

Low Pay, April 2014



Coverage: **UK**

Date: **19 November 2014**

Geographical Area: **Region**

Theme: **Labour Market**

Key points

- Based on a new methodology which accounts for the apprentice National Minimum Wage (NMW) rate, there were 236,000 jobs with pay less than the NMW held by employees aged 16 and over in April 2014. This constituted 0.9% of UK employee jobs.
- There were 9,000 jobs held by 16 to 17-year-olds (2.7% of jobs in this age group) with pay less than the NMW.
- For 18 to 20-year-olds, there were 31,000 jobs (2.9% of jobs in this age group) with pay less than the NMW.
- For employees aged 21 and over, there were 196,000 jobs (0.8% of jobs in this age group) with pay less than the NMW.
- Based on the previous methodology, which did not account for the apprentice NMW rate, there were 309,000 jobs (1.2% of UK employee jobs) with pay less than the NMW held by employees aged 16 and over in April 2014. This is up from 280,000 (1.1% of jobs) in April 2013.

Introduction

This release presents statistics on the number of jobs with pay less than the National Minimum Wage (NMW) in the UK. [Accompanying reference tables \(151 Kb Excel sheet\)](#) showing low pay estimates by sex, full-time, part-time, age, region, occupation and industry are available on the Office for National Statistics (ONS) website. The statistics are based on data from the Annual Survey of Hours and Earnings (ASHE). [More information on ASHE](#) can be found on the ONS website.

The NMW is a minimum amount per hour that most workers in the UK are entitled to be paid. There are different rates of NMW depending on a worker's age and whether they are an apprentice. In April 2014 the NMW rates were: £6.31 for employees aged 21 and over; £5.03 for employees aged 18 to

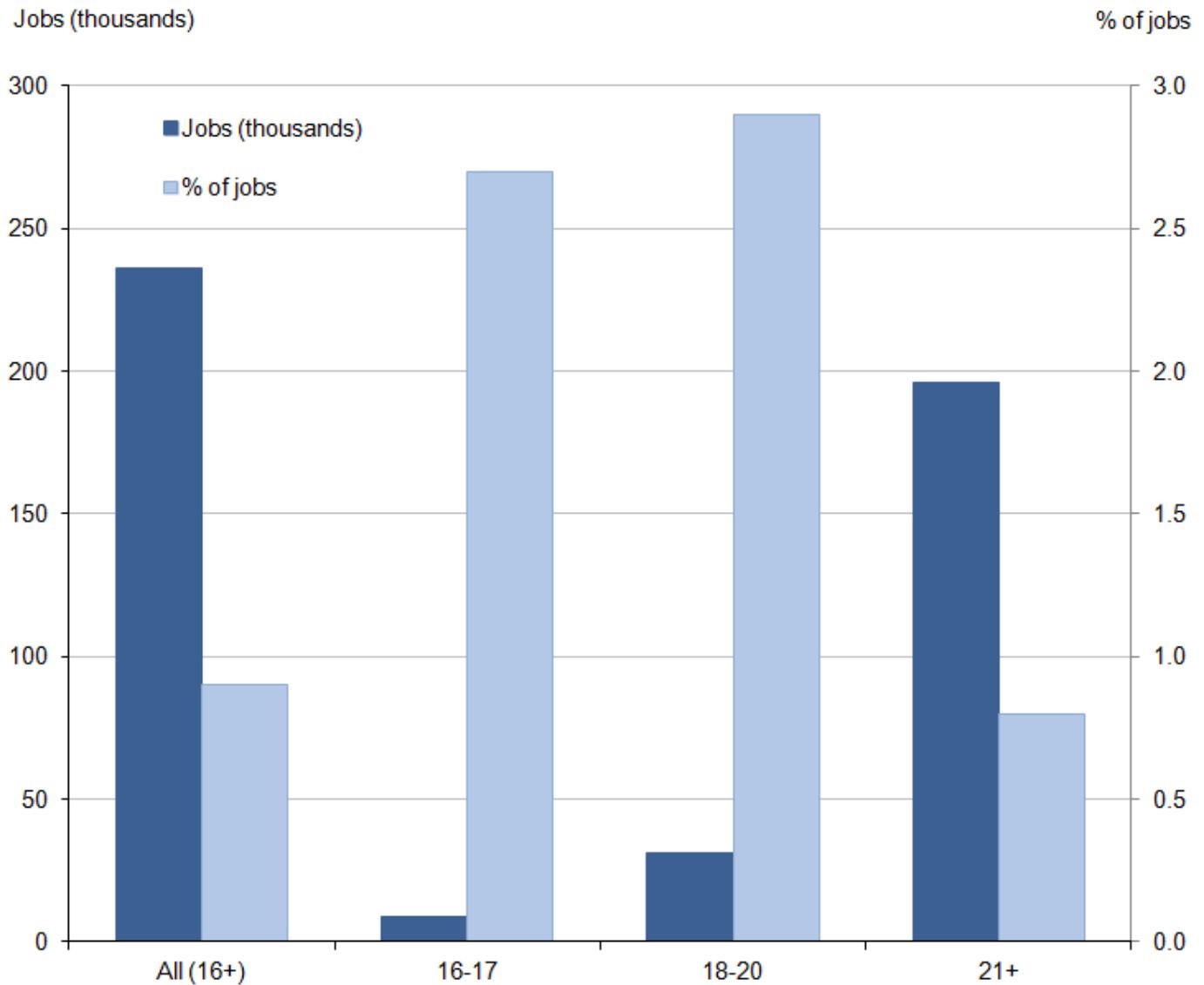
20; £3.72 for employees aged 16 to 17; and £2.68 for apprentices aged 16 to 18 and those aged 19 or over who are in the first year of their apprenticeship.

The headline low pay estimates for 2014 are the first in a new series. For the first time the estimates reflect the differences between apprentices and non-apprentices in their entitlement to the NMW. In previous years it was not possible to identify apprentices in the ASHE data and thus establish to which NMW rate they were entitled. This meant that all apprentice jobs with pay below the non-apprentice NMW rates were included in the low pay estimate, whether or not their earnings were actually above the apprentice NMW rate. Consequently, estimates for the number of jobs paid below the NMW prior to 2014 are significantly higher than, and not directly comparable with, the headline 2014 estimates.

Low pay by age

The proportion of jobs with pay less than the NMW varies by age group, reflecting the different NMW rates (see Figure 1). In April 2014 there were 236,000 jobs with pay less than the NMW held by people aged 16 and over, which constituted 0.9% of UK employee jobs. For 16 to 17-year-olds, 2.7% of jobs in this age group had pay less than the relevant NMW rate; for 18 to 20-year-olds, the proportion was 2.9% and for employees aged 21 and over, the proportion was 0.8%.

Figure 1: Number and percentage of jobs paid below the National Minimum Wage by age group, UK, April 2014



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

1. Number of jobs paid at less than £2.68 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.72 per hour (employees aged 16-17) or £5.03 per hour (employees aged 18-20) or £6.31 per hour (employees aged 21 and over).
2. Excludes employees whose pay was affected by absence.
3. Data are provisional.

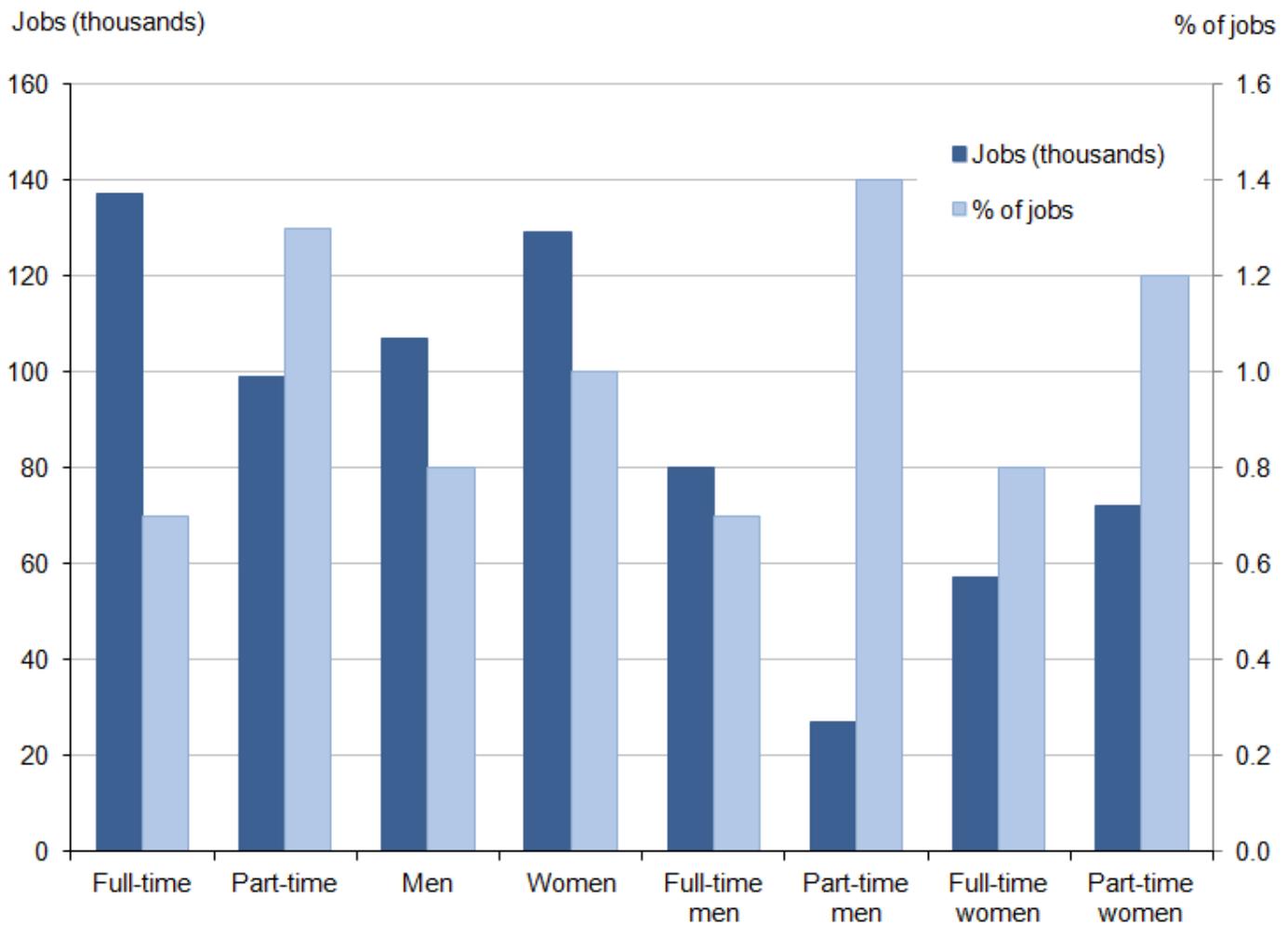
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Low pay among full-time and part-time employees and men and women

Employees in part-time work were more likely than those in full-time work to be paid less than the NMW, with 1.3% of part-time jobs and 0.7% of full-time jobs falling below the NMW in April 2014 (Figure 2). Jobs held by women were more likely to be paid less than the NMW than jobs held by men (1.0% compared with 0.8%). This is consistent with the fact that a greater proportion of women work part-time than men.

Figure 2: Number and percentage of jobs paid below the National Minimum Wage by full-time, part-time and sex, UK, April 2014



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

1. Number of jobs paid at less than £2.68 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.72 per hour (employees aged 16-17) or £5.03 per hour (employees aged 18-20) or £6.31 per hour (employees aged 21 and over).
2. Excludes employees whose pay was affected by absence.
3. Full-time defined as employees working more than 30 paid hours per week (or 25 or more for the teaching professions).
4. Data are provisional.

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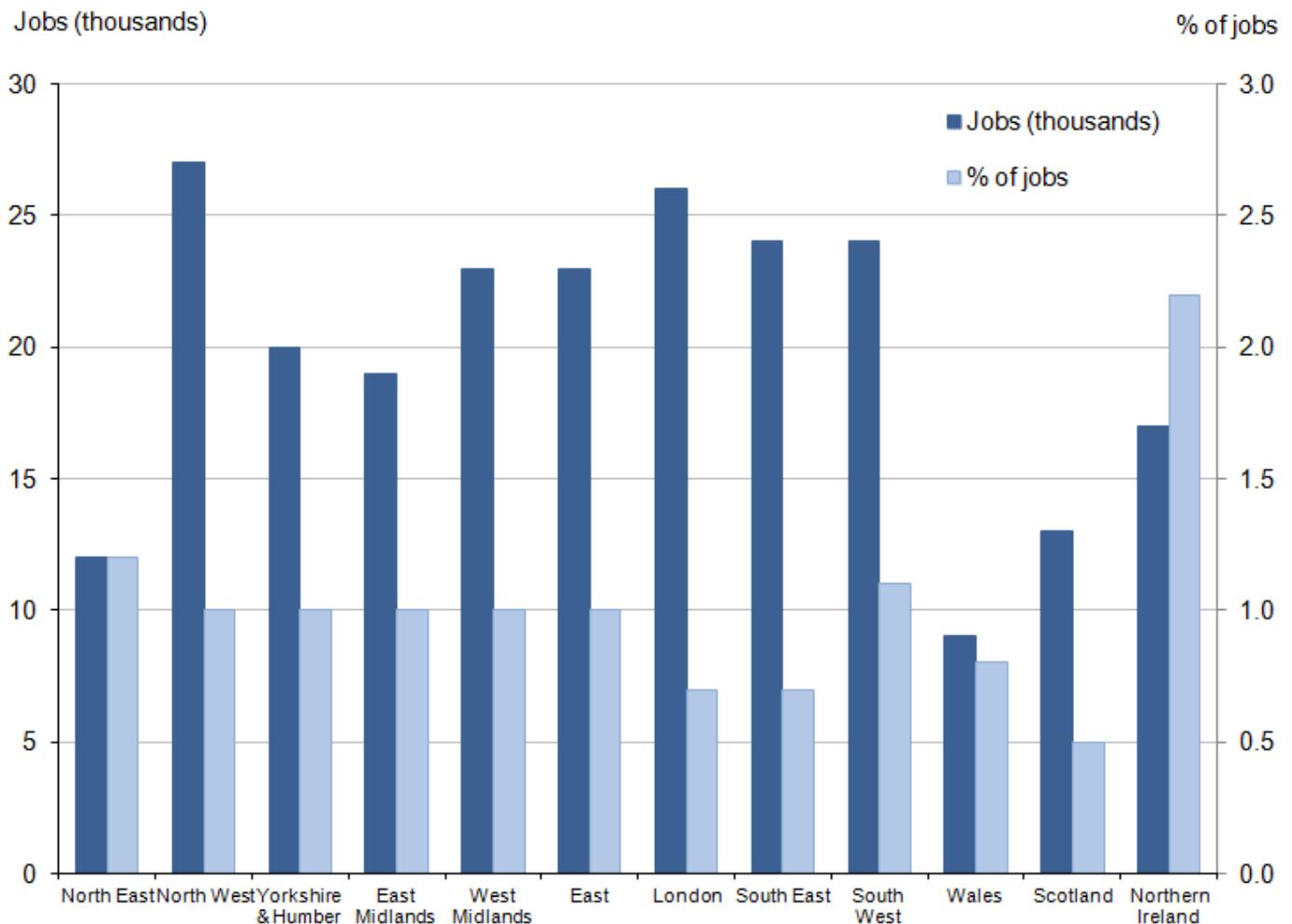
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Low pay by region

In April 2014 the region with the highest proportion of low paid jobs was Northern Ireland, where 2.2% of jobs were paid below the NMW (Figure 3). The next highest was the North East, with 1.2% of jobs paid below the NMW. The lowest proportions of jobs below the NMW were in Scotland (0.5%) and London and the South East (both at 0.7%).

Figure 3: Number and percentage of jobs paid below the National Minimum Wage by work region, UK, April 2014



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

1. Number of jobs paid at less than £2.68 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.72 per hour (employees aged 16-17) or £5.03 per hour (employees aged 18-20) or £6.31 per hour (employees aged 21 and over).
2. Excludes employees whose pay was affected by absence.

3. Data are provisional.

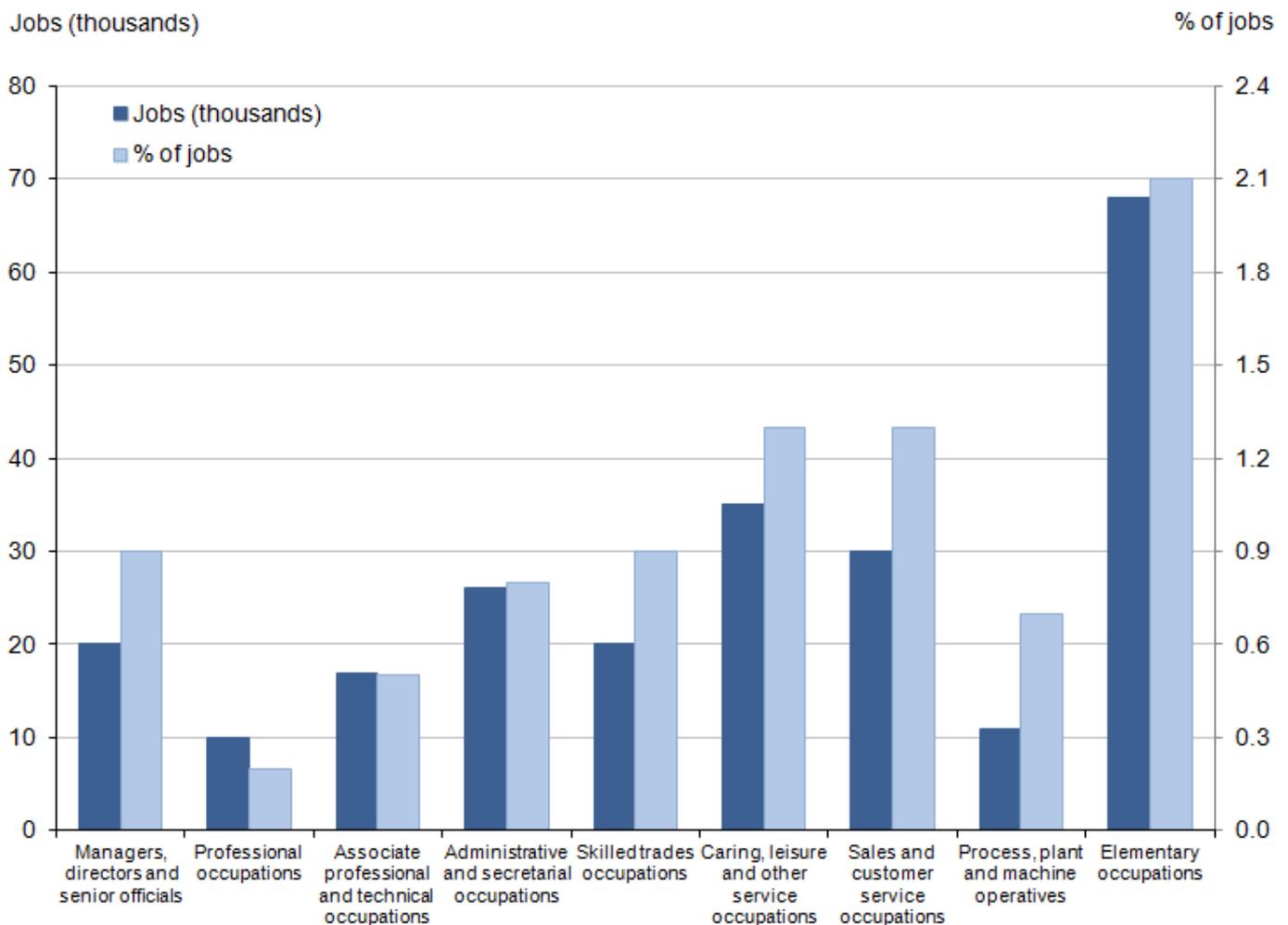
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Low pay by occupation

The occupation group with the highest proportion of low paid jobs was elementary occupations, in which 2.1% of jobs were paid below the NMW in April 2014 (Figure 4). Examples of elementary occupations are bar staff, waiters/waitresses and a range of elementary administrative, service and construction occupations. The lowest proportions were in professional occupations (0.2%) and associate professional and technical occupations (0.5%).

Figure 4: Number and percentage of jobs paid below the National Minimum Wage by major occupation group, UK, April 2014



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

1. Number of jobs paid at less than £2.68 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.72 per hour (employees aged 16-17) or £5.03 per hour (employees aged 18-20) or £6.31 per hour (employees aged 21 and over).
2. Excludes employees whose pay was affected by absence.
3. Occupations as defined by the Standard Occupational Classification 2010.
4. Data are provisional.

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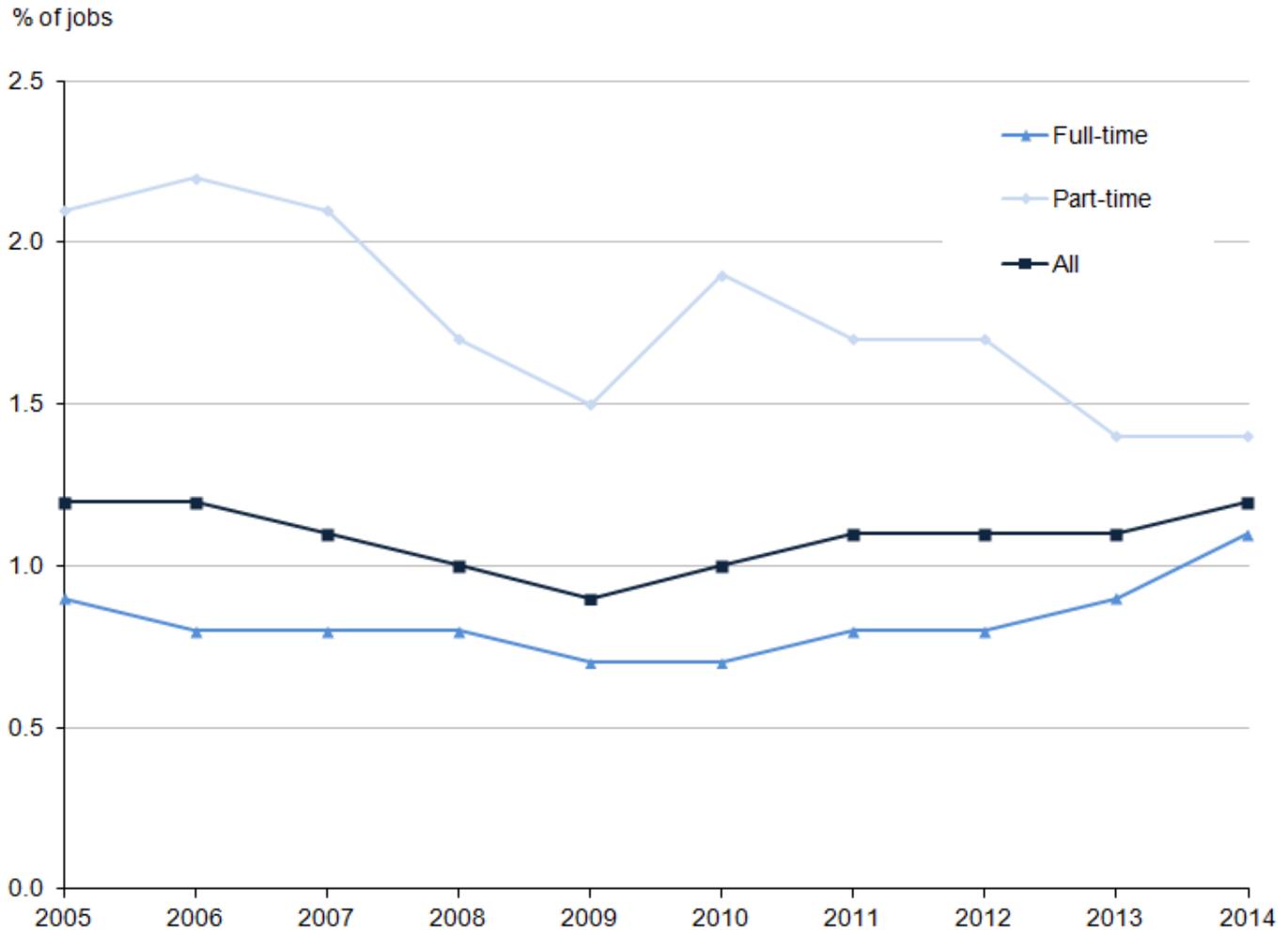
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Trends over time

In order to allow comparisons with previous years, ONS has produced a second set of low pay estimates for 2014 which are consistent with the methodology that was applied in previous years (i.e. not accounting for the apprentice rate). These show that in April 2014, on the same basis as previous years' estimates, there were 309,000 jobs in the UK with earnings below the NMW, an increase of 29,000 compared with April 2013.

Historically, the proportion of jobs in the UK with pay below the NMW has remained relatively stable, at around 1.1% (Figure 5). In the last 10 years the lowest proportion was in 2009, when 0.9% of jobs were below the NMW, while the current figure, 1.2% (based on the previous methodology), is the joint highest (it was the same in 2005 and 2006). Over this period the proportion of full-time employees with pay below the NMW has also remained fairly stable, at around 0.8%, with a slight increase in the last two years, to 1.1% in 2014. In contrast, the proportion for part-time employees has followed an overall downward trend, from 2.1% in 2005 to 1.4% in 2014.

Figure 5: Percentage of jobs paid below the National Minimum Wage for full-time and part-time employees, UK, April 2005 to 2014



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

1. Based on the previous methodology which did not account for the apprentice National Minimum Wage rate.
2. 2005 - Number of jobs paid at less than £3.00 per hour (aged 16-17) or £4.10 per hour (aged 18-21) or £4.85 per hour (aged 22 and over).
3. 2006 - Number of jobs paid at less than £3.00 per hour (aged 16-17) or £4.25 per hour (aged 18-21) or £5.05 per hour (aged 22 and over).
4. 2007 - Number of jobs paid at less than £3.30 per hour (aged 16-17) or £4.45 per hour (aged 18-21) or £5.35 per hour (aged 22 and over).
5. 2008 - Number of jobs paid at less than £3.40 per hour (aged 16-17) or £4.60 per hour (aged 18-21) or £5.52 per hour (aged 22 and over).
6. 2009 - Number of jobs paid at less than £3.53 per hour (aged 16-17) or £4.77 per hour (aged 18-21) or £5.73 per hour (aged 22 and over).
7. 2010 - Number of jobs paid at less than £3.57 per hour (aged 16-17) or £4.83 per hour (aged 18-21) or £5.80 per hour (aged 22 and over).
8. 2011 - Number of jobs paid at less than £3.64 per hour (aged 16-17) or £4.92 per hour (aged 18-20) or £5.93 per hour (aged 21 and over).

9. 2012 - Number of jobs paid at less than £3.68 per hour (aged 16-17) or £4.98 per hour (aged 18-20) or £6.08 per hour (aged 21 and over).
10. 2013 - Number of jobs paid at less than £3.68 per hour (aged 16-17) or £4.98 per hour (aged 18-20) or £6.19 per hour (aged 21 and over).
11. 2014 - Number of jobs paid at less than £3.72 per hour (aged 16-17) or £5.03 per hour (aged 18-20) or £6.31 per hour (aged 21 and over).
12. Excludes employees whose pay was affected by absence.
13. Full-time defined as employees working more than 30 paid hours per week (or 25 or more for the teaching professions).

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Background notes

1. Survey details

This release contains statistics from the Annual Survey of Hours and Earnings (ASHE). ASHE is based on a sample of employee jobs taken from HM Revenue & Customs (HMRC) Pay As You Earn (PAYE) records. Information on earnings and hours is obtained from employers and treated confidentially. ASHE does not cover the self-employed nor does it cover employees not paid during the reference period. In 2014 information related to the pay period which included 9 April.

[More detailed information](#) is available on the Office for National Statistics (ONS) website.

Basic quality information

2. Link to quality and methodology information

A [Quality and Methodology Information \(QMI\) report](#) for ASHE can be found on the ONS website. This report describes in detail the intended uses of the ASHE statistics, their general quality, and the methods used to produce them. [More specific information](#) about ONS's low pay methodology is also available on the ONS website.

3. Common pitfalls in interpreting the series

Although the low pay estimates attempt to measure the number of jobs that are paid below the NMW, it should be noted that the estimates cannot be used as a measure of non-compliance with the legislation. This is because it is not always possible to determine from the survey data whether an individual is eligible for the NMW. For example, if employees receive free accommodation, employers are entitled to offset hourly rates.

4. Relevance

The low pay estimates presented relate to gross pay excluding overtime before tax, National Insurance or other deductions, and exclude payments in kind. The statistics are limited to earnings relating to the survey pay period and so exclude payments of arrears from another period made during the survey period. Any payments due as a result of a pay settlement but not yet paid at the time of the survey are also excluded.

Published low pay estimates do not include those employees whose earnings in the pay period were affected because of absence from work.

Full-time employees are defined as those who work more than 30 paid hours per week or those in teaching professions working 25 paid hours or more per week.

This bulletin gives estimates of the total number of jobs paid below the NMW by sex, full-time, part-time, age, region and occupation. More detailed estimates, including the [UK distribution by 10p bands \(416.5 Kb Excel sheet\)](#) and analyses by industry, are given for each year back to 1998 in the [accompanying reference tables \(151 Kb Excel sheet\)](#) on the ONS website.

UK legislation covering NMW rates for employees over the age of 18 was introduced on 1 April 1999. In October 2004 a NMW rate was introduced for 16 to 17-year-olds. Since their introduction the NMW rates have been regularly reviewed. In October 2010 the age at which employees are entitled to the main NMW rate was changed from 22 years to 21. At this time an apprentice NMW rate was also introduced. Up until 2013 it was not possible to account for this apprentice rate in the calculation of the number of jobs paid below the NMW as it was not possible to identify apprentices in the ASHE data. However this is now possible and therefore from 2014 the low pay estimates account for the apprentice NMW rate. Details of the different NMW rates used in the calculation of the low pay estimates over the years are given below:

- 1998-2000: £3.00 per hour (employees aged 18-21) or £3.60 per hour (employees aged 22 and over).
- 2001: £3.20 per hour (18-21) or £3.70 per hour (22 and over).
- 2002: £3.50 per hour (18-21) or £4.10 per hour (22 and over).
- 2003: £3.60 per hour (18-21) or £4.20 per hour (22 and over).
- 2004: £3.80 per hour (18-21) or £4.50 per hour (22 and over).
- 2005: £3.00 per hour (16-17) or £4.10 per hour (18-21) or £4.85 per hour (22 and over).
- 2006: £3.00 per hour (16-17) or £4.25 per hour (18-21) or £5.05 per hour (22 and over).
- 2007: £3.30 per hour (16-17) or £4.45 per hour (18-21) or £5.35 per hour (22 and over).
- 2008: £3.40 per hour (16-17) or £4.60 per hour (18-21) or £5.52 per hour (22 and over).
- 2009: £3.53 per hour (16-17) or £4.77 per hour (18-21) or £5.73 per hour (22 and over).
- 2010: £3.57 per hour (16-17) or £4.83 per hour (18-21) or £5.80 per hour (22 and over).
- 2011: £3.64 per hour (16-17) or £4.92 per hour (18-20) or £5.93 per hour (21 and over).
- 2012: £3.68 per hour (16-17) or £4.98 per hour (18-20) or £6.08 per hour (21 and over).
- 2013: £3.68 per hour (16-17) or £4.98 per hour (18-20) or £6.19 per hour (21 and over).
- 2014 (previous methodology): £3.72 per hour (16-17) or £5.03 per hour (18-20) or £6.31 per hour (21 and over).

- 2014 (new methodology): £2.68 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.72 per hour (employees aged 16-17) or £5.03 per hour (employees aged 18-20) or £6.31 per hour (employees aged 21 and over).

5. Accuracy

Revisions

In line with normal practice this release contains revised estimates for the number of jobs paid below the NMW from the 2013 ASHE, which were first published on 12 December 2013. These estimates take account of some corrections to the original 2013 ASHE data that were identified during the validation of the results for 2014, as well as late returns. Low pay estimates for 2013 have been revised up by 1,000 jobs.

Sampling error

Sampling error results from differences between a target population and a sample of that population. Sampling error varies partly according to the sample size for any particular breakdown or 'domain'. Indications of the quality of ASHE estimates are provided in the form of coefficients of variation (CV). The CV is the ratio of the standard error of an estimate to the estimate, expressed as a percentage. Generally, if all other factors are constant, the smaller the CV the higher the quality of the estimate. The coefficients of variation for estimates of UK jobs paid below the NMW by age group in April 2014 are shown below:

- 16-17 years: 15.1%
- 18-20 years: 7.7%
- 21 years and over: 2.7%
- All over 16 years: 2.5%

Response

The 2014 ASHE is based on approximately 189,000 returns.

ASHE - LFS central estimates 1998 - 2003

From 1998 to 2003, the average of the ASHE and the Labour Force Survey (LFS) estimates (the 'central estimate') was taken as the best available indication of the number of jobs paid below the NMW. This was because ASHE could not stand alone as the source for low pay estimates without the additional samples introduced in 2004 to improve its coverage. For comparison, the estimate for low pay jobs in 2004 was 276,000 with the additional samples, and 270,000 with the central estimate.

ASHE coverage change in 2014

In 2013 HMRC changed the criteria which determine how businesses are obliged to report employees' earnings via their PAYE schemes. Until this change, businesses were only required to operate PAYE for employees whose earnings were above the Lower Earnings Limit (LEL) for National Insurance contributions, currently £111 per week, and they did not report all new

jobs until the end of the tax year. The new rules require employers to report the details of all of their employee jobs via their PAYE schemes, whatever their earnings, provided that they have at least one employee earning above the LEL. In addition, employers must report for all jobs in 'real-time', meaning that they cannot wait until the end of the tax year. This new system is known as 'Real-Time Information' (RTI). In theory, it is possible that the move to RTI results in a coverage change for the ASHE sample.

It should be noted that 2014 is not the first year in which the ASHE sample includes the types of jobs that are affected by RTI. This is because many employers, particularly large businesses, which account for a large proportion of the labour market, chose to report many or all such jobs on their PAYE schemes in previous years.

It is not possible to precisely quantify the impact of this change since it is not possible to identify the specific jobs that are included in the ASHE sample as a direct result of the move to RTI. However, compositional differences between 2013 and 2014 are not unusual when considered in historical context. This is because, as noted above, many of the RTI-type jobs were already being reported by employers in previous years, meaning that the composition of the sample was not substantially distorted as a result of RTI.

Consequently, ONS judges that the impact of the move to RTI on the low pay estimates in 2014 is negligible. It is possible that at some lower levels of disaggregation, there may be a more pronounced effect, perhaps because RTI has resulted in different behavioural changes for employers in particular regions or in particular sectors.

Re-weighting of the Labour Force Survey

Returned data from ASHE are weighted to UK population totals from the LFS. The LFS itself has recently been reweighted, using revised UK and sub-national population estimates consistent with the 2011 Census and updated population projections. ONS has found there to be negligible impact of this on the low pay estimates. [Further information on the LFS reweighting](#) can be found on the ONS website.

6. Coherence

The LFS collects information on the earnings, and normal and actual hours worked, of about 15,000 people aged 16 and over each quarter. In addition it collects data on a wide range of personal characteristics, including education level and ethnic origin. This enables the preparation of statistics on levels and distribution of earnings similar to the ASHE but with lower precision due to the much smaller sample size.

Publication policy

7. [A list of names of those given pre-release access to the contents of this bulletin](#) is available on the ONS website.

8. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

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Statistical contacts

Name	Phone	Department	Email
James Tucker	+44 (0)1633 456120	Office for National Statistics	earnings@ons.gsi.gov.uk

Issuing Body:

Office for National Statistics

Media Contact Details:

Telephone: 0845 604 1858
(8.30am-5.30pm Weekdays)

Emergency out of hours (limited service): 07867 906553

Email:

media.relations@ons.gsi.gov.uk