

# Low Pay, April 2015



Coverage: **UK**

Date: **18 November 2015**

Geographical Area: **Region**

Theme: **Labour Market**

## Main points

- There were 209,000 jobs with pay less than the National Minimum Wage (NMW) held by employees aged 16 and over in April 2015, which constituted 0.8% of UK employee jobs. This was down from 222,000 (0.8%) in April 2014.
- There were 115,000 jobs held by full-time employees (0.6% of jobs in this group) with pay less than the NMW.
- For part-time employees, there were 94,000 jobs (1.2% of jobs in this group) with pay less than the NMW.

## Introduction

This release presents statistics on the number of employee jobs with pay less than the National Minimum Wage (NMW) in the UK. [Accompanying reference tables \(154 Kb Excel sheet\)](#) showing low pay estimates by sex, full-time, part-time, age, region, occupation and industry are available on our website. The statistics are based on data from the Annual Survey of Hours and Earnings (ASHE). [More information on ASHE](#) is also available on our 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. On the ASHE reference date in April 2015 the NMW rates were:

- £6.50 for employees aged 21 and over
- £5.13 for employees aged 18 to 20
- £3.79 for employees aged 16 to 17
- £2.73 for apprentices aged 16 to 18 and those aged 19 or over who are in the first year of their apprenticeship

Please note that the estimates in this release cannot be used as a measure of non-compliance with the NMW legislation. This is because it is not always possible to determine from the survey

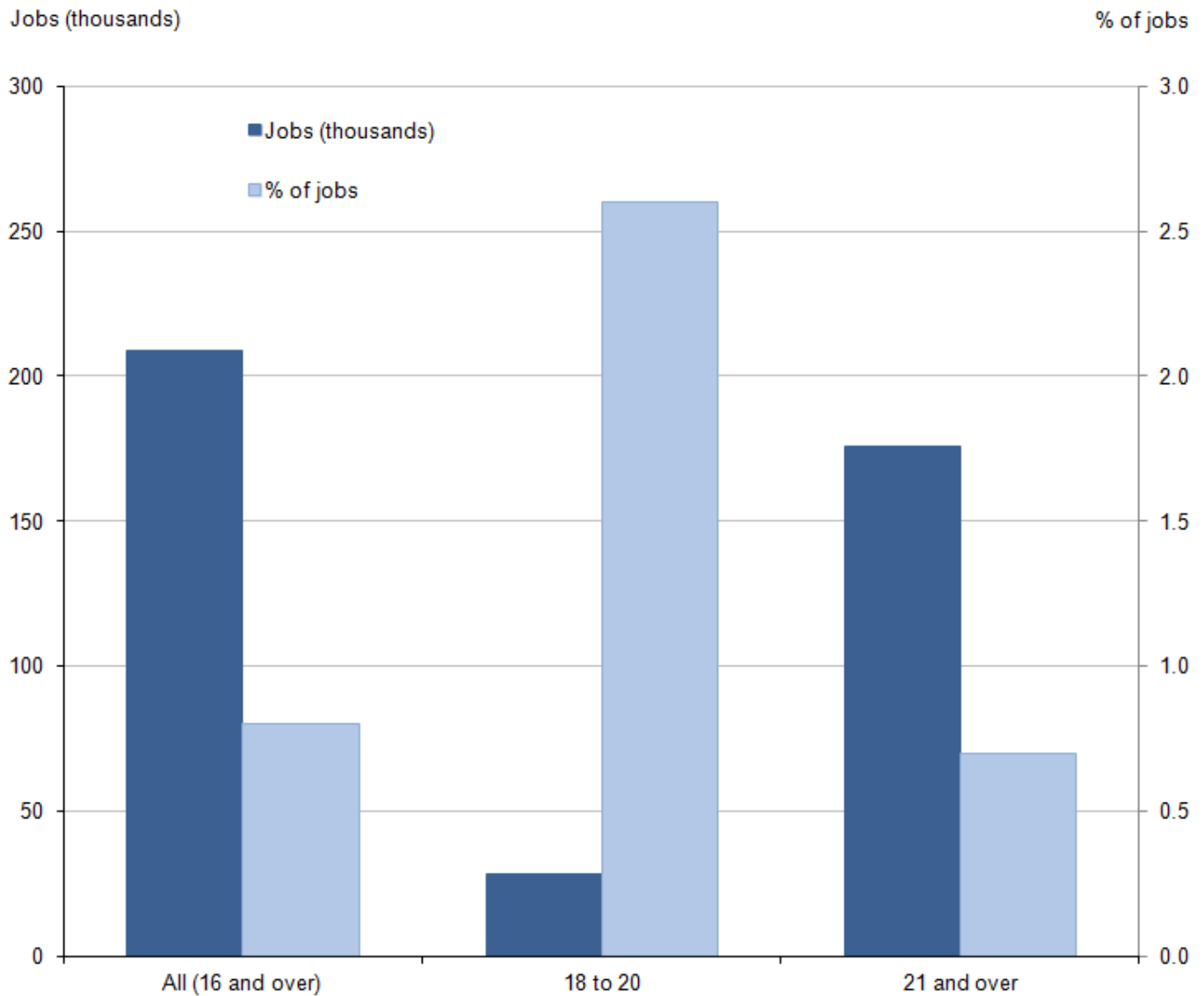
data whether an individual is eligible for the NMW. For example, if employees receive free accommodation, employers are entitled to offset hourly rates.

## Low pay by age

The proportion of jobs with pay less than the NMW varies by age group, reflecting the different NMW rates (as shown in Figure 1). In April 2015 there were 209,000 jobs with pay less than the NMW held by employees aged 16 and over, which constituted 0.8% of UK employee jobs. For 18- to 20-year-olds, 2.6% of jobs in this age group had pay less than the relevant NMW rate and for employees aged 21 and over, the proportion was 0.7%.

Please note that, due to the small sample size, estimates for the number and proportion of jobs held by 16- to 17-year-olds with pay less than the NMW is considered unreliable for practical purposes and so has not been included in Figure 1.

**Figure 1: Number and percentage of jobs paid below the National Minimum Wage by age group, UK, April 2015**



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

**Notes:**

1. Number of jobs paid at less than £2.73 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.79 per hour (employees aged 16 to 17) or £5.13 per hour (employees aged 18 to 20) or £6.50 per hour (employees aged 21 and over).
2. Estimates are based on hourly earnings excluding overtime and shift premium payments. Activities of households as employers and extraterritorial organisations as well as employees with an unknown industry status are excluded.
3. Excludes employees whose pay was affected by absence.
4. Data are provisional.

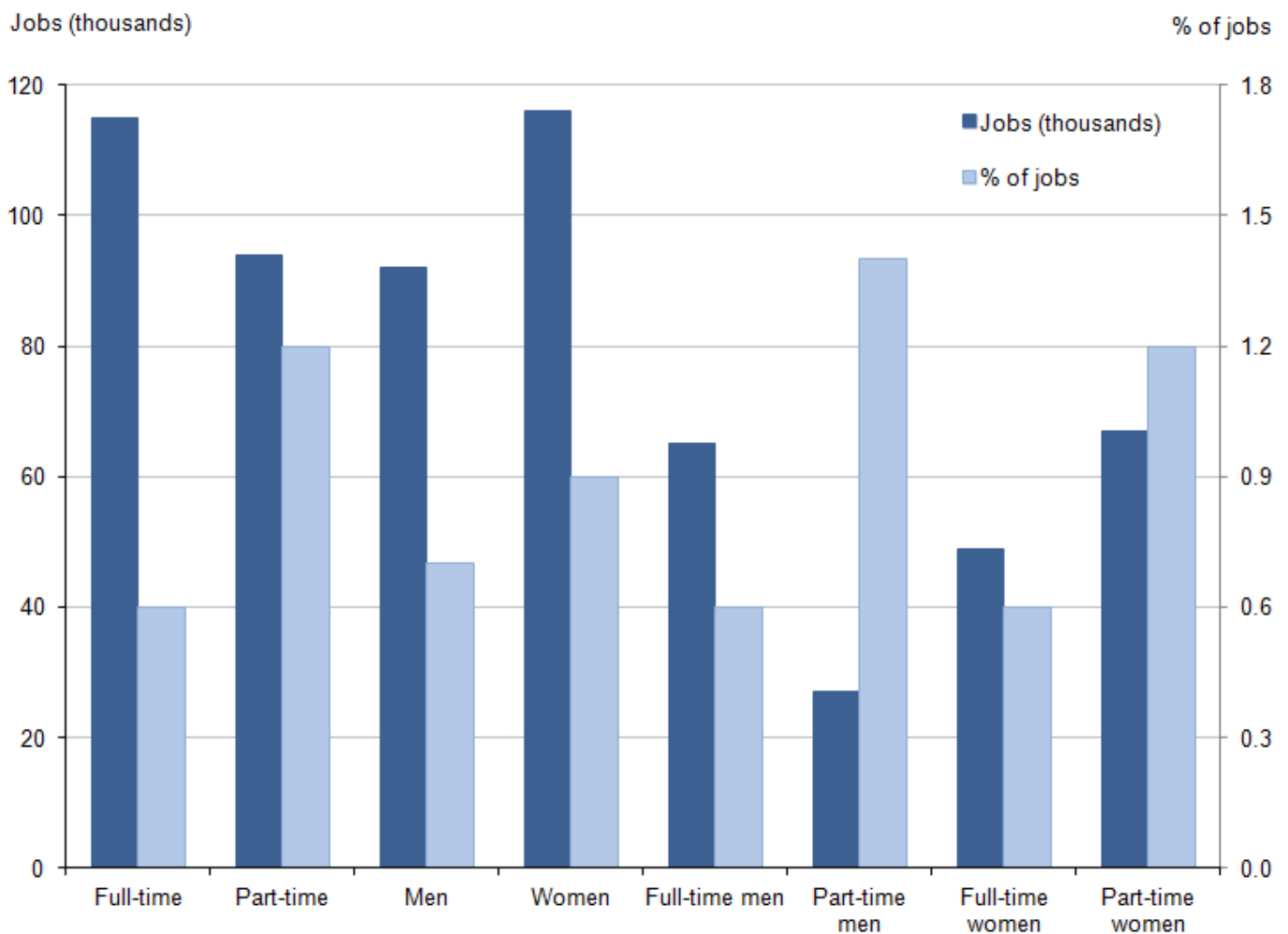
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**Low pay among full-time and part-time employees and men and women**

Employees in part-time work were more likely than those in full-time work to be paid less than the NMW, with 1.2% of part-time jobs and 0.6% of full-time jobs falling below the NMW in April 2015 (Figure 2). Jobs held by women were more likely to be paid less than the NMW than jobs held by men (0.9% compared with 0.7%). 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 2015**



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

**Notes:**

1. Number of jobs paid at less than £2.73 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.79 per hour (employees aged 16 to 17) or £5.13 per hour (employees aged 18 to 20) or £6.50 per hour (employees aged 21 and over).

2. Estimates are based on hourly earnings excluding overtime and shift premium payments. Activities of households as employers and extraterritorial organisations as well as employees with an unknown industry status are excluded.
3. Excludes employees whose pay was affected by absence.
4. Full-time defined as employees working more than 30 paid hours per week (or 25 or more for the teaching professions).
5. Data are provisional.

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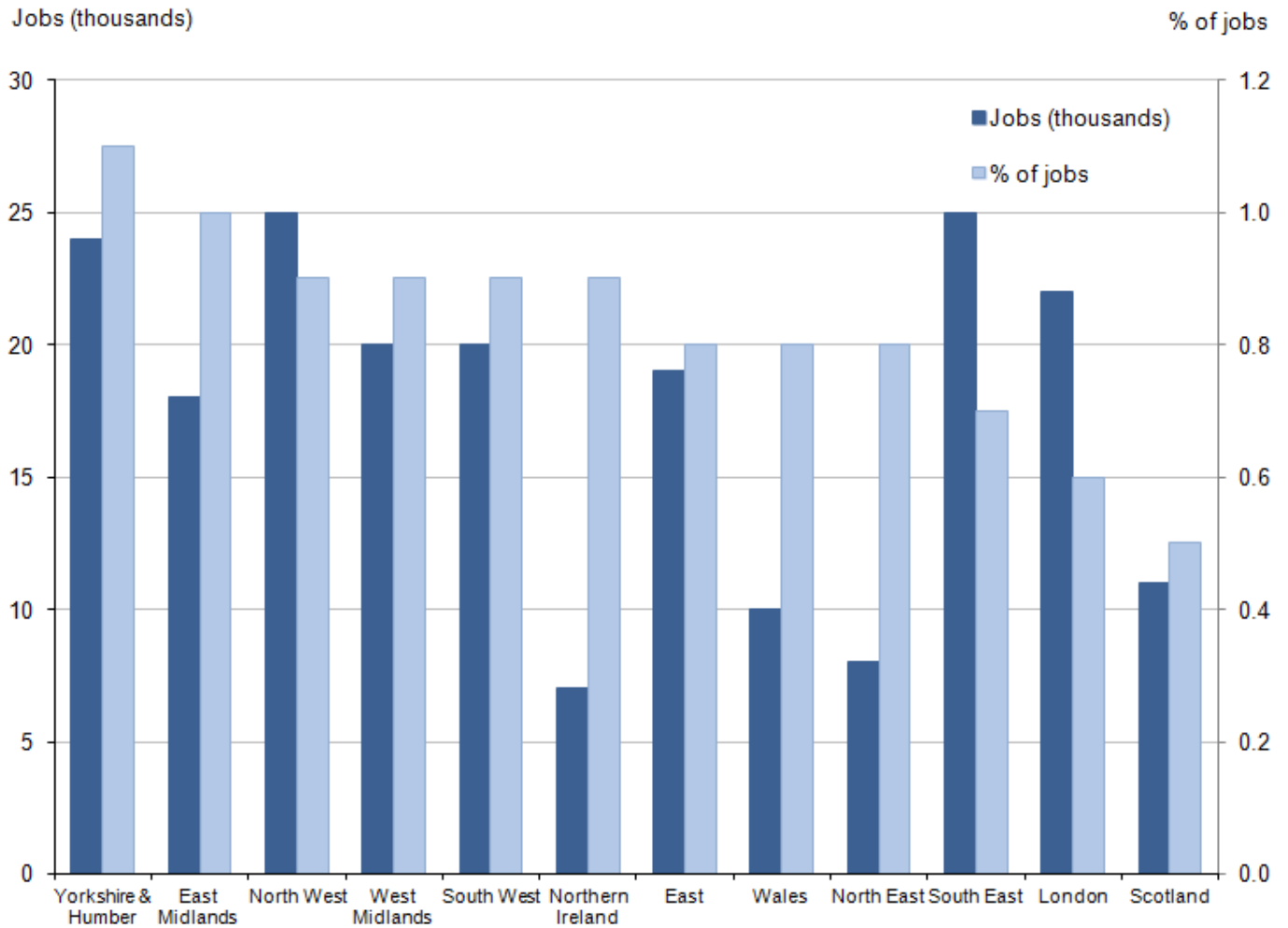
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### Low pay by region

In April 2015 the region with the highest proportion of low paid jobs was Yorkshire and The Humber, where 1.1% of jobs were paid below the NMW (Figure 3). The next highest was the East Midlands, with 1.0% of jobs paid below the NMW. The lowest proportions of jobs below the NMW were in Scotland (0.5%), London (0.6%) and the South East (0.7%).

**Figure 3: Number and percentage of jobs paid below the National Minimum Wage by work region, UK, April 2015**



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

**Notes:**

1. Number of jobs paid at less than £2.73 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.79 per hour (employees aged 16 to 17) or £5.13 per hour (employees aged 18 to 20) or £6.50 per hour (employees aged 21 and over).
2. Estimates are based on hourly earnings excluding overtime and shift premium payments. Activities of households as employers and extraterritorial organisations as well as employees with an unknown industry status are excluded.
3. Excludes employees whose pay was affected by absence.
4. Data are provisional.
5. Click on image to view a larger version.

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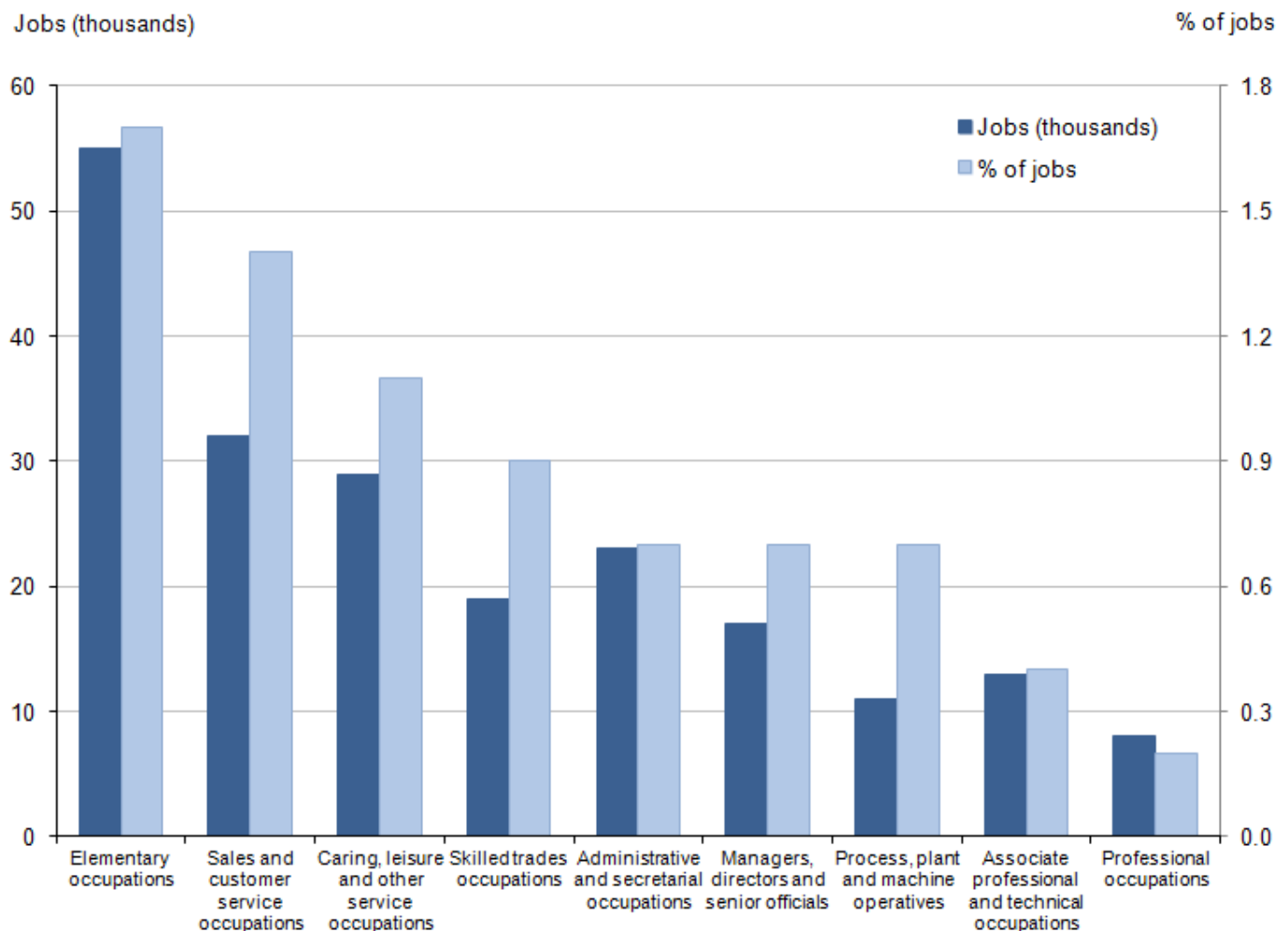
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## Low pay by occupation

The occupation group with the highest proportion of low paid jobs was elementary occupations, in which 1.7% of jobs were paid below the NMW in April 2015 (Figure 4). Examples of elementary occupations are bar staff, waiters and 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 (0.4%).

**Figure 4: Number and percentage of jobs paid below the National Minimum Wage by major occupation group, UK, April 2015**



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

**Notes:**

1. Number of jobs paid at less than £2.73 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.79 per hour (employees aged 16 to 17) or £5.13 per hour (employees aged 18 to 20) or £6.50 per hour (employees aged 21 and over).
2. Estimates are based on hourly earnings excluding overtime and shift premium payments. Activities of households as employers and extraterritorial organisations as well as employees with an unknown industry status are excluded.
3. Excludes employees whose pay was affected by absence.
4. Occupations as defined by the Standard Occupational Classification 2010.
5. Data are provisional.

6. Click on image to view a larger version.

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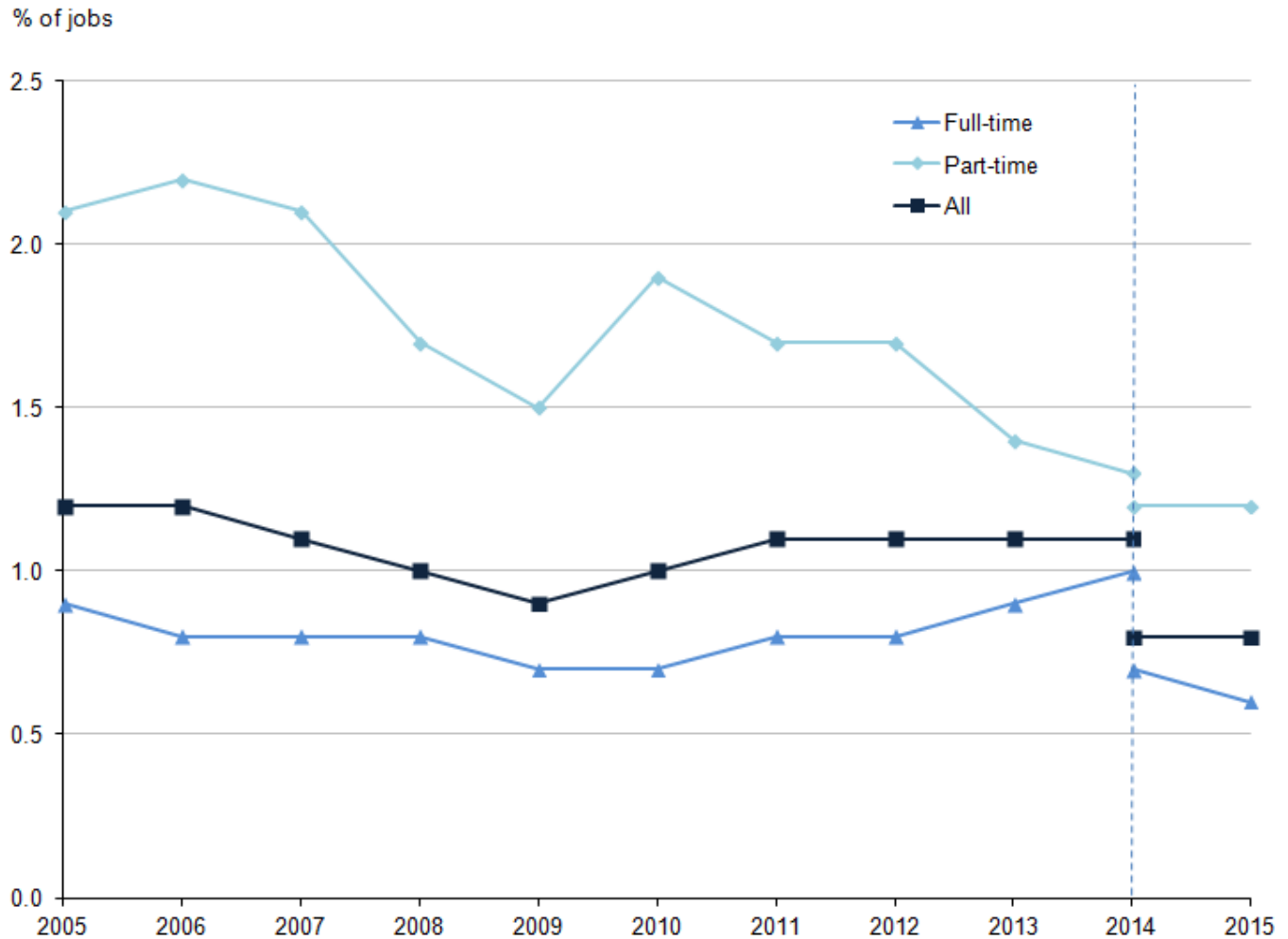
### Trends over time

Estimates for the number of jobs paid below the NMW now reflect the differences between apprentices and non-apprentices in their entitlement to the NMW. Before 2014 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 and percentage of jobs paid below the NMW prior to 2014 are not directly comparable with estimates after 2014.

In April 2015 there were 209,000 employee jobs paid below the NMW, down from 222,000 the previous year. This change was driven by a decrease in the number of full-time jobs paid below the NMW. Over time the overall proportion of jobs paid below the NMW has remained consistently around 1%, although this proportion has reduced slightly since the introduction of the new methodology in 2014 (Figure 5).



**Figure 5: Percentage of jobs paid below the National Minimum Wage for full-time and part-time employees, UK, April 2005 to 2015**



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

**Notes:**

1. Dashed line indicates a break in the series. A new methodology was introduced in 2014 that takes into account the apprentice NMW rate in the calculation of the number of jobs paid below the NMW. Figures before the line are based on the previous methodology and figures after the line are based on the new methodology. Figures for 2014 are provided on both bases.
2. See background notes for details of the NMW rates that applied on the ASHE reference date in each year.
3. Estimates are based on hourly earnings excluding overtime and shift premium payments. Activities of households as employers and extraterritorial organisations as well as employees with an unknown industry status are excluded.
4. Excludes employees whose pay was affected by absence.
5. Full-time defined as employees working more than 30 paid hours per week (or 25 or more for the teaching professions).
6. 2015 data are provisional.

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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 1% sample of employee jobs taken from HM Revenue and Customs (HMRC) Pay As You Earn (PAYE) records. Consequently, individuals with more than one job may appear in the sample more than once. Employee jobs are defined as those held by employees and not the self-employed.

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 2015 information related to the pay period which included 22 April.

[More detailed information](#) is available on our website.

### 2. Basic quality information

A [Quality and Methodology Information \(QMI\) report for ASHE \(212.6 Kb Pdf\)](#) can be found on our 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 our [low pay methodology](#) is also available on our 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 National Minimum wage (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 hourly pay (excluding overtime and shift premium payments) 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. Activities of households as employers and extraterritorial organisations as well as employees with an unknown industry status are also excluded.

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 and analyses by industry, are given for each year back to 1998 in the accompanying [reference tables](#) on our 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 to 2000: £3.00 per hour (employees aged 18 to 21) or £3.60 per hour (employees aged 22 and over)
- 2001: £3.20 per hour (18 to 21) or £3.70 per hour (22 and over)
- 2002: £3.50 per hour (18 to 21) or £4.10 per hour (22 and over)
- 2003: £3.60 per hour (18 to 21) or £4.20 per hour (22 and over)
- 2004: £3.80 per hour (18 to 21) or £4.50 per hour (22 and over)
- 2005: £3.00 per hour (16 to 17) or £4.10 per hour (18 to 21) or £4.85 per hour (22 and over)
- 2006: £3.00 per hour (16 to 17) or £4.25 per hour (18 to 21) or £5.05 per hour (22 and over)
- 2007: £3.30 per hour (16 to 17) or £4.45 per hour (18 to 21) or £5.35 per hour (22 and over)
- 2008: £3.40 per hour (16 to 17) or £4.60 per hour (18 to 21) or £5.52 per hour (22 and over)
- 2009: £3.53 per hour (16 to 17) or £4.77 per hour (18 to 21) or £5.73 per hour (22 and over)
- 2010: £3.57 per hour (16 to 17) or £4.83 per hour (18 to 21) or £5.80 per hour (22 and over)
- 2011: £3.64 per hour (16 to 17) or £4.92 per hour (18 to 20) or £5.93 per hour (21 and over)
- 2012: £3.68 per hour (16 to 17) or £4.98 per hour (18 to 20) or £6.08 per hour (21 and over)
- 2013: £3.68 per hour (16 to 17) or £4.98 per hour (18 to 20) or £6.19 per hour (21 and over)
- 2014 (previous methodology): £3.72 per hour (16 to 17) or £5.03 per hour (18 to 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 to 17) or £5.03 per hour (employees aged 18 to 20) or £6.31 per hour (employees aged 21 and over)
- 2015: £2.73 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.79 per hour (employees aged 16 to 17) or £5.13 per hour (employees aged 18 to 20) or £6.50 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 2014 ASHE, which were first published on 19 November 2014. These estimates take account of some corrections to the original 2014 ASHE data that were identified during the validation of the results for 2015, as well as late returns. Low pay estimates for 2014 have been revised down by 14,000 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 2015 are shown below:

- 16 to 17 years: 20.1%
- 18 to 20 years: 8.1%
- 21 years and over: 3.0%
- All over 16 years: 2.8%

### **Response**

The 2015 ASHE is based on approximately 187,000 returns.

### **ASHE - LFS central estimates 1998 to 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**

The rules covering which employments employers were required to report via PAYE changed in April 2013, effectively extending the coverage of the ASHE sample to include employments that were not covered under the previous rules. The new reporting system is known as “Real Time Information” (or RTI).

Analysis on 2014 results showed that the composition of the ASHE sample was not substantially distorted as a consequence of the move to RTI. This is because the majority of the RTI-type jobs were already being reported via PAYE by employers in previous years. Consequently we judge that the impact of the move to RTI on the low pay estimates for ASHE is negligible.

## **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.

## 7. Publication policy

A [list of names of those given pre-release access](#) to the contents of this bulletin is available on our 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](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gsi.gov.uk](mailto:media.relations@ons.gsi.gov.uk)

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This document is also available on our website at [www.ons.gov.uk](http://www.ons.gov.uk).

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