

Statistical bulletin

# Low pay in the UK: Apr 2016

Bulletin presents statistics on the number of employee jobs with pay less than the National Minimum Wage or the new National Living Wage in the UK



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# 1 . Main points

There were an estimated 362,000 jobs with pay less than the National Minimum Wage (NMW) or National Living Wage (NLW) held by employees aged 16 and over in April 2016, which constituted 1.3% of UK employee jobs.

There were 178,000 jobs held by full-time employees (0.9% of jobs in this group) with pay less than the minimum wage.

For part-time employees, there were 184,000 jobs (2.4% of jobs in this group) with pay less than the minimum wage.

## 2 . Introduction

This release presents statistics on the number of employee jobs with pay less than the National Minimum Wage (NMW) or new National Living Wage (NLW) in the UK on 13 April 2016. Accompanying datasets showing low pay estimates by sex, working pattern, 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.

Please note that the estimates in this release cannot be used as a measure of non-compliance with the minimum wage legislation. This is because it is not always possible to determine from the survey data whether an individual is eligible for the minimum wage. For example, if employees receive free accommodation, employers are entitled to offset hourly rates.

The minimum wage is a minimum amount per hour that most workers in the UK are entitled to be paid. There are different rates of minimum wage depending on a worker's age and whether they are an apprentice.

The government's NLW was introduced on 1 April 2016 for all working people aged 25 and over, and is set at £7.20 per hour. The NMW rates for those under the age of 25 still apply.

On the ASHE reference date in April 2016 the NMW rates (introduced in October 2015) were:

- £6.70 for employees aged 21 to 24
- £5.30 for employees aged 18 to 20
- £3.87 for employees aged 16 to 17
- £3.30 for apprentices aged 16 to 18 and those aged 19 or over who are in the first year of their apprenticeship

The increases between October 2014 and October 2015 for these rates were the largest increases in each individual rate since 2010 (prior to 2010 the age groups were different and there were no NMW rates for apprentices).

In previous years the NMW rates for all employees came into force in October, around six months before the ASHE reference date. In 2016 the new NLW rate only came into force a few weeks before the ASHE reference date (13 April). Some employers do not implement the new rates immediately when they come into force, but implement them at a later date. Due to the shorter time between the NLW introduction date and when the ASHE data are collected, they may not have implemented the new rate until after the ASHE reference date. This has resulted in a discontinuity between 2015 and 2016, as the 2016 low pay estimates will include employees whose employers did not implement the new rate until after the ASHE reference date.

It is also known that some employers did not implement the new NLW on 1 April for employees whose pay period began before 1 April. This is because, legally, employers did not need to implement it until the first full pay [period following the introduction](#). Therefore these employees have only been classed as low paid if their hourly earnings were less than the NMW rate that was in place before 1 April.

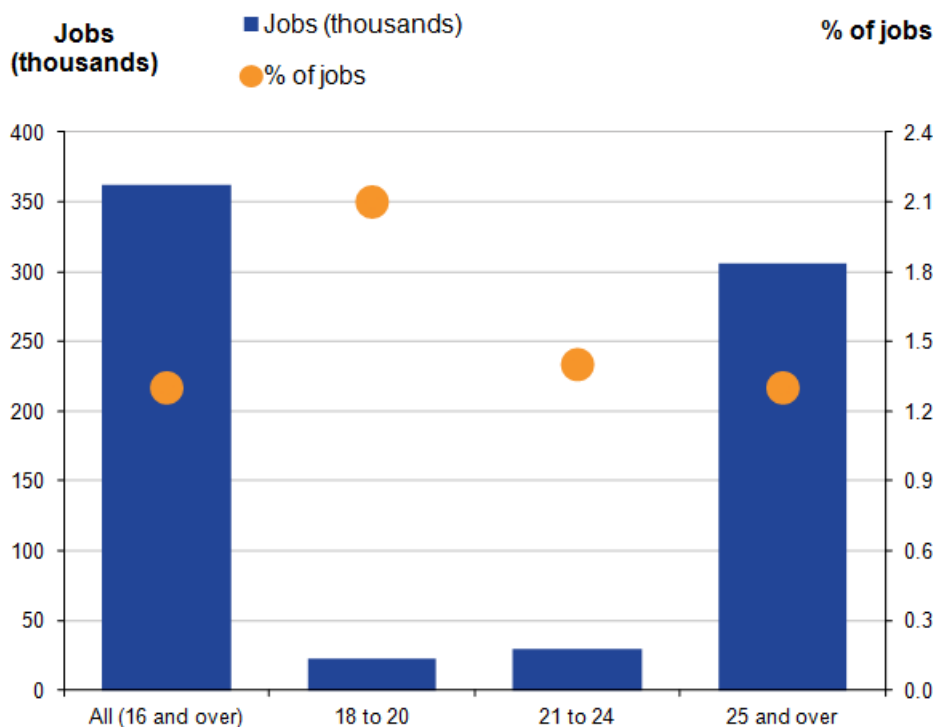
### 3 . Low pay by age

The proportion of jobs with pay less than the minimum wage varies by age group, reflecting the different rates that apply (as shown in Figure 1). In April 2016 there were 362,000 jobs with pay less than the NMW or NLW held by employees aged 16 and over, which constituted 1.3% of UK employee jobs. For 18- to 20-year-olds, 2.1% of jobs in this age group had pay less than the relevant NMW rate; for employees aged 21 to 24 the proportion was 1.4%; and for employees aged 25 and over, the proportion was 1.3%.

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 minimum wage by age group**

UK, April 2016

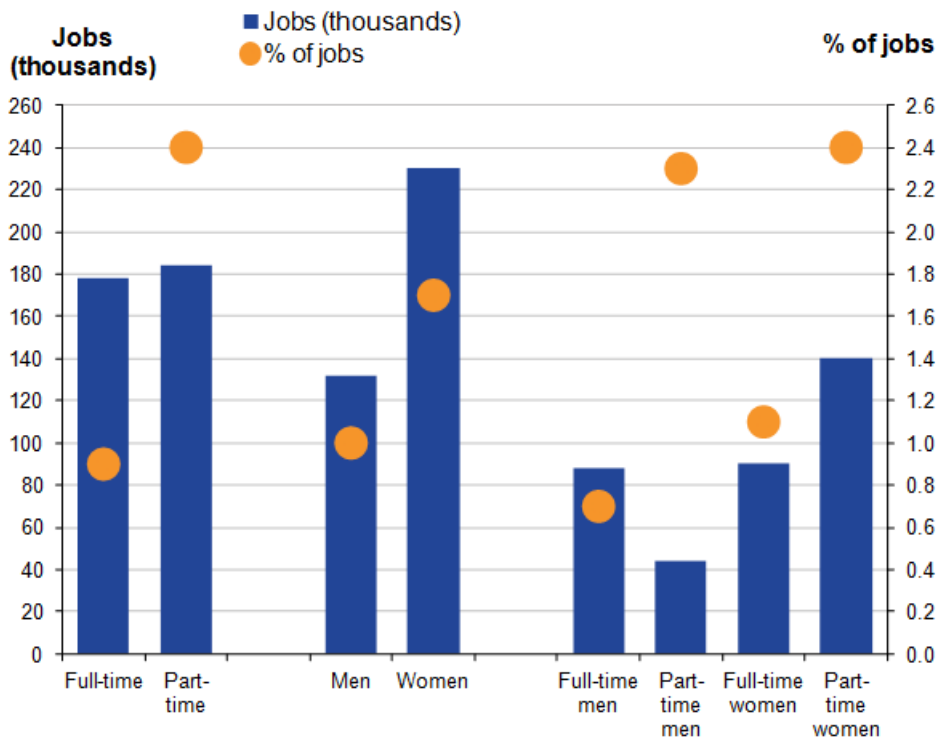


## 4 . Low pay among full-time and part-time employees and men and women

Employees in part-time work are more likely than those in full-time work to be paid less than the minimum wage, with 2.4% of part-time jobs and 0.9% of full-time jobs falling below the minimum wage in April 2016 (Figure 2). Jobs held by women are more likely to be paid less than the minimum wage than jobs held by men (1.7% compared with 1.0% in 2016). 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 minimum wage by full-time, part-time and sex**

UK, April 2016

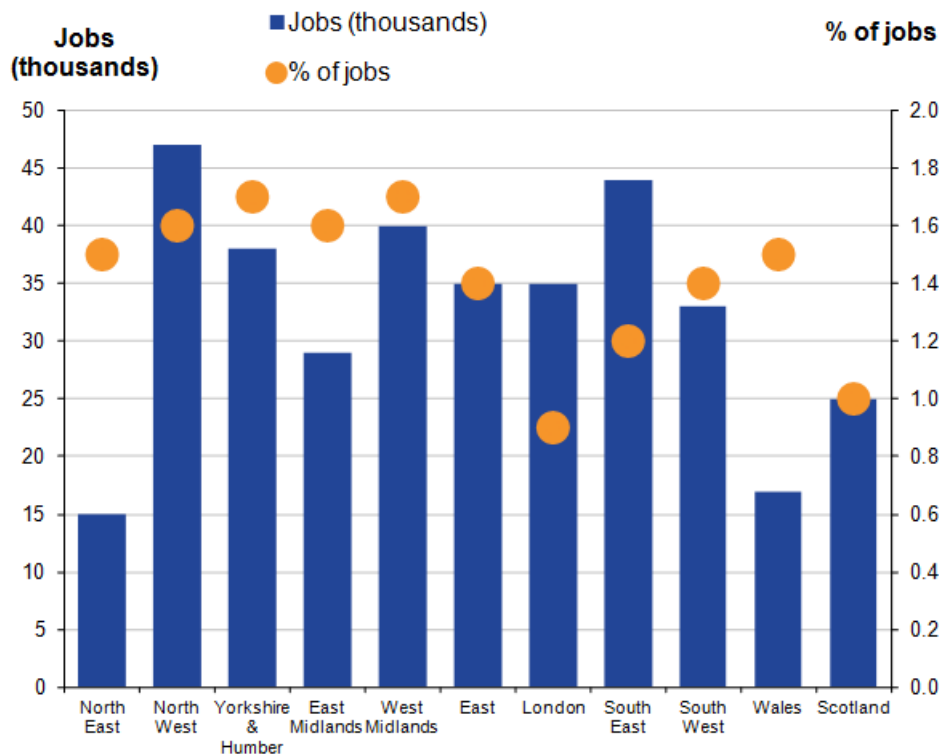


## 5 . Low pay by region

In April 2016 the British regions with the highest proportion of low-paid jobs were Yorkshire and the Humber and the West Midlands, where 1.7% of jobs were paid below the minimum wage (Figure 3). The next highest were the North West and the East Midlands, both with 1.6% of jobs paid below the minimum wage. The lowest proportion of jobs below the minimum wage was in London (0.9%).

**Figure 3: Number and percentage of jobs paid below the minimum wage by work region or country**

Great Britain, April 2016

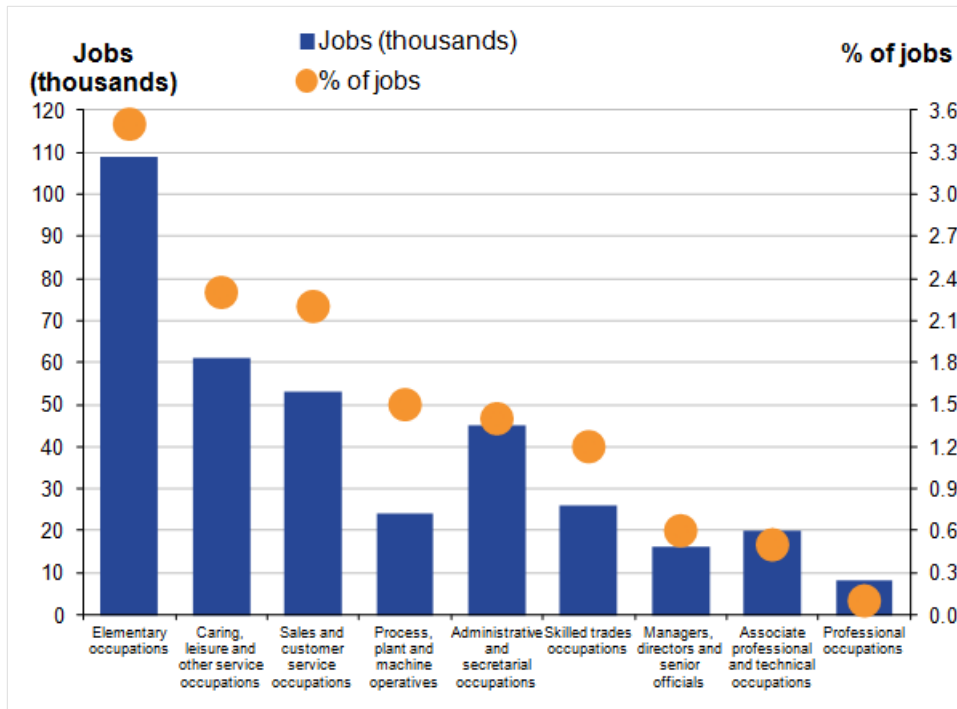


## 6 . Low pay by occupation

The occupation group with the highest proportion of low-paid jobs was elementary occupations, in which 3.5% of jobs were paid below the minimum wage in April 2016 (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 (0.1%) and associate professional and technical occupations (0.5%).

**Figure 4: Number and percentage of jobs paid below the minimum wage by major occupational group**

UK, April 2016

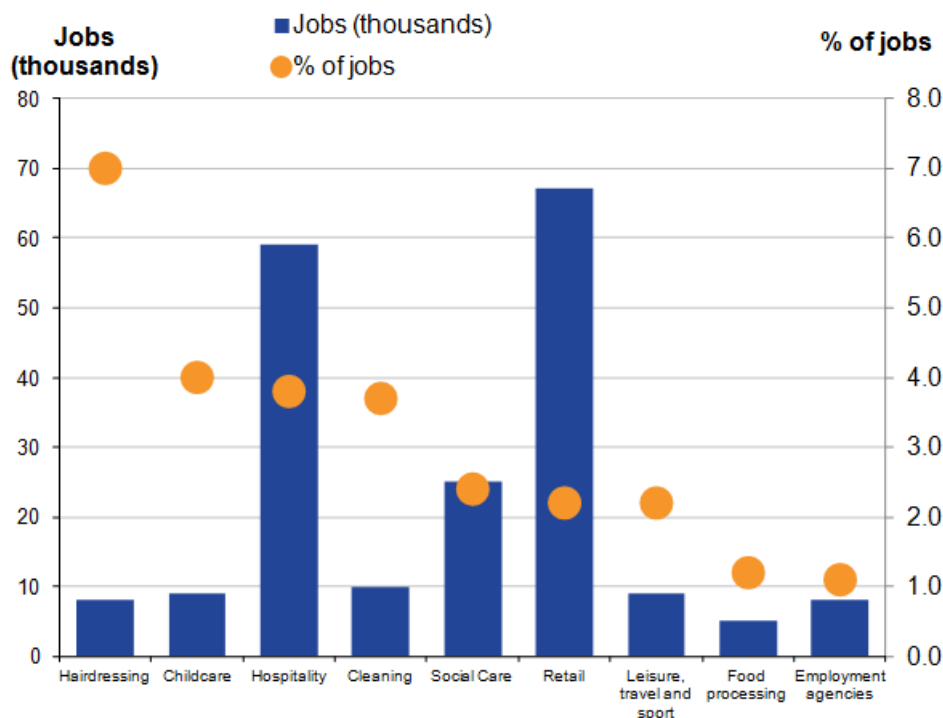


## 7 . Low pay by industry

Looking specifically at low-paid industries (as defined by the Low Pay Commission), the hairdressing industry has the highest proportion of low-paid jobs, in which 7.0% of jobs were paid below the minimum wage rate in April 2016 (Figure 6). This is followed by the childcare, hospitality and cleaning industries, in which 4.0%, 3.8% and 3.7% of jobs respectively were paid below the minimum wage rate.

**Figure 5: Number and percentage of jobs paid below the minimum wage by low-paid industry groups**

UK, April 2016



## 8 . Trends over time

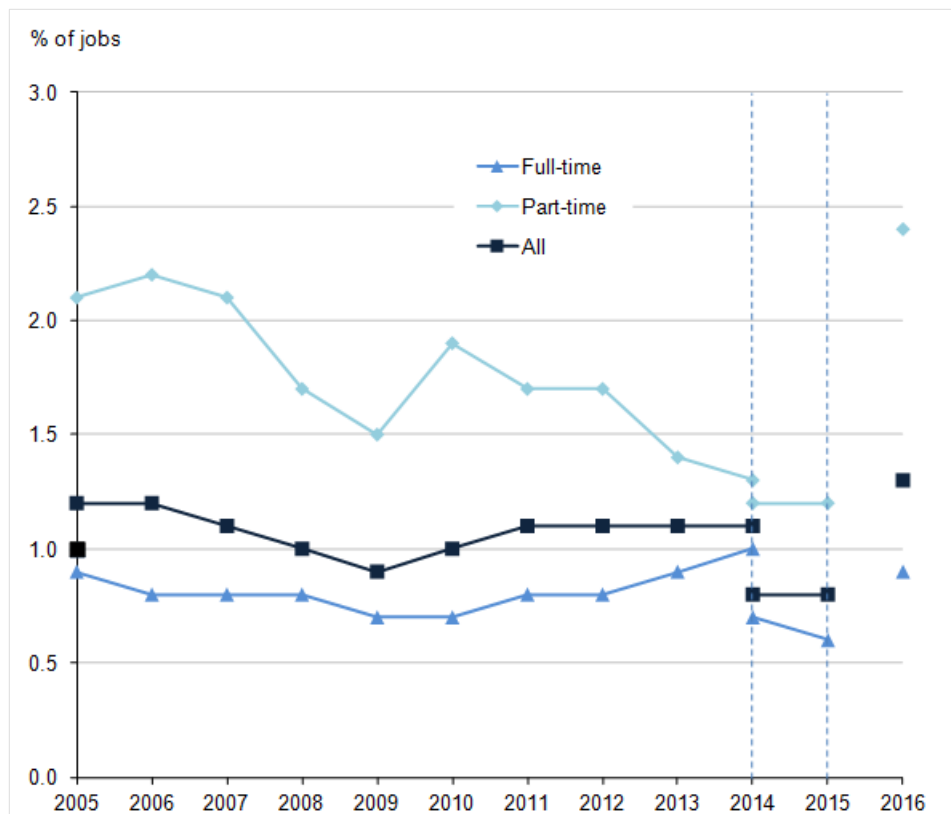
There have been a number of discontinuities in the low pay series in recent years; consequently, estimates for the number and percentage of jobs paid below the minimum wage over time are not directly comparable.

Before 2014 it was not possible to identify apprentices in the Annual Survey of Hours and Earnings (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. The NLW, introduced on 1 April 2016, has resulted in a discontinuity between 2015 and 2016 due to the shorter time period between its introduction and the ASHE reference date. The 2016 low pay estimates will include employees whose employers did not implement the new rate when it first came into force but implemented it at a later stage after the ASHE reference date. As a result, the 2016 low pay estimates are not directly comparable to those from 2015 and previously.

In April 2016 there were 362,000 employee jobs paid below the minimum wage which constituted 1.3% of UK employee jobs. Between 2005 and 2013 the overall proportion of jobs paid below the NMW had averaged around 1.1% each year. This proportion then reduced slightly to 0.8% following the introduction of the new methodology to account for apprentices in 2014 (Figure 6). The increase in 2016 may be attributed to a few factors, including: the increase for the NMW rates (introduced in October 2015) were the largest increases in each individual rate since 2010; the new NLW for those aged 25 and over was introduced; and, most importantly, there was a shorter time period between the introduction of the NLW rate and when the ASHE data were collected.

**Figure 6: Percentage of jobs paid below the National Minimum Wage or National Living Wage for full-time and part-time employees**

UK, April 2005 to 2016



## 9. 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 2016 information related to the pay period which included 13 April.

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

### Basic quality information

### 2. Link to quality and methodology information

A [Quality and Methodology Information \(QMI\) report for ASHE](#) 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 minimum wage, 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 minimum wage. For example, if employees receive free accommodation, employers are entitled to offset hourly rates. Further details on [who is entitled to the minimum wage can be found on the government's website](#).



## 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 minimum wage by sex, full-time, part-time, age, region, occupation and industry. More detailed estimates, including the UK distribution by 10p bands, are given for each year back to 1998 in the [accompanying datasets](#) 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. The Government's NLW was introduced on 1 April 2016 for all working people aged 25 and over, and is set at £7.20 per hour. The minimum wage rates for those under the age of 25 still apply. 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)
- 2016: £3.30 per hour (apprentices aged 16 to 18 and those aged 19 or over who are in their first year) or £3.87 per hour (employees aged 16 to 17) or £5.30 per hour (employees aged 18 to 20) or £6.70 per hour (employees aged 21 to 24) or £7.20 per hour (employees aged 25 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 2015 ASHE, which were first published on 18 November 2015. These estimates take account of some corrections to the original 2015 ASHE data that were identified during the validation of the results for 2016, as well as late returns. Low pay estimates for 2015 have been revised up by 9,000 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 minimum wage by age group in April 2016 are shown below:

- 16 to 17 years: 21.2%
- 18 to 20 years: 9.2%
- 21 to 24 years: 7.7%
- 25 years and over: 2.2%
- All over 16 years: 2.0%

### Response

The 2016 ASHE is based on approximately 183,000 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.