failure to pay employees the correct rate of pay will result in penalties being levied against the employer and this will be up to 200% or double the value of the underpayment owed, unless the full amount owed to the employee or worker is paid within 14 days.

The maximum fine for non-payment will be £20,000 per worker and failure to pay could result in an employer being banned from being a company director for up to 15 years.

The Government has published guidance notes on the National Living Wage which can be found at: <https://www.gov.uk/national-minimum-wage/employers-and-the-minimum-wage>