



Resolution Foundation

Low Pay Britain 2012

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Summary

Pay is the primary source of income for most low to middle income households (LMIs).¹ And despite the increased importance of tax credits as a source of household income growth over the past decade, pay remains central to maintaining adequate living standards among this group. Indeed, in the context of receding levels of state support it is likely that the living standards of LMIs will be bound even more tightly to wages in the years ahead.

On 1 October 2012, the National Minimum Wage (NMW) will rise from £6.08 to £6.19,² ensuring a higher wage floor that will benefit around one million families. However, there are 5 million workers in the UK – 1 in 5 employees – who despite being paid at or above the legal minimum nevertheless remain in low-paid work,³ earning less than a living wage that would guarantee them a ‘minimum acceptable quality of life.’ As a result, while the NMW continues to safeguard a significant minority of British workers from extreme low pay, it is not (and never has been) set at levels that would reduce the overall share of low-paid work in Britain.

The fact that 1 in 5 British workers are low paid is a source of serious concern, particularly as the opportunities for progression from low-paid work in Britain are often quite poor. It is particularly worrying for the 54 per cent of all low-paid workers that live in LMI households and the 1 in 5 LMI households that are reliant on a main earner in low-paid work.⁴

There is therefore a pressing need to examine the precise nature of low pay in Britain today. This report, the second in a series of annual audits, fulfils that aim by providing a comprehensive account of low pay in Britain in 2012 and an examination of its evolution over the past four decades.

The report finds that:

- ❖ Britain continues to stand out among comparable advanced economies as having a particularly large share (21 per cent) of workers that are low paid.
- ❖ The share of low-paid work in the British labour market has grown steadily over the past three decades. This reflects, in part, the steadily rising inequality experienced by much of the developed world in the final quarter of the 20th century but policy choices have also contributed to the trend.
- ❖ Low pay among women reduced sharply in the early 1970s (a fall in over 15 per cent in fewer than ten years) but these gains were partially eroded in the years that followed. In contrast, low-

¹ The Resolution Foundation defines those on low to middle incomes as households in deciles two to five of the working age income distribution, excluding those who get more than 20 per cent of their income from means tested benefits. For a couple with no children, this is equivalent to an annual income of £12,000 to £30,000. For this group, earnings from employment account for upwards of 80 per cent of gross annual income and they have witnessed smaller year on year wage growth, see Lee Savage, *Low pay Britain*, Resolution Foundation, September 2011, p.3

² In real terms (adjusting for inflation), this amounts to the third consecutive annual fall in the value of the legal minimum which is at its lowest since 2002-03. The NMW 18-20 and 16-17 youth rates will remain at £4.98 and £3.68 respectively while the apprentice rate will rise by 5 pence to £2.65 per hour

³ This report uses a common definition of low pay as hourly below two-thirds gross median hourly pay for all employees, see Section 1 for details on defining low pay

⁴ See Section 2

paid work among men has risen steadily since the late 1970s (from 10 per cent of all male workers in 1968 to 16 per cent in 2011) albeit from a far lower starting point than for female workers.

- ❖ Workers who are female, part-time, on temporary or casual contracts and who work in the private sector are at greater risk of finding themselves in low-paid work.
- ❖ Young workers (aged between 16 and 20) are at high risk of low pay. This is partly explained by the traditional trajectory of earnings over the life course but has been exacerbated by recent developments including an explosion in student employment over the last two decades.
- ❖ A significant minority of workers remain trapped in low-paid work over the course of their lives. For example, around 1 in 7 of those aged between 31 and 50 – a time when many can expect to be at their ‘peak earnings’ – are low paid.
- ❖ London is distinct from other regions in having more workers earning below a living wage (16 per cent) than below the low pay threshold (12 per cent). This reflects the fact that living wage rates are derived, in part, from an absolute calculation of the basic needs of the recipient – needs which are greater in the capital as a result of higher living costs.
- ❖ While part-time work is associated with a higher risk of low pay, a significant share of all low-paid work is full-time (43 per cent).
- ❖ The overwhelming proportion of low-paid workers (87 per cent) are in permanent, as opposed to temporary or casual, employment.
- ❖ Low-paid work can be found in every occupation but is concentrated in relatively low-skilled occupational groups such as Elementary Occupations (cleaners, security guards, catering assistants, leisure workers) and Sales & Customer services.
- ❖ Low-paid work is found in every industrial sector but the risk of low-paid work is particularly acute in the Hotels & Restaurants sector where 2 in every 3 workers are low-paid.

Introduction

Pay is central to determining the living standards of low to middle income households. Labour income – earnings from employment and self-employment – still makes up the bulk of gross income in most working-age households. And wages are likely to be bound more tightly to living standards in the years ahead as the state support – principally tax credits⁵ – which ensured that living standards did not tumble during the period 2003 – 2008 is progressively withdrawn.⁶ Receding levels of state support are likely to be particularly problematic for the 34 per cent⁷ of low to middle income households who rely on income from at least one family member in low-paid employment.

For this reason alone the continued existence of a substantial pool of low-paid workers in Britain should be a cause of serious concern. But low-paid work also has negative effects for its recipients that extend beyond the material. Low quality, low-paid work is strongly associated with poor health outcomes, higher levels of workplace related stress, problems with balancing family and caring responsibilities and – particularly if low pay is a persistent and recurring state from which it is difficult to progress – diminished life chances.

Low-paid work is a feature of labour markets in all advanced economies. Yet Britain stands out as having one of the highest incidences of low-paid work in the Organisation of Economic Cooperation and Development (OECD). This was not always the case. The share of low-wage work in the British labour market has grown steadily over the past three decades. In part, this trend can be explained by the steadily rising inequality experienced by much of the developed world in the final quarter of the 20th century. The evolution of low-wage work in Britain over the last three decades has thus closely mirrored patterns of earnings inequality in the lower half of the income distribution during the period: a steady growth since the early 1980s as wages fanned out at all levels followed by a deceleration of income inequality growth below the median in the mid-1990s as the top ‘detached’ from the rest.⁸ However, a range of public policy choices over the past three decades also contributed by eroding those institutions that have done much in other countries to arrest the forces bearing down on pay at the bottom of the labour market. In this sense, while the particular incidence and composition of low-wage work in any given country is the result of unique patterns of production and employment, these patterns are shaped, in part, by the choices of policymakers.

And while Britain’s large share of low-paid work is not exceptional (the US and, more recently, Germany have broadly comparable shares), low-paid work in Britain is associated with a number of negative attributes not shared by other advanced economies. These include higher pay penalties for part-time

⁵ The Working Family Tax Credit was introduced in 1999, replacing the more targeted Family Income Supplement (later Family Credit), and 2003 saw the introduction of the Child Tax Credit and the Working Tax Credit.

⁶ Changes introduced in April 2011 included a reduction in support for childcare costs through the Working Tax Credit (WTC), an ongoing three-year freeze in the basic and 30 hour elements of WTC and faster withdrawal of tax credits as income rises – although these losses were offset for some households by a £180 above-inflation increase in the child element of the Child Tax Credit (CTC). Bigger cuts were implemented in April 2012 including the removal of the £545 family element of CTC from middle income families (saving £475 million in 2012-13); the reversal of the coalition’s previous plan to increase the child element of CTC by £110 (saving £1.0 billion in 2012-13); an increase in the number of hours that couples with children are required to work in order to receive WTC from 16 to 24 hours (saving £515 million in 2012-13); the reversal of the previous government’s plans to introduce a supplement in CTC for children aged one and two (saving £180m in 2012-13); and a freeze in the value of the £1,950 couple and lone parent elements of WTC (saving £265m in 2012-13)

⁷ See Section 2

⁸ James Plunkett, *Growth without gain?* Resolution Foundation, 2011, p. 31

work,⁹ a greater risk that women will find themselves in low-paid work, and a higher risk of low-paid work in certain low-skilled occupations such as Personal Services.¹⁰ Looking beyond the individual to society, low pay – despite not rising as a share of the labour market over the period concerned – has also been a factor in the gradual rise of in-work poverty in Britain since the mid-1990s as a public policy focus on “work first” converted a significant minority of poor workless households into poor working households reliant on low pay.

Until the introduction of the NMW in 1999 – updated annually and from 1st October 2012 set at £6.19 – the British system was lacking in low pay protection to a degree not seen since the Second World War. The NMW has had a dramatic effect in reducing extreme low pay, providing around one million low-paid workers with the protection of a legal pay floor and ensuring that these workers are less badly paid than their counterparts in other countries such as Germany and the US (i.e. Britain’s tail of extreme low pay is much shorter).¹¹ Moreover, despite dire warnings of mass job losses prior to its introduction in 1999, evidence suggests that the NMW has had a positive effect on low wages and earnings inequality for those in the bottom half of the earnings distribution, with little or no negative impact on either employment or working hours.¹²

However, reducing the overall incidence of low-wage work in Britain was never an objective behind the introduction of the NMW. Instead, the NMW was introduced to end the most serious exploitation in the labour market, ensure a strong wage floor, and to improve work incentives for low earners without causing unemployment.¹³ This is why it has consistently been set at levels far below the low-pay threshold.¹⁴ As a result, while the NMW has dramatically improved outcomes for some of Britain’s lowest paid workers it is not set at a level that has reduced the overall share of low-paid work in the British economy. In addition, as of 1st October the NMW will be, in real terms, at its lowest level than at any point since 2003. Britain’s reliance on a large pool of low-wage workers and its low-wage, low-productivity, labour market equilibrium is therefore a challenge that remains to be addressed.

The structure of this report

This report provides a comprehensive account of low pay in Great Britain in 2012 and its evolution of over the past four decades.

Section 1 defines low pay and sets out the thresholds that frame our analysis throughout. Section 2 then briefly explores the relationship between low pay and low to middle income households. Section 3

⁹ Alan Manning and Barbara Petrongolo, *The part-time pay penalty*, London School of Economics and Centre for Economic Performance, 2004

¹⁰ Wiemer Salverda and Ken Mayhew, “Capitalist economies and wage inequality”, *Oxford Review of Economic Policy*, Volume 25, Number 1, 2009, p. 133

¹¹ The United States has had a federal minimum wage but it has fallen progressively over the last three decades. Starting in the late 1980s, as the real value of the US minimum wage fell far below its historical levels, many states began to set state-specific wage floors above the federal rate. In 2011, 17 states had state-level minimum wages above the federal minimum wage. The highest of these, however, were still about 20 percent below the low pay threshold see, John Schmitt, *Low-Wage Lessons*, Centre for Economic and Policy Research: 2012; and Paul Gregg, Alex Hurrell and Matthew Whittaker, *Creditworthy: Assessing the impact of tax credits in the last decade and considering what this means for Universal Credit*, Resolution Foundation, 2012, p.26

¹² See, for example, Professor Alan Manning, *Minimum Wage: maximum impact*, Resolution Foundation, April 2012

¹³ Paul Gregg, The use of wage floors as policy tools, *OECD Economic Studies*, No.31 (Paris: OECD)

¹⁴ See Section 1

proceeds to look at the overall share of low-paid work in Great Britain, places this in an international context and explores trends in the headline share of low pay over the past four decades.

Sections 4, 5 and 6 dig deeper to examine low-paid work across the following themes: employee profile, occupation and industrial sector. Each follows a similar pattern, analysing the prevalence of low-paid among all employees, the distribution of low-paid work and trends in low-paid work over time. The report concludes by drawing the analysis together and setting out the nature of the low pay challenge.

A full breakdown of data can be found in Appendix 1 and details of data sources and an explanation of our technical approach can be found in Appendix 2.

1 Defining low pay

The notion of low pay is a relative one – hourly wages which are low in comparison to the wages of others in the labour market. As such no strict definition of low pay exists and different bodies use different thresholds to define it. For example, the OECD define low pay as gross earnings below two-thirds of *full-time* median adult earnings. In comparison, Eurostat (the body which provides statistical information to the institutions of the European Union) defines low pay as a *monthly wage* less than 60 per cent of the median *salary*.

However, pay can also be conceived of in fixed or absolute terms as a wage level needed to meet a socially defined level of subsistence or basic needs. Such approaches have always been important in terms of exploring the relationship between low pay and poverty but they have conventionally been considered outside the scope of the wage contract with the employer. However, recent trends – including the absence of explicit public policy interventions aimed at reducing the large share of low-paid work in Britain and the steady but gradual rise in in-work poverty since the mid-1990s¹⁵ – have given rise to a renewed interest in minimum income standards¹⁶ and a revival¹⁷ of living wage campaigns whose aim has been to ensure that wages deliver a ‘minimum acceptable quality of life’ for their recipient, both of which utilise – to varying degrees – absolute conceptions of low pay.

This report will explore low pay in Britain on the basis of a combination of selected relative and absolute approaches to low pay.

As stated above, this report uses a core *relative* definition of low pay as:

- ❖ Hourly wages below two-thirds gross median hourly pay for all employees. We calculate median hourly pay in Britain in 2011 at **£11.24**¹⁸ making the low pay threshold we use throughout this report **£7.49**, equivalent to gross earnings of £13,600 a year for a 35-hour working week.

However, the report also makes use of three other low pay thresholds:

- ❖ A second *relative* definition of extreme low pay as pay below 50 per cent of gross median hourly pay for all employees. We estimate this threshold at **£5.62** per hour. This low pay threshold sits below the level of the current National Minimum Wage rate of £6.08 per hour (54 per cent of gross median hourly pay) but it allows us to explore the impact of a legislative legal wage minimum on low pay differentials below the standard threshold.
- ❖ A Living Wage threshold based on a combination of the two widely accepted living wage rates found in Britain in 2011: the London Living Wage rate of **£8.30** set by the Greater London

¹⁵ The result of active labour market policies aimed the unemployed and an increased emphasis on in-work benefits which had the effect of transferring a significant minority of households from workless to in-work poverty.

¹⁶ For example see, Donald Hirsch, *A Minimum Income Standard for the UK in 2011*, Joseph Rowntree Foundation: July 2011

¹⁷ The concept of a living wage has a long pedigree being first forged in the industrial heartlands of Britain in the 1870s. The first full-length treatise advocating a living wage was issued in 1894 by Mark Oldroyd, Liberal MP for Dewsbury, Yorkshire and a living wage became official policy of the Independent Labour Party from 1925 with a Living Wage Bill proposed in the House of Commons in February 1931 by James Maxton MP.

¹⁸ This figure is based on analysis taken from the Office of National Statistics (ONS), *Annual Survey of Hours and Earnings* (ASHE) and is distinct from the ONS published median hourly pay figure of £11.14. See Appendix 2 for full details

Authority¹⁹ and the UK Living Wage rate of **£7.20** set by academics at the Centre for Research in Social Policy at Loughborough University.²⁰ The UK living wage rates falls below the standard low pay threshold highlighting that receipt of a living wage does not, in itself, lift its recipient out of low pay. The London Living Wage is 81 pence higher than the low pay threshold reflecting the derivation of the rate, in part, on the basis of an estimate of basic needs that are higher in the capital.

- ❖ A threshold of 90 per cent of the living wage threshold discussed above. We estimate 90 per cent of the London Living Wage rate at **£7.47** and 90 per cent of the UK Living Wage rate at **£6.48**

¹⁹ The calculation method used by the GLA is set out on their website.

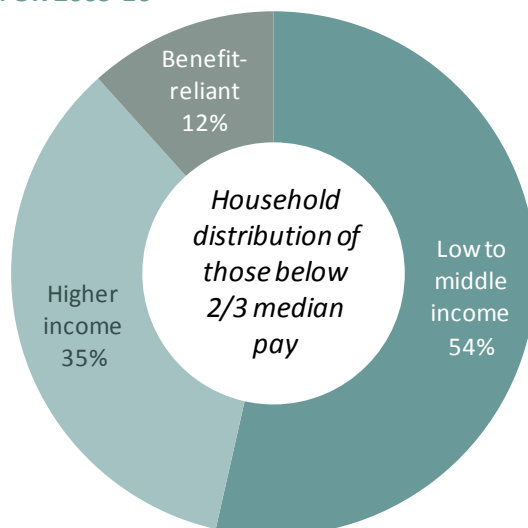
²⁰ The calculation method used by Loughborough University's Centre for Research in Social Policy is set out on the Citizens UK website.

2 Low pay and low to middle income households

Before moving to the body of our account it is useful to briefly tease out the relationship between low-paid work (recipients of which live in households across the income distribution) and low to middle income households.²¹

Figure 1 makes clear that despite only making up one-third of the working-age population, individuals from low to middle income households account for more than half (54 per cent) of low-paid workers.

Figure 1: Distribution of low paid workers across working-age household income group: UK 2009-10



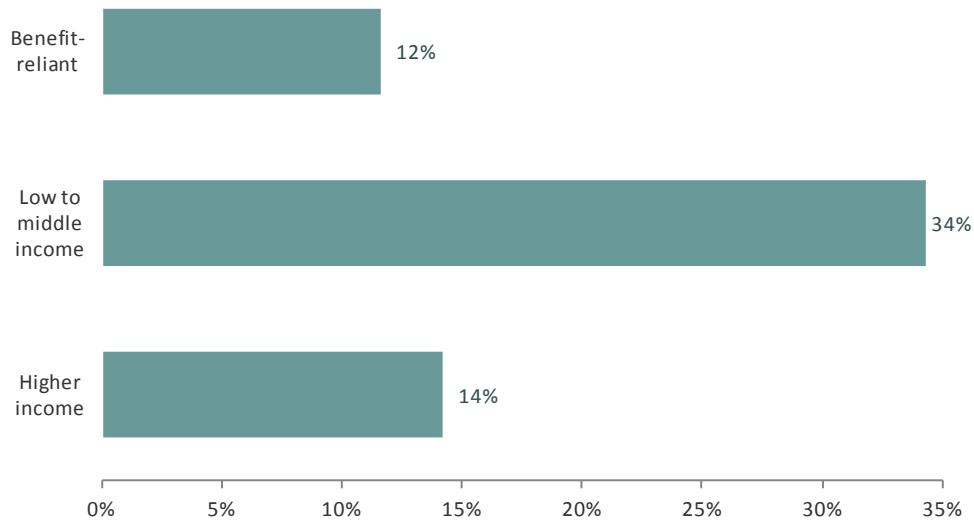
Notes: Figures based on imputed hourly pay variable

Source: Authors' analysis of DWP, *Family Resources Survey 2009-10*

Figure 2 shows that around a third (34 per cent) of all LMI households contain at least one low-paid worker.

²¹ The Resolution Foundation defines those on low to middle incomes as households in deciles two to five of the working age income distribution, excluding those who get more than 20 per cent of their income from means tested benefits. For a couple with no children, this is equivalent to an annual income of £12,000 to £30,000. For this group, earnings from employment account for upwards of 80 per cent of gross annual income. The definition excludes the poorest 10 per cent of households and those who receive more than one fifth of their gross household income from means tested benefits, who we define as 'benefit reliant.' We define those above the middle as 'higher income.'

Figure 2: Proportion of working-age households containing at least one low paid worker, by household income group: UK 2009-10

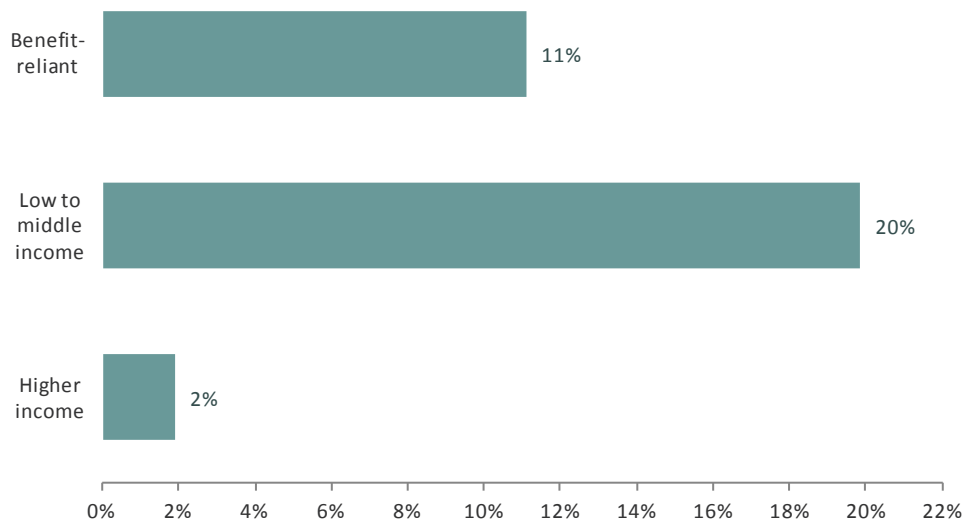


Notes: Figures based on imputed hourly pay variable

Source: Authors' analysis of DWP, *Family Resources Survey 2009-10*

Lastly, as illustrated in Figure 3, one-in-five (20 per cent) of LMI households rely on a main earner that is low paid.

Figure 3: Proportion of households in which main earner is low paid, by working-age household income group: UK 2009-10



Notes: Figures based on imputed hourly pay variable

Source: Authors' analysis of DWP, *Family Resources Survey 2009-10*

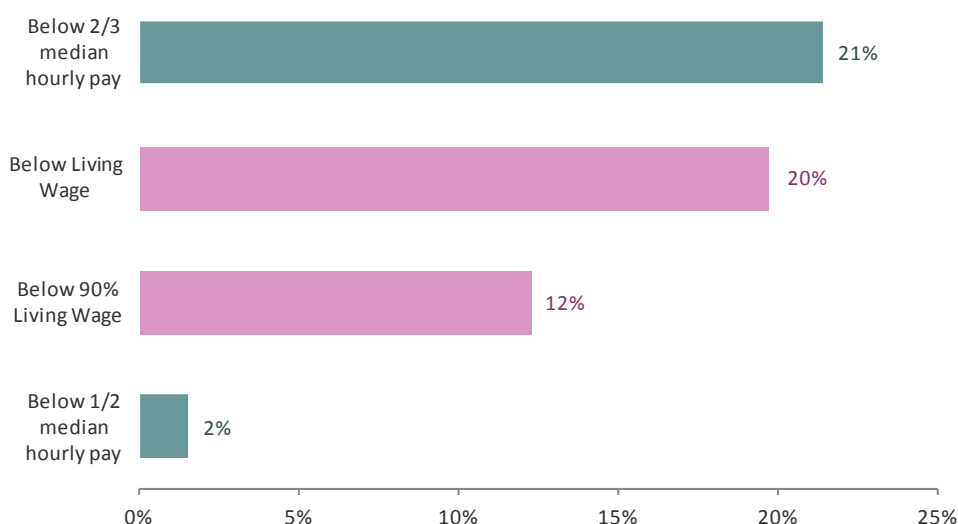
3 Low pay: *all employees*

Having briefly explored the relationship between low-paid work and LMI households we begin our account of low pay in Britain by examining the overall or headline share of employees in low-paid work in 2011. We then place these findings in an international context before moving on to a detailed analysis of trends in the overall share of employees in low-paid work over the past four decades. Throughout, we analyse low pay using a combination of the four low pay thresholds detailed in Section 1.

3.1 Low pay in 2011

Figure 4 shows that overall, one in five employees (21 per cent, or just over five million individuals) in Britain earned less than the low-pay threshold in 2011. Similarly, one in five earned less than a living wage.

Figure 4: Share of all employees in low-paid work: *GB 2011*



Notes: See notes to Table A1.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

According to estimates from the Low Pay Commission (LPC), 1.1 million workers (4.4 per cent of all employees) currently earn the NMW of £6.08 per hour.²² The NMW currently stands at 54 per cent of gross median hourly pay and therefore, as expected, only a small proportion of employees (2 per cent) earned less than half the gross median hourly rate in 2011. This small group comprises a combination of legitimate exceptions to the NMW (youth and apprentice rates) and contraventions of the legal minimum by employers breaking (knowingly or otherwise) the law.

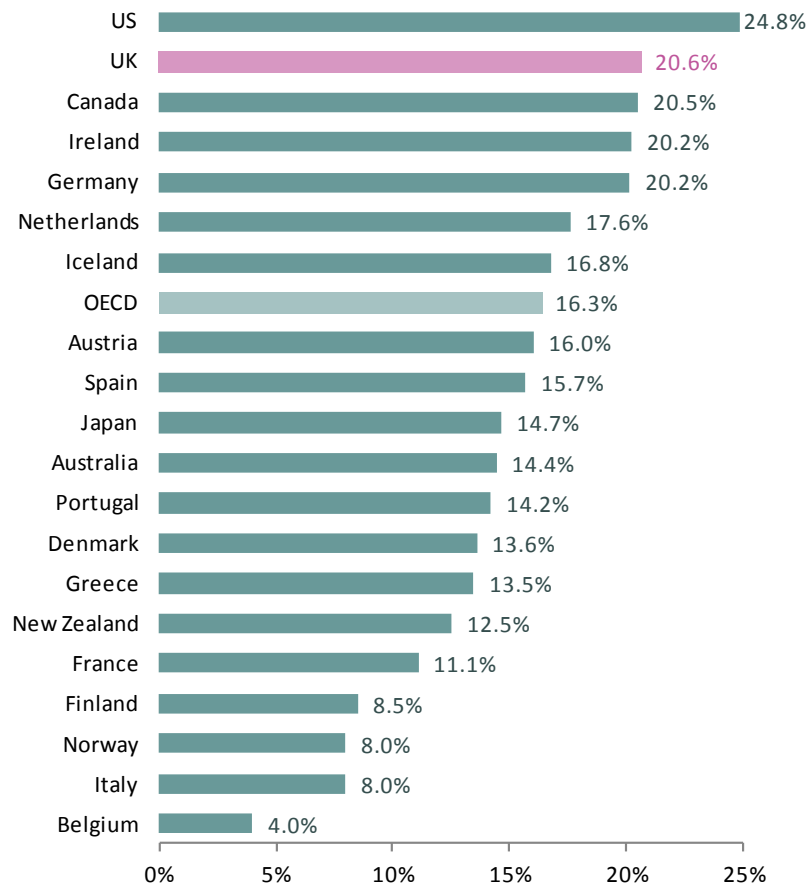
3.2 The international context

Using the OECD's alternative low pay threshold of two-thirds gross median hourly earnings for *full-time employees*, we can compare Britain's overall share of low-paid work with that of other advanced economies. On the basis of the OECD definition of low pay 20.6 per cent of all employees in Britain are

²² The Low Pay Commission (LPC) defines a minimum wage job to be one that, in April 2011, paid at or below the relevant NMW rate. They also include those paid up to five pence above the minimum wage.

low paid (slightly below the proportion we estimate using our core definition of low pay based on all, not just full-time, employees). As Figure 5 makes clear, this marks Britain out as one of the worst performers in the OECD with a share of low pay a full four percentage points higher than the OECD average. Workers in Britain are five times more likely to be low paid than their counterparts in Belgium (where just 4 per cent of workers earn below the low pay threshold).

Figure 5: Share of full-time employees in low-paid work across advanced economies: 2009



Note: Low pay is defined by the OECD as earning less than two-thirds of the national gross median hourly full-time wage.

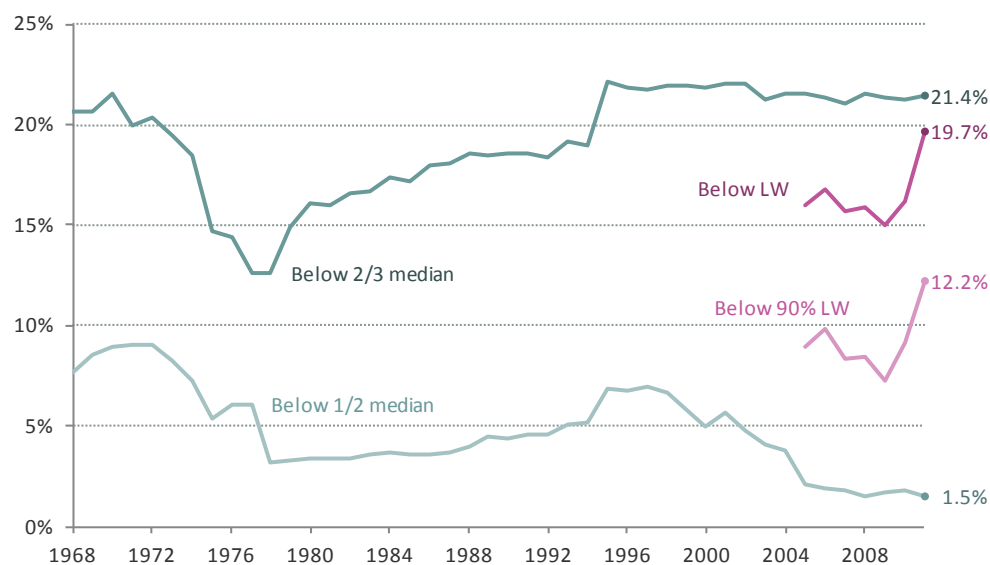
Source: OECD Labour Market Statistics (2009); data for France and Netherlands refer to 2005, taken from Mason and Salverda, *Low Pay, Working Conditions and Living Standards*, in Jerome Gautie and John Schmitt (eds.), *Low-Wage Work in the Wealthy World* (Russell Sage Foundation, New York 2010)

3.3 Low pay trends

Britain has not always had this high incidence of low-paid work. Figure 6 puts our findings into historical perspective by showing trends in low-paid work in Britain since 1968. It highlights the fact that while the overall share of low-paid work was at broadly similar levels in the late 1960s as it is today, the overall share of low pay declined rapidly in the intervening period. A rapid decline in the low-paid work in the early 1970s was reversed and the late 1970s onwards witnessed a steady growth in the share of low-paid work (including a brief period of sharp growth in 1994 and 1995, most likely the result of the abolishment of the remaining wages councils in the Trade Union Reform and Employment Rights Act of 1993).

This steady increase in the share of low-paid work in the British labour market reflects, in part, the steadily rising inequality experienced by much of the developed world in the final quarter of the 20th century. The evolution of low-paid work in Britain over the last three decades has thus closely mirrored patterns of earnings inequality in the lower half of the distribution during the period: a steady growth since the early 1980s as wages fanned out at all levels followed by a deceleration of income inequality growth below the median in the mid-1990s as the top ‘detached’ from the rest.²³ It was this flattening out of income inequality below the median in the 1990s that explains the stabilisation of rates of low-paid work around 21 per cent in the same period.

Figure 6: Proportion of all employees below selected low pay thresholds: GB 1968-2011



Notes: Figures are drawn from three separate data sources. Where these sources overlap, differences exist in the proportions of employees reported to be below the various low pay thresholds. Figures prior to 1997 have been adjusted to account for the magnitude of difference recorded in these overlapping periods, in order to create a consistent time series. The original, unadjusted, data is presented in the Appendix. The Living Wage has been calculated in London from 2005, but an outside London rate has only been in place from 2011. To allow for the estimates shown above, we project the outside-London Living Wage backwards, on the assumption that it has been subject to the same year-on-year growth rates as the London figure.

Sources: Authors' analysis of DWP, *Family Expenditure Survey* (1968-1981); ONS, *New Earnings Survey Panel Data* (1975-2010); and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

Figure 6 also highlights the steep decline in extreme low-paid work (pay below 50 per cent of gross median hourly pay) from 1997 onwards, squeezing wage differentials below the standard low pay threshold as employers responded in advance to the introduction of the National Minimum Wage in 1999.

Lastly, Figure 6 makes clear that 20 per cent of UK employees earned less than a living wage in 2011, a sharp rise from 15 per cent in 2009. This dramatic increase can be explained by the fact the London Living Wage (the UK living wage was only introduced in 2011 and has therefore been projected

²³ James Plunkett, *Growth without gain?* Resolution Foundation, 2011, p. 31

backwards on the basis of past London Living Wage rates) was uprated by 5.7 per cent in 2011 (compared to an increase of 3.2 per cent in 2010) thereby becoming more generous in relation to median earnings. This highlights the volatility intrinsic to living wage rates whose annual increases are derived from calculation methods grounded, in part, in absolute estimates of the basic needs of different household types. This calculation methodology necessarily binds living wage rates to fluctuations in the prices of basic goods and highlights the difference in behaviour of living wage thresholds as opposed to relative low pay thresholds.

4 Low pay: employee profiles

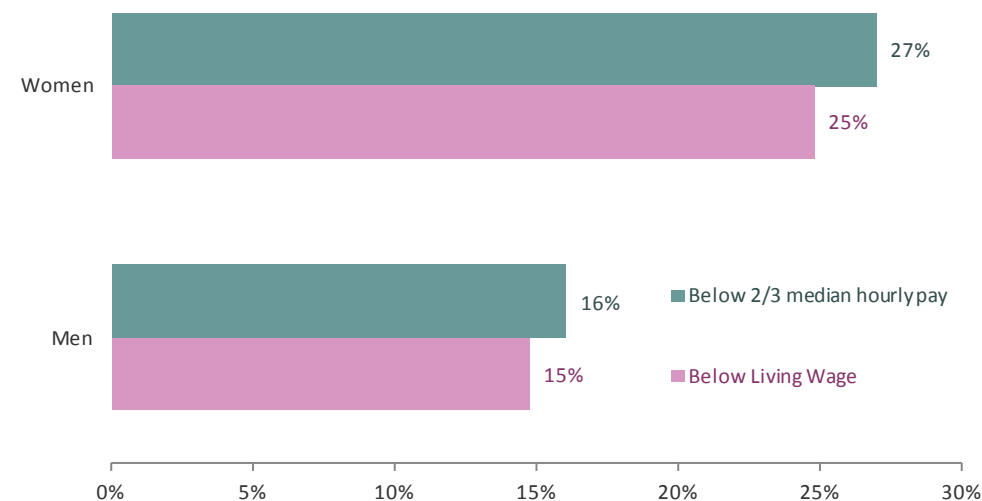
Having examined the overall incidence of low-paid work in Britain and its evolution over the past four decades we now turn to an examination of low-paid work by the first of three themes: employee profiles examined, in turn, on the basis of sex, age and region.

In each instance we analyse the prevalence of low-paid among all employees sharing a given characteristic, the composition of low-wage workers and trends in low-paid work over time. This structure will be replicated in Sections 5 and 6 when we turn a discussion of low-paid work by, respectively, occupational group and industrial sector.

4.1 Sex

Figure 7 shows the prevalence of low pay by sex and highlights the particular risk of low pay that female workers face (27 per cent of whom are low paid), compared to male workers (16 per cent of whom are low paid).

Figure 7: Prevalence of low pay by sex: GB 2011



Notes: See notes to Table A1.

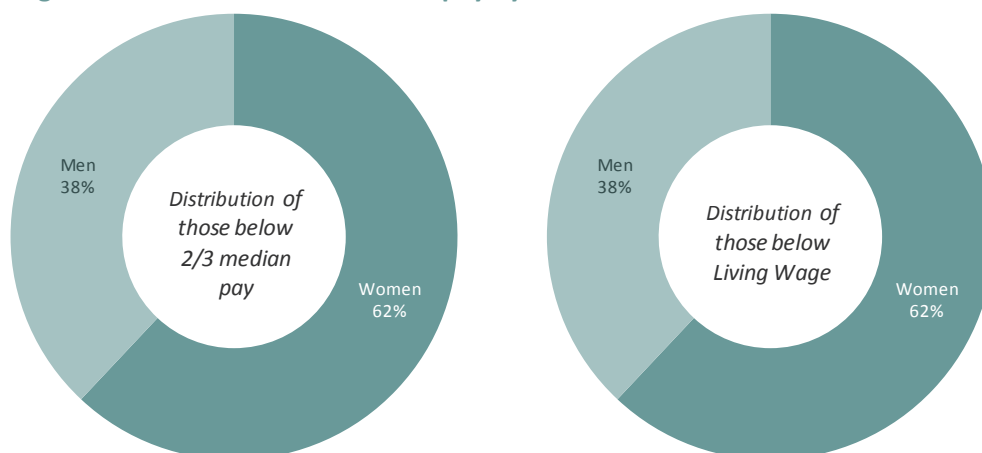
Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 8 expands on this finding by detailing the composition of low-paid work in Britain by sex, illustrating the fact that women make up a larger share of all low-paid workers (62 per cent), than men (38 per cent).

Figure 9 details trends in low pay by sex since 1968. It illustrates the rapid wage gains made by low-paid women in the early 1970s (from over 40 per cent of all female employees in 1968 to just 25 per cent in just over a ten year period). It is difficult to determine the precise cause of this precipitous reduction but the Equal Pay Act of 1970 and the incomes policy of the 1974–77 Labour Government (which had

positive effects on the earnings of the lowest-paid workers, then as now, predominantly women)²⁴ are likely to be key factors.

Figure 8: Distribution of low pay by sex: GB 2011

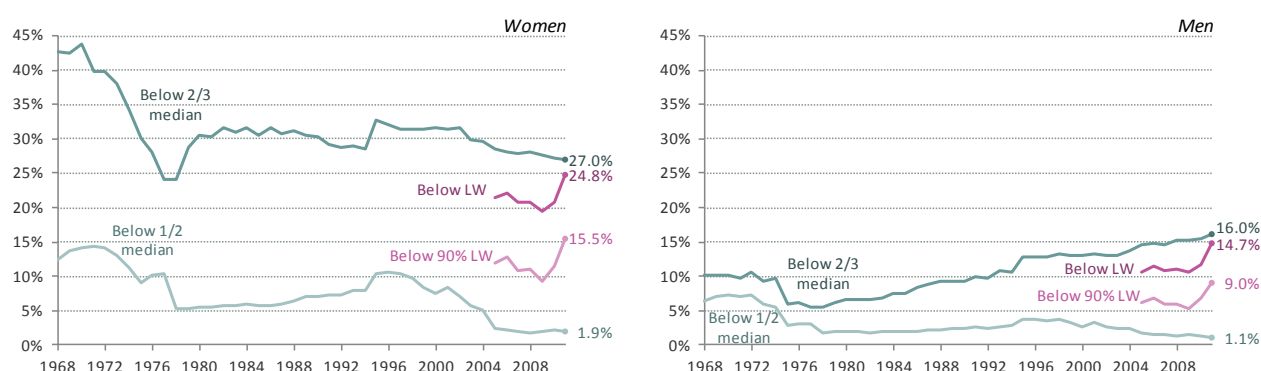


Notes: See notes to Table A1.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 9 also identifies the impact that the steady increase low-paid work among men from the late 1970s onwards has had in raising the overall share of low-paid work. Low pay among men increased from just above 5 per cent of all male employees in 1978 to 16 per cent of all male employees in 2011, well above its 1968 level of 10 per cent.

Figure 9: Proportion of employees below selected low pay thresholds by sex: GB 1968-2011



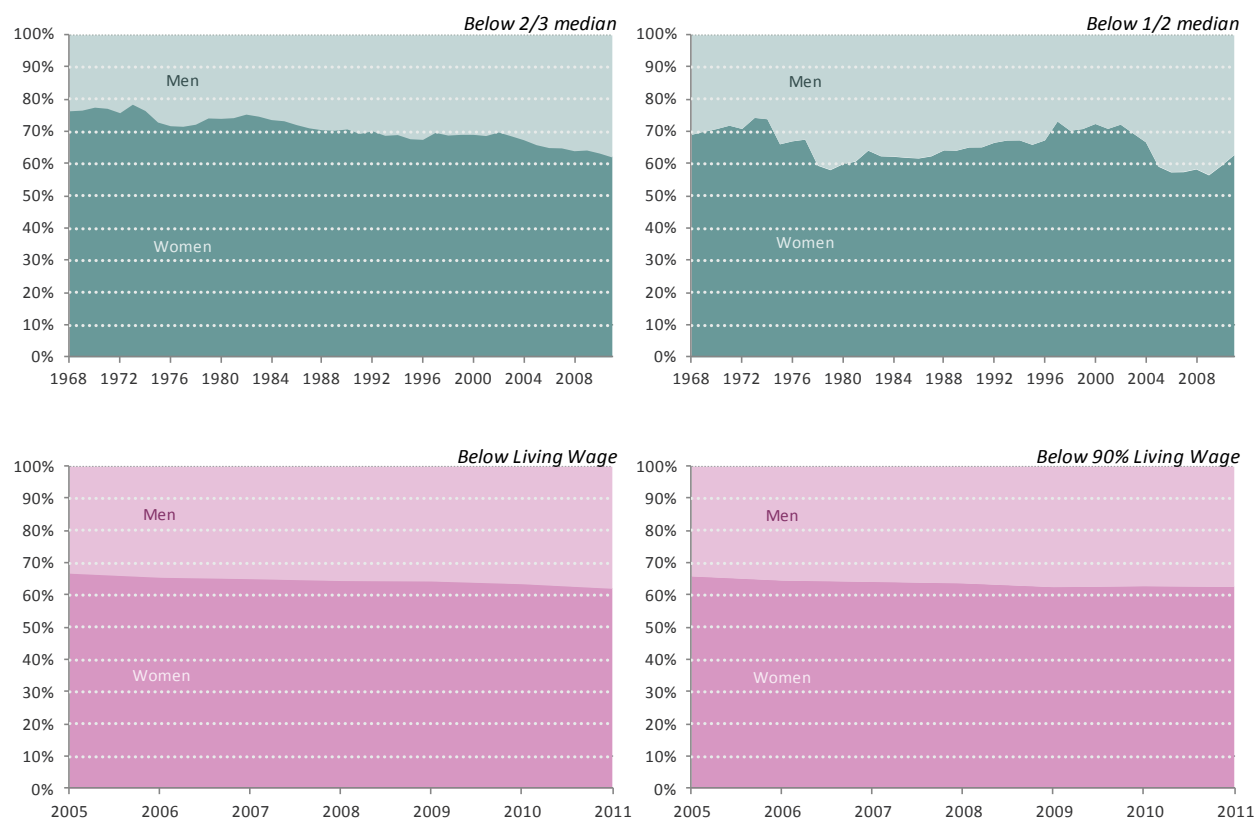
Notes: See notes to Figure 6.

Sources: Authors' analysis of DWP, *Family Expenditure Survey* (1968-1981); ONS, *New Earnings Survey Panel Data* (1975-2010); and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

Figure 10 looks at trends in the distribution of low pay between the sexes over time. It makes clear that while the proportion of men in low-paid work has gradually risen over the past three decades (from just below 25 per cent of all low-paid workers to nearly 40 per cent) women still make up the bulk of all low-paid workers (60 per cent).

²⁴ See David Coats et al, *From the Poor Law to Welfare to Work: what have we learned from a century of anti-poverty policies*, the Smith Institute, 2012; and Taylor, R, 'The rise and fall of the Social Contract,' in A. Seldon & K. Hickson (eds.), *New Labour, Old Labour: the Wilson and Callaghan government, 1974-79*, London: Routledge 2004

Figure 10: Distribution of low pay across sex: GB 1968-2011



Notes: See notes to Figure 6.

Sources: Authors' analysis of DWP, *Family Expenditure Survey* (1968-1981); ONS, *New Earnings Survey Panel Data* (1975-2010); and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

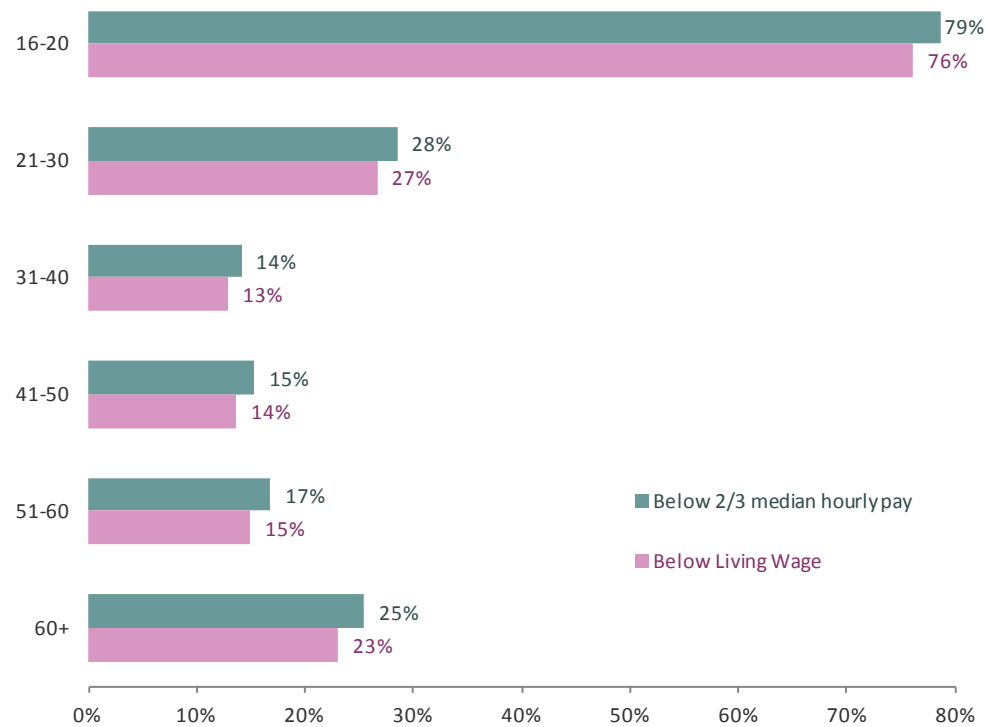
4.2 Age

Certain age groups are at higher risk of finding themselves in low-paid work than others. Younger workers face the most severe risks as Figure 11 makes clear by showing how 79 per cent of under-20s are in low-paid work. Of course, the extreme prevalence of low pay among this group is partly explained by the traditional trajectory of earnings over the life course but this established pattern has almost certainly been exacerbated by the explosion in student employment over the last two decades.²⁵ Figure 11 also makes clear that for a significant minority of employees low pay persists over the life course. For example, 14 per cent of those aged between 31 and 40 (a time when many could expect to reach their peak earnings) are in low-paid work. This persistence of low pay among a significant minority of workers in all age groups highlights that the opportunities for progression from low-paid work in Britain are often quite poor.²⁶

²⁵ The period 1996 to 2006 witnessed a 54 per cent increase in the numbers of student workers. Students are overwhelmingly employed in low-wage sectors, with more than 40 per cent of full-time student employees in the *wholesale, retail and motor trade* sector, and just over 20 per cent in the *hotels and restaurants* sector. See the TUC website.

²⁶ Jonny Wright and Paul Sissons, *The Skills Dilemma: Skills Under-Utilisation and Low-Wage Work*, The Work Foundation, 2012, p. 6

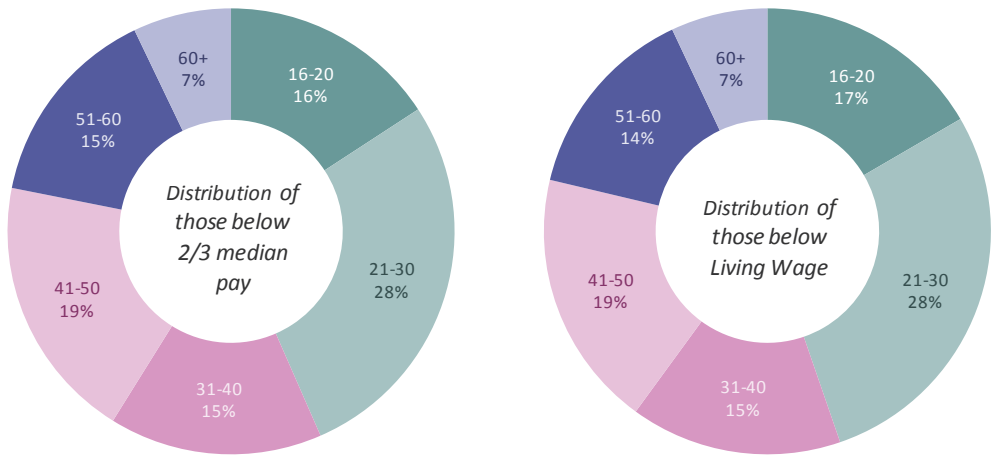
Figure 11: Prevalence of low pay by age: GB 2011



Notes: See notes to Table A1.
Source: Authors’ analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 12 highlights the fact that – despite facing the greatest risk of being in low-paid work – young adults do not account for the largest share of low-paid workers across age groups. 16-20 year olds make up only 16 per cent of the low-paid workforce while 21 – 30 year olds comprise the largest share at 28 per cent of all low-paid employees.

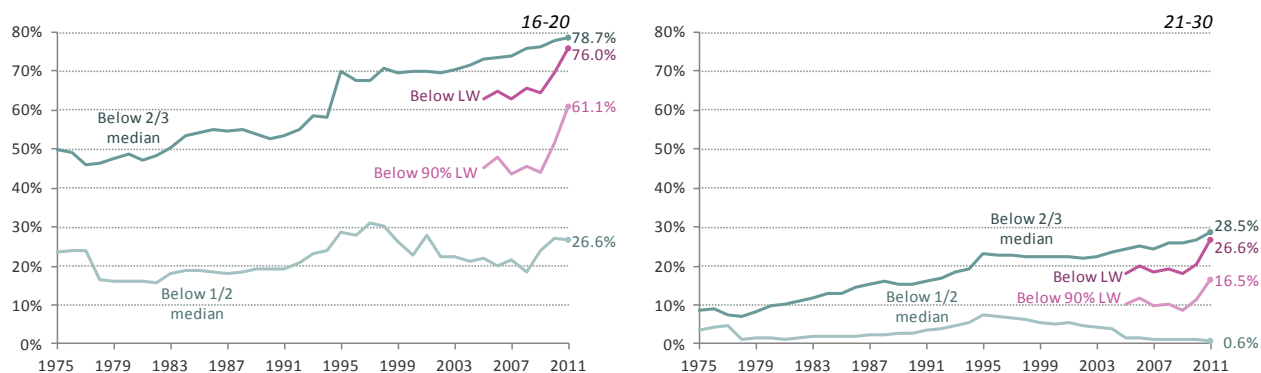
Figure 12: Distribution of low pay by age: GB 2011



Notes: See notes to Table A1.
Source: Authors’ analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 13 sets out trends in low pay by selected thresholds since 1968 for two age groups, those aged 16 – 20 and those aged 21 – 30.²⁷ It illustrates the strong growth of low-paid work among younger employees over the past three decades and the gradual increase in low-paid work among workers in the 21-30 group (from below 10 per cent in 1975 to just over 28 per cent in 2011), albeit from a far smaller base than that of the younger age group.

Figure 13: Proportion of employees below selected low pay thresholds by selected age group: GB 1975-2011



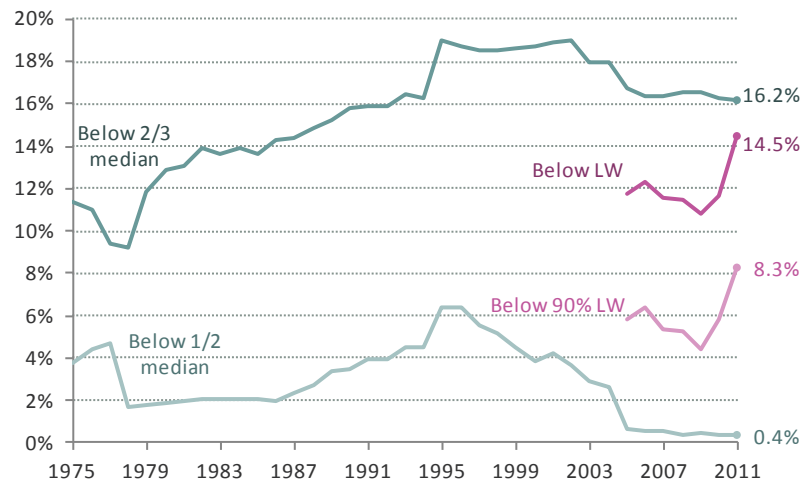
Notes: Figures are drawn from two separate data sources. Where these sources overlap, differences exist in the proportions of employees reported to be below the various low pay thresholds. Figures prior to 1997 have been adjusted to account for the magnitude of difference recorded in these overlapping periods, in order to create a consistent time series. The Living Wage has been calculated in London from 2005, but an outside London rate has only been in place from 2011. To allow for the estimates shown above, we project the outside-London Living Wage backwards, on the assumption that it has been subject to the same year-on-year growth rates as the London figure.

Sources: Authors' analysis of ONS, *New Earnings Survey Panel Data* (1975-2010) and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

Figure 11 illustrated the fact that for a significant minority of workers there is a persistent risk of low-paid work over the life course. Figure 14 looks at this in more detail by illustrating how the share of low-paid work among workers aged 30 and over has remained consistently above 15 per cent since the late 1980s. This is lower than the national average of one in five employees in low-paid work but remains troublingly high.

²⁷ See Figure A1 in Appendix 1 for trends across all age groups

Figure 14: Proportion of employees below selected low pay thresholds aged 30+: GB 1975-2011



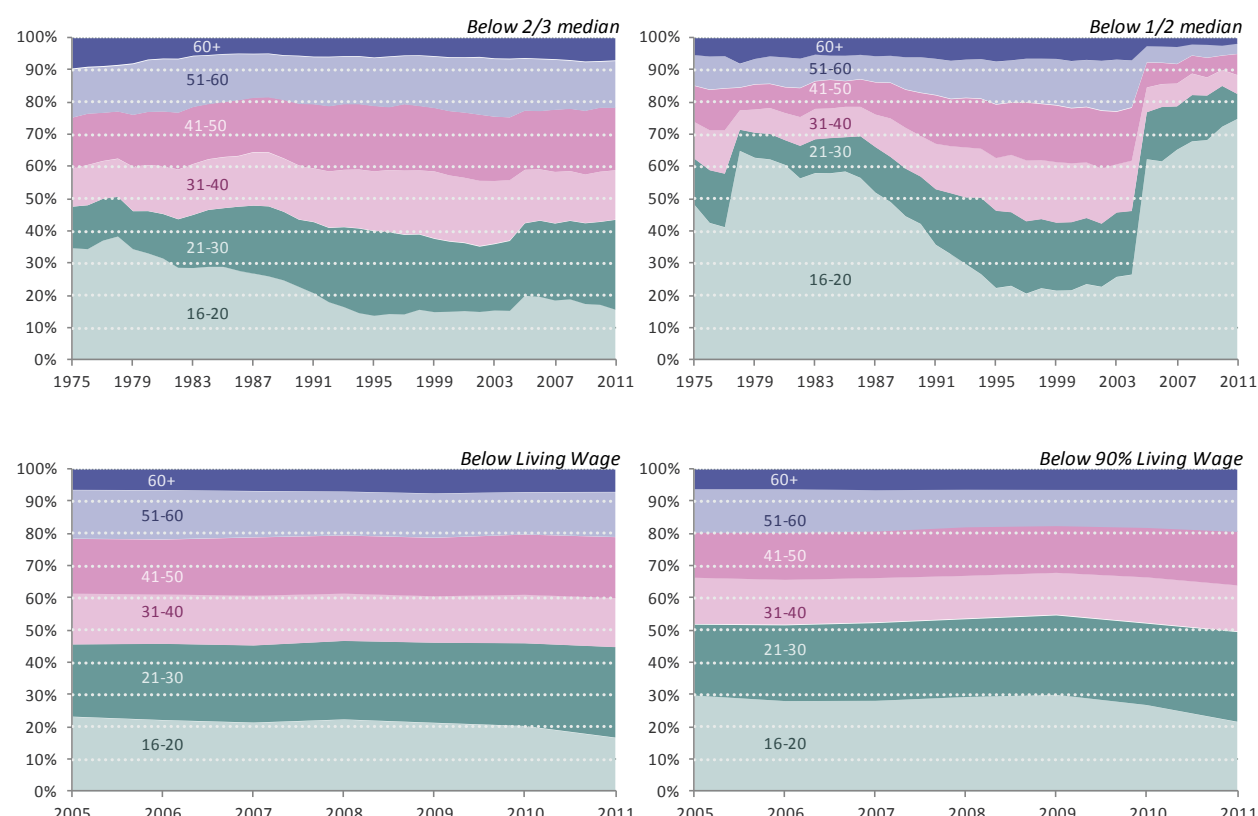
Notes: See notes to Figure 13.

Sources: Authors' analysis of ONS, *New Earnings Survey Panel Data* (1975-2010) and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

Figure 15 expands on our analysis of trends in low pay by age by exploring trends in the distribution of low-paid work across age groups over time. It shows how the proportion of low-paid workers between the ages of 21 and 30 has grown over time from just over 10 per cent of all low-paid workers to around 25 per cent today. This compares to younger workers (16 and 20) who, while at greater risk of low pay, have fallen as a share of all low-paid work since 1975. It is likely that this downward trend in the overall number of younger low-paid workers reflects longer-term trends such as the increase in numbers of young people remaining in education or training past 16 years of age which has reduced the overall supply of younger low-paid workers.

Figure 15 also looks at trends using our second relative low pay threshold of 50 per cent of gross median earnings (below £5.62 per hour). It shows the dramatic impact of the main NMW rate in reducing the share of extreme low-paid work among those aged over 20 years of age and the corresponding increase in extreme low pay for those aged 20 years of age and under as a result of legitimate exceptions to the NMW: the 18-20 NMW rate (currently £4.98 per hour), the 16-17 NMW rate (currently £3.68 per hour) and the NMW apprentice rate (currently £2.60 per hour). As expected, Figure 15 shows that the distribution of pay below living wage rates has remained broadly stable since the introduction of the London Living Wage in 2005 reflecting the fact that there are no living wage exemption rates for younger workers.

Figure 15: Distribution of low pay across age groups: GB 1975-2011



Notes: See notes to Figure 13.

Sources: Authors' analysis of ONS, *New Earnings Survey Panel Data* (1975-2010) and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

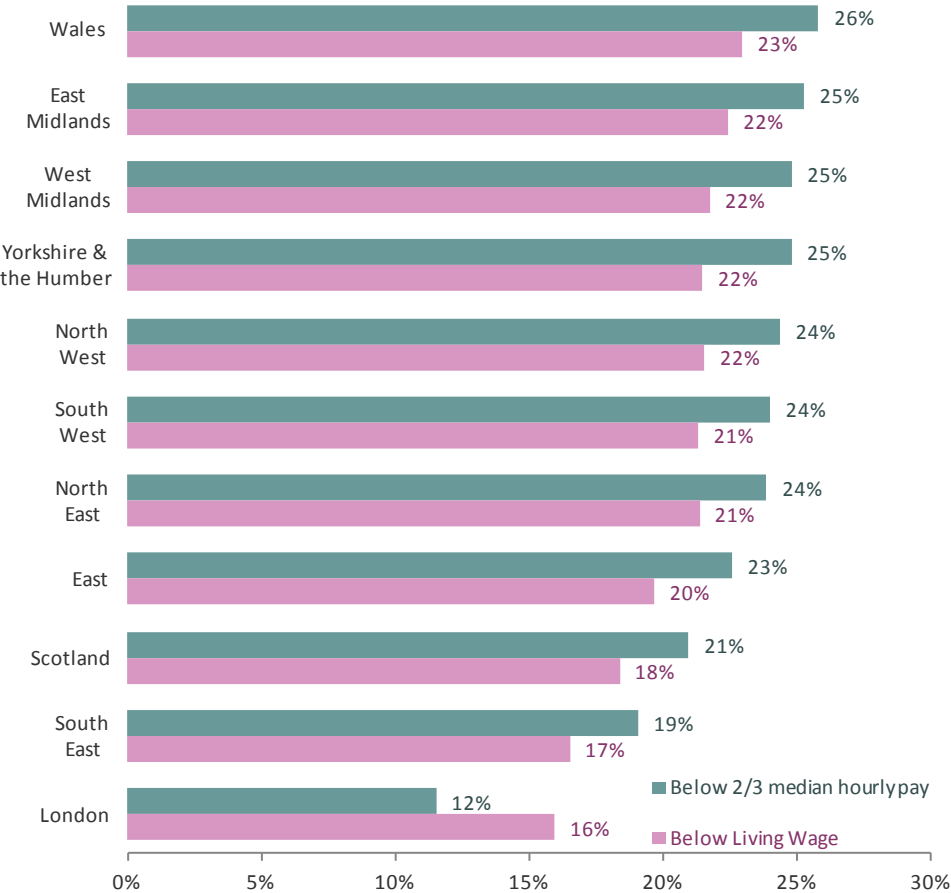
4.3 Region

Low-paid workers can be found in every region of Britain. And while particular regions might be expected to have a far higher prevalence of low pay than others, Figure 16 makes clear that the share of low-paid work among all employees does not vary extensively on the basis of geography.

Approximately one-quarter of employees in most regions are in low-paid employment. Wales has the highest share of low-paid work (26 per cent of employees) and the South East region has the lowest share (19 per cent of all employees). Interestingly, London stands out as having more employees earning below a living wage (16 per cent) than in low pay (12 per cent) reflecting the fact that the Greater London Authority's (GLA) London Living Wage rate of £8.30 per hour is derived using a calculation method based, in part, on an estimate of basic needs that are higher in the capital.

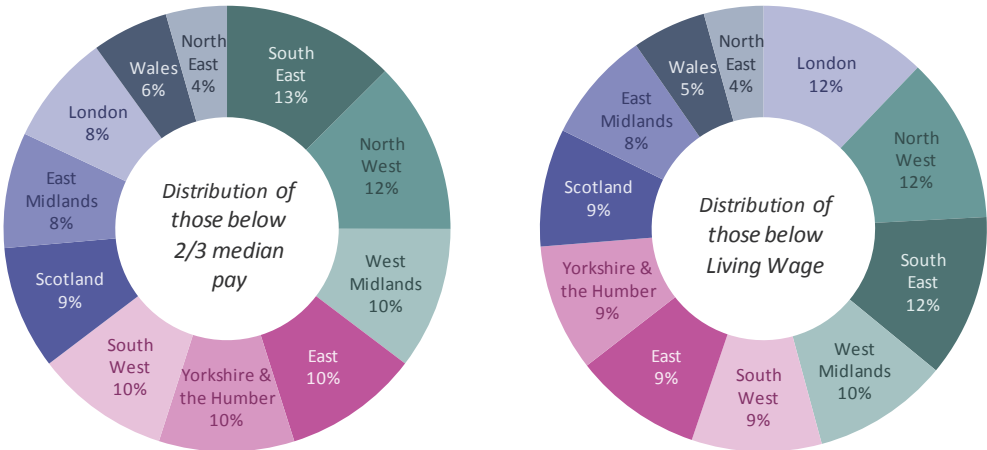
Figure 17 details the geographical distribution of low-paid work and, similarly, highlights the lack of geographical variation in the composition of low-paid work. The South East has the largest share of low-paid work (13 per cent) and the North East the smallest share (4 per cent), but every region's share of low-paid work lies within a range of ten percentage points.

Figure 16: Prevalence of low pay by region: GB 2011



Notes: See notes to Table A1.
Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

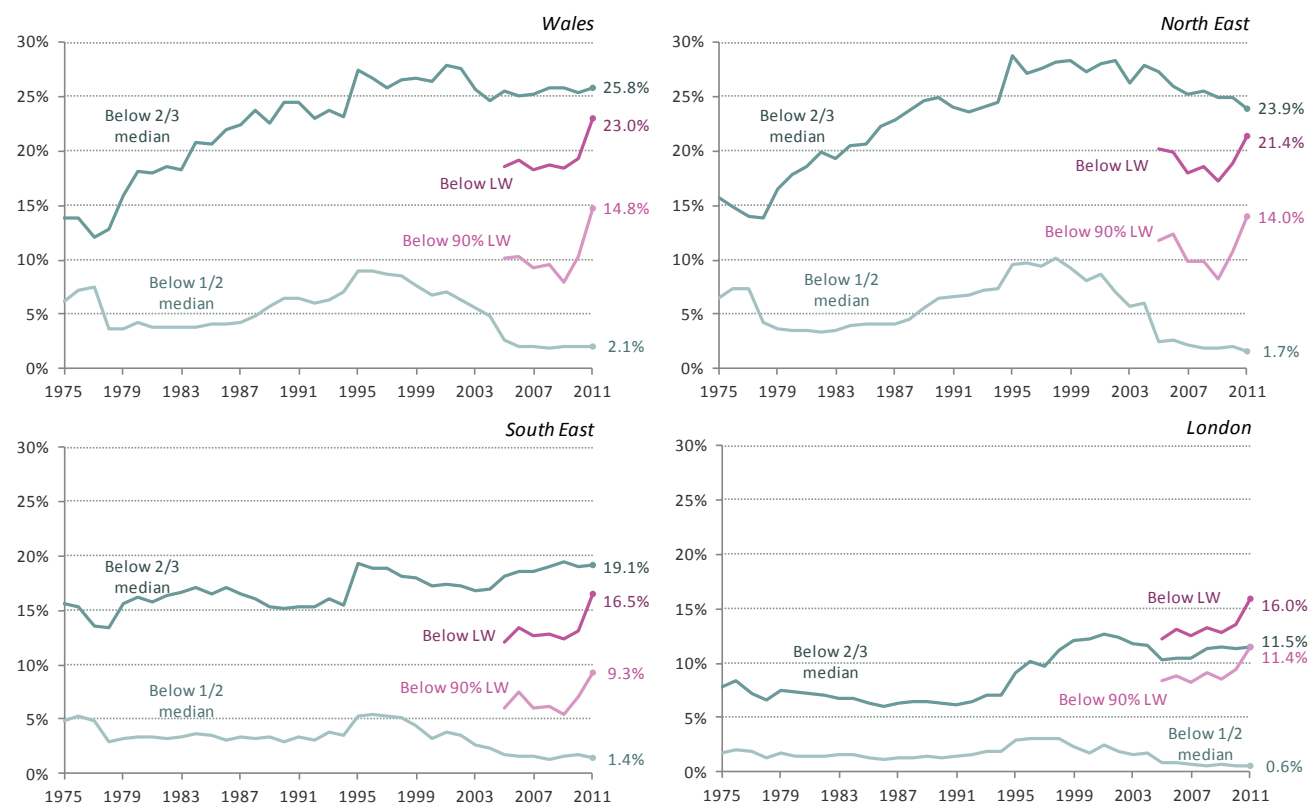
Figure 17: Distribution of low pay by region: GB 2011



Notes: See notes to Table A1.
Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 18 explores trends in low pay among selected regions over time. As can be seen in Figure 2A in Appendix 1, most regions witnessed a growth in the share of low-paid work of around 10 percentage points between 1975 and 2011 and Figure 18 explores this trend among selected regions. For example, it shows that Wales – the region which currently has the highest share of low-paid work – saw rates increase from below 15 per cent in 1975 to 26 per cent in 2011 and other regions such as the North East mirror this trend.

Figure 18: Proportion of employees below selected low pay thresholds by selected regions: GB 1975-2011



Notes: See notes to Figure 13.

Sources: Authors' analysis of ONS, *New Earnings Survey Panel Data* (1975-2010) and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

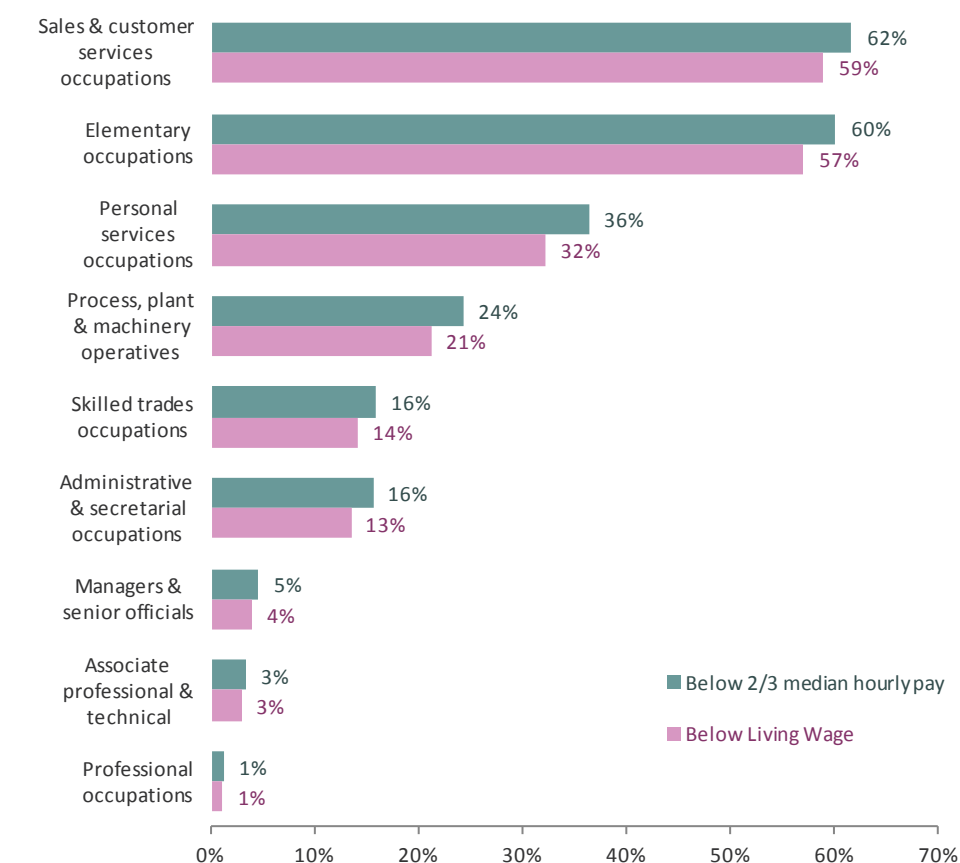
Figure 18 also shows the two regions where this broad trend does not apply. London and South East only saw moderate rises in low-paid work between 1975 and 2011 although the numbers earning less than a living wage in London have risen faster than those below the low-pay threshold for reasons discussed in Section 3.1.

5 Low pay: occupations

5.1 Occupation

Low-paid work is to be found in all occupational groups including those associated with high-wage returns such as Managers & Senior officials and Professional Occupations. However, as Figure 19 shows, low-paid work is far more prevalent in relatively low-skilled occupational groups such as Sales & Customer services (which includes roles such as retail assistants, cashiers, telephone salespersons, and customer service), Elementary Occupations (which includes roles such as cleaners, security guards, catering assistants, leisure workers and restaurant/bar staff) and Personal Services (which includes roles such as social care and childcare). When compared with the prevalence of low pay in occupations such as Professional Occupations (1 per cent) the high risk of low-paid work in sectors such as Sales & Customer services (62 per cent) is stark.

Figure 19: Prevalence of low pay by occupation: GB 2011

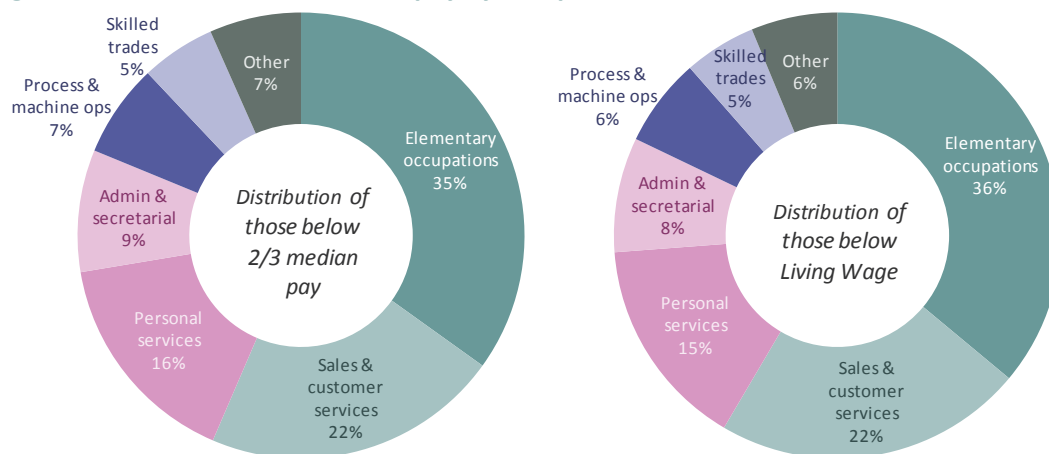


Notes: See notes to Table A1. Occupations based on SOC 2000 categories.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 20 builds on this analysis by detailing the distribution of low-paid work by occupation. It makes clear that Elementary Occupations make up by far the largest share of all low-paid workers (36 per cent), followed by Sales & Customer services (22 per cent).

Figure 20: Distribution of low pay by occupation: GB 2011



Notes: See notes to Table A1. Occupations based on SOC 2000 categories.
Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 21 develops this analysis by showing the prevalence of low pay in selected occupations over time, taking 1997 as the starting date. It makes clear that the two occupations that have the highest incidences of low-paid work, Sales & Customer services and Elementary Occupations, have both seen a growth in low-paid work of around five percentage points: Sales & Customer services from a share of around 55 per cent of low-paid work in 1997 to 62 per cent in 2011 and Elementary Occupations from a share of around 55 per cent of low-paid work in 1997 to 60 per cent in 2011.

Figure 21: Proportion of employees below selected low pay thresholds by selected occupations: GB 1997-2011



Notes: The Living Wage has been calculated in London from 2005, but an outside London rate has only been in place from 2011. To allow for the estimates shown above, we project the outside-London Living Wage backwards, on the assumption that it has been subject to the same year-on-year growth rates as the London figure. Occupations based on SOC 2000.

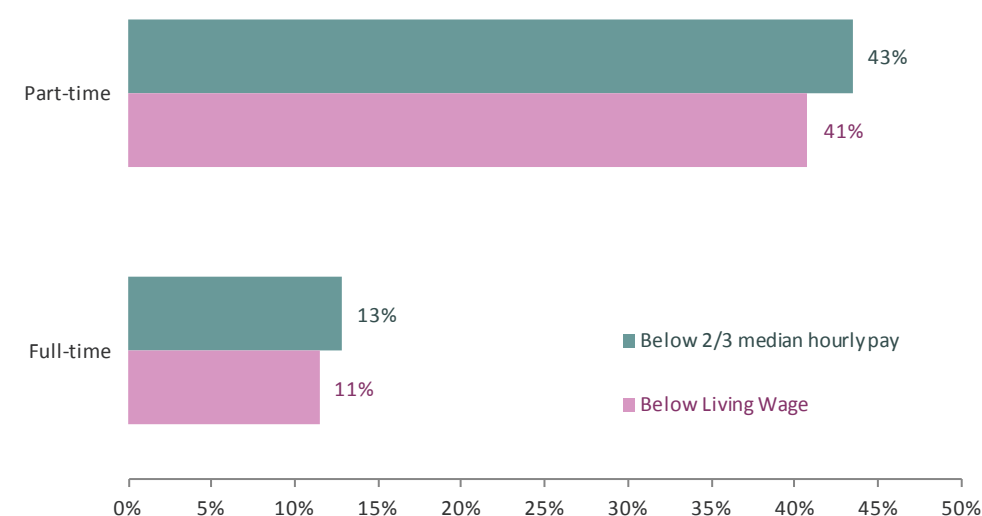
Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

This would appear to correspond to structural trends in the British labour market which show that – along with other advanced economies – Britain is witnessing a steady polarisation of the labour market between high-skilled, white-collar and low-skilled, low-paid jobs as a result of new technology replacing repetitive “routine” tasks that were previously fulfilled by middle wage workers.²⁸ However, Figure 21 also makes clear that the incidence of low-paid work in low-skill, low-paid occupations such as Administrative & Secretarial and Personal Services appears to have stabilised after the early 2000s – although with 36 per cent of all employees in low pay, Personal Services still has a relatively large share of workers in low pay.

5.2 Working hours

We turn now to differences in the prevalence of low pay across working hours. Figure 22 highlights the particular risk of low pay among part-time workers (43 per cent of all part-time employees), compared to those working full-time (11 per cent of all full-time employees). In the context of the growth of part-time employment over the last three decades²⁹ and recent rises in – often involuntary – part-time work and under-employment³⁰ the prevalence of low pay among part-time workers is concerning.

Figure 22: Prevalence of low pay by hours worked: GB 2011



Notes: See notes to Table A1.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

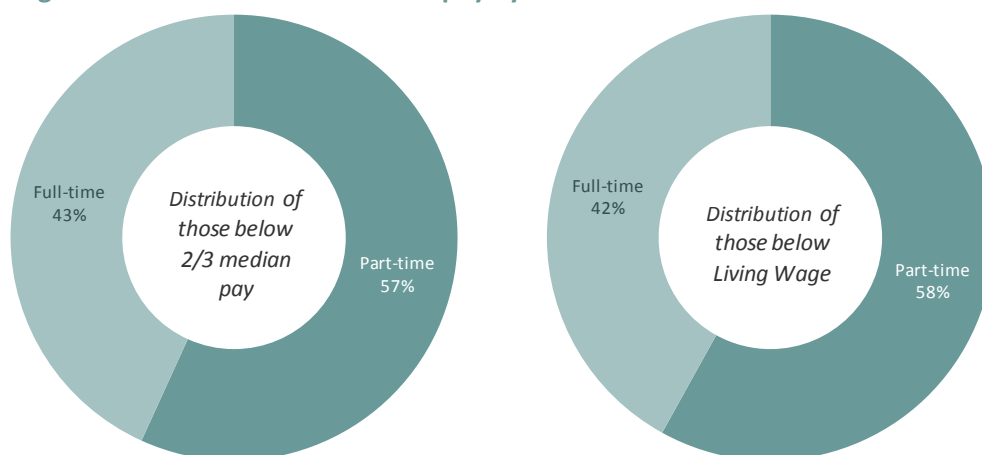
However, Figure 23 makes clear that despite the particularly high risk of low pay for part-time workers, full-time employees make up a sizeable share of low-paid workers (43 per cent).

²⁸ Autor et al, 2003; Goos and Manning, (2007); the European Centre for the Development of Vocational Training, *Labour market polarisation and elementary occupations in Europe: Blip or long-term trend?*

²⁹ IPPR, *Trends in part-time and temporary work*

³⁰ TUC, *Under-employment crisis: A TUC analysis of under-employment across the UK* (TUC: 2012); Giselle Cory, Looking under the lid of employment figures, Resolution Foundation *Freshly Squeezed* data blog, 2012

Figure 23: Distribution of low pay by hours worked: GB 2011

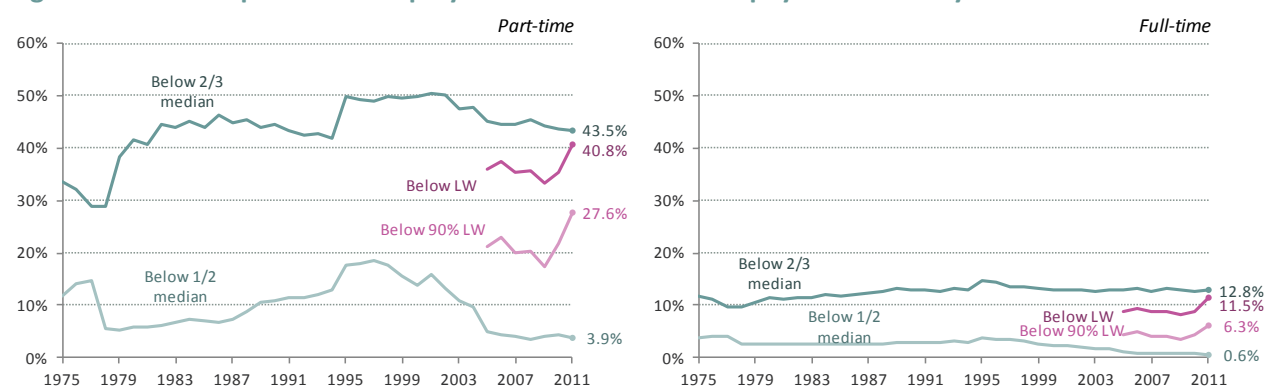


Notes: See notes to Table A1.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 24 considers trends in low pay over time across different working hours. It details the strong growth in part-time low-paid work (from 33 per cent of all part-time roles in 1997 to 44 per cent in 2011). This compares to full-time roles where the overall incidence of low pay has remained stable at just over 10 per cent of all employees. Figure 24 also highlights the success of the NMW in reducing rates of extreme low pay (below 50 per cent of gross median hourly pay) among part-time workers (from nearly 20 per cent in the mid-1990s to 4 per cent in 2011), although it should be noted that rates of extreme low pay have always been comparably low. A similar reduction of extreme low pay did not occur among full-time workers, suggesting that most low-paid full-time roles were already paying hourly rates well above the NMW.

Figure 24: Proportion of employees below selected low pay thresholds by hours: GB 1975-2011



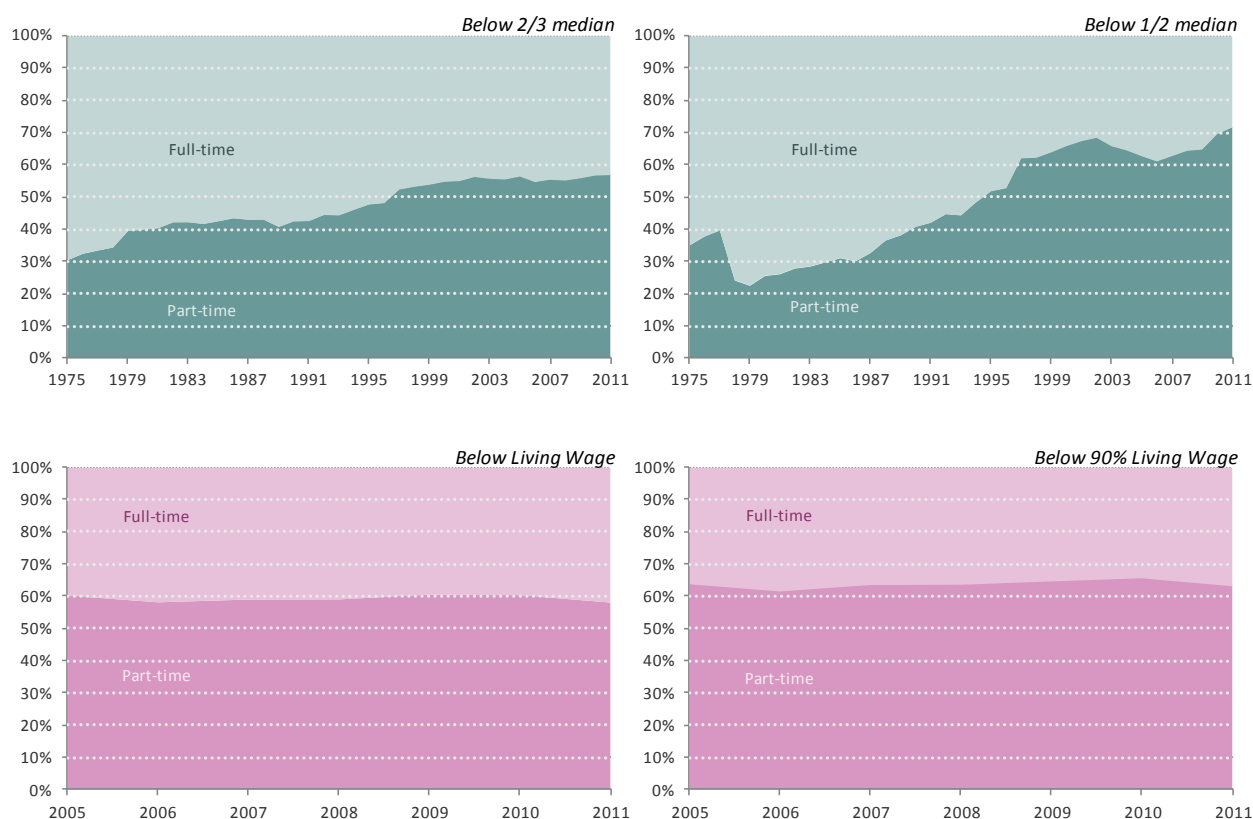
Notes: See notes to Figure 13.

Sources: Authors' analysis of ONS, *New Earnings Survey Panel Data* (1975-2010) and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

Figure 25 expands on these trends by looking at the distribution of low pay over time across different working hours. It details how part-time roles have grown as a share of all low-paid work (from 30 per cent of all low-paid work in 1975 to just under 60 per cent of all low-paid work in 2011). Among all jobs paying extreme low pay, part-time roles have again grown as a share (from around 35 per cent of all jobs paying below 50 per cent of gross median hourly pay to around 71 per cent). These trends were largely

driven by the more general increase in part-time work over the last three decades³¹ which, as we have seen, carries a greater risk of low pay than full-time work.

Figure 25: Distribution of low pay across hours: GB 1975-2011



Notes: See notes to Figure 13.

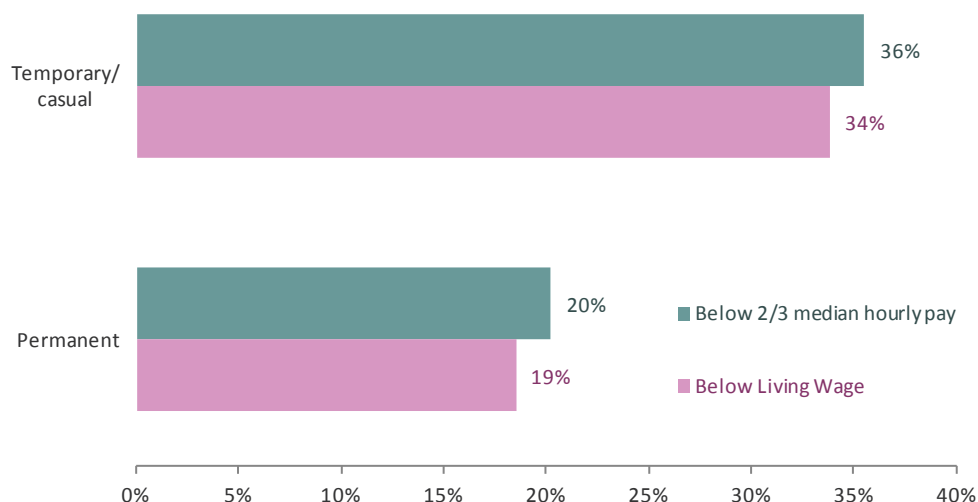
Sources: Authors' analysis of ONS, *New Earnings Survey Panel Data* (1975-2010) and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

5.3 Job status

As might be expected, the risk of low pay is closely associated with precarious forms of employment. Figure 26 makes clear that temporary/casual workers are more likely to be low paid (36 per cent of whom are low paid) than those in permanent employment (20 per cent of whom are low paid).

³¹ IPPR, *Trends in part-time and temporary work* see <http://www.ippr.org/uploadedFiles/pressreleases/Part-time%20and%20temporary%20work%20technical%20briefing.pdf>

Figure 26: Prevalence of low pay by job status: GB 2011

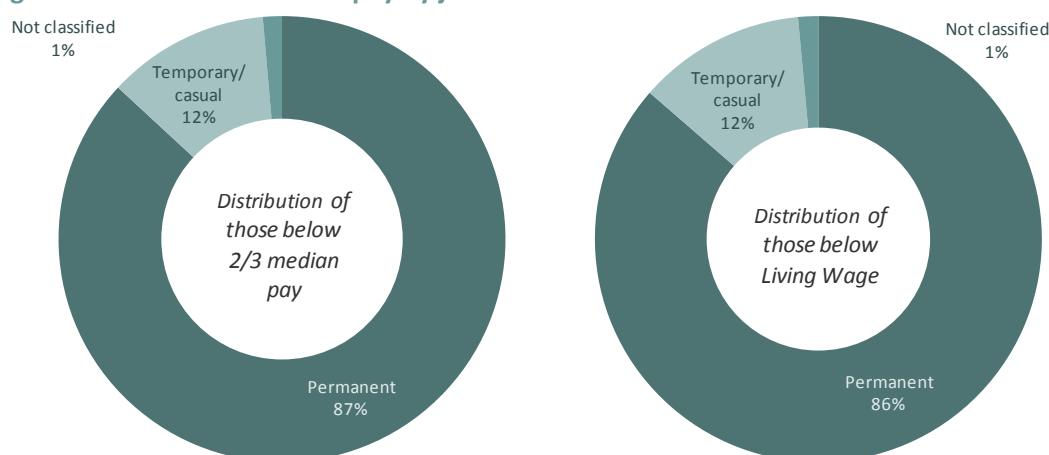


Notes: See notes to Table A1.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 27 highlights that jobs with temporary or casual contractual arrangements make up a relatively small proportion of all low-paid work (12 per cent) with those on permanent contracts comprising the substantial share of low-paid work (87 per cent).

Figure 27: Distribution of low pay by job status: GB 2011

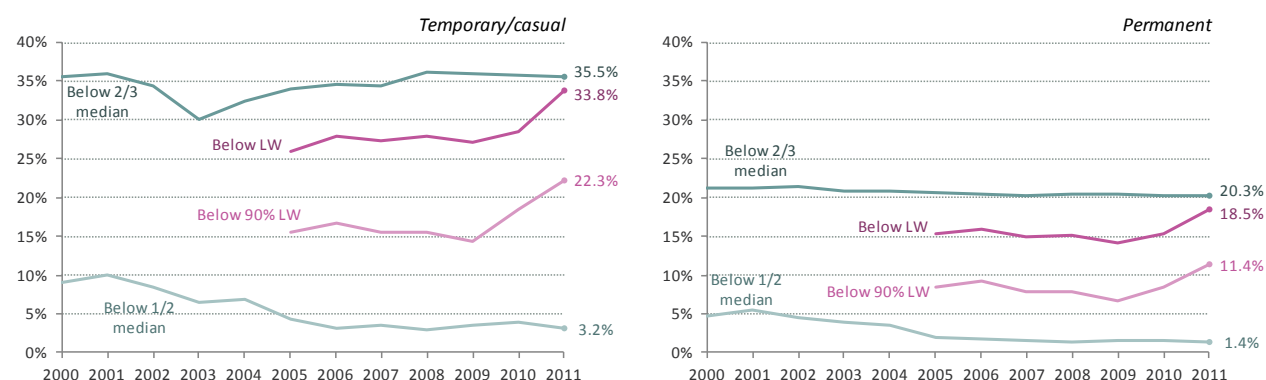


Notes: See notes to Table A1.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 28 and Figure 29 illustrate trends in the prevalence and distribution of low pay over time by work status. Figure 28 makes clear that the incidence of low-paid work has – apart from a temporary reduction in the overall incidence of low-paid temporary/casual work in the early 2000s – remained broadly stable in both temporary/casual and permanent roles over time. Similarly, Figure 29 shows that the overall distribution of low-paid work between temporary/casual and permanent roles has also remained broadly stable over time.

Figure 28: Proportion of employees below selected low pay thresholds by work status: GB 2000-2011



Notes: See notes to Figure 21.

Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 29: Distribution of low pay across work status: GB 2000-2011



Notes: See notes Figure 21. Figures do not sum to 100 per cent because the position of some employees is not classified.

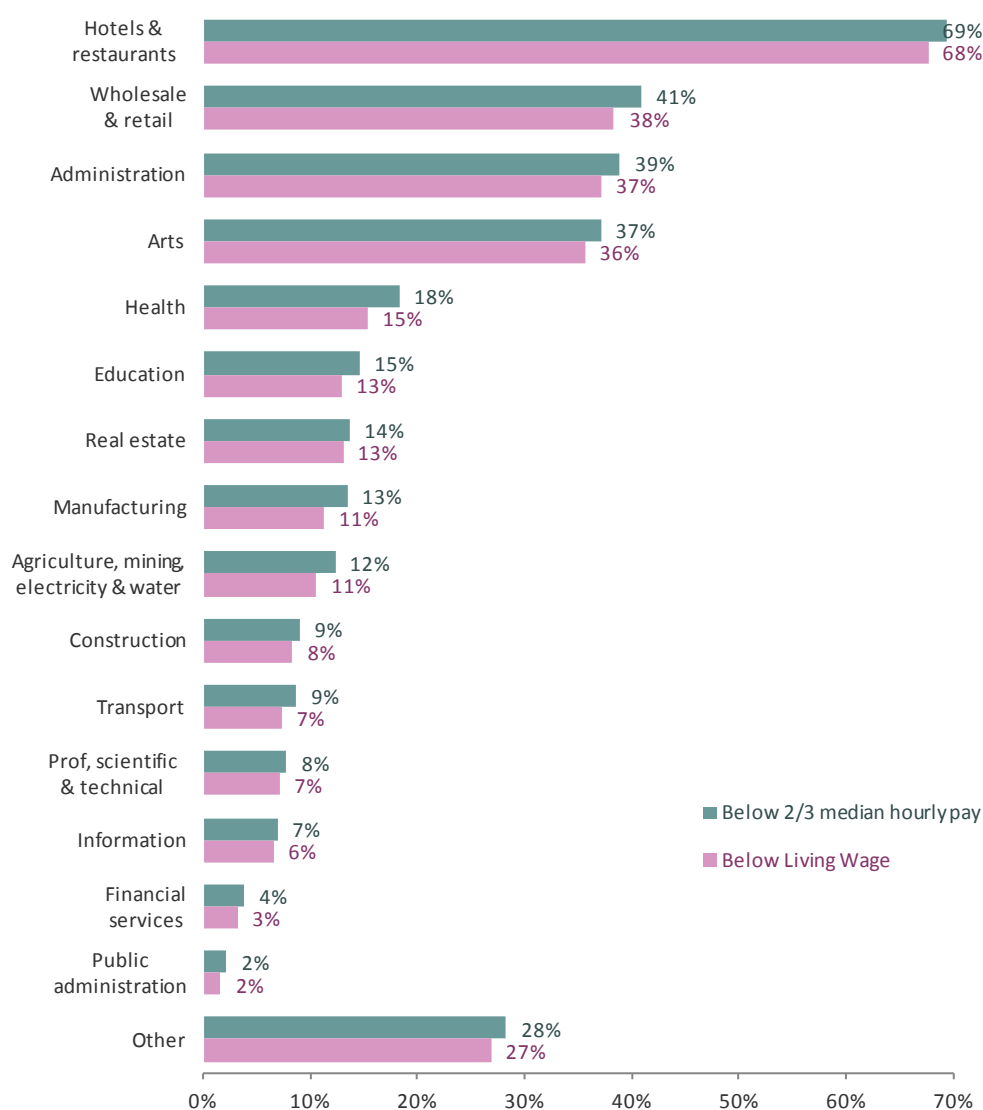
Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

6 Low pay: industrial sectors

6.1 Industrial sector

There are low-paid employees in every industrial sector. However, the prevalence of low-paid work is far higher in certain sectors than in others. Figure 30 identifies the high prevalence of low pay in sectors such as Hotels & Restaurants (69 per cent of all employees), Wholesale and Retail (41 per cent of employees) and Administration³² (39 per cent of all employees).

Figure 30: Prevalence of low pay by industry: GB 2011



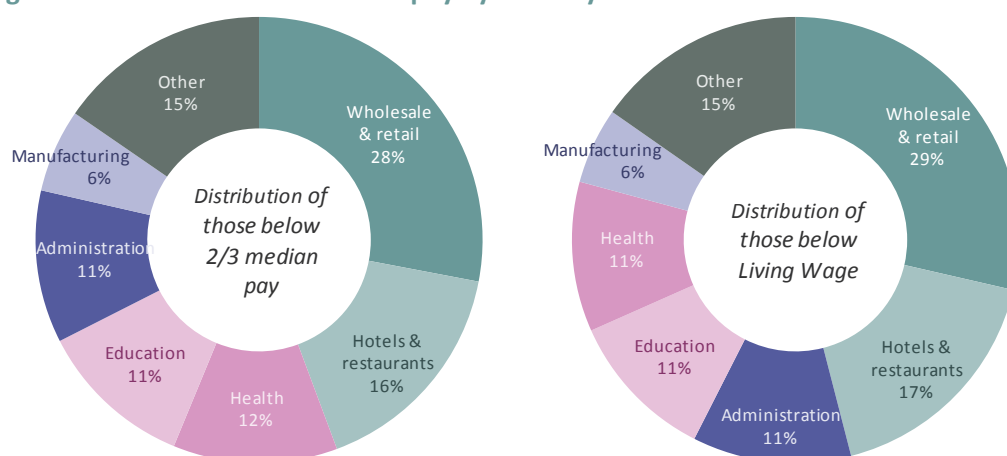
Notes: See notes to Table A1. Industries based on SIC 2007 categories.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

³² Administration includes cleaning, gardening and other routine low-skilled jobs

Figure 31 sets out the distribution of low-paid work by industrial sector. It shows that the Wholesale and Retail sector has the largest share of low-paid workers (29 per cent) followed by Hotels & Restaurants (16 per cent).

Figure 31: Distribution of low pay by industry: GB 2011



Notes: See notes to Table A1. Industries based on SIC 2007 categories.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

We now turn to the prevalence of low pay in industrial sectors over time, taking 2008 as our starting date. For reasons of data consistency our analysis only captures a three year period. It is, however, a particularly interesting one involving an unprecedented financial crisis and post-crisis recession that allow us to explore trends in low-paid work during an economic downturn.

Looking at selected industrial sectors, Figure 32 contrasts trends in sectors with a relatively high proportion of low-paid workers with those found in better paying industries. It shows that the incidence of low-paid work remained stable in certain sectors such as Hotels & Restaurants (69 per cent across the period) while falling slightly in others such as Wholesale & Retail (from 43 per cent to 41 per cent), Financial Services (from 5 per cent to 4 per cent) and Public Administration (from 5 per cent to just 2 per cent). Lastly, Figure 32 confirms that living wage rates can rise at a time of wider wage stagnation as a result of increases in the prices of basic goods which are intrinsic to the absolute approach to low pay inherent to the concept of living wages.

Figure 32: Proportion of employees below selected low pay thresholds by selected industrial sectors: GB 2008-2011



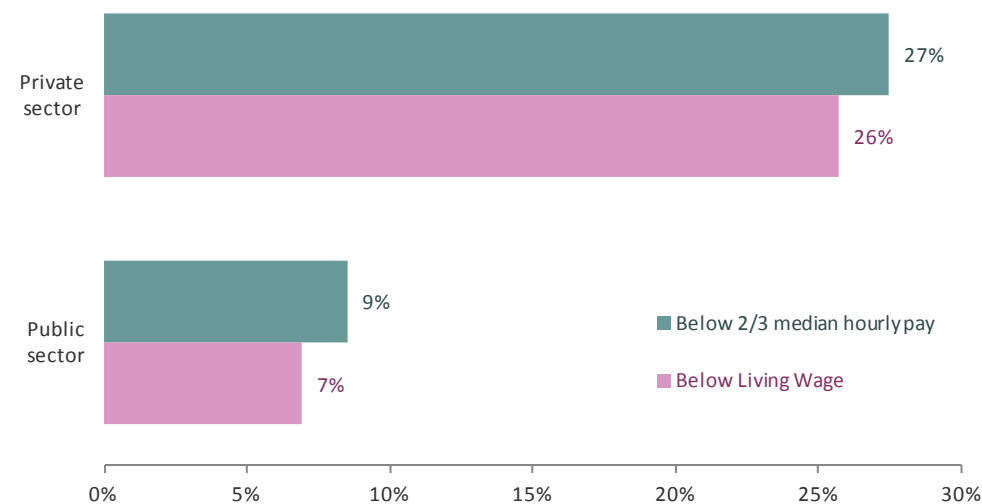
Notes: See notes to Figure 21. Industries based on SIC 2007 categories.

Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

6.2 Private/public sector

Low-paid work exists in both the private and public sectors but, as shown in Figure 33, there is a far greater risk of low pay in the private sector (27 per cent of all employees) than in the public sector (9 per cent of employees).

Figure 33: Low pay by private/public sector: GB 2011

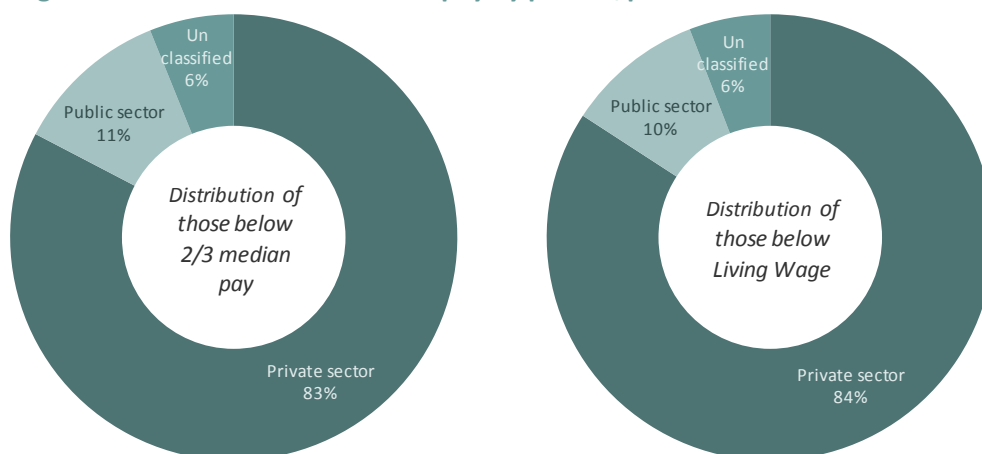


Notes: See notes to Table A1.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 34 details the composition of low-paid work by private/public sector making clear that the private sector comprises the bulk of low-paid workers (83 per cent of all those on low pay) with public sector employment making up the remaining small share (11 per cent of all those on low pay).

Figure 34: Distribution of low pay by private/public sector: GB 2011



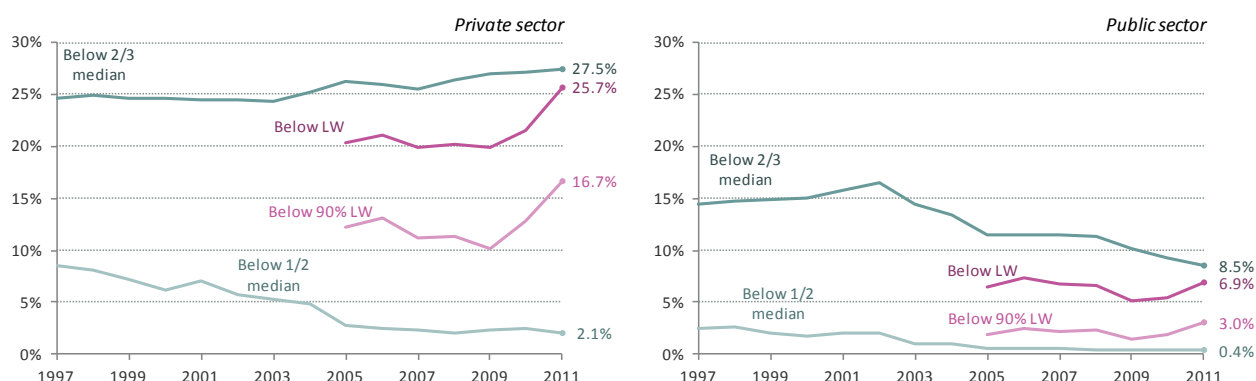
Notes: See notes to Table A1.

Source: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 35 details trends in low pay across the public and private sector since 1997. It highlights how the overall incidence of low-paid work in the private sector has grown marginally since 1997 (from 25 per cent to 27.5 per cent of all employees). In comparison, low-paid work has significantly reduced in the public sector between 1997 and 2011, down from just under 15 per cent to 8.5 per cent.

In considering this trend we need to take into account the rise of subcontracted employment which is now commonplace across a range of service, distribution and manufacturing sectors. As a result, there is a possibility that the reduction in low-paid work in the public sector since 1997 and its corresponding increase in the private sector may be explained, in part, by the progressive outsourcing of services and staff over the 14 year period in question. However, before rushing to such a conclusion we also need to bear in mind the potential compositional effects of public sector recruitment of staff on pay rates above the low pay threshold including NHS staff benefiting from the 2004 Agenda for Change reforms.³³

Figure 35: Proportion of employees below selected low pay thresholds by public/private sector: GB 1997-2011



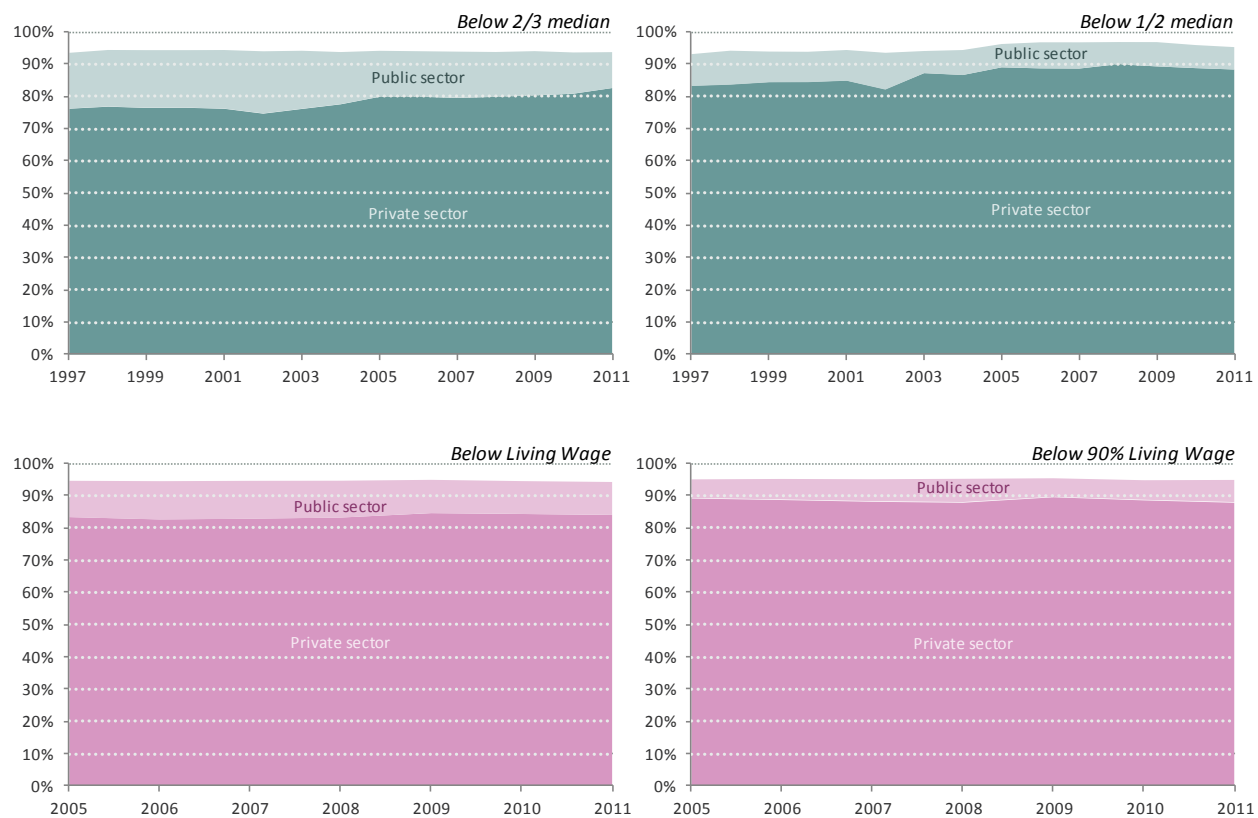
Notes: See notes to Figure 21.

Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure 36 details how the distribution of low pay has altered since 1997 and shows a reduction in the overall distribution of public sector low-paid work (from around 15 per cent of all low-paid workers in 1997 to just over ten per cent in 2011) and an increase in the share of low-paid workers in the private sector (from just under 80 per cent in 1997 to over 80 per cent of all low-paid workers in 2011) although those in the private sector continue to make up the bulk of low-paid workers.

³³ Although this will have been offset to a degree by the expansion in low-skilled public sector roles such as teaching assistants

Figure 36: Distribution of low pay across public and private sectors: GB 1997-2011



Notes: See notes to Figure 21. Figures do not sum to 100 per cent because the position of some employees is not classified.

Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Conclusions

Britain's reliance on an extensive pool of low-skilled, low-paid labour is not predetermined. The particular incidence and composition of low-paid work in any given country is the result of unique patterns of production and employment and these patterns are influenced, in part, by policy choices. As such, Britain's high incidence of low-paid work is not, as many argue, the unfortunate but necessary pre-requisite to a strong labour market, characterised by low unemployment and steady job growth. Other advanced economies with a lower incidence of low-paid work than Britain do not necessarily suffer from lost employment or lost competitiveness; employment rates are, for example, very high in Denmark and very low in France despite both countries having similar levels of low-paid work, whereas Denmark and the USA have similar overall employment rates but markedly different levels of low paid work.³⁴ There are many possible labour market equilibriums of which Britain's low-pay, low-productivity, model is only one.³⁵

It is, in many respects, a particularly damaging equilibrium for the British economy, for society and for individuals. Economically, Britain's low-paid labour market shapes the structure of economic incentives that condition firms' business strategies and cannot therefore be separated from continuing problems with relatively poor productivity performance and the prevalence of firms producing low-specification products or services in price-competitive markets.³⁶ Socially, low-paid work has been a factor in the gradual rise in in-work poverty since the mid-1990s and has been central to the reliance of many low to middle income households on tax credits and other in-work transfers to support household incomes at levels that were fiscally unsustainable. On an individual level, low-paid work is closely associated with a range of negative outcomes including poor health and diminished life chances.

Reducing the share of workers who are low paid is not a political objective that can be easily addressed by legislative levers. It is therefore not surprising that many policymakers have been justifiably reluctant to intervene in the market, preferring instead to correct market inequities through remedial redistribution. And there is a limit to the Government's role in directly regulating wage-setting. However, in these fiscally straitened times, where policymakers must look again at how to best maintain the living standards of low to middle income households, there is a strong case for looking again at how government can build or better utilise labour market institutions, its influence with employers and unions and its ability to shape social norms to ensure that we reduce our reliance on large numbers of low-paid workers. It is only by doing so that we can ensure that the living standards of many households that currently rely on earnings from family members in low-paid work do not deteriorate sharply.

³⁴ Wiemer Salverda and Ken Mayhew, "Capitalist economies and wage inequality", *Oxford Review of Economic Policy*, Volume 25, Number 1, 2009, pp. 139-140

³⁵ Robert Solow, "The United Kingdom Story", in Caroline Lloyd, Geoff Mason and Ken Mayhew (eds.), *Low wage work in the United Kingdom*, Russell Sage Foundation, New York: 2008

³⁶ Caroline Lloyd, Geoff Mason and Ken Mayhew (eds.), *Low wage work in the United Kingdom*, Russell Sage Foundation, New York: 2008, p. 311

Appendix 1 Additional data

Table A1: Profile of those falling below selected low pay thresholds: GB 2011

	Below 2/3 median hourly pay			Below 1/2 median hourly pay			Below Living Wage			Below 90% Living Wage		
	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold
Total	5,070,000	21%	100%	360,000	2%	100%	4,660,000	20%	100%	2,900,000	12%	100%
Sex												
Women	3,140,000	27%	62%	230,000	2%	63%	2,890,000	25%	62%	1,810,000	16%	63%
Men	1,930,000	16%	38%	140,000	1%	37%	1,770,000	15%	38%	1,090,000	9%	37%
Age group												
16-20	800,000	79%	16%	270,000	27%	75%	770,000	76%	17%	620,000	61%	21%
21-30	1,400,000	28%	28%	30,000	1%	8%	1,310,000	27%	28%	810,000	17%	28%
31-40	780,000	14%	15%	20,000	0%	6%	710,000	13%	15%	420,000	8%	14%
41-50	980,000	15%	19%	20,000	0%	6%	870,000	14%	19%	490,000	8%	17%
51-60	750,000	17%	15%	10,000	0%	3%	670,000	15%	14%	370,000	8%	13%
60+	360,000	25%	7%	10,000	0%	2%	330,000	23%	7%	190,000	13%	6%
Region												
Wales	280,000	26%	6%	20,000	2%	6%	250,000	23%	5%	160,000	15%	6%
East Midlands	420,000	25%	8%	30,000	2%	9%	380,000	22%	8%	230,000	14%	8%
West Midlands	520,000	25%	10%	40,000	2%	10%	460,000	22%	10%	280,000	13%	10%
Yorkshire & the Humber	500,000	25%	10%	30,000	1%	8%	430,000	22%	9%	260,000	13%	9%
North West	630,000	24%	12%	50,000	2%	15%	560,000	22%	12%	350,000	13%	12%
South West	490,000	24%	10%	40,000	2%	10%	440,000	21%	9%	270,000	13%	9%
North East	220,000	24%	4%	20,000	2%	4%	200,000	21%	4%	130,000	14%	5%
East	500,000	23%	10%	30,000	2%	10%	430,000	20%	9%	260,000	12%	9%
Scotland	450,000	21%	9%	30,000	1%	9%	400,000	18%	9%	250,000	11%	8%
South East	630,000	19%	13%	50,000	1%	13%	550,000	17%	12%	310,000	9%	11%
London	410,000	12%	8%	20,000	1%	6%	570,000	16%	12%	410,000	11%	14%

Table A1 cont...

	Below 2/3 median hourly pay			Below 1/2 median hourly pay			Below Living Wage			Below 90% Living Wage		
	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold
Occupations												
Sales & customer services	1,090,000	62%	22%	80,000	4%	21%	1,040,000	59%	22%	690,000	39%	24%
Elementary occupations	1,770,000	60%	35%	180,000	6%	49%	1,680,000	57%	36%	1,190,000	40%	41%
Personal services	810,000	36%	16%	40,000	2%	11%	710,000	32%	15%	390,000	18%	14%
Process, plant & machinery operatives	340,000	24%	7%	10,000	0%	2%	300,000	21%	6%	160,000	12%	6%
Skilled trades	270,000	16%	5%	20,000	1%	6%	240,000	14%	5%	140,000	8%	5%
Administrative & secretarial	450,000	16%	9%	20,000	1%	6%	390,000	13%	8%	180,000	6%	6%
Managers & senior officials	170,000	5%	3%	10,000	0%	2%	150,000	4%	3%	70,000	2%	3%
Associate professional & technical	120,000	3%	2%	10,000	0%	2%	100,000	3%	2%	50,000	1%	2%
Professional	40,000	1%	1%	10,000	0%	1%	40,000	1%	1%	20,000	1%	1%
Work status												
Part-time	2,880,000	43%	57%	260,000	4%	72%	2,700,000	41%	58%	1,830,000	28%	63%
Full-time	2,190,000	13%	43%	100,000	1%	28%	1,950,000	11%	42%	1,070,000	6%	37%
Temporary/casual	590,000	36%	12%	50,000	3%	15%	570,000	34%	12%	370,000	22%	13%
Permanent	4,400,000	20%	87%	300,000	1%	83%	4,020,000	19%	86%	2,480,000	11%	86%
Not classified	70,000	27%	1%	10,000	3%	2%	70,000	26%	1%	50,000	17%	2%

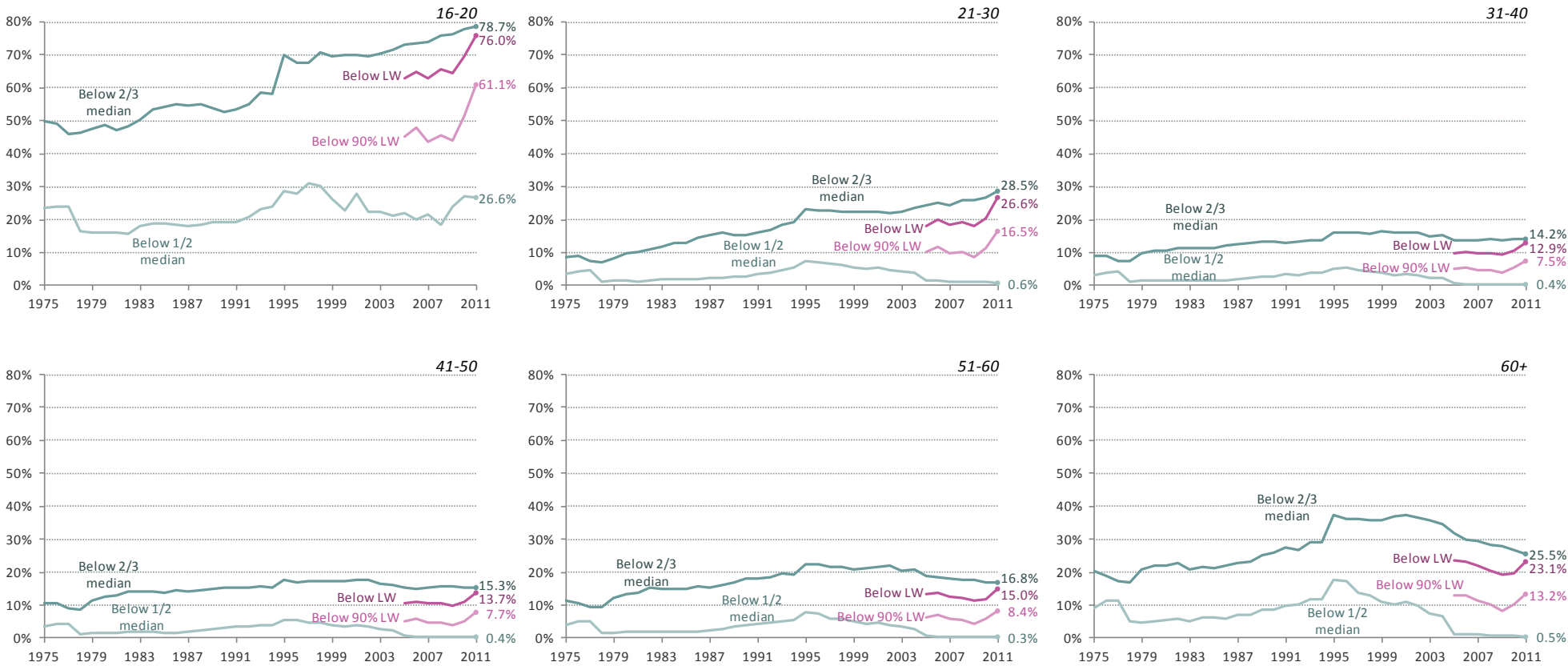
Table A1 cont...

	Below 2/3 median hourly pay			Below 1/2 median hourly pay			Below Living Wage			Below 90% Living Wage		
	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold
Industry												
Hotels & restaurants	830,000	69%	16%	140,000	11%	38%	810,000	68%	17%	640,000	53%	22%
Wholesale & retail	1,420,000	41%	28%	90,000	3%	25%	1,330,000	38%	29%	830,000	24%	29%
Administration	560,000	39%	11%	10,000	1%	3%	530,000	37%	11%	360,000	25%	12%
Arts	160,000	37%	3%	20,000	4%	5%	150,000	36%	3%	100,000	24%	4%
Health	600,000	18%	12%	20,000	1%	5%	510,000	15%	11%	290,000	9%	10%
Education	570,000	15%	11%	30,000	1%	9%	510,000	13%	11%	240,000	6%	8%
Real estate	40,000	14%	1%	0	1%	1%	40,000	13%	1%	20,000	7%	1%
Manufacturing	310,000	13%	6%	10,000	0%	3%	260,000	11%	6%	130,000	6%	4%
Agriculture, mining, electricity & water	50,000	12%	1%	0	1%	1%	50,000	11%	1%	20,000	5%	1%
Construction	70,000	9%	1%	10,000	1%	2%	70,000	8%	1%	40,000	5%	1%
Transport	90,000	9%	2%	0	0%	1%	80,000	7%	2%	30,000	3%	1%
Professional, scientific & technical industries	110,000	8%	2%	10,000	1%	2%	100,000	7%	2%	50,000	4%	2%
Information	60,000	7%	1%	10,000	1%	2%	60,000	6%	1%	40,000	4%	1%
Financial services	40,000	4%	1%	0	0%	1%	30,000	3%	1%	20,000	1%	1%
Public administration	30,000	2%	1%	:	:	0%	20,000	2%	0%	10,000	1%	0%
Other services, household & extra-territorial	130,000	28%	3%	10,000	2%	3%	120,000	27%	3%	80,000	17%	3%
Public/private sector												
Private sector	4,190,000	27%	83%	320,000	2%	88%	3,920,000	26%	84%	2,550,000	17%	88%
Public sector	570,000	9%	11%	20,000	0%	7%	460,000	7%	10%	200,000	3%	7%
Unclassified	310,000	18%	6%	20,000	1%	5%	270,000	16%	6%	150,000	9%	5%

Notes: Data cover all employees on adult rates of pay who have not had their pay affected by absence in the time covered. Industry categories correspond with SIC 2007 and occupation categories correspond with SOC 2003.
2011 figures are based on a median hourly pay rate (for all employees) of £11.24 and Living Wage rates of £8.30 in London and £7.20 in the rest of the country.

Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure A 1: Proportion of employees below selected low pay thresholds by age group: GB 1975-2011



Notes: See notes to Figure 13.
Sources: Authors' analysis of ONS, *New Earnings Survey Panel Data* (1975-2010) and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

Figure A 2: Proportion of employees below selected low pay thresholds by region: GB 1975-2011

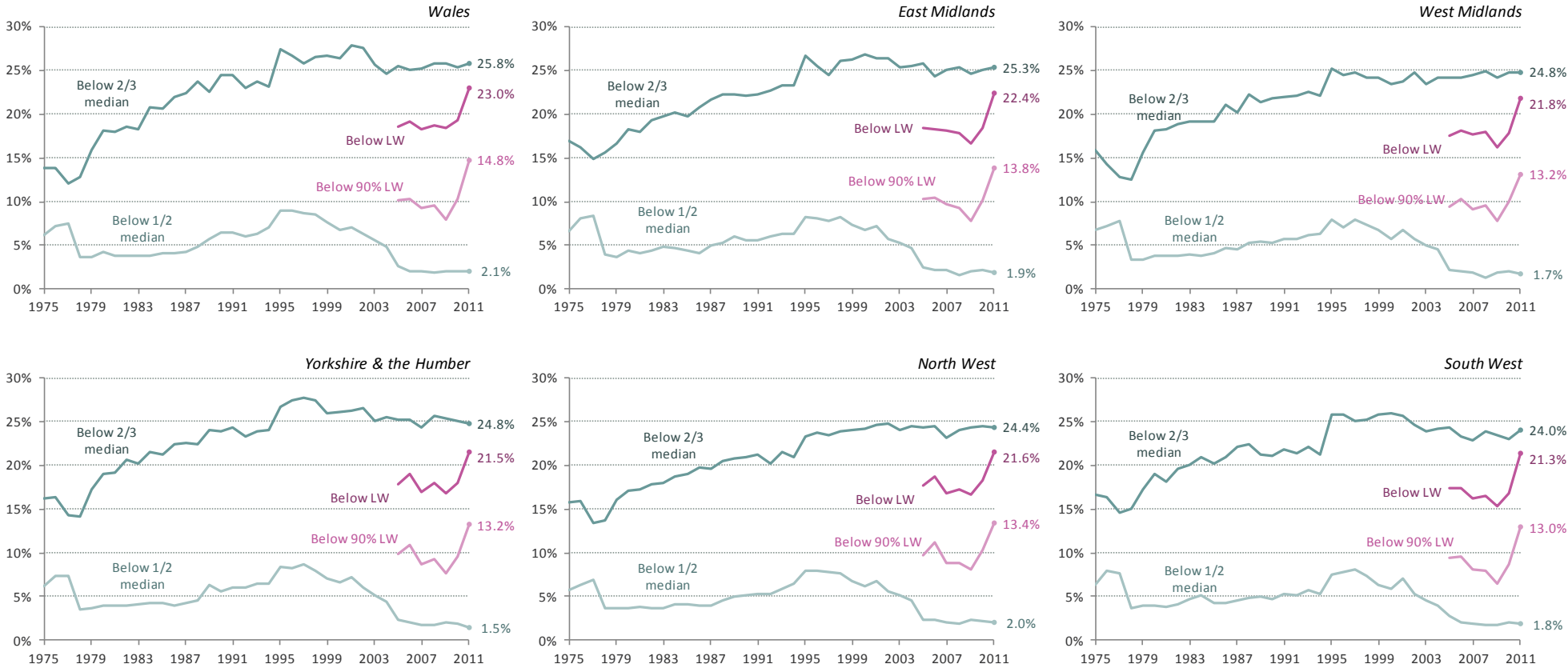
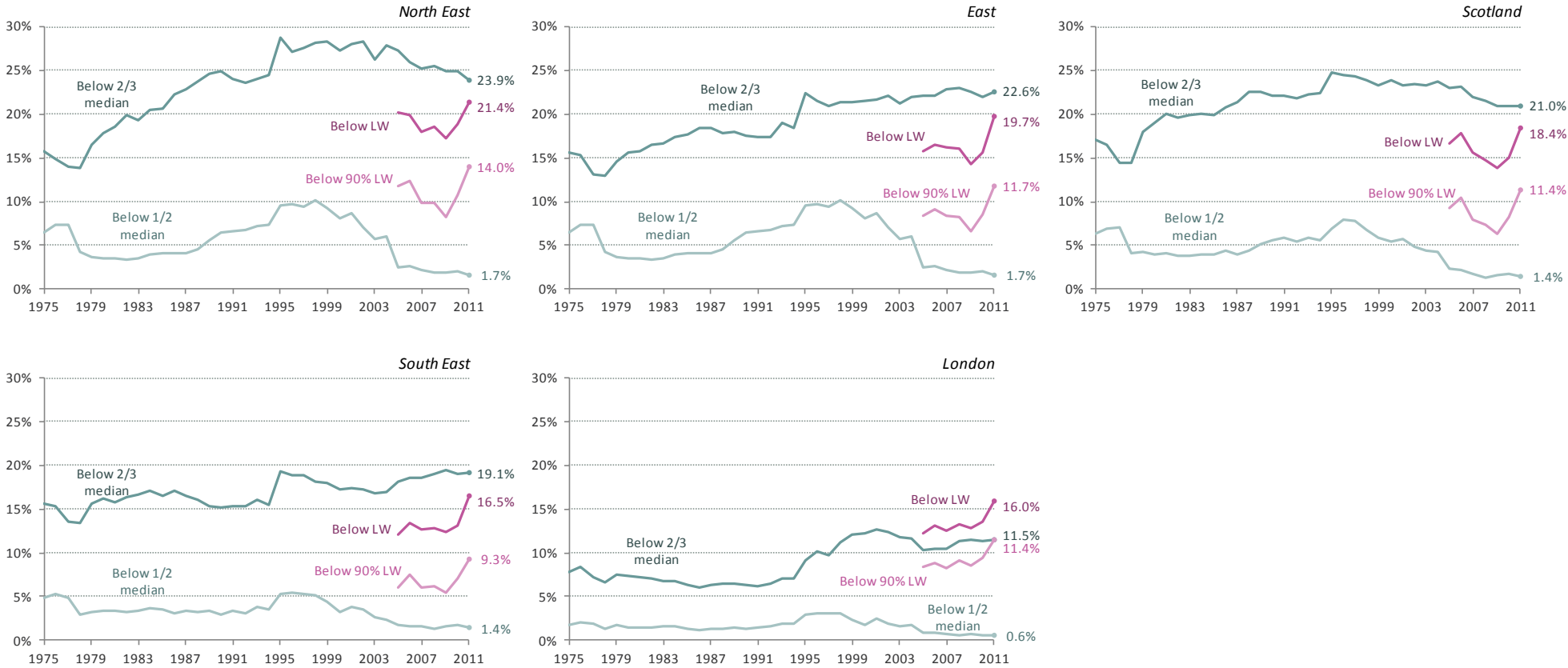


Figure A 2 cont...



Notes: See notes to Figure 13.
Sources: Authors' analysis of ONS, *New Earnings Survey Panel Data* (1975-2010) and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

Figure A 3: Proportion of employees below selected low pay thresholds by occupation: GB 1997-2011

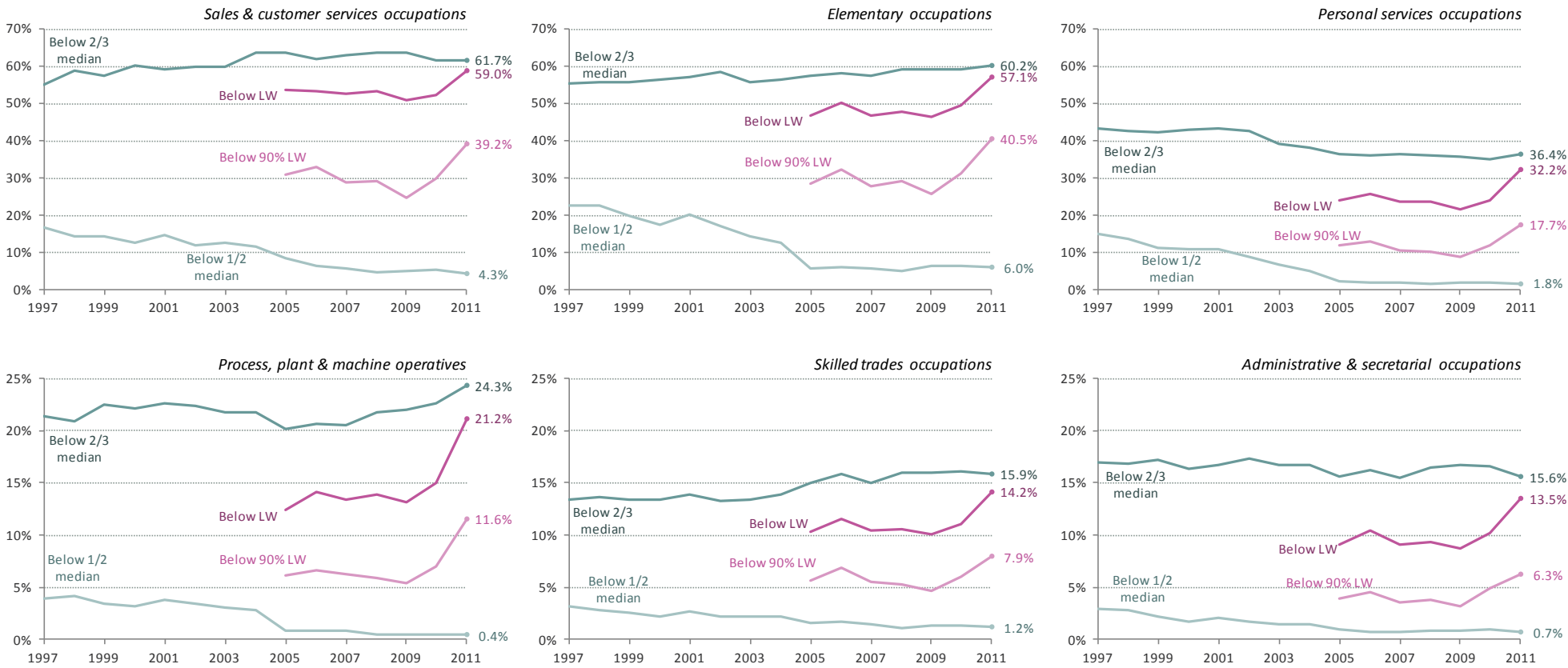
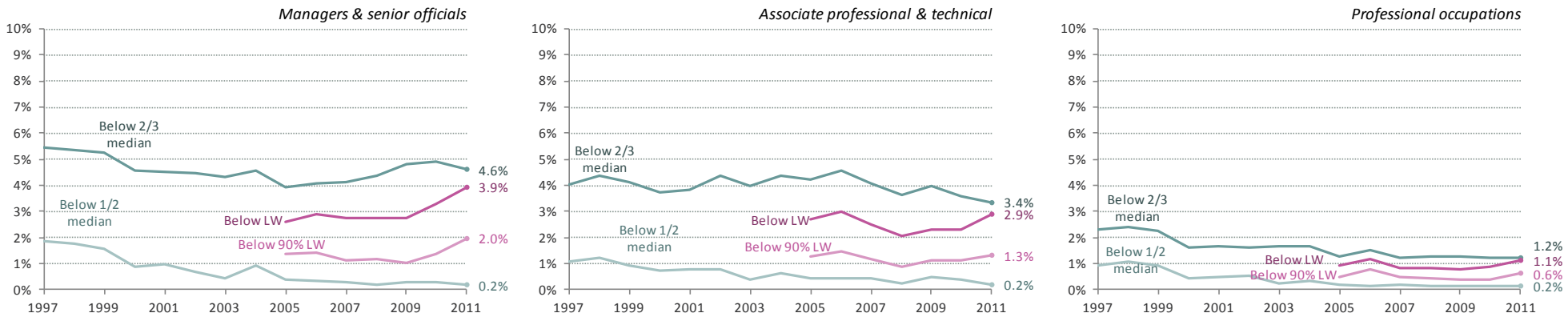


Figure A 3 cont...



Notes: See notes to Figure 21. Occupations based on SOC 2000 categories.
Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

Figure A 4: Proportion of employees below selected low pay thresholds by industry: GB 2008-2011

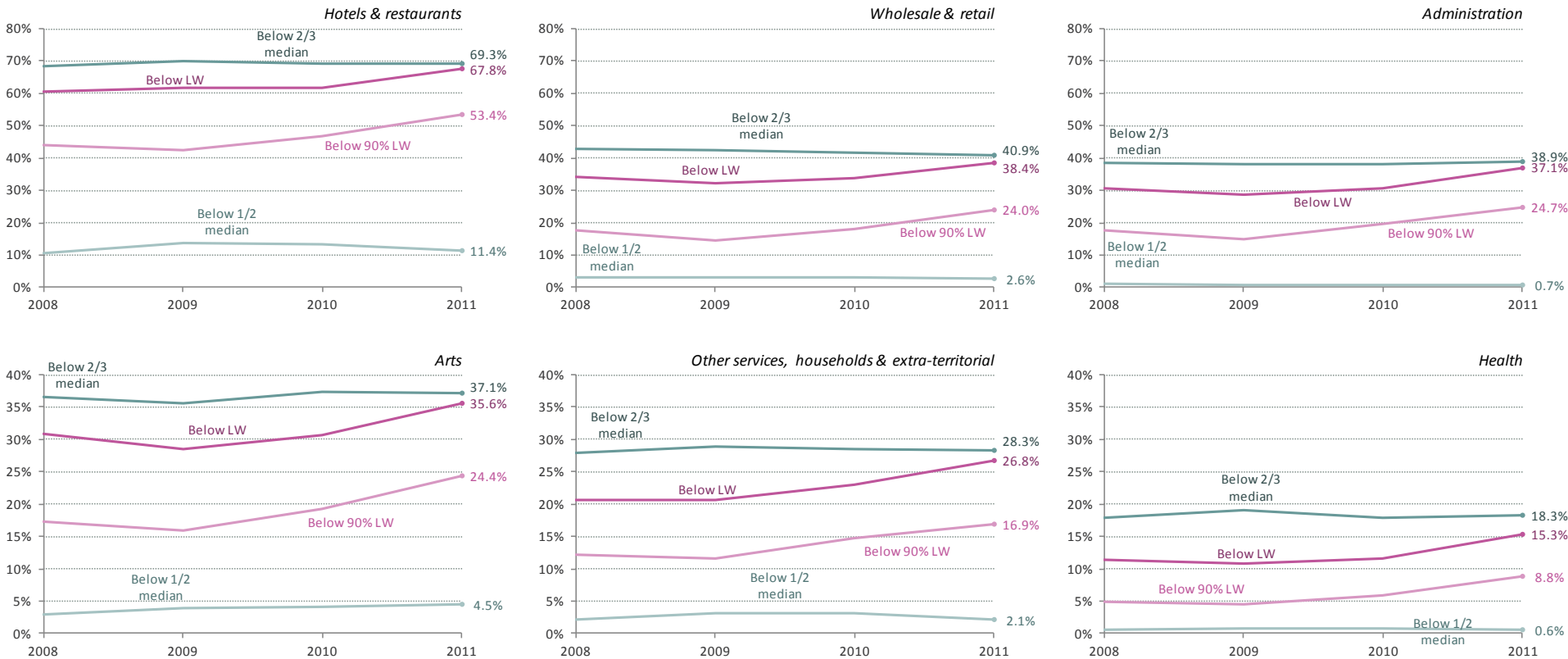


Figure A 4 cont...

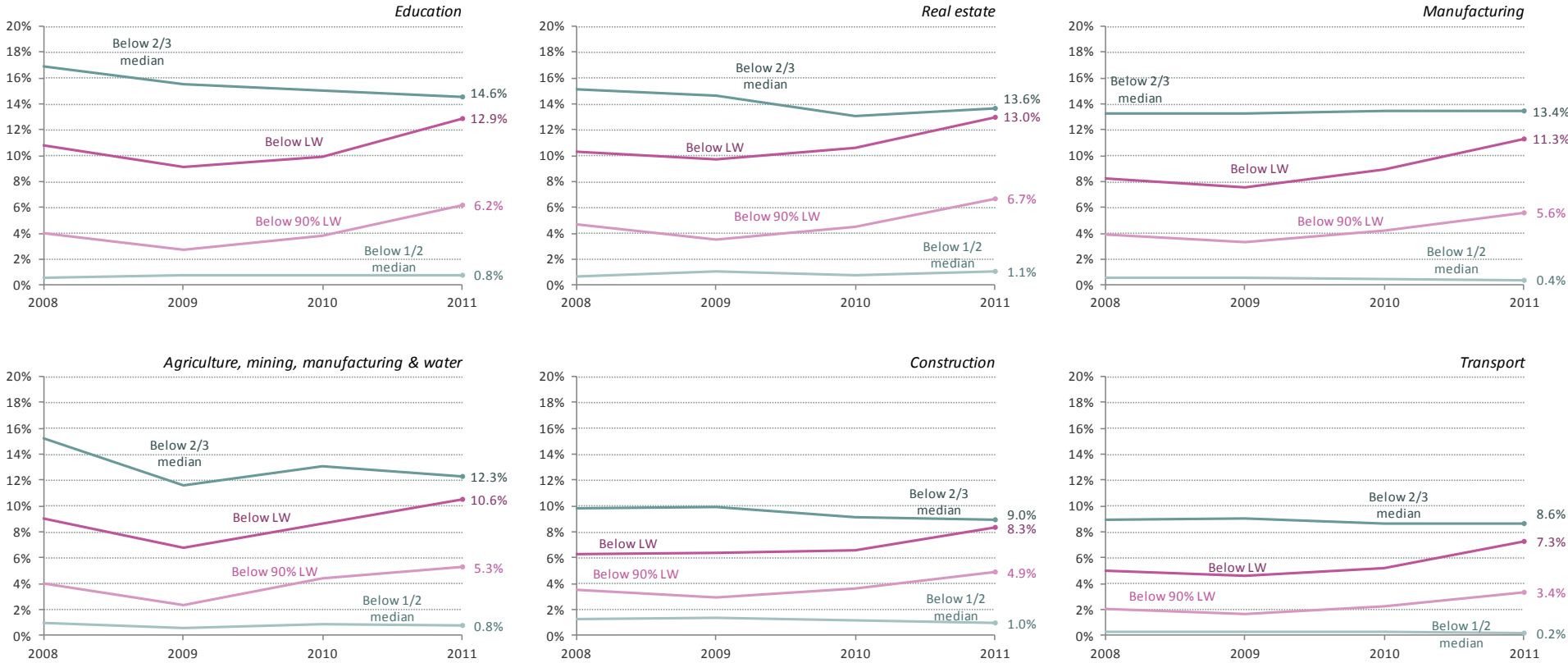


Figure A 4 cont...



Notes: See notes to Figure 21. Industries based on SIC 2007 categories.
Sources: Authors' analysis of ONS, *Annual Survey of Hours and Earnings*

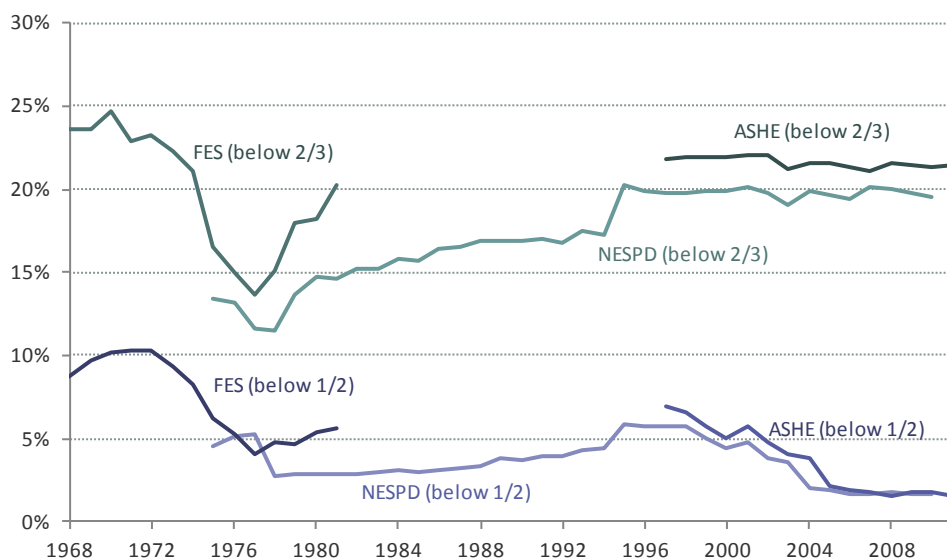
Appendix 2 Data sources

As detailed in the main report, where we present time series stretching back before 1997, the figures are drawn from multiple sources. We use hourly pay data across full-time and part-time employees from three sources in total: the *Family Expenditure Survey* (FES) covering 1968 to 1981; the *New Earnings Survey Panel Data* (NESPDP) between 1975 and 2010; and the *Annual Survey of Hours and Earnings* (ASHE) for the period between 1997 and 2011.

As the largest of the three surveys, ASHE provides the greatest level of accuracy. The FES data in particular should be treated with caution, with its derivation depending on the self-recording of ‘normal weekly pay’ and ‘normal weekly hours worked’.

In order to provide a consistent basis for our time series, we have adjusted both the FES and NESPDP data to bring them into line with the ASHE figures. To do this, we consider the size of the gap between the various sources in the years in which they overlap and inflate or deflate over the remaining period accordingly. Figure 37 presents figures from the three sources in their raw form.

Figure 37: Proportion of all employees below selected low pay thresholds: GB 1968-2011 (separate data sources)



Notes: *Family Expenditure Survey* data is based on the derived hourly normal pay figure (code: p011) for all adults aged 18 and over. *New Earnings Survey Panel Data* and *Annual Survey of Hours and Earnings* data cover all employees on adult rates of pay who have not had their pay affected by absence in the time covered.

Sources: Authors' analysis of DWP, *Family Expenditure Survey* (1968-1981); ONS, *New Earnings Survey Panel Data* (1975-2010); and ONS, *Annual Survey of Hours and Earnings* (1997-2011)

It shows the overlap between the FES and NESPDP figures in the late 1970s, and between the NESPDP and ASHE data from the mid-1990s. The gap between NESPDP and ASHE (in relation to the 2/3 of median pay metric at least) appears relatively consistent (and relatively small), suggesting that it is reasonable to apply the same adjustment across the NESPDP period. The gap between NESPDP and FES appears less uniform (and a little larger), but the trends still appear to be in line. Having adjusted the FES data down to match the NESPDP and then adjusted it back up to match ASHE, we end up with figures not far removed from the raw FES numbers.

The Resolution Foundation

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:

- undertaking research and economic analysis to understand the challenges facing people on a low to middle income;
- developing practical and effective policy proposals; and
- engaging with policy makers and stakeholders to influence decision-making and bring about change.

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