THE ECONOMY 2030 INQUIRY

SHAPING A DECADE OF CHANGE

Low Pay Britain 2022

Low pay and insecurity in the UK labour market

Nye Cominetti, Rui Costa, Nikhil Datta & Felicia Odamtten

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Centre for Economic Performance

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The Economy 2030 Inquiry

The Economy 2030 Inquiry is a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics, funded by the Nuffield Foundation. The Inquiry's subject matter is the nature, scale, and context for the economic change facing the UK during the 2020s. Its goal is not just to describe the change that Covid-19, Brexit, the Net Zero transition and technology will bring, but to help the country and its policy makers better understand and navigate it against a backdrop of low productivity and high inequality. To achieve these aims the Inquiry is leading a two-year national conversation on the future of the UK economy, bridging rigorous research, public involvement and concrete proposals. The work of the Inquiry will be brought together in a final report in 2023 that will set out a renewed economic strategy for the UK to enable the country to successfully navigate the decade ahead, with proposals to drive strong, sustainable and equitable growth, and significant improvements to people's living standards and well-being.

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Executive summary

This edition of Low Pay Britain is our twelfth annual report taking stock of the state of low pay. Recent editions have focused on the short-term impacts of the Covid-19 crisis on low paid workers. Those have largely receded, and so here we take a longer view, and look at how low paid work has changed over the past two decades during the existence of the minimum wage in the UK.

Recent increases in the minimum wage have successfully driven down the incidence of low hourly pay to equal the record low last seen in 1975. But we find there has been much less progress elsewhere for low earners. Low pay is widespread among the self-employed, who do not benefit from the minimum wage and whose numbers have increased over the past 20 years. And there are several forms of work insecurity – including the risk of job loss, volatility in hours and pay, and not being able to find enough hours – which continue to make life difficult for too many low-paid workers but would be considered totally unacceptable for higher paid workers to experience. Having tackled low hourly pay with an ambitious minimum wage, a policy agenda for low-paid workers in the 2020s should seek to address these problems with similarly ambitious action.

The labour market has recovered quickly (if not fully) from Covid-19

The labour market recovery from the Covid-19 crisis has been rapid – if not complete. In 2021 there were concerns that ending the furlough scheme in September, with 1 million workers still

furloughed, would lead to another spike in redundancies, similar to that seen in autumn 2020 when employers thought the scheme was ending. These concerns proved unfounded, and unemployment fell consistently throughout 2021. In the latest data, for the three months to March 2022, the 16+ unemployment rate fell to 3.7 per cent, the lowest rate since 1974.

The unemployment recovery has been broad-based. 'Low-paid workers' (as proxied by broad occupation level) generally experience higher unemployment rates than mid- and high-paid workers – in 2019 the unemployment rate averaged 4.8 per cent for those from low-paid occupations, compared to 1.5 per cent for the higher paid. All groups saw unemployment rise in 2020 (peaking at 7.1 per cent for the low paid), but by February 2022 unemployment had mostly fallen back to 2019 levels. For mid- and high-paid groups unemployment is now at or below 2019 levels. For low-paid workers unemployment remains slightly elevated – 0.3 percentage points above 2019 level.

In 2021, the incidence of low hourly pay among employees fell to its joint-lowest level on record, thanks to fast rises in the minimum wage

Since the introduction of a higher minimum wage rate in 2016 (the 'National Living Wage'), the rate of low hourly pay has been falling fast. In 2021, the proportion of employees with hourly pay below two-thirds of the median (the main measure of low pay) fell to 13 per cent, the joint-lowest level on record, equal with 1975. The proportion of employees earning below the real Living Wage (as calculated by the Living Wage Foundation) fell to 17 per cent, the lowest level since 2010. The rate of low hourly pay is set to continue falling as the minimum wage is lifted towards its 2024 target of two-thirds of median hourly pay among the age group covered. (Note that a minimum wage at this level won't quite cause the overall rate of low pay to fall to zero, because there will be some younger workers paid at the youth rates, and because some workers who are covered will be underpaid).

Alongside overall improvement in the incidence of low hourly pay, there are several occupations – including bar and kitchen work, childcare, and sales assistants – where the incidence of low hourly pay is high, and little changed on 25 years ago. Occupational

upgrading (the relative growth of higher paid occupations) explains around 60 per cent of the overall fall in the incidence of low pay, with within-occupation change playing a lesser role.

Progress on low hourly pay is particularly welcome because the UK has had, until the last five years at least, a high rate of low hourly pay by international standards. According to OECD data, the proportion of full-time employees with 'low' earnings (again, defined as earning below two-thirds of the median) was 19 per cent, well above the OECD average of 15 per cent. This figure relates to 2019, since when the rate of low pay in the UK has fallen, so future updates to the international comparison should show the UK moving towards the OECD average, and perhaps even falling below it.

The incidence of low pay is still more common among some groups of employees than others, but gaps have closed fast – particularly for women

Progress on low hourly pay has been particularly rapid for groups of employees with lower rates of pay. In 1997, women were more than twice as likely as men to be in low hourly pay (31 per cent versus 14 per cent). By 2021, this gap had fallen to just 4 percentage points (15 per cent versus 11 per cent) as the proportion of women in low hourly pay halved over this time period. For full-time employees, the gap between men and women in the proportion in low pay has all but disappeared, falling from 9 percentage points in 1997 to 2 percentage points in 2021.

Low pay gaps have also narrowed between employees with higher and lower qualification levels. In 1997, workers with qualifications below GCSE level were 10 times more likely to be in low hourly pay than workers with degrees (39 per cent compared to 4 per cent); by 2021 this gap had fallen by a third. This convergence is both because the incidence of low pay among those with qualifications below GCSE has fallen sharply since 2015, and also because low pay among workers with degrees has trended upwards during the 2000s. By contrast, low pay gaps between workers with and without a disability have not changed.

There has been markedly less progress on low weekly pay

One area where the minimum wage has had a smaller impact is on low weekly pay, which depends on hours worked as well as hourly pay rates. In 2021, 26 per cent of employees had low weekly pay. This rate has been falling, but much more slowly than the rate of low hourly pay – because low weekly pay is now more a problem of low hours than low hourly rates of pay. With only 38 per cent of workers in low weekly pay in low hourly pay, even a minimum wage at its 2024 target level would be unlikely to lead to significant cut to the rate of low weekly pay. Not all workers in low weekly pay express a desire to work more hours, but a significant number (21 per cent - 1.4 million workers) do.

Workers who are only in low weekly pay (and not in low hourly pay) are a substantially different group to the low hourly paid – overwhelmingly these are part-time (88 per cent), female workers (77 per cent), compared to, among the low hourly paid, 46 per cent that work part-time and 60 per cent who are women. The low hourly and low weekly paid are similarly concentrated in the bottom 30 per cent of the income distribution: 4-in-10 low paid workers – on both low hourly and low weekly pay – are in the bottom 30 per cent of the working age income distribution. As always with low pay, which is measured at the individual level, it's important to note there is only a partial overlap with low income, which is measured at the household level. A third of low paid workers (measured hourly or weekly) are found in the top half of the income distribution.

There has been significant attention on the gig economy – this risks missing a larger (and growing) group of low paid self-employed workers

In recent years there has been a lot of focus on the gig economy – rightly, because this group of workers is at the forefront of debates around the regulation of employment relationships, and some have fought high profile court cases to secure improvements in pay and working conditions. But attention on the gig economy risks missing the full size of the low-paid workforce, particularly when it comes to low-paid self-employment, where there may be similar forms of insecurity as those faced by gig workers.

In the 2019-20, 38 per cent of self-employed workers had low hourly pay (on the two-thirds of median measure), compared to 14 per cent of employees. This amounts to 1.6 million self-employed workers on low hourly pay, a third of the total low hourly paid workforce. This share has grown rapidly over the past 20 years. And while low pay is falling for employees, it is flat among the self-employed – and rising when it comes to low weekly pay.

Using new data from the Understanding Society dataset, we find that low paid self-employment covers a much larger number of workers than does the 'gig economy', which we estimate in 2019-20 included around 550,000 workers. Although, as has been demonstrated in the courts, gig workers are not a subset of self-employment, and many should rightly be considered workers, and entitled to the minimum wage and other protections. We find that less than half (40 per cent) of gig workers self-identify as self-employed.

Similarly, problems of hours insecurity go beyond zero hours contracts

In general, and compared to the incidence of low hourly pay, there has been much less progress is on insecurity and job quality, even though the 2017 Taylor Review helped raise the prominence of these issues. And while concerns around insecurity have tended to focus on high-profile types of work such as zero-hours contracts (and the gig economy, as mentioned above), issues of insecurity are broader. In this report we examine three forms of insecurity:

- Job insecurity – the risk of a worker losing their job.
- Contract insecurity and hours and pay volatility – the risk that a worker faces unexpected changes in their pay.
- Hours insufficiency – when a worker doesn't work as many hours as they need or would like to.

These are all different issues, but together constitute a large part of what affects job security. Low paid workers are much more affected by all these forms of insecurity than higher paid workers.

Starting with job insecurity, low-paid workers face at least twice the risk of job loss as higher paid workers. In 2021, 5 per cent of low-paid employees left employment per quarter, compared to 2 per cent of higher paid employees. Rates of involuntary job loss – probably a truer measure of job insecurity – are lower but similarly uneven: 2 per cent of low-paid employees faced involuntary job loss per quarter in 2021, compared to 1 per cent among higher paid employees. While the overall risk of job loss has been falling, rates of involuntary job loss have been stable, (other than rising and falling with the economic cycle). Other studies have shown that rates of subjective job insecurity (i.e. workers' concern about job loss) has also been falling. The bigger problem is not the trend, but is the level of this type of insecurity, and the gap between the high and low paid.

Turning to contract insecurity and hours or pay volatility, in 2021, low paid employees were more than twice as likely (22 per cent compared to 9 per cent) to fall into one of the following categories: on a zero-hours contract; working through an agency; working on a temporary contract because couldn't find a permanent job; or (most commonly) experiencing hours that tend to vary, and paid by the hour. Although the number of agency workers and zero-hours contracts is higher than 20 years ago, this is partly down to measurement effects (although zero hours-contracts have risen significantly among the lowest paid in the last two years). But if we take the broad measure – workers who tick any of those boxes – it's not clear that hours volatility or contract insecurity is getting worse. Again, the bigger problem is the level of this type of insecurity, and the gap between the high and low paid.

Finally, hours insufficiency, is again a problem which is experienced more by workers in low hourly pay. In 2021, 19 per cent of low-paid employees experienced one or more of: wanting more hours at their current rate of pay; working part-time because they couldn't find a full-time job; or wanting a new job explicitly so that they can work more hours. This compares to 4 per cent of higher paid employees. Again, the broad trend for this type of insecurity over the past 20 years is of stability, around significant cyclical fluctuations.

Across all these dimensions of insecurity, there are big variations in their incidence across groups of workers, with young workers,

black workers, and workers with lower-level qualifications facing higher levels of insecurity. However, important though these variations by personal characteristics are, we find that insecurity flows from occupation and sector rather than personal characteristics, and that variations by groups of workers come from those groups' propensity to work in those parts of the economy.

Issues of low pay and insecurity are concentrated in certain parts of the labour market

At the occupation level, issues of low pay and insecurity significantly overlap. For example, the 'elementary services' groups of occupations (which includes kitchen and bar staff), features the highest rate of low hourly pay (63 per cent, in 2018-21), the highest rate of hours insufficiency (26 per cent, in 2019-21) and the highest rate of insecure contracts or hours and pay volatility (38 per cent, in 2019-21). There is not a perfect relationship between the incidence of low pay and different forms of insecurity - some occupations have more of one type than another. But there is certainly significant concentration of these issues in the same set of low paying occupations: low-paying hospitality jobs; entry level jobs in retail; caring and childcare; and cleaners and elementary factory workers.

Concerns about negative side-effects of a rising minimum wage have so far not come to pass – this includes concerns around progression

The UK labour market has been characterised by undesirable and living standards eroding levels of wage growth for well over a decade. From 2008 to 2021, median weekly wages have risen by a mere 0.6% and average weekly wages have seen a fall of 2.4% in real terms. However, for the bottom end of the distribution, the minimum wage has played a key role in partially mitigating the poor wage growth performance seen across the rest of the distribution – the 10th percentile of real weekly wages has risen by 13% since 2008.

The introduction and subsequent expansion of minimum wage policy in the UK has not been immune from concerns over the potential negative effects on employment and other margins of adjustment (hours, career progression, consumer prices). However,

the story of the minimum wage in the UK has been mostly one of success so far – most of the predicted negative effects did not materialize and earnings of workers at the bottom of the distribution have significantly improved as a result.

One of the concerns has been that, a rising minimum wage will lead to ever-increasing wage compression at the bottom of the labour market and the erosion of pay differentials between entry-level and more senior jobs. And furthermore, that this will have a negative effect on workers' incentive to progress out of minimum wage jobs. It is the case that, over the long-term, the coverage of the minimum wage has increased, and also that the rate at which workers make minimum-wage escaping job moves has slowed (from around 70 per cent per year in 2000, to 50 per cent in 2019).

But encouragingly, these issues don't seem to have intensified since 2016 when the National Living Wage was introduced, and since when the wage floor has increased faster. Coverage of the minimum wage has been flat since 2016, and the rate at which workers progress into above-minimum wage paying jobs has also been stable – as it has, in fact, for the last 10 years. There is also no evidence of progression rates falling in the lowest paying sectors, and this is even true among workers who stay with the same employer. This encouraging evidence as the UK continues on its path towards a higher minimum wage.

A new agenda for improving low paid work must focus on insecurity and the self-employed, as well as on the hourly rate of pay

This report has shown the dramatic changes in the low pay landscape brought about by an ambitious minimum wage policy. The overall evidence continues to suggest that this progress has not come at the expense of employment among the low paid, and we find that another potential concern – of wage compression at the bottom causing minimum wage workers becoming stuck in their jobs – does not seem to have worsened since 2016.

But there has been less progress on low weekly pay and low pay among the self-employed, where the minimum wage has a less direct impact. And low paid workers continue to experience significant problems of insecurity at work. A policy agenda for low paid workers in the 2020s should expand beyond the minimum

wage to include these other areas. This will mean bringing more self-employed workers within the scope of minimum wage policy by making it easier to gain recognition of worker status, and helping workers on low hours to increase their hours. We will publish detailed policy proposals in a future report.

Section 1

Introduction

The Covid-19 crisis has left a significant scar on the labour market in the shape of lower participation. But in terms of unemployment, the labour market has improved rapidly since the low point of the crisis. Although some low-paying sectors are still smaller (in jobs terms) than they were pre-crisis, the unemployment rate for low paid workers has almost fully recovered to its 2019 average – as has the overall unemployment rate.

This Low Pay Britain report is the twelfth in our annual series of reports taking the measure of low pay in the UK. Recent reports have been focused on the short-term – on the impact of the Covid-19 crisis on low paid workers, and policy makers' responses. With the effects of the crisis receding, in this report we take a longer-term view, and chart the changes in low pay over 25 years – since the mid-1990s, when the UK did not have a minimum wage. We document long-term changes in the incidence of low pay, in the characteristics of low paid workers, in the types of work low paid workers do and the types of insecurity they face. And we set out where policy makers looking to help low paid workers should focus during the 2020s.

First though, in this Introductory section, we briefly take stock of the state of the recovery from the Covid-19, in particular as it concerns low-paid workers.

The labour market recovered rapidly from Covid-19

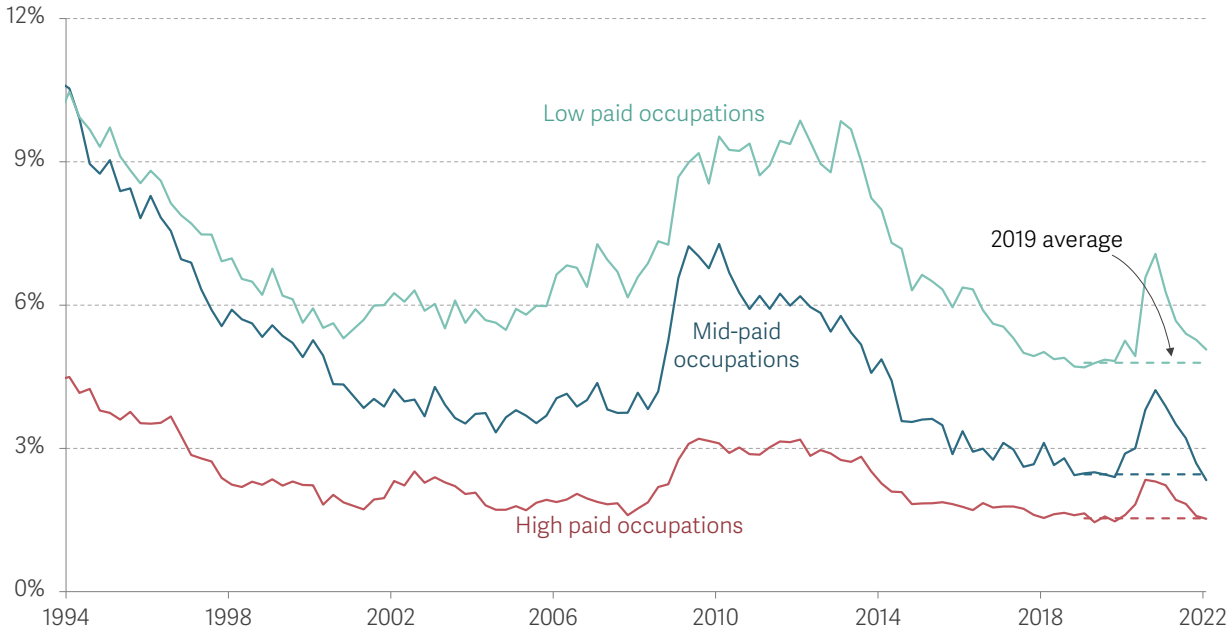
The picture of the labour market today is dramatically different to that of a year ago. Then, a major concern was what impact the end of the furlough scheme would have on the jobs of workers still furloughed as the scheme drew to a close. Redundancies had after all spiked in autumn 2020 when employers thought the scheme was being closed.

Thankfully, those concerns proved unfounded – the unemployment rate fell throughout 2021, reaching 3.7 per cent in the three months to March 2022.

The unemployment recovery has been broad based – the unemployment rate among workers from low-paying occupations (or unemployed individuals whose previous job was in a low-paying occupation) had fallen to 5.1 per cent by February 2022 (the latest point for which we have LFS microdata), only slightly (0.3 percentage points) above the 2019 average for this group. This means all but 12 per cent of the increase in unemployment among workers from low paid occupations has now been reversed – a very welcome outcome given the scale of the crisis, and the fact that its employment effects were most keenly felt by low paid workers.[1] Workers from mid- and high-paying occupations have seen a full unemployment recovery – the unemployment rate for both these groups is at or below its 2019 average. This data is set out in Figure 1, below.

FIGURE 1: **Rapid improvement in 2021, but low paid workers have not yet seen full unemployment recovery**

Unemployment rate, by major occupation level (grouped by median hourly pay level): UK



NOTES: High paid occupation groups are SOC major groups 1, 2 and 3; mid-paid are SOC groups 4, 5 and 7; low-paid occupations are SOC groups 6, 8 and 9. Unemployment rate calculated using number of unemployed individuals by occupation level of previous job by total, and number of people working in jobs at that occupation level.
SOURCE: Analysis of LFS.

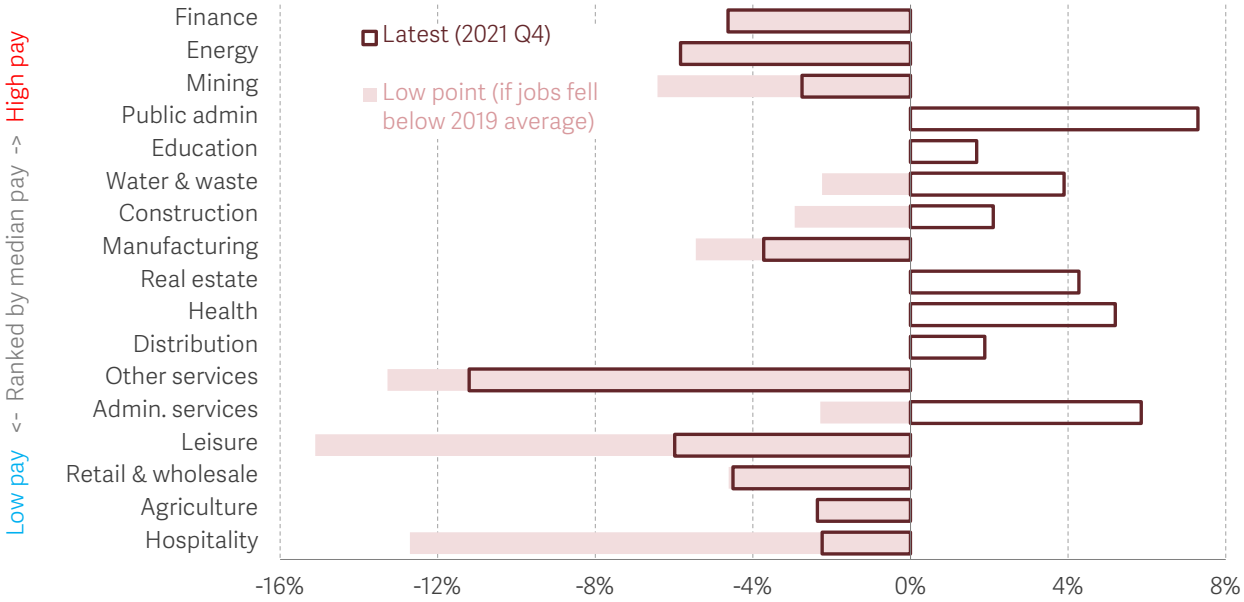
This benign outcome on unemployment for lower paid workers is remarkable given the size of the impact of the Covid-19 crisis on low paying sectors, such as hospitality, leisure, and in-person retail. Figure 2 shows the change in the number of jobs by sector from the

1 See: N Cominetti, C McCurdy & H Slaughter, Low Pay Britain: 2021, Resolution Foundation, June 2021.

start of the crisis, showing both the crisis low point and the situation at the end of 2021. Sectors are ranked by their median pay, with the lowest paying sectors at the bottom. The biggest proportional job losses were in 'other personal services' (which includes jobs like hairdressing and dry-cleaning), leisure, and hospitality. In those sectors jobs have recovered, but are still well below pre-crisis levels. Jobs remain 11 per cent down on pre-crisis in 'other personal services', 6 per cent down in leisure, and 5 per cent down in retail (retail is different to the others – the latest data point is the low point).

FIGURE 2: **In three low paid sectors jobs remain well below 2019 levels**

Change in jobs compared to 2019 average, by sector: UK



NOTES: Mining and agriculture not shown.
SOURCE: Analysis of ONS, Workforce Jobs.

Of course, even though unemployment has recovered, Covid-19 has left a mark on the labour market. Firstly, in the shape of lower participation. Employment remains 588,000 lower than on the eve of the pandemic (the 16-64 employment rate is 1.1 percentage point lower), entirely accounted for by higher economic inactivity (up 794,000 in the three months to March 2022 compared to the three months to February 2020).

A second post-Covid problem has been high inflation, which by April reached 9.0 per cent, the highest level since 1982. High inflation meant that a significant nominal uprating in the adult minimum wage of 6.6 per cent translated into a real-terms cut of 2.4 per cent. This is the first time the minimum wage has fallen in real terms since 2012, and the joint-lowest real-terms increase ever (matching 2010). Average wages have been falling in real terms since November last year (even before accounting for furlough

measurement effects) and are likely to continue falling throughout most of 2022. The impact on low paid workers of very inflation will likely form a key part of next year's Low Pay Britain.

Having set out the current picture, the rest of the report, as alluded to above, turns to longer-term changes. It is organised as follows:

- Section 2 sets out data on the incidence of low pay – how this has changed since the mid-1990s, and how this varies for employees compared to the self-employed.
- Section 3 looks at the characteristics of low paid workers, and how this has changed.
- Section 4 focused on insecurity at work, and shows that in several respects, low paid workers face much greater levels of work insecurity than higher paid workers.
- Section 5 explores the impacts of the minimum wage, and in particular on the rate at which workers are able to 'escape' the wage floor.
- Section 6 concludes.

Section 2

Changes in the incidence of low pay

The proportion of employees in low hourly pay (defined as below two-thirds of the median) has been falling fast since the introduction of the National Living Wage, and in 2021 stood at 13 per cent – the lowest level since the mid-1970s. Given the UK has historically had a higher degree of hourly pay inequality than other advanced countries, and given the proportion of employees in low pay in the UK was unchanged for the 25 years prior to the NLW, this progress is very welcome. There have also been big falls in low pay among some groups where low pay was most prevalent – in particular among women, where the low pay gap to men has almost closed.

There has been less change on low weekly pay, mainly because low weekly pay is more a problem of low hours than low hourly rates of pay. Nevertheless, the proportion of employees in low weekly pay (on a two-thirds of median measure) has been coming down, and in 2021 stood at 26 per cent.

There has been less progress when it comes to low pay among the self-employed – the above figures relate to employees only. Including the self-employed is revealing: self-employed workers are three times as likely as employees to be in low pay, partly because the self-employed do not directly benefit from a rising minimum wage.

The proportion of employees in low hourly pay has been falling fast since the introduction of the National Living Wage

This section sets out data on the incidence of low pay. When we first started writing our annual Low Pay Britain reports in 2010, the proportion of employees in low hourly pay sat at 22 per cent. This level had not changed since the early 1990s, and the headline low pay measure would stay at around 22 per cent for another five years. This was despite

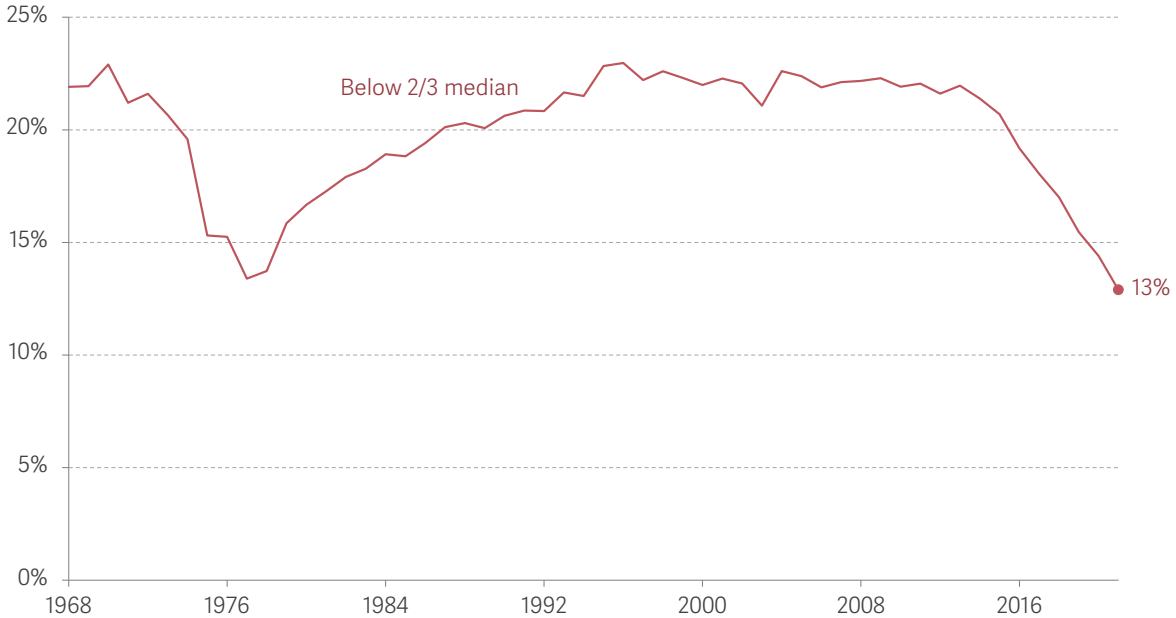
the introduction and steady uprating of the minimum wage which had an impact on the wages of the lowest paid, but not enough to push additional workers above the low pay threshold (which in the headline measure is an hourly rate of pay equal to two-thirds of the median).

But as Figure 3 shows, after two decades of stasis, since 2015 the proportion of workers has been falling rapidly. This has been driven by the introduction of the 'National Living Wage', a higher minimum wage for workers age 25 and above (since lowered to workers age 23 and above). The National Living Wage has been uprated based on ambitious targets – first to hit 60 per cent of the median by 2020, and now to hit 2/3 of the median by 2024.

This more ambitious rate of minimum wage uprating has been enough to push workers above the low pay threshold. The proportion of workers in low hourly pay stood at 13 per cent in 2021 – equalling the low pay measure from 1975, the lowest incidence of low pay recorded in the ONS's main employee survey datasets, which provide data from 1968 onwards.

FIGURE 3: **A fast-rising minimum wage has driven down the proportion of employees in low hourly pay to its 1975 low point**

Proportion of employee jobs with hourly pay below 2/3 of median hourly pay: GB



NOTES: In years 2020 and 2021, furloughed workers are included. Last data point relates to 2021. Includes employees only.
SOURCE: Analysis of ONS, Annual Survey of Hours and Earnings.

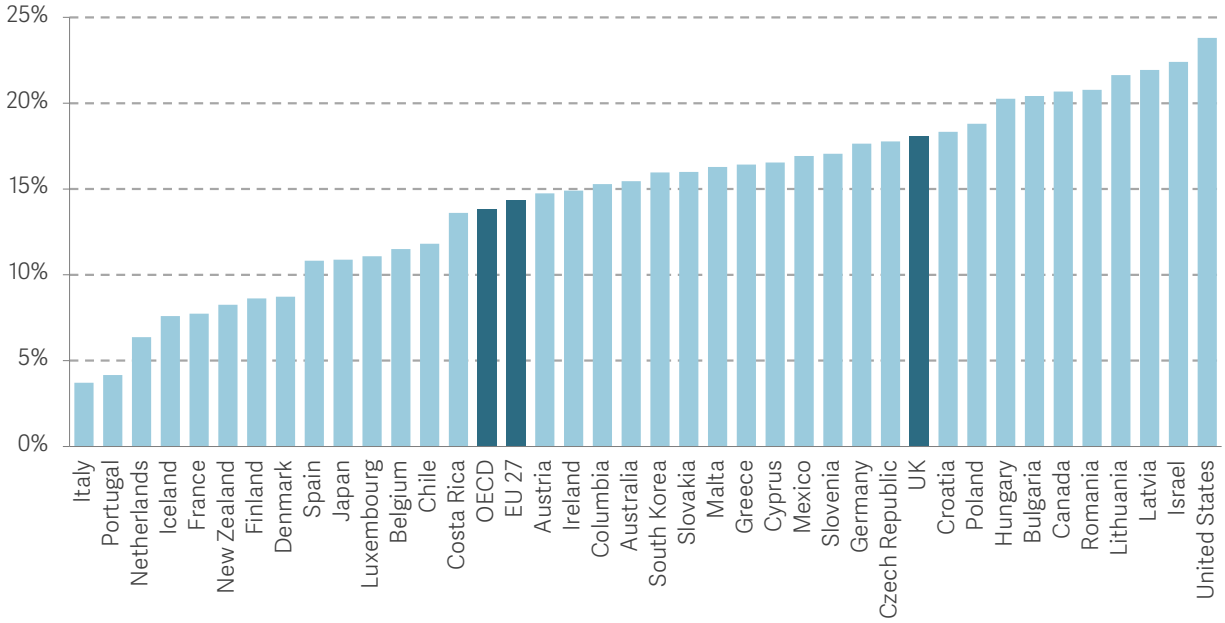
The latest ASHE survey data was collected in April 2022; when published later this year it will likely show that the proportion of employees in low pay has fallen to its lowest ever rate. If the adult-rate minimum wage is successfully lifted to two thirds of the median by

2024, the overall low pay measure will continue to fall rapidly. It won't reach zero, because the overall low pay number includes younger workers, some of whom are paid at the lower youth-rate minimum wages, and also because some workers are (illegally) paid less than the minimum wage.

Progress on low hourly pay has been striking – not just because it followed such a long period where the proportion of workers in low pay did not change, but also because the UK has previously had a high rate of hourly pay inequality compared to other advanced economies. Figure 4 shows the OECD's low pay figures – measured as the proportion of full-time employees with gross earnings below two-thirds of the median. Because hours do not vary significantly across full-time workers, this is effectively similar to an hourly low pay measure, and so is comparable to the measure used above apart from the fact that it is limited to full-time workers. It shows that, in the OECD's latest data (which for the UK is from 2019), the UK has previously had a high level of low pay by international standards – well above the OECD and EU 27 averages. However, given the progress made since 2019 (the UK's low pay rate fell 2 percentage points between 2019 and 2021), we should soon see the UK moving down the international low pay rankings.

FIGURE 4: **The UK's has had a high degree of hourly pay inequality by international comparisons**

Proportion of full-time workers with earnings below two-thirds of median, by country: OECD, 2017-20

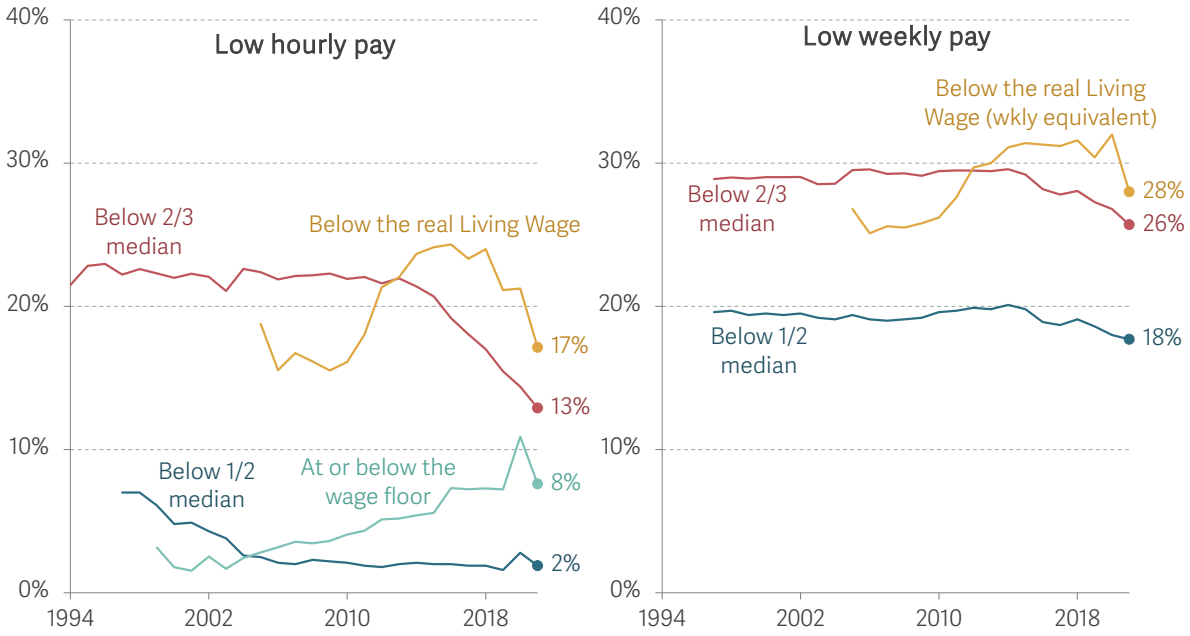


NOTES: The above chart takes the latest-available data point in the OECD's data; for the UK that is 2019. Hourly low pay has continued to fall in 2020 and 2021, so a fully up to date version of this chart would have the UK in a lower position. The OECD's measure refers to gross earnings, i.e. weekly pay. However, because their sample only includes full-time workers, who have similar hours, it is essentially a measure of hourly pay inequality. This is confirmed by checking the ONS's ASHE dataset, where measures of low hourly and low weekly pay are near-identical if the sample is restricted to full-time workers.
SOURCE: Analysis of OECD, Employment and Labour Market Statistics.

Since 2018 low hourly pay has also been falling on an alternative measure – the proportion of workers with hourly pay below the (area-specific) real Living Wage. This number has fallen from 24 per cent in 2018 to 17 per cent in 2021. The real Living Wage is a higher benchmark than the two-thirds-of-median measure. In April 2021 the real living wage was £9.50 in the UK (and £10.85 in London), while the two-thirds-of-median low pay threshold was £9.20.

FIGURE 5: **There has been less change in the proportion of workers in low weekly pay**

Proportion of employee jobs with low hourly pay (left panel) and low weekly pay (right panel), by measure: GB, 1995-2021



NOTES: Years 2020 and 2021 include furloughed workers. Last data point relates to April 2021. Employees only.
SOURCE: Analysis of ONS, Annual Survey of Hours and Earnings.

These two measures of low hourly pay are both shown in Figure 5, which collects a number of measures of low pay (see Box 1 for a full explanation of the different measures of low pay, and also of the different datasets used). Measures relating to hourly pay are shown in the left panel, and measures relating to weekly pay in the right panel. On hourly pay, it shows a further relative measure – the number of workers earning below half of the median. This is sometimes referred to as 'extreme low pay', and since the introduction of the minimum wage this has largely been eradicated. This again is a major achievement – prior to the introduction of the minimum wage the proportion of workers in 'extreme low pay' had been rising since the late 1980s and early 1990s.[2] The final hourly pay measure is the proportion of workers earning at or below the age-specific minimum wage – this has

2 C D'Arcy, The minimum required? Minimum wages and self-employment, Resolution Foundation, July 2017.

been rising over time as the minimum wage has risen, but has been flat since 2016 (apart from a blip upwards in 2020 due to furlough).[3]

The minimum wage only directly affects hourly pay – weekly low pay (on the same relative measure) is higher, and falling more slowly

In contrast to considerable progress on the main low hourly pay measures, Figure 5 shows that there has been less change when it comes to measures of low weekly pay. This can be calculated in the same way as hourly pay – either on a relative basis (below two-thirds of median, or below half of median), or based on a full-time weekly equivalent of the hourly real Living Wage. In all three cases, low weekly pay has been trending downwards, but more slowly than hourly pay measures.

The rising minimum wage has had little effect on low weekly pay in large part because workers in low hourly pay and workers in low weekly pay only partially overlap. The large majority of employees in low hourly pay are also in low weekly pay (77 per cent, in 2021), but only a minority of employees in low weekly pay have a low rate of hourly pay - in 2021 38 per cent were in low hourly pay, and 24 per cent were paid at or below the hourly minimum wage. This means when the minimum wage rises the impact on low weekly pay is relatively muted. The overlap of low hourly and low weekly pay is set out in Figure 6. In 1998, workers in both hourly and weekly pay constituted the majority (60 per cent) of the UK's total low-paid workforce (employees in either low hourly or low weekly pay); in 2021, this had fallen to 35 per cent.

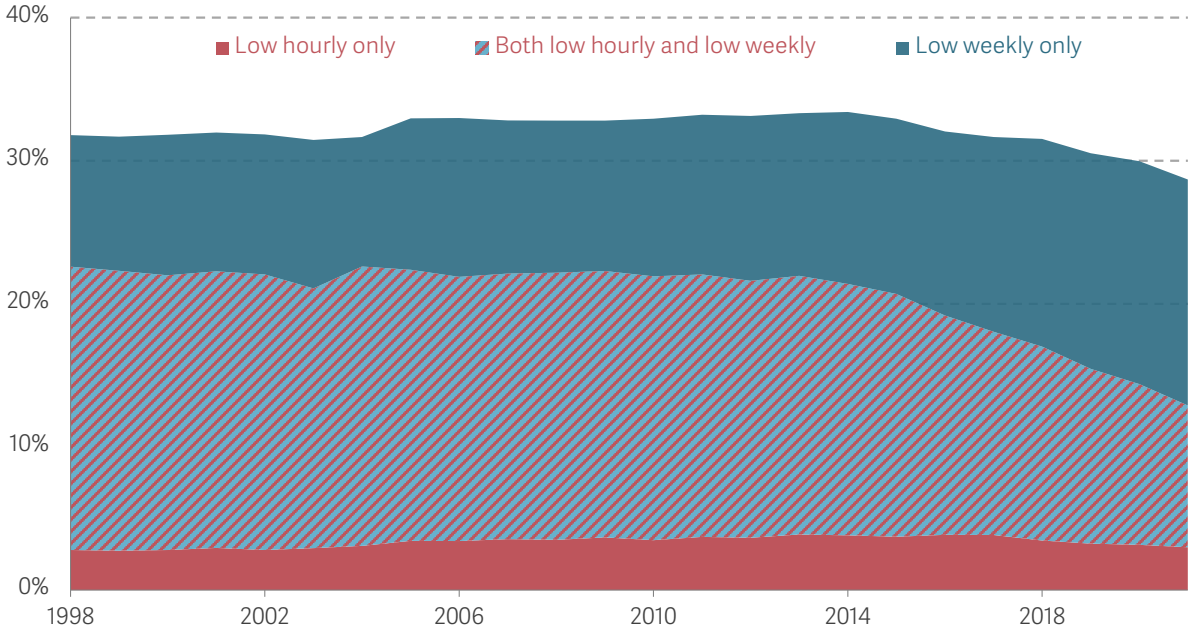
Low weekly pay is now, therefore, much more a matter of low hours than it is low hourly pay. The relative importance of hours versus hourly pay rates for low weekly pay can be shown by a thought experiment. Lifting the minimum wage to two-thirds of the median (i.e. the Government's 2024 target), applying 'spillovers' up to the 40th percentile of the hourly pay distribution[4], and applying this uprating to workers weekly pay (i.e. holding hours fixed) only leads to a 3-percentage point fall in the proportion of workers in low weekly pay, using data from 2019 ASHE. This shows that we shouldn't expect significant improvements in low hourly pay to lead to similar improvements in low weekly pay – the distribution of hours worked is a more important driver.

3 In ASHE, workers on reduced furlough pay (i.e. their employer did not fully top up their pay above the Government-subsidised 80%) also see a reduction in measured hourly pay, as this is calculated by dividing weekly pay by ***usual*** hours, which for furloughed workers not working any hours is their pre-pandemic usual hours.

4 Previous estimates have produced lower estimates for the extent of spillover effects – up to the 25th or 30th percentile. But we might expect spillover effects to be greater if the minimum wage is set at higher levels, so a 40th percentile was used. For an estimate showing spillover effects up to the 30th percentile, see: S Avram, The National Living Wage, inequality and job progression: final report for the Low Pay Commission; January 2020.

FIGURE 6: **Employees in low hourly pay and employees in low weekly paid are increasingly separate groups**

Proportion of employee jobs with low hourly pay only, low weekly pay only, and the proportion with both: GB, 1998-2021



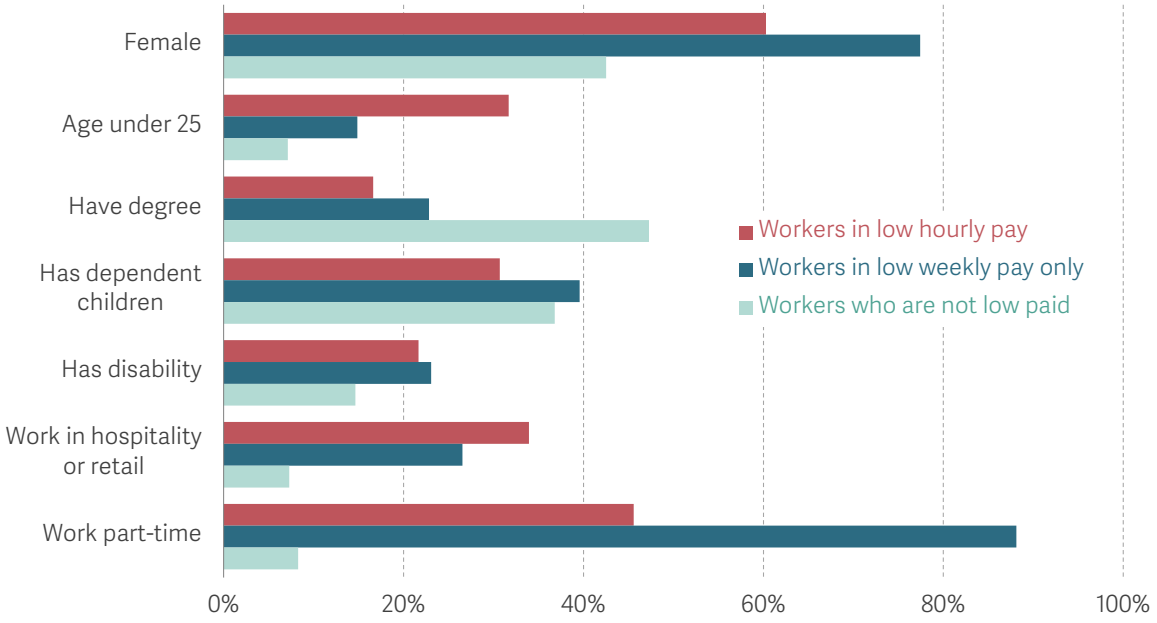
NOTES: In years 2020 and 2021, furloughed workers are included. Last data point relates to April 2021. Low pay defined as earning below 2/3 of overall median. Includes employees only.
SOURCE: Analysis of ONS, Annual Survey of Hours and Earnings.

The importance of hours as a driver of low weekly pay is also clear from comparing the low hourly and low weekly pay. Figure 7 sets out a selection of characteristics for employees in low hourly pay; workers in low weekly pay but not in low hourly pay; and workers who are not low paid. Data relates to an average across 2019-21. The clearest difference is in hours worked. 88 per cent of employees in low weekly pay work part-time, compared to 46 per cent of employees in low hourly pay, and just 8 per cent of workers not in either type of low pay. Similarly, in 2021, median usual hours among those in low hourly pay was 33, compared to 20 among workers in low weekly pay only, and 40 among those not in low pay.

There are also differences in personal characteristics. The low weekly pay only group is overwhelmingly female (77 per cent), more so than the low hourly pay group (60 per cent). The opposite is true for workers not in either type of low pay, where 40 per cent are women. Employees in low weekly pay only are also less concentrated among the young – 15 per cent are age under 25, compared to 32 per cent of the low hourly paid (and 7 per cent among those not low paid). Compared to the low hourly paid group, employees in low weekly pay only are somewhat more likely to have dependent children, and somewhat less likely to work in hospitality and retail, the two large low paying sectors.

FIGURE 7: **Employees in low weekly pay (and not low hourly pay) are a substantially different group to those in low hourly pay**

Proportion of employees meeting different characteristics, by low pay category: UK, 2019-21

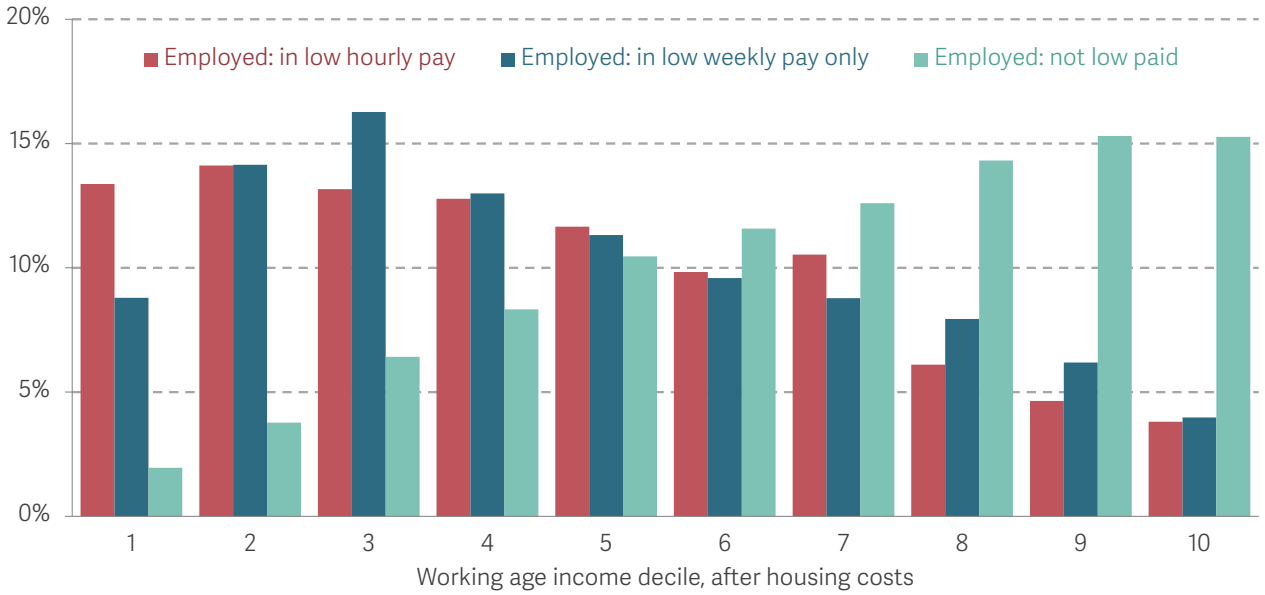


NOTES: Low pay defined as earning below 2/3 of overall median. Includes employees only.
SOURCE: Analysis of ONS, Labour Force Survey.

Low hourly paid workers, and workers in low weekly pay only, are relatively similar when it comes to their position in the income distribution. In both groups, around 4-in-10 are found in the bottom three income deciles. The low hourly paid are relatively more concentrated in the very bottom (13 per cent are in this decile) while the low weekly paid only group are most concentrated in the third decile (16 per cent are in this decile). Of course, it's worth remembering that both low paid groups are found right across the income distribution – a third of workers in low hourly pay are in the top half of the income distribution. This, of course, is because income is a household measure, while pay is measured at the individual level. It's possible to be both low paid but on a high (household) income, if the other members of your household have higher earnings.

FIGURE 8: **Low hourly and low weekly paid workers are similarly concentrated in the bottom three-tenths of the working age income distribution**

Proportion of workers by working age after-housing-costs income decile, by low pay category: UK, 2019-20



NOTES: Low pay defined as earning below 2/3 of overall median. 'Employed: in low weekly pay only' refers to workers in low weekly pay but not low hourly pay. Figure includes both employees and self-employed.
SOURCE: Analysis of ONS, Family Resources Survey.

BOX 1: **Measuring low pay**

There are a number of ways of defining and measuring 'low pay'. This is clear from Figure 5, which shows a number of measures.

First of all, low pay can refer to hourly or weekly pay; in this report we will always specify which of these we are referring to. Hourly and weekly pay tell us about different things. Hourly pay is an indication of an individual's earning power – the return they receive per unit of time spent working. It's also where the impact of the minimum wage is felt – in the UK there has never been a minimum weekly or monthly wage (there are several European countries which do have a monthly minimum wage – although usually only applied to full-time workers). In past editions of Low Pay Britain we tended to focus on low hourly pay.

But there are also different definitions of low pay within hourly and weekly pay:

- Earning below two-thirds of the median. This is a relative measure of low pay, and probably the most commonly-used definition, and is the definition used by the OECD. Pay below half of the median – another

relative measure – is sometimes referred to as 'extreme low pay'.

- Earning at or below the real Living Wage. The real Living Wage is set and uprated based on the cost of living and the tax-benefits system such that workers can afford a 'minimum acceptable' standard of living. There are different rates for London and the Rest of the UK. The real Living Wage is an hourly wage rate; a full-time weekly equivalent (used when looking at weekly low pay) comes from multiplying the real Living Wage by 37.5 hours.
- Earning at or below the wage floor. This captures workers earning at or below the age-specific minimum wage. In calculating this we allow a margin of measurement error by including workers at or below the age-specific minimum wage plus 1%.

In addition to different measures, there are different datasets.

- The Annual Survey of Hours and Earnings (ASHE) is the preferred source of data on employee pay thanks to its large sample (it is a 1% sample of employees) and the fact that data is collected through employers, which may improve accuracy over surveys of workers. Its limitations are that it very limited data on personal characteristics, and only covers employees. It is also published with a sizeable lag – currently (in May 2022) the latest data available is from April 2021.
- The Labour Force Survey (LFS) is a survey of households. The sample includes all workers, but data on pay is only collected from employees. It has rich information on personal characteristics. Its limitations are that collecting pay and hours data from individuals may involve greater measurement error than when collected from employers, as in ASHE. It is timelier than ASHE (microdata is currently available up to the end of February 2022) but for pay data has a much smaller sample size than ASHE, partly because only a fifth of the LFS sample are asked about pay in each quarter.
- The Family Resources Survey (FRS) is also a survey of households, and contains rich data on incomes. Unlike ASHE and LFS, it does have information about self-employed earnings. Unfortunately, its publication is seriously lagged – the latest microdata available when we wrote this report was for the financial year 2019/20.
- Understanding Society (USoc) is a long-standing longitudinal household dataset. In its most recent wave (2019-20) there were specific questions about gig work, which we have used to estimate the size of the gig workforce and to look at its characteristics. See Box 2.

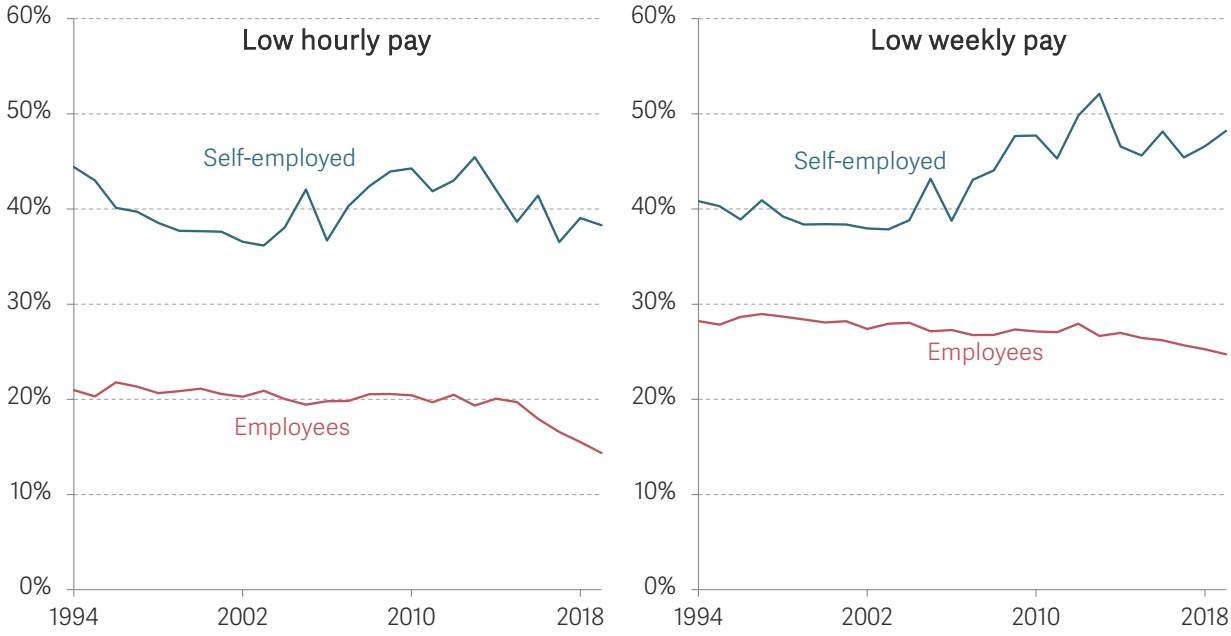
There has been little progress on low pay for the self-employed – the minimum wage only has an indirect impact on self-employed earnings

In addition to low weekly pay, there is another important component of low pay that the headline figure misses. Because our normal low pay measures are collected from the ONS's Annual Survey of Hours and Earnings, self-employed workers are omitted entirely. This matters, both because the self-employed are a significant and growing share of the workforce (in particular the low-paid workforce) and also because rates of low pay among the self-employed are higher.

To capture the incidence of low pay among the self-employed, Figure 9 turns to the Family Resources Survey, which unlike ASHE and the LFS does measure income among self-employed workers. On the main relative measure (pay below two-thirds of the median), in financial year 2019-20 (the most recent year for which FRS data is available) the incidence of low hourly pay is almost three times as high among the self-employed as it is among employees (38 per cent versus 14 per cent). Note the low pay threshold is here calculated against the whole-workforce median, and therefore figures aren't directly comparable with the employee-only figures from ASHE. Pay data is somewhat noisy for the self-employed so the trend is not clear – it may be trending down (as employee low pay is) but it's difficult to be sure.

FIGURE 9: **The incidence of low pay is higher among the self-employed – and in weekly pay terms is rising**

Proportion of workers in low hourly and low weekly pay: UK

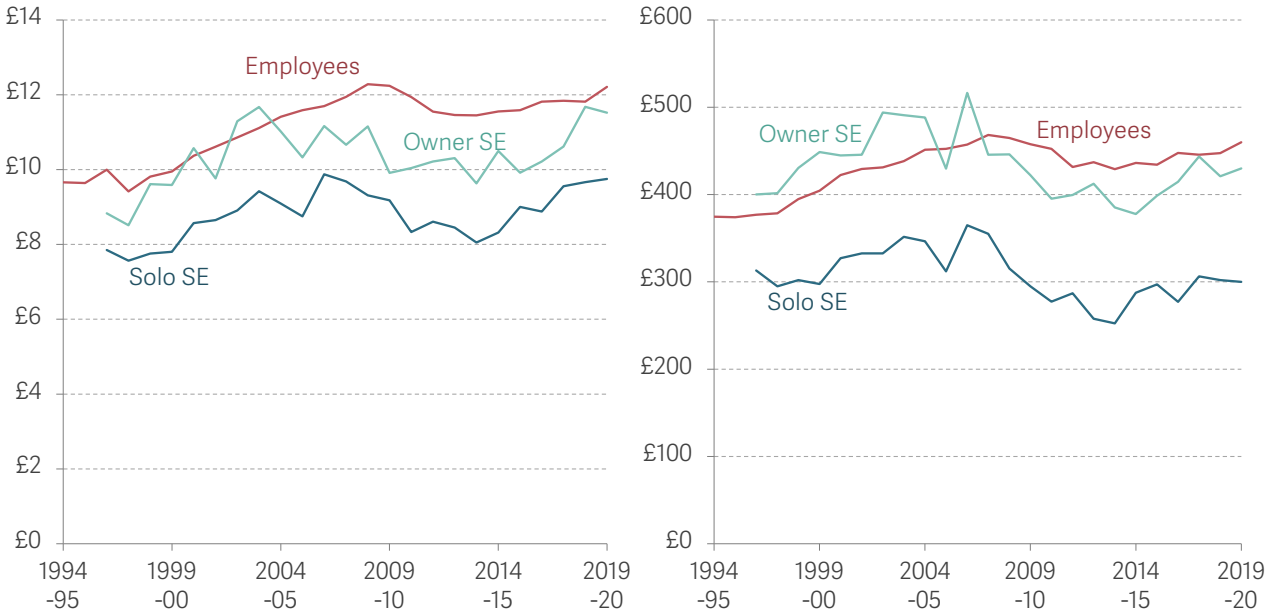


NOTES: Last data point relates to financial year 2019/20. Low pay is defined as earning below 2/3 of overall median.
SOURCE: Analysis of DWP, Family Resources Survey.

Self-employed workers are also more likely than employees to be in low weekly pay; in 2019-20 almost half (48 per cent) of the self-employed were in low weekly pay, twice the rate of employees (25 per cent). Weekly low pay among the self-employed has trended up over the past 20 years – though has been fairly flat for the last 10. The difference between employees and self-employed pay is clear in the basic pay figures - Figure 10 shows pay at the 25th percentile for employees and the self-employed, with the latter split between 'solo self-employed' (those working by themselves) and 'owner self-employed' (those running a business or working with a partner). On hourly pay, pay is similar for the solo-self-employed and the owner-self-employed, in both cases around 30 per cent lower than employee pay at the 25th percentile. There is a difference between solo- and owner-self-employed workers in weekly pay levels, where solo-self-employed earn around 45 per cent less than employees (at the 25th percentile) and owner-self-employed earn more, but still 30 per cent below employees at the 25th percentile.

FIGURE 10: **At the 25th percentile, the gap between employee and self-employed pay has grown**

Hourly and weekly pay at the 25th percentile, adjusted for CPIH inflation (2019-20 prices), by employee/self-employment status: UK



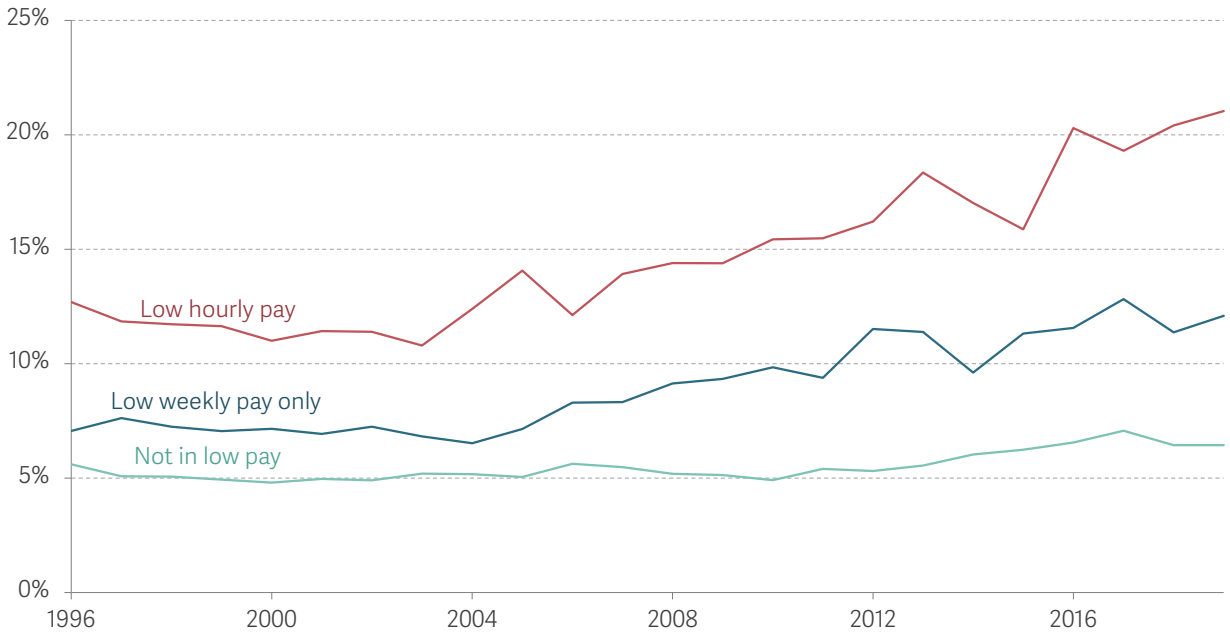
NOTES: Last data point relates to financial year 2019/20.
SOURCE: Analysis of DWP, FRS.

Self-employment has grown as a share of the overall workforce – from 12 per cent at the turn of the century, to 15 per cent on the eve of the Covid-19 crisis. The proportion has fallen sharply back to 13 per cent in the last two years – seemingly the result of the 'IR35' change in the tax system, whereby companies are now responsible for checking employment status of their workers, which looks to have led to some higher-paid self-

employed workers reclassifying as employees.[5] But before this recent change, the long-term trend was of rising self-employment, and in particular of rising solo-self-employment (workers working as solo freelancers, as opposed to those running a business), which drove the entirety of the growth in self-employment.[6] The solo-self-employed make up a bigger share of employment among the low paid, and low paid groups have also seen a rising share of solo-self-employment. In 1996, 13 per cent of workers in low hourly pay were solo-self-employed, compared to 7 per cent of workers in low weekly pay only, and 6 per cent of workers not in low pay. By 2019 those figures had grown to 21 per cent, 12 per cent, and 6 per cent, respectively.

FIGURE 11: **1 in 5 workers in low hourly pay are self-employed – this share has been rising for 20 years**

Proportion of workers who are solo self-employed, by low pay category: UK



NOTES: Low pay is defined as hourly pay below two-thirds of the all-worker median.
SOURCE: Analysis of DWP, Family Resource Survey.

However, it's important to note that the number of low paid workers is small compared to the 'not low paid' group. This means the number of solo-self-employed workers who are not low paid (1.4 million, in 2019-20) is actually similar to the number who are in low hourly pay (1.2 million) or in low weekly pay only (490k). And similarly, even though the proportional growth in solo-employment has been much faster among the low paid, the 'not low paid' group accounts for 41 per cent of the growth in solo-self-employment since 2000.

5 See Figure 7 in: N Cominetti, K Handscomb, H Slaughter & G Thwaites, Labour Market Outlook 2021 Q1, Resolution Foundation, April 2022.
6 See: Boeri et al, Solo Self-Employment and Alternative Work Arrangements: A Cross-Country Perspective on the Changing Composition of Jobs, Journal of Economic Perspectives, Winter 2020.

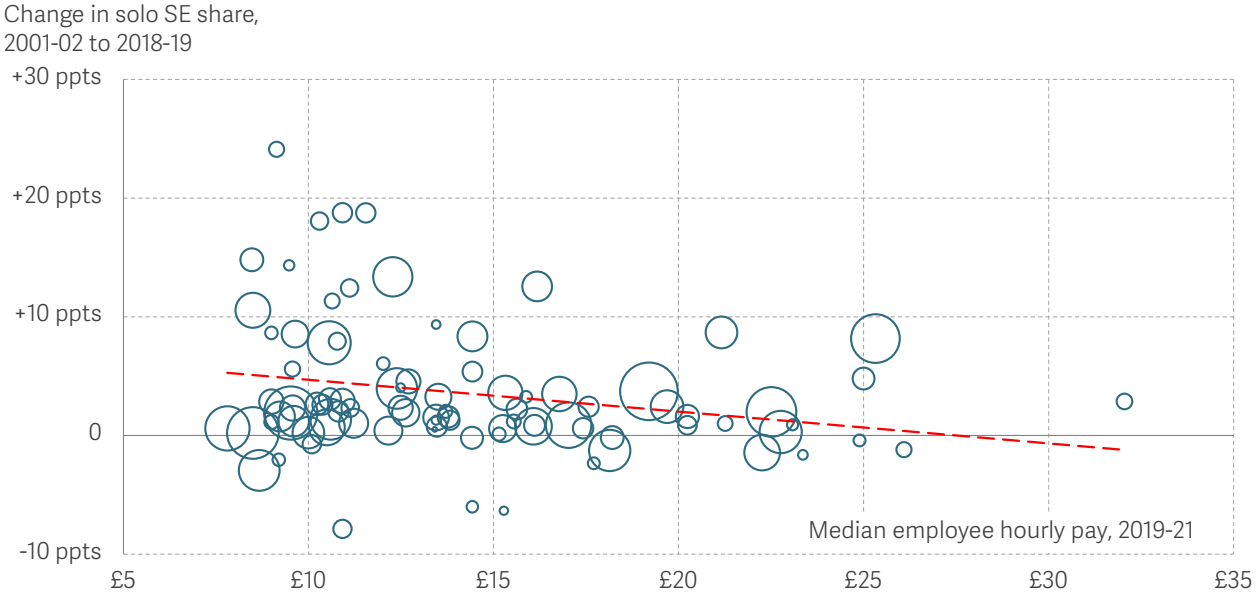
The impact of the minimum wage on self-employment is ambiguous

On one level, it is not surprising that low pay is more common among the self-employed – the minimum wage does not apply to self-employed workers, so there is no legal floor on hourly pay in the way there is for employees. But it is likely that the minimum wage has affected self-employed pay, albeit indirectly – potentially by setting the 'going rate' for pay in low paying occupations. A look at the distribution of hourly pay does show some bunching near the minimum wage, although nothing like as clearly as is the case for employees.[7] Having said that, the relationship between the minimum wage and self-employment is ambiguous. We would expect self-employed workers earning significantly below what employees earn in the same occupation to consider becoming employees – this may place upward pressure on self-employed wages by reducing supply.

On the other hand, a rising minimum wage may have induced some firms to make greater use of self-employed labour, and in some sectors (such as the gig economy) using self-employed labour instead of employees is an explicit part of the business model (although this is increasingly being challenged in the courts – successfully in the case of Uber).

FIGURE 12: **There is a weak negative relationship between pay and the growth of self-employment within occupations**

Change in share of employment that is solo self-employment between 2001-02 and 2018-19, compared to median employee pay in 2018-19, by occupation: UK



NOTES: Each circle represents one occupation, measured at the 3-digit SOC level. Size of circle represents average number of workers in the occupation in 2019-21. Includes employees only.
SOURCE: Analysis of ONS, Labour Force Survey.

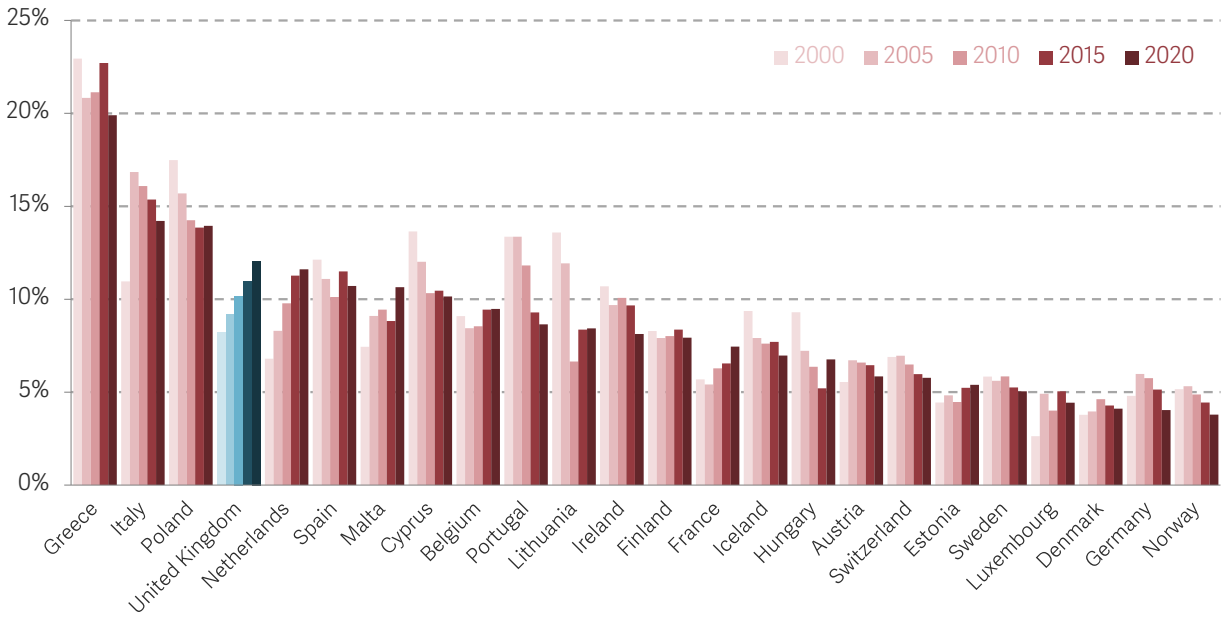
7 This analysis was done using the Family Resources Survey, and by comparing workers' hourly pay to the all-worker median in years 1993-96 and 2017-20.

The evidence is also not clear. There have been some low paying occupations where solo-self-employment has grown, including entry-level construction-related occupations, hairdressing, housekeeping, and animal care. But there are also some large low paying occupations where the proportion of solo-self-employment has not changed or has fallen. This includes jobs in sales, in cleaning, and in childcare. This is set out in Figure 12, which plots, for each occupation, the percentage-point change in solo-self-employment as a proportion of total employment over the past 20 years, against typical pay for employees.

Instead of the minimum wage, others have argued before that a more important driver of the size of the self-employed workforce may be the tax system. We already mentioned above that that the 'IR35' change looks to have caused some self-employed workers to reclassify as employees. But working in the other direction – for a much longer period – has been the favourable tax treatment of self-employed work compared to employees, where the self-employed pay no 'employer' National Insurance Contributions (NICs), and pay Class 2 and Class 4 NICs at a lower rate than the Class 1 NICs paid by employees. The gap between NICs paid by employees and the self-employed has grown with the recent addition of the Health and Social Care Levy (adding 1.25 percentage points to employee and employer NICs for employee work, but only 1.25 percentage points to NICs for the self-employed).

FIGURE 13: **The rise in solo-self-employment in the UK is uncommon in Europe – in most countries solo self-employment has been flat or falling as a share of employment over the past 20 years**

Proportion of workers who are solo-self-employed, by country: 2000-20



SOURCE: Analysis of Eurostat, using published tables from EULFS.

This differential tax treatment may be why the UK bucks the international trend when it comes to self-employment. In most European countries, the share of employment that is solo-self-employment has been flat or has fallen over the past 20 years. The UK is one of a relatively small number of countries (including France and the Netherlands) where the share of solo-self-employment is higher than it was 20 years ago.

Having set out how the overall incidence of low hourly and low weekly pay has changed – and how different the picture is for self-employed workers – the next section looks in more detail at how the incidence of low pay varies across different groups of workers and how this has changed over time.

Section 3

The incidence of low pay across different groups of workers

The proportion of employees in low hourly pay (defined as below two-thirds of the median) has been falling fast since the introduction of the National Living Wage, and in 2021 stood at 13 per cent, the lowest level since the mid-1970s. Given the UK has historically had a high degree of hourly pay inequality compared to other advanced countries, and given the proportion of employees in low pay in the UK was essentially unchanged for the 25 years before the NLW, this progress is very welcome. There have also been big falls in low pay among some groups where low pay was highest – in particular among women, where the low pay gap to men has almost closed.

Having set out the main data on low hourly and weekly pay, and how this is different for employees and the self-employed, we now explore the incidence of low pay among different groups of workers. In several cases we find that gaps in the incidence of low pay between groups have narrowed over time. We will turn back to using the ASHE and the LFS because their greater sample size allows better estimates of pay for sub-groups – although this does mean self-employed workers won't be included. We will also explore how the characteristics of low-paid workers have changed over time.

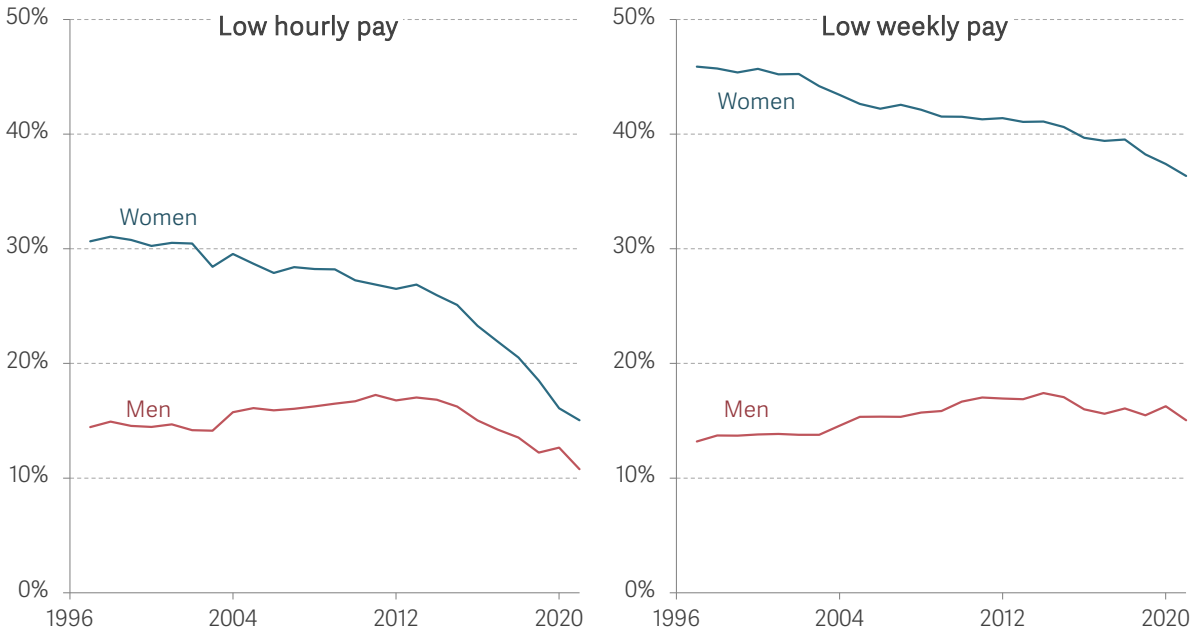
There are big gaps in the incidence of low pay across different groups of workers – but in several cases these gaps are narrowing

Starting with gender (see Figure 15), women are more likely than men to be low paid, particularly when it comes to weekly pay, thanks to the fact that women are much more likely than men to work part-time. But there has been a dramatic fall in the gap between the proportion of men and women in low pay. In 1997, women were more than twice as

likely as men to be in low hourly pay (31 per cent versus 14 per cent). In 2021, this gap had fallen to just 4 percentage points (15 per cent versus 11 per cent). The proportion of women in low hourly pay has halved. The gap in low weekly pay is much larger, because women are so much more likely than men to work part-time – in 2021, 37 per cent of women worked part-time, compared to 13 per cent of men. But this gap has also been falling – because the female low weekly pay rate has fallen (from 46 per cent in 1997 to 36 per cent in 2021), but also because the male low weekly pay rate has risen (from 13 per cent in 1997 to 15 per cent in 2021). This again is down to trends in part-time work – the male rate of part-time work has doubled over the past 30 years (from 6 per cent in 1992 to 13 per cent in 2021) while the female part-time rate has fallen (from 43 per cent in 1992 to 37 per cent in 2021, according to the LFS).

FIGURE 14: **Gender inequalities in low pay are large but have been falling**

Proportion of employees in low hourly pay (left panel) and low weekly pay (right panel), by gender: GB

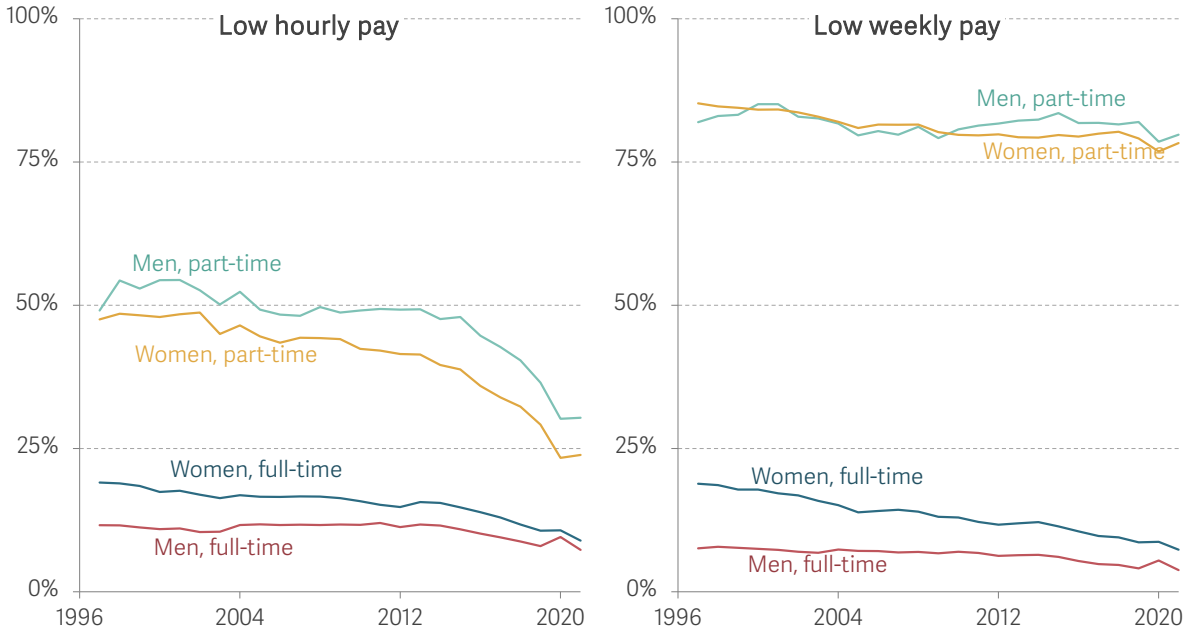


NOTES: Last data point relates to April 2021. Includes employees only.
SOURCE: Analysis of ONS, ASHE.

If we look separately at full-time and part-time workers, differences between men and women are much smaller. The difference between the proportion of men and women working in low hourly pay among full-time workers is just 2 percentage points (9 per cent versus 7 per cent); and this gap has been falling over time. Similarly, there is essentially no difference between the proportion of men and women working part-time who are in low weekly pay. These results are set out in Figure 15.

FIGURE 15: **The gap in the incidence of low pay between male and female full-time workers has all but vanished**

Proportion of employees in low hourly pay (left panel) and low weekly pay (right panel), by gender and full-time/part-time status: GB



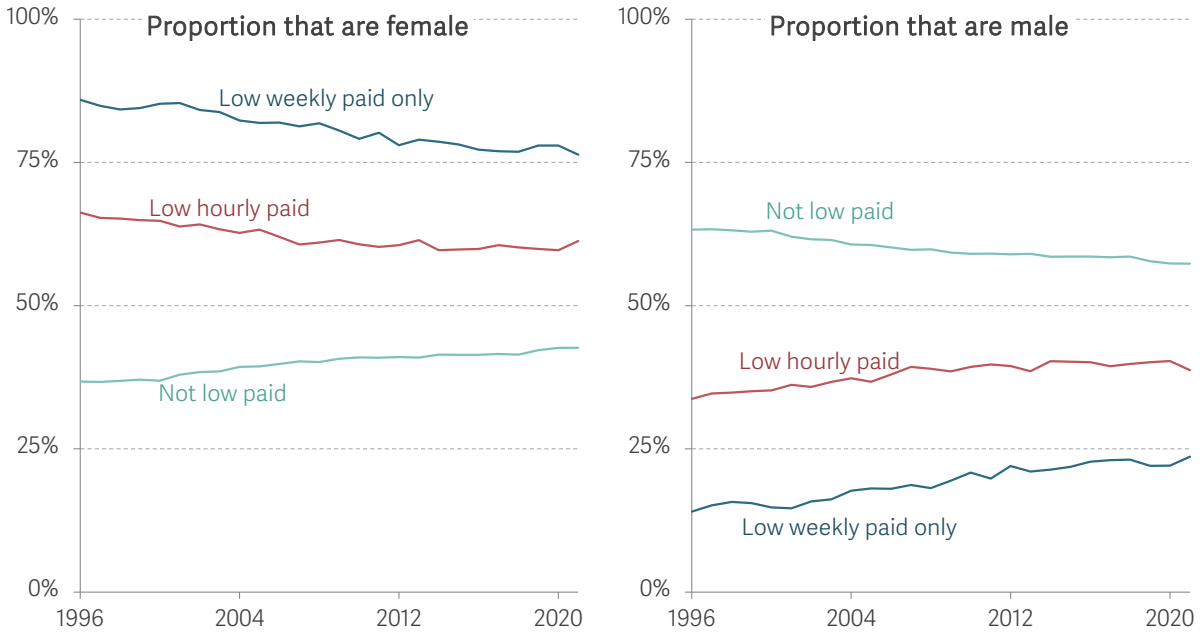
NOTES: Last data point relates to April 2021. Includes employees only.
SOURCE: Analysis of ONS, ASHE.

Alongside a fast fall in the rate of low pay for women, the share of low- workers that are women has fallen, albeit not by a significant amount. Women still constitute the majority of low-paid workers (in 2021 61 per cent of employees in low hourly pay were women), and in the case of employees in low weekly pay, the overwhelming majority are women (76 per cent in 2021) (Figure 16).

A second area where gaps in the incidence of low pay are wide but falling is in qualification level. In 1997, workers with qualifications below GCSE level were 10 times more likely to be in low hourly pay than workers with degrees (39 per cent compared to 4 per cent); in 2021 this gap had fallen by a third. This was because the incidence of low pay among degree holders has trended upwards (although it has been flat since 2010), while low pay among those with qualifications below GCSE level was flat but fell sharply after 2015. There is a similar story of gaps narrowing between those with high- and low-level qualifications in low weekly pay. There, the falling gap is entirely because low pay has increased among those with higher qualifications (this is consistent with falling low weekly pay overall, because the proportion of the working population who are degree holders has risen). This is set out in Figure 17. Interestingly, rising low pay among workers with degrees isn't driven by age – which might be expected given the rising percentage of workers who go to university. The proportion of employed degree-holders age below 30 was lower in 2021 (21 per cent) than in 1992 (24 per cent).

FIGURE 16: **Women comprise the vast majority of workers in low weekly pay, and a smaller majority of workers in low hourly pay – although this is trending down**

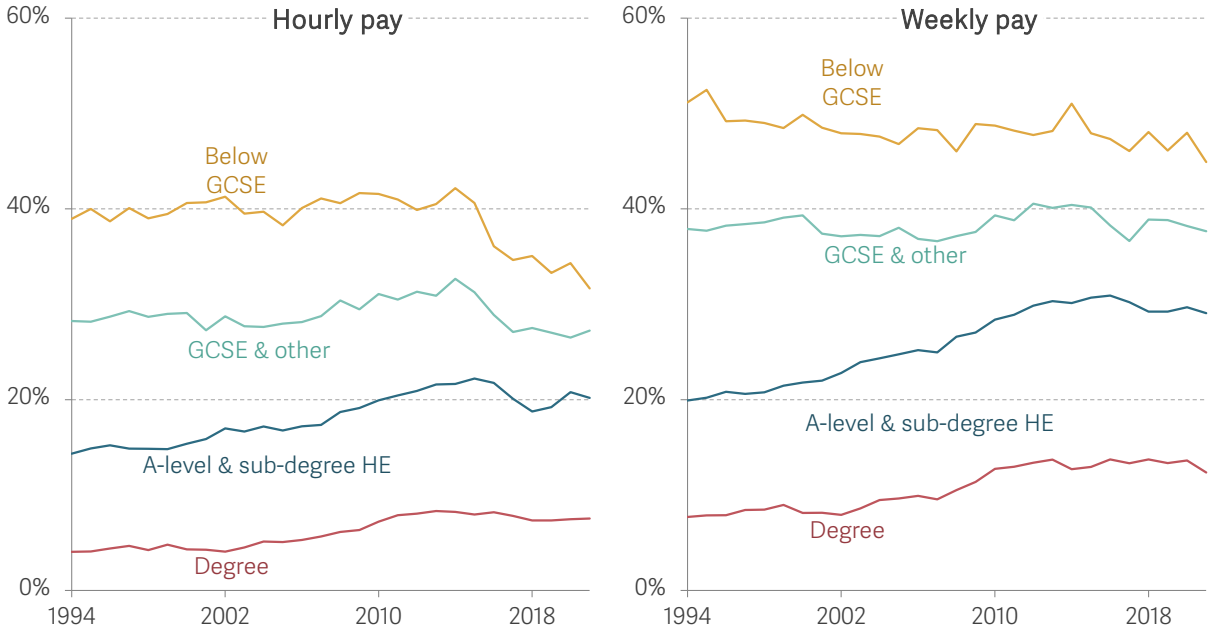
Proportion of employees that are female, and that are male, by low pay category: UK



NOTES: Last data point relates to 2021. Includes employees only.
SOURCE: Analysis of ONS, LFS.

FIGURE 17: **Gaps in the incidence of low pay between workers from different qualification levels have been falling**

Proportion of employees in low hourly pay (left panel) and low weekly pay (right panel), by qualification level: UK

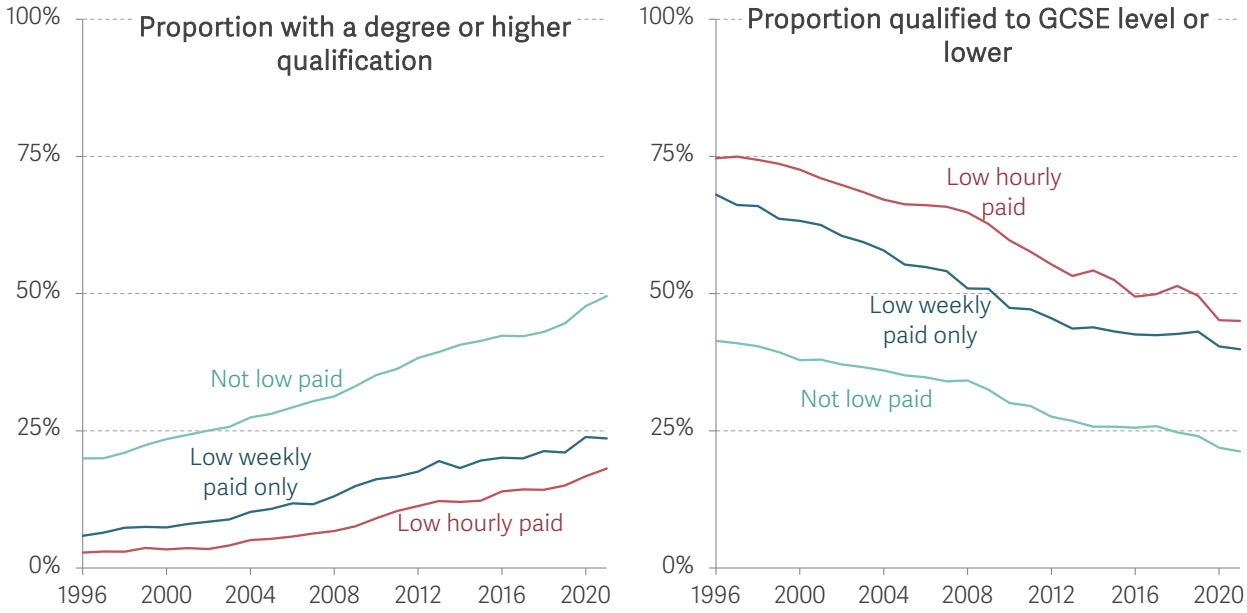


NOTES: Last data point relates to 2021. Includes employees only.
SOURCE: Analysis of ONS, LFS.

Again, we can look at these numbers the other way round, and show the proportion of low-paid workers by qualification level. Here trends are common across pay level – the proportion of workers with degree-level qualifications (or higher) has increased rapidly, while the proportion with GCSE-level qualifications (or lower) has fallen. However, the levels remain different between pay groups. In 2021, half of employees not in low pay had a degree level qualification, compared to 18 per cent of employees in low hourly pay, and 24 per cent of employees in low weekly pay only. This is shown in Figure 17.

FIGURE 18: **The proportion of workers with a degree has been rising fast for the low paid and not low paid alike**

Proportion of employees who have a degree level qualification or higher (left panel) or GCSE level qualifications or lower (right panel), by low pay group: UK



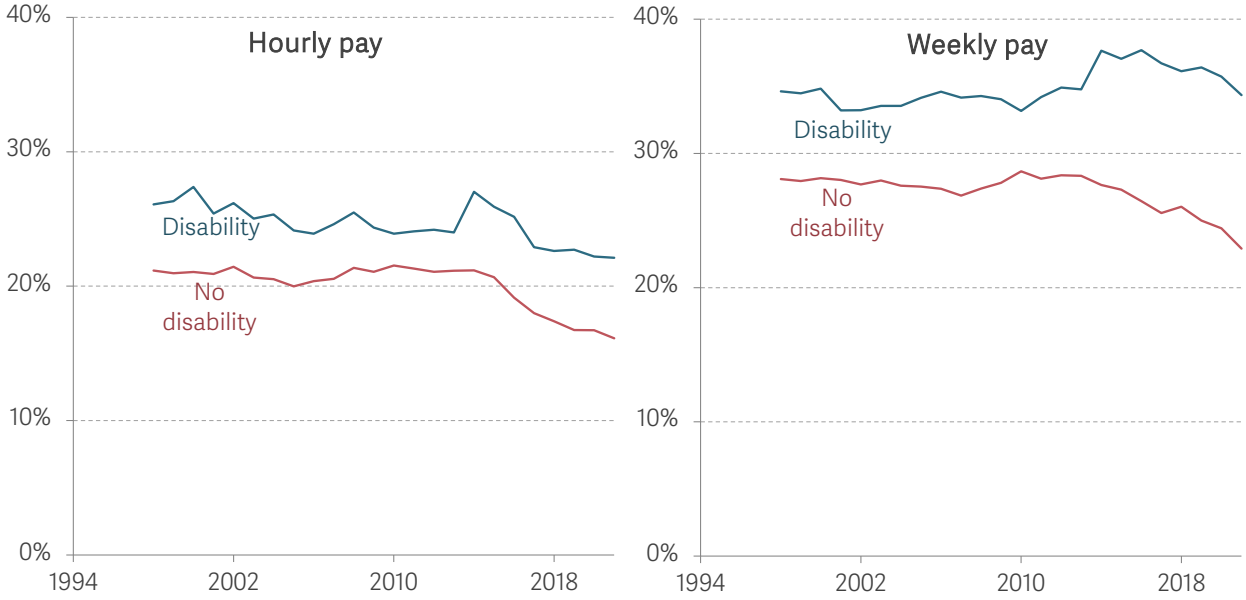
NOTES: Last data point relates to 2021. Includes employees only.
SOURCE: Analysis of ONS, LFS.

We next turn to two areas where there is less evidence of convergence on low pay. First, disability, where differences in the incidence of low pay between workers with and without a disability have either been stable (in the case of low hourly pay), or widening (in the case of low weekly pay). Since 2010, the low weekly pay disability gap has widened from 4 percentage points to 11 percentage points (see Figure 19).

Data on low pay by ethnic group is, unfortunately, very noisy – even after smoothing over two years. This means it's hard to pick out a clear trend in the low pay measures, particularly for non-White ethnic groups. It's possible that low pay measures have converged (compare the most recent periods in both panels in Figure 20 with earlier periods), but there is too much volatility in the data to be firm about this conclusion.

FIGURE 19: **Gaps between workers with and without disabilities have not fallen – and when it comes to weekly pay they have risen**

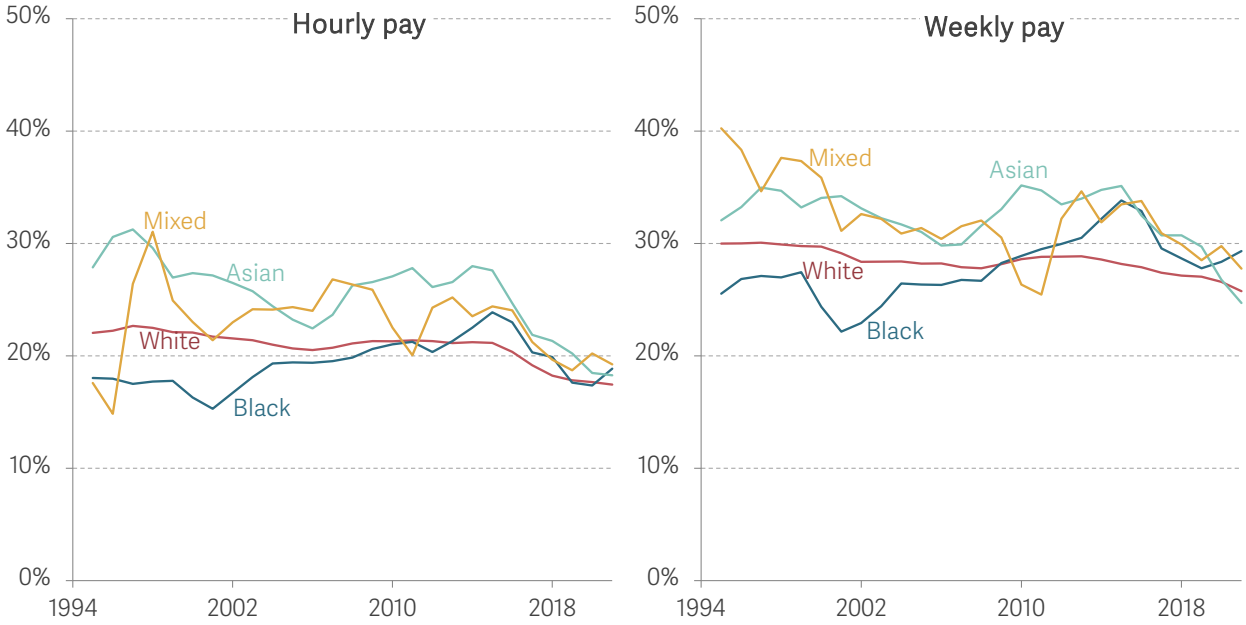
Proportion of employees in low hourly pay (left panel) and low weekly pay (right panel), by disability: UK



NOTES: Last data point relates to 2021. Includes employees only.
SOURCE: Analysis of ONS, LFS.

FIGURE 20: **Data on low pay by ethnic group is, unfortunately, noisy – but gaps between groups are small**

Proportion of employees in low hourly pay (left panel) and low weekly pay (right panel), by broad ethnic group: UK



NOTES: Last data point relates to 2021. Data smoothed over two years. Includes employees only.
SOURCE: Analysis of ONS, LFS.

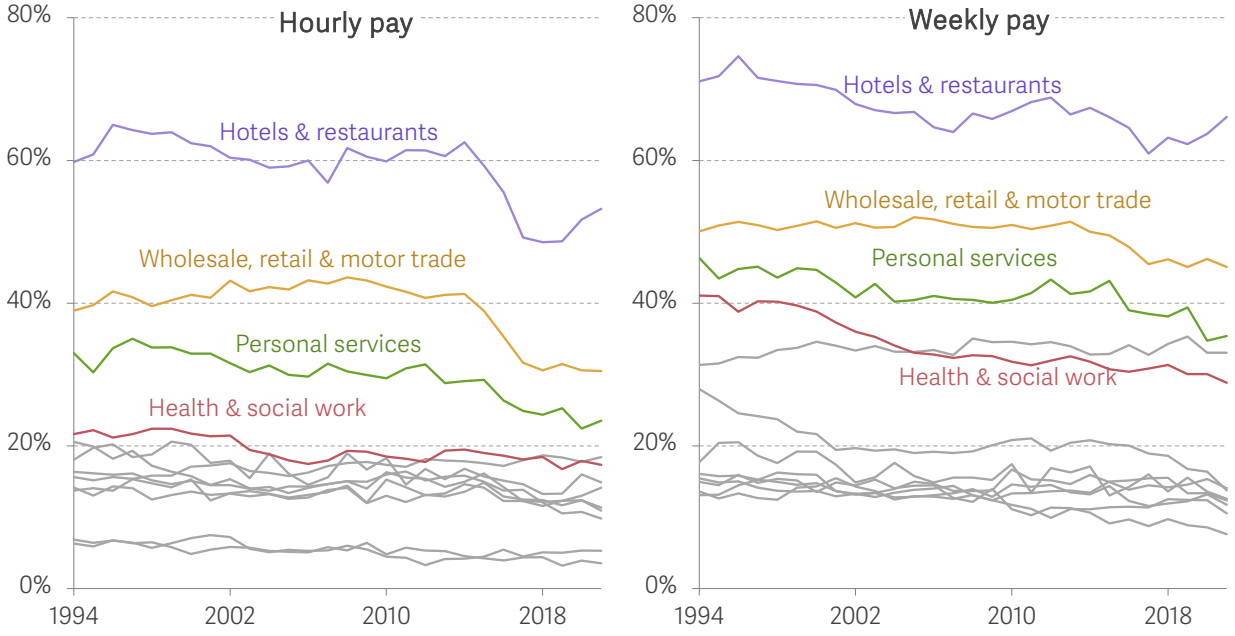
Low pay may be falling overall, but it remains entrenched in some parts of the economy

Taking stock of the evidence shown so far – it is in many cases a positive story, with a rising minimum wage driving down the incidence of low hourly pay overall, and the gaps in the rate of low pay between some groups of workers falling – in particular between men and women. There is less positivity when it comes to low pay among the self-employed, and it's clear that low weekly pay is not something the minimum wage will make a great deal of impact on.

There is also a question mark about how positive we should be about the low pay trends across occupations and industrial sectors. Starting with sectors (see Figure 21) it's clear just how big are the differences in low pay across sectors – and how persistent are the differences. The hospitality sectors ('hotels and restaurants') have consistently been the sectors with the greatest proportion of workers in low pay – both in terms of hourly and weekly pay. The rate of hourly low pay in the sectors did seem to be improving after 2014, but actually stabilised in 2017 and then rose in 2020. There has been more consistent progress in retail and wholesale, and in personal services – if we were to ignore hospitality, it would be possible to tell a story of sector convergence on low hourly pay. On low weekly pay, the picture is similar – there are very high and persistent differences in the rate of low pay across sectors, with little change over time.

FIGURE 21: **Differences in the proportion of workers in low pay between sectors are large, and have only fallen modestly**

Proportion of employees in low hourly pay (left panel) and low weekly pay (right panel), by sector: UK

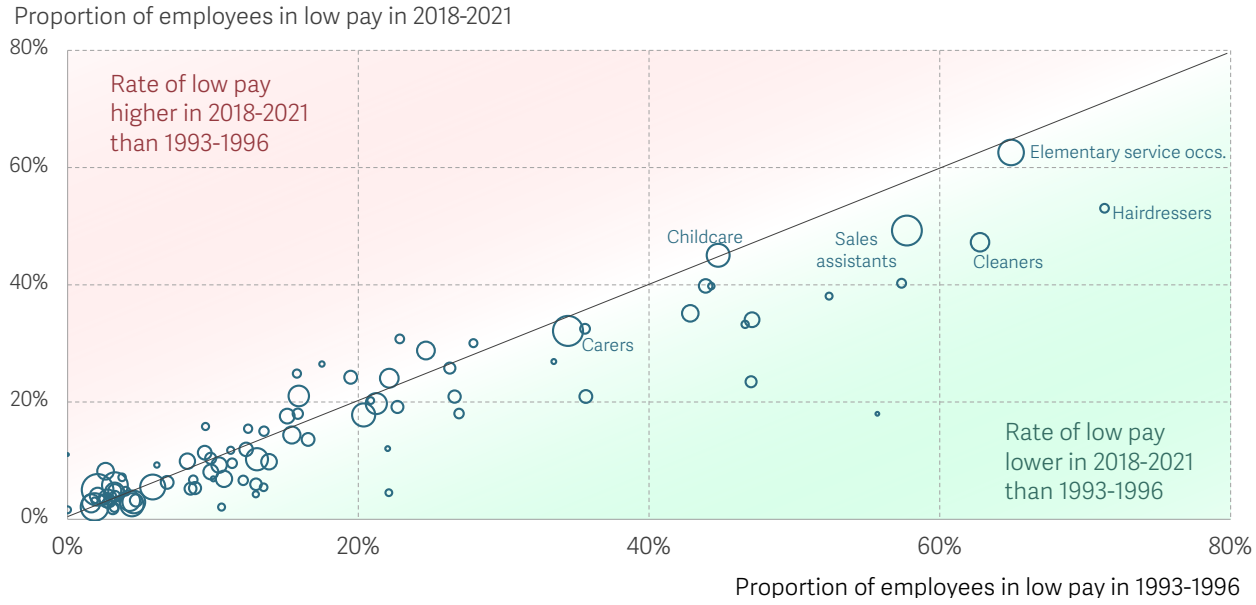


NOTES: Last data point relates to 2021 Q4. Includes employees only.
SOURCE: Analysis of ONS, LFS.

This suggests that there has been more improvement for some groups of workers (women, and those with low qualifications) than there has been when we look at categories of job. This can also be seen in the data on low pay by occupations, set out in Figure 22. This shows a scatter plot of occupations (at the 3-digit SOC level), with the rate of low hourly pay in 2018-2021 on the y-axis and the rate in 1993-1996, before the existence of a minimum wage, on the x-axis. In occupations above the diagonal line (shaded red) the rate of low pay has risen, and in occupations below the line (shaded green) the rate of low pay has fallen. There are several occupations in the green part of the chart, where the rate of low pay has fallen. This includes cleaners, hairdressers, and some smaller low-paid occupations not labelled. But there are a number of occupations where the rate of low pay has changed very little compared to 25 years ago – including elementary service occupations (which includes kitchen staff and bar staff), sales assistants, carers, and jobs in childcare. In many parts of the economy, therefore, low pay remains entrenched, and a rising minimum wage hasn't yet pushed those workers above the low pay threshold. That doesn't mean the minimum wage hasn't affected those sectors – the minimum wage will certainly have pushed up pay for the lowest earners in those sectors, but just not by enough for workers in those sectors to escape 'low pay' altogether.

FIGURE 22: **In some occupations, workers are just as likely to be low paid today as they were 25 years ago, before the existence of a minimum wage**

Proportion of employees in low hourly pay (left panel) and low weekly pay (right panel), by occupation: UK



NOTES: Area of circle is proportional to the number of persons employed in 2018-2021. Low pay is defined as hourly pay below two-thirds of the median. Includes employees only.
SOURCE: Analysis of ONS, LFS.

This picture of stasis at the occupation level (or at least – stasis for several important low-paying occupations) is consistent with falling low pay overall because there have been significant changes in the occupational composition over the past 25 years. In fact, changes in the occupational structure (i.e., the relative growth of higher-paying occupations) accounts for more than half (60 per cent) of the overall fall in low hourly pay since the mid-1990s.

The next section moves on from discussing the incidence of low pay, and looks at the different types of work insecurity facing low-paid workers.

Section 4

Insecurity among low paid workers

Pay is only one part of what matters at work – so does security. Problems of insecurity are much more common among low paid workers than better paid workers, and unlike improvements in low hourly pay, there has been little progress.

We describe three types of insecurity – the risk a worker faces of losing their job, working on an insecure contract or facing hours and pay volatility, and experiencing hours insufficiency. On all three, low paid workers are two- to three-times as likely as better paid workers to experience insecurity. The good news is that these issues, when defined broadly, haven't worsened in the long-run. And when it comes to the risk of job loss, the situation has improved for low paid workers. But the fact that risks are so much greater for low paid workers provides a reason for action.

We also show that problems of insecurity are broader than commonly thought. There may be around half a million gig workers (based on new survey data), and this is a group at the forefront of current debates around insecurity. But there are 1.6 million self-employed workers in low hourly pay. Focusing on narrow categories of insecurity risks missing the broad picture. Similarly, the number of workers experiencing some form of hours or contract insecurity goes well beyond the number of workers on zero hours contracts. Finally, we show that problems of low pay and insecurity are highly concentrated on a fairly small set of occupations.

The previous section showed that significant progress has been made on the UK's previously-high levels of low hourly pay. The introduction of the minimum wage, and its fast uprating since 2016, are a significant policy success, and should be celebrated. However, we have also showed that there is less evidence of progress on low weekly pay, and on low pay among the self-employed. A full policy agenda for tackling low pay should seek to address these areas.

But just as importantly, policy makers must look beyond the level of pay. There are many other issues that matter beyond the level of a worker's pay. In this section we focus on insecurity, and show that low-paid workers face much greater levels of insecurity than other workers, in a number of ways.

We focus on three types of insecurity:

- Job insecurity – the risk of a worker losing their job.
- Contract insecurity and hours/pay volatility – the risk of facing unexpected changes in hours, which also affects pay.
- Hours insufficiency – when workers don't work as many hours as they would like to.

We cover each of these in turn, and compare the degree of insecurity faced by low-paid workers compared to higher paid workers (in most cases we look at hourly low pay). At the end of the section we look at the occupations where these insecurities are concentrated.

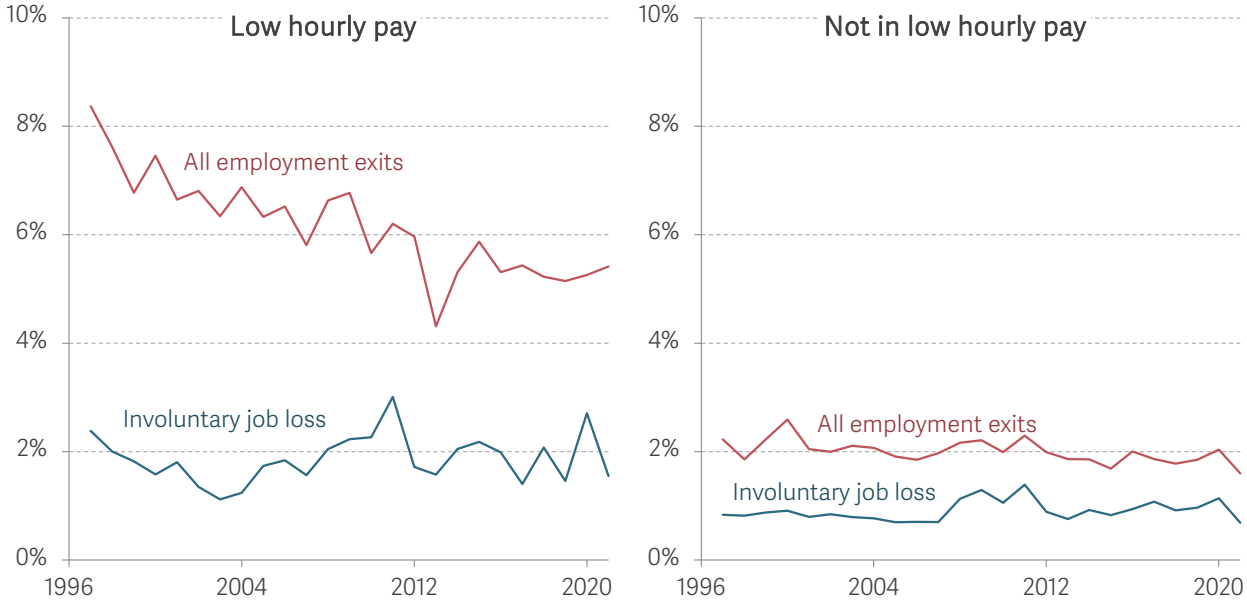
Insecurity #1: Low-paid workers face greater job insecurity – though on one measure job insecurity has fallen for low-paid workers

The first type of insecurity is job loss – a worker's probability of losing their job. We measure this in two ways – either broadly, using the rate at workers move out of employment (to either unemployment or economic inactivity), or more narrowly, using the rate at which workers make such a transition involuntarily – where they report that they were dismissed or made redundant. These measures are shown in Figure 23, with workers in low hourly pay in the left panel, and other workers on the right.

A number of results stand out. First, low-paid workers face much greater levels of job insecurity than higher paid workers. In the latest data (for 2021), 5 per cent of low-paid employees left employment per quarter, compared to 2 per cent of higher paid employees. Rates of involuntary job loss are lower for both low and higher paid employees, but the respective risks are similarly uneven – 2 per cent of low-paid employees faced involuntary job loss per quarter in 2021, compared to 1 per cent among higher paid employees.

FIGURE 23: **Low-paid workers are around three times more likely than higher paid workers to face involuntary job loss**

Proportion of employees experiencing leaving employment per quarter, by whether in low hourly pay: UK



NOTES: Low pay is defined as hourly pay below two-thirds of the median. Includes employees only.
SOURCE: Analysis of ONS, two-quarter longitudinal LFS.

There is some encouragement to take from the fact that on the broad measure (any transition out of employment) job insecurity has been trending downwards for low-paid workers from 8 per cent in the late 1990s, to 5 per cent in 2021. There has been no similar fall for higher paid workers, so in this respect the position of low-paid workers has improved – although low-paid workers still face double the risk of higher paid workers despite this improvement. There has been no such change in the rate of job insecurity on the narrower measure – involuntary job loss. This has risen in downturn periods, but otherwise has been broadly flat for both low and higher paid workers. Still – this runs counter to the idea that insecurity is worsening.

In a similar vein, Alan Manning has shown that there has been little change in subjective job insecurity – workers' fears of losing their job. Outside of cyclical ups and downs, subjective job insecurity has been trending downward over the past 30 years.[8]

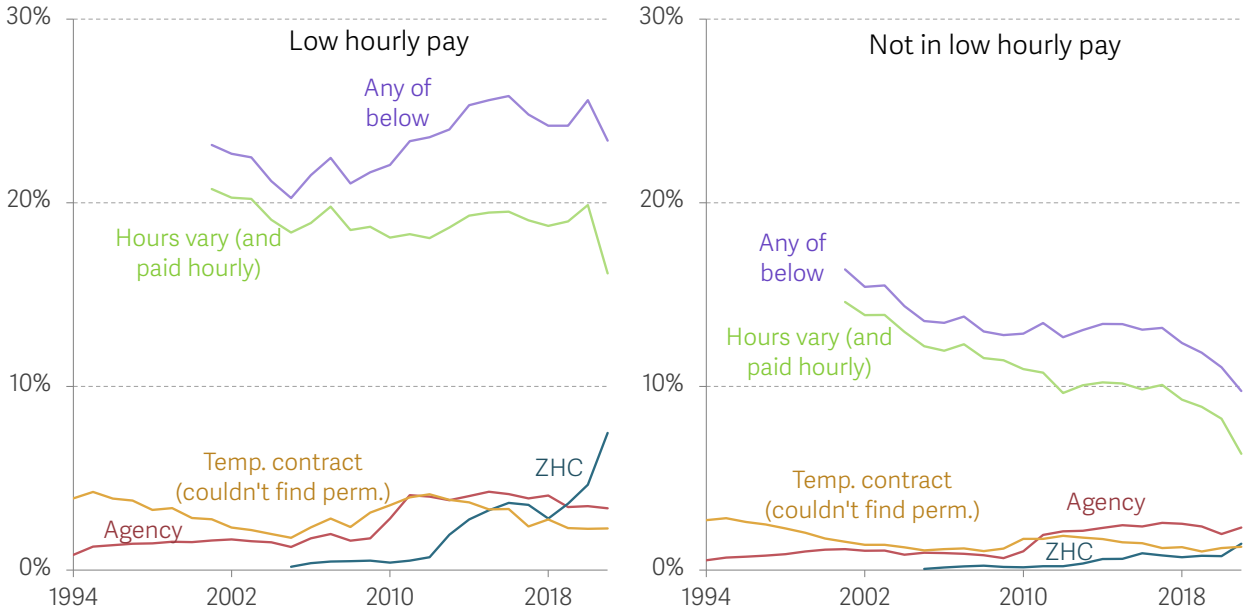
8 A Manning & G Mazeine, Subjective job insecurity and the rise of the precariat: evidence from the UK, Germany and the United States, Centre for Economic Performance, August 2020.

Insecurity #2: Low-paid workers are more likely to work through an insecure contract, and are more likely to experience volatile hours and pay

A second type of insecurity relates to volatility of hours (when this also affect pay) and types of employment contract where the worker has little control over their hours. There is no one way of measuring this, but in Figure 24 we show four measures: the proportion of workers on a zero hours contract; the proportion of workers working through an agency; the proportion of workers on a temporary contract (and who are on such a contract involuntarily – they could not find a permanent job); and fourthly – whether workers are paid by the hour and report that their hours vary from week to week. This last measure is more useful than one which captures any hours volatility, because salaried workers whose hours vary won't also experience pay volatility. The purple line captures workers who fit into any of these categories.

FIGURE 24: **Low-paid workers are around three times more likely than higher paid workers to experience contract insecurity or volatile hours and pay – and the gap has been growing**

Proportion of employees experiencing different forms of contract insecurity or volatile hours and pay, by whether in low hourly pay: UK



NOTES: Low pay is defined as hourly pay below two-thirds of the median. Includes employees only.
SOURCE: Analysis of ONS, LFS.

As with job insecurity, this data is interesting both in terms of the levels difference between low and higher paid workers, and in the trends over time. In the latest data (for 2021) low-paid employees were more than twice as likely as higher paid workers (22 per cent compared to 9 per cent) to fall into one or more of these categories. There are

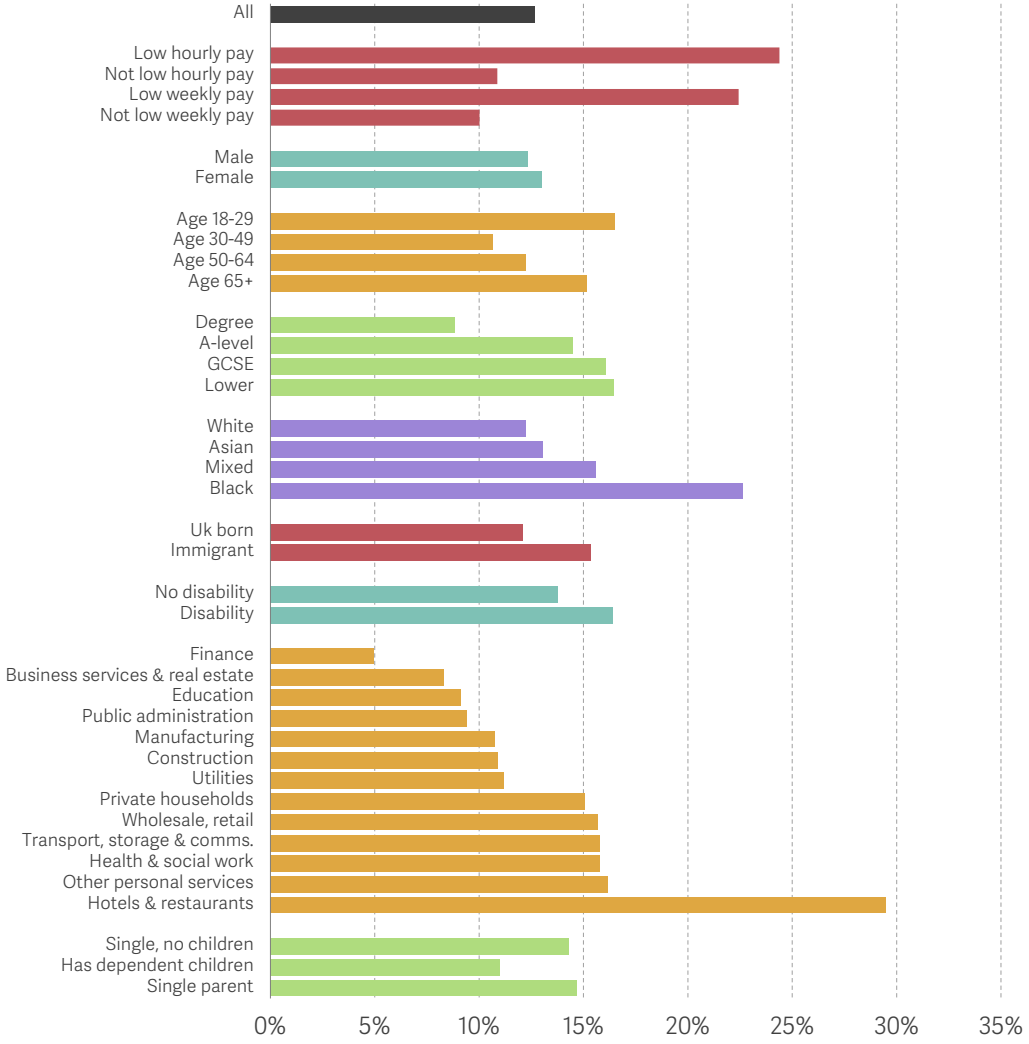
more extreme differences if we look at the specific categories – most notably zero-hour contracts, which in 2021 accounted for 7 per cent of low-paid employees, compared to just 1 per cent of higher paid employees.

On the trend, some of the sub-indicators would suggest this is a problem which has worsened over time – certainly the number of workers on zero-hours contracts has grown rapidly. However, part of the growth over the long-term is a measurement issue – zero-hours contracts rose to prominence in the news in 2012, likely causing more workers to recognise the term and self-report as being on this kind of contract. Similarly, the measurement of agency work improved in 2010 – this is clear in the chart. If we instead look at the broad measure (workers fitting into any of these categories), the picture is more one of a stable trend, albeit with ups and downs. But takin the long view, the proportion of low-paid workers experiencing one of these types of hours insecurity was very similar in 2021 (22 per cent) as it was 20 years ago, in 2002 (21 per cent). Importantly, however, this is different to the trend for higher paid workers, where the proportion experiencing contract or hours volatility has fallen over time, and in 2021 was much lower than the proportion 20 years ago (9 per cent, compared to 16 per cent).

There is significant variation in the proportion of employees experiencing these forms of insecurity across different groups of workers - Figure 25 provides a number of breakdowns, using the proportion of employees experiencing any of the types of insecurity set out in Figure 24. Pay level is certainly an important source of variation – this is the case for both hourly pay (as set out above) and weekly pay. Other sources of large differences are sector, where hospitality stands out as having very high use of insecure contracts; ethnicity, where black employees experience insecure contracts at double the rate of white employees – 23 per cent compared to 12 per cent; qualification level, where degree holders have half the rate of insecurity as those with GCSE-level qualifications; and age, where contract/hours insecurity is highest for young and older workers, and less common for those age 30 to 50. There is comparatively little difference between genders, between workers with and without disabilities, and between workers in different household types.

FIGURE 25: **Insecure work is concentrated on low-paid workers, as well as young workers, workers in hospitality, and workers from a black ethnicity**

Proportion of employees experiencing any form of contract insecurity or volatile hours and pay, by worker and job characteristic: UK, 2019-21



NOTES: Low pay is defined as hourly pay below two-thirds of the median. Includes employees only.
SOURCE: Analysis of ONS, LFS.

Insecurity #3: Low-paid workers are more likely to face hours insufficiency

A third type of insecurity is hours insufficiency, where workers work fewer hours than they would like or need. This is something that will have a direct bearing on the living standards of the workers involved, but does not tend to receive as much attention as job and contract insecurity. Again, there are different ways to measure hours insecurity – in Figure 26 we plot the proportion of workers who are under-employed (meaning they would like to work more hours at their current rate of pay), the proportion of workers who are working part-time but are only doing so because they couldn't find a full-time job, and

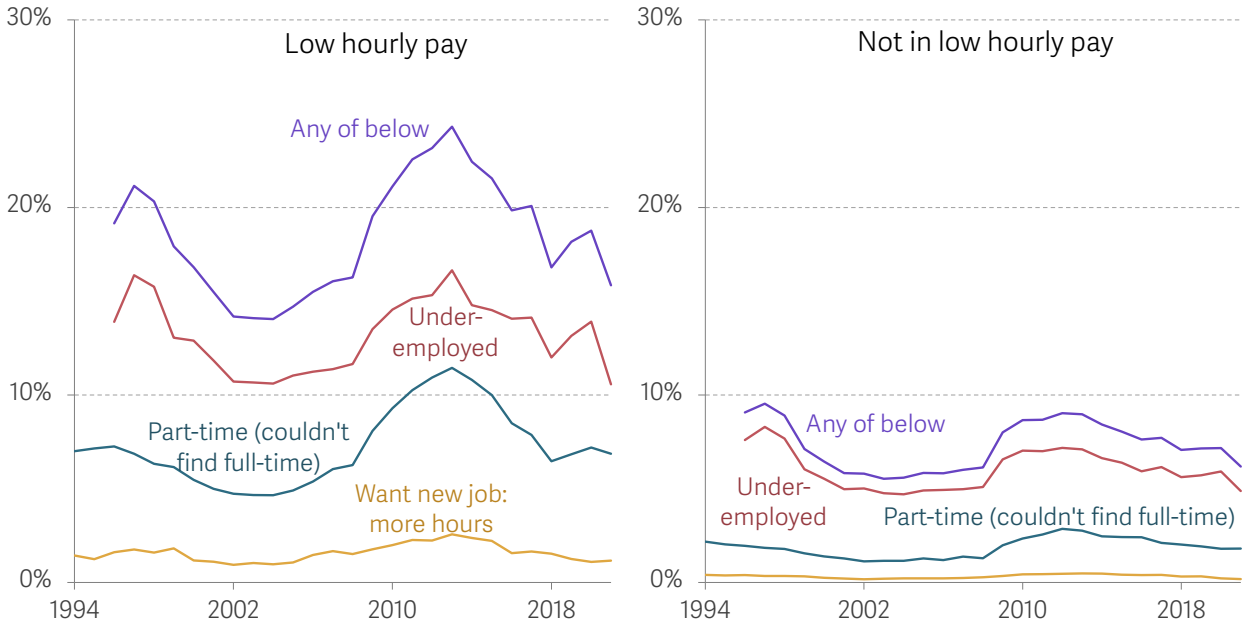
the proportion of workers who say they are looking for a new job specifically because they would like a job which offers more hours. As before, the purple line captures the proportion of workers who fit into any of these categories.

At risk of being repetitive, hours insufficiency is, like the types of insecurity shown above, something which affects low paid workers to a much greater extent than higher paid workers. In 2021, 19 per cent of workers in low hourly pay experienced hours insufficiency, compared to 4 per cent of higher paid workers. Similar gaps are found when looking at the specific indicators, for example 9 per cent of low-paid employees in 2021 were involuntary part-timers, compared to 1 per cent of higher paid workers.

The trend in hours insufficiency is very clearly cyclical – rising in downturns and falling in recoveries. For example, the any hours insufficiency measure rose to 28 per cent among low-paid employees in 2013, but by 2019 (by which point unemployment had reached very low levels) it had fallen to 19 per cent. But apart from these cyclical ups and downs, it's probably safest to describe the trend as one of stability over the longer term. Although having said that, hours insufficiency was higher among low-paid workers after the financial crisis than it was in the aftermath of the 1990s recession.

FIGURE 26: **Low-paid workers are around three times more likely than higher paid workers to experience hours insufficiency**

Proportion of employees experiencing different forms of hours insufficiency, by whether in low hourly pay: UK

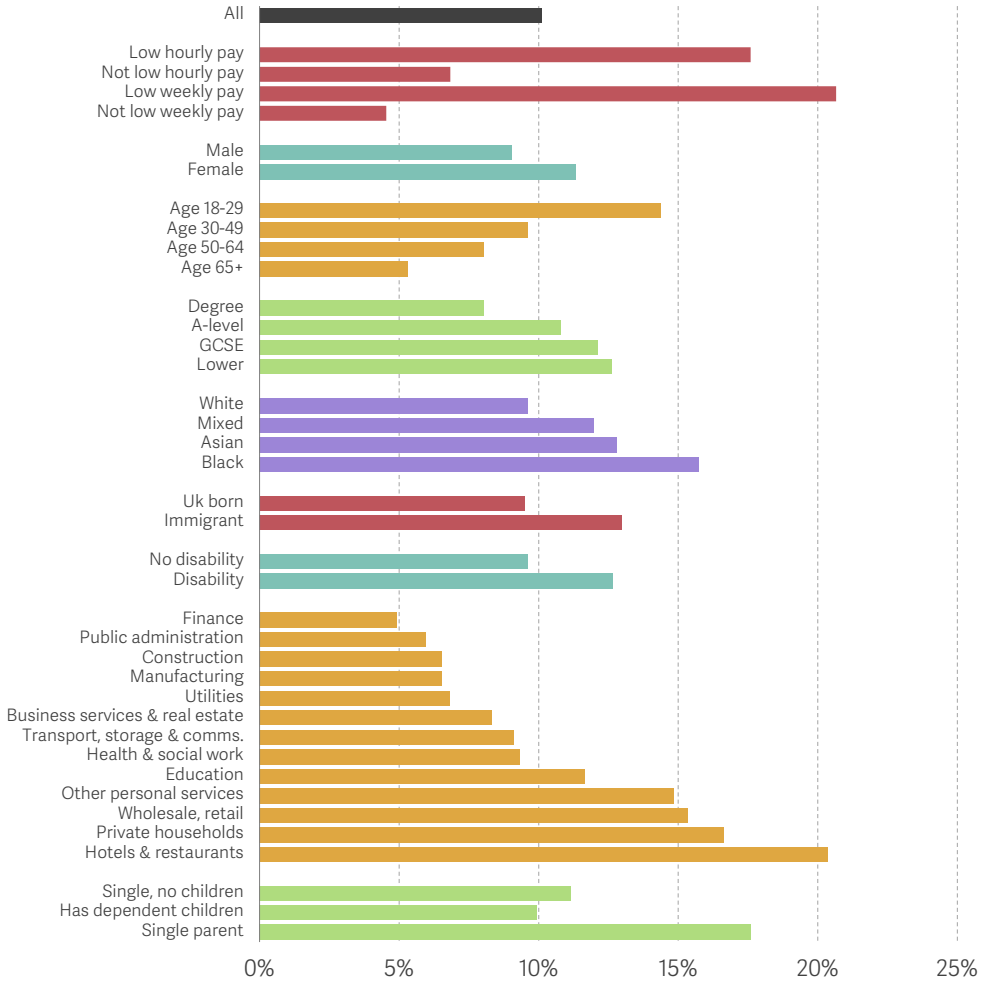


NOTES: Low pay is defined as hourly pay below two-thirds of the median. Includes employees only.
SOURCE: Analysis of ONS, LFS.

There is again substantial variation in the incidence of hours insufficiency across different groups of workers. This is set out in Figure 27 – which shows that many of the groups experiencing high levels of contract/hours insecurity also experience higher levels of hours insufficiency.

FIGURE 27: **Hours insufficiency is concentrated among the low paid, young workers, single parents, and workers in hospitality**

Proportion of employees experiencing any form of hours insufficiency, by worker and job characteristic: UK, 2019-21



NOTES: Low pay is defined as hourly pay below two-thirds of the median. Includes employees only.
SOURCE: Analysis of ONS, LFS.

There are some differences though. For hours insufficiency it is unsurprisingly the low weekly paid who are worst affected (for contract the incidence of insecurity was higher among the low hourly than the low weekly paid). There is a striking age skew for hours insufficiency – incidence falls with age, whereas for contract insecurity the age pattern was U-shaped (affecting the youngest and oldest more than the middle). The sector

pattern is similar, again it is the hospitality sector which has the highest rates. Unlike contract insecurity, single parents experience greater hours insufficiency than other household types (for contract insecurity there was little difference).

Insecurity #4: Low-paid workers are more likely to be self-employed

As shown in section 2 low paid workers are more likely than higher paid workers to be self-employed – in particular they are more likely to be 'solo self-employed' – i.e. a freelancer or contractor working alone. In 2019-20, 23 per cent of low-paid workers were solo-self-employed, compared to 8 per cent of higher paid workers.

Should self-employment be regarded as a fourth type of insecurity? On one hand, perhaps not. Self-employed workers enjoy a significant tax advantage over employees – they don't pay employer National Insurance contributions. They may also be in a stronger position than employees facing problems of hours insecurity – self-employed workers are vulnerable to ups and downs in demand for their services, but in theory hours can't be 'taken from them', as is the case for employees on zero-hours contracts. And obviously, a self-employed person can't face dismissal or redundancy in the way an employee can. And many surveys have shown that in general, self-employed workers enjoy the flexibility and autonomy that comes with self-employment, and typically express higher job satisfaction than employees.[9]

On the other hand, there are a number of protections enjoyed by workers with employee status which aren't enjoyed by the self-employed. This includes the minimum wage (which in most years means hourly pay will rise at least as fast as prices), holiday pay, sick pay, and protection against unfair dismissal (once in post for two years). With the advent of auto-enrolment into workplace pensions, there is also a significant and growing pension saving gap between self-employed workers and employees. In the 2020-21 financial year, 79 per cent of employees were saving towards a pension, compared to just 18 per cent of the self-employed.[10]

Ultimately, whether self-employment is 'insecure' will have a lot to do with the worker's income level. Well-paid self-employed workers will find it easier to save and will likely be better prepared for periods when work slows down, or when facing unexpected costs. The opposite is surely true for low-paid self-employed workers. On balance therefore, high levels of self-employment among the low-paid probably does deserve to be considered a form of insecurity.

9 BEIS, Understanding self-employment, February 2016.
10 DWP, Family Resources Survey 2020-21, March 2022.

Within any discussion of self-employment and insecurity, thoughts naturally turn to the gig economy, a part of the economy which has grown in prominence with the proliferation of platform apps. However, it's important to remember that gig workers are not a subset of the self-employed – the legal status of gig workers is hotly contested. Most notably, in 2021 the Supreme Court upheld the 2016 decision that Uber's drivers are 'workers' not self-employed contractors, and are entitled to the minimum wage. The legal status of gig workers was also at the centre of the recent furore over Deliveroo's agreement with the GMB union which agreed its riders were self-employed – the IWGB union had been seeking to establish worker status.[11] Indeed, in new data from Understanding Society, only 40 per cent of gig workers self-identified as self-employed (see Box 2).

The level of interest in the gig economy is not surprising – workers in the gig economy are at the forefront of debates about the regulation of employment. But we should place gig work in the context of the broader picture on low pay and insecurity.

It's hard to know how many gig economy workers there are – as Box 2 sets out there have previously been some very large estimates. But new Understanding Society data produces a fairly modest estimate of 550,000 gig workers, and 350,000 gig workers if those undertaking professional tasks are excluded. This compares to 1.6 million self-employed workers in low hourly pay. If these numbers are accurate, that suggests the gig economy may be a relatively small part of the overall low pay insecurity problem, and means policy makers and campaigners should not lose sight of the broader group of workers facing low pay and insecurity, while of course continuing to push for improvements for gig workers.

BOX 2: **The gig workforce**

Although the gig economy has risen in salience in recent years, there has never been a consensus view on its size. This is because there is no 'official' definition of the gig economy, and also because it is not routinely measured in the main national surveys (such as the LFS). Various research organisations have published their own estimates, and these have varied widely. Natcen (for BEIS)[12] estimated the gig economy workforce at 2.8m; the RSA at 1.1m[13]; and the TUC at 4.4m[14]. The variation in the figures will reflect differences in

11 S Butler, Deliveroo accused of 'cynical PR move' with union deal for couriers, The Guardian, 12 May 2022.
12 Natcen for BEIS, The characteristics of individuals in the gig economy, February 2018
13 The RSA, Good Gigs: A fairer future for the UK's gig economy, April 2017
14 The TUC, Platformisation and the Pandemic: Changes in Workers' Experiences of Platform Work in England and Wales, 2016-2021, November 2021

methodologies and definitions – but it's notable that these estimates are all large. The TUC's estimate, for example, is comparable in size to the total of self-employed jobs (4.3m in Jan-Mar 2022).

We can add to these previous estimates new data from Understanding Society (USoc), which in its 2019-20 wave added a set of questions about the gig economy. USoc is a high-quality survey, with a large sample size (30,000 households per wave). Respondents were asked whether they have used a platform, website or app to work in the past month in any of five categories of work (driver, food delivery, courier, manual tasks, and professional tasks). This question produces an estimate of 550,000 gig workers, 350,000 if the 'professional task' category is excluded. Clearly, this is significantly lower than previous estimates, and to the extent that an estimate from USoc is preferred to previous estimates, suggests the size of the gig economy has been overstated.

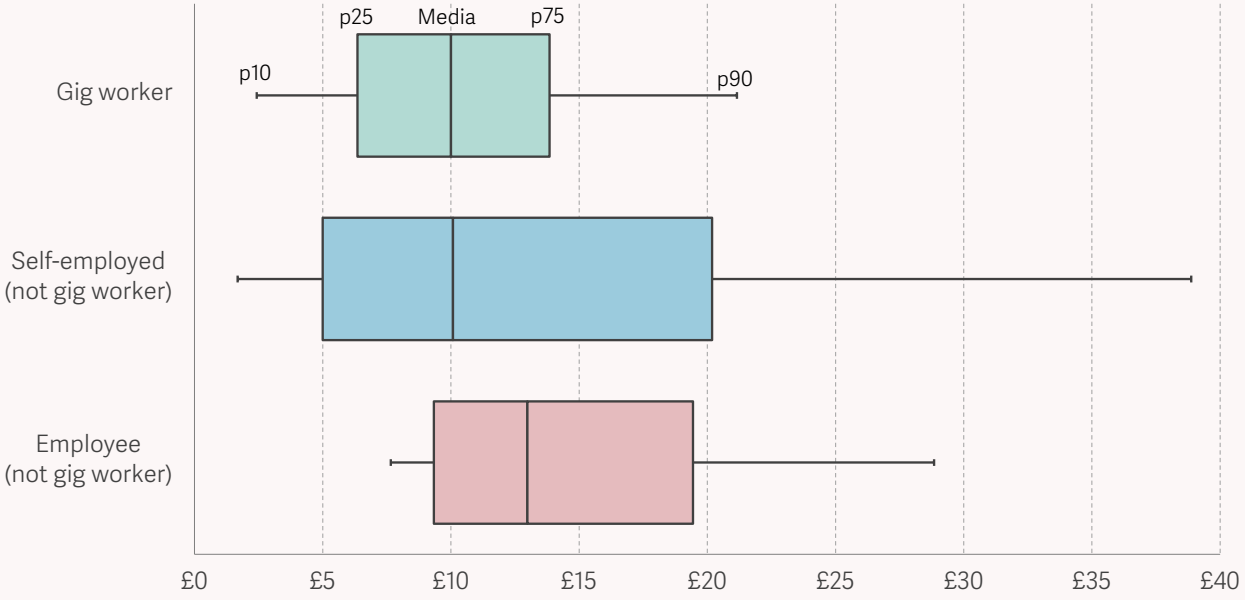
We can also use the new USoc question to explore the characteristics of gig economy workers. Some findings are familiar – gig workers are younger than employees or the self-employed; and are more likely to work multiple jobs (although the proportion of gig workers that do so - 20 per cent - is still fairly low). It's also interesting to see how gig workers describe their employment status given this is being contested – 40 per cent self-identify as self-employed; 60 per cent as employees.

In other respects, however, gig workers appear similar to other workers. Figure 28 shows the distribution of hourly pay for gig workers, and for employees and self-employed workers who are not gig workers. The pay distribution of gig workers is similar to that of the self-employed (the median is the same and the 25th percentile is similar) but there are fewer high earners. Pay is lower than among employees. But these differences will partly reflect the personal characteristics of gig workers (who are younger) and the type of work undertaken. Controlling for occupation, industry, and a range of personal characteristics, there is almost no difference between pay in the gig economy and elsewhere (we find gig work is associated with just -0.1 per cent less hourly pay and -0.3 per cent less for monthly pay).

Gig workers also have similar levels of job, life, and income satisfaction to other workers (see Figure 29). For example, 81 per cent of gig workers were satisfied with their job, compared to 80 per cent among employees.

FIGURE 28: **Gig workers have a similar earnings profile to the self-employed, albeit with fewer high earners**

Distribution of hourly pay (derived) by job type: UK, 2019-20



NOTES: Hourly pay is derived by dividing monthly pay by total hours worked.
SOURCE: Analysis of Understanding Society.

FIGURE 29: **Gig workers express similar levels of job satisfaction to other workers**

Proportion of workers who say they are satisfied, across different domains: UK, 2019-20

NOTES: Shows whether workers are 'satisfied' or 'very satisfied'.
SOURCE: Analysis of Understanding Society.

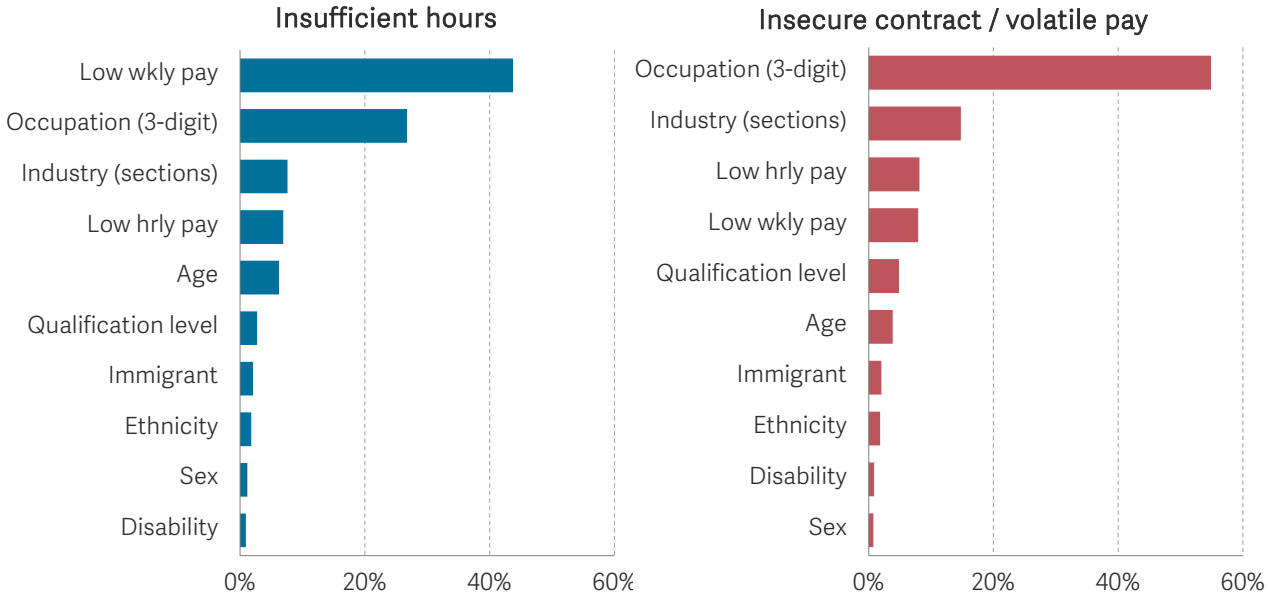
Insecurity is associated with job type – associations with personal characteristics stem from different groups' representation in those jobs

Finally in this section, we look at where in the economy the issues of low pay and insecurity are concentrated. Firstly, we can start by noting that we should be focusing on types of jobs rather than types of people. There are big variations in the incidence of low pay and incidence of low pay across groups of workers, but these flow from the jobs they are doing, rather then their personal characteristics.

One way of showing this is set out in Figure 30, which shows the results of a 'dominance' regression analysis for contract insecurity and hours insufficiency. Essentially this involves running a series of regressions with every possible combination of factors to see which models have the most explanatory power – the factors are assigned a 'dominance statistic' according to the relative performance in the models where they are present. It shows that occupation, pay, and sector are the main factors associated with these types of job insecurity.

FIGURE 30: **Regression analysis shows that insecurity is focused on types of job, associations with personal characteristics are secondary**

'Dominance' statistic of different factors when running regressions to explain incidence of insufficient hours (left panel) and insecurity of hours/contract (right panel): UK, 2019-21



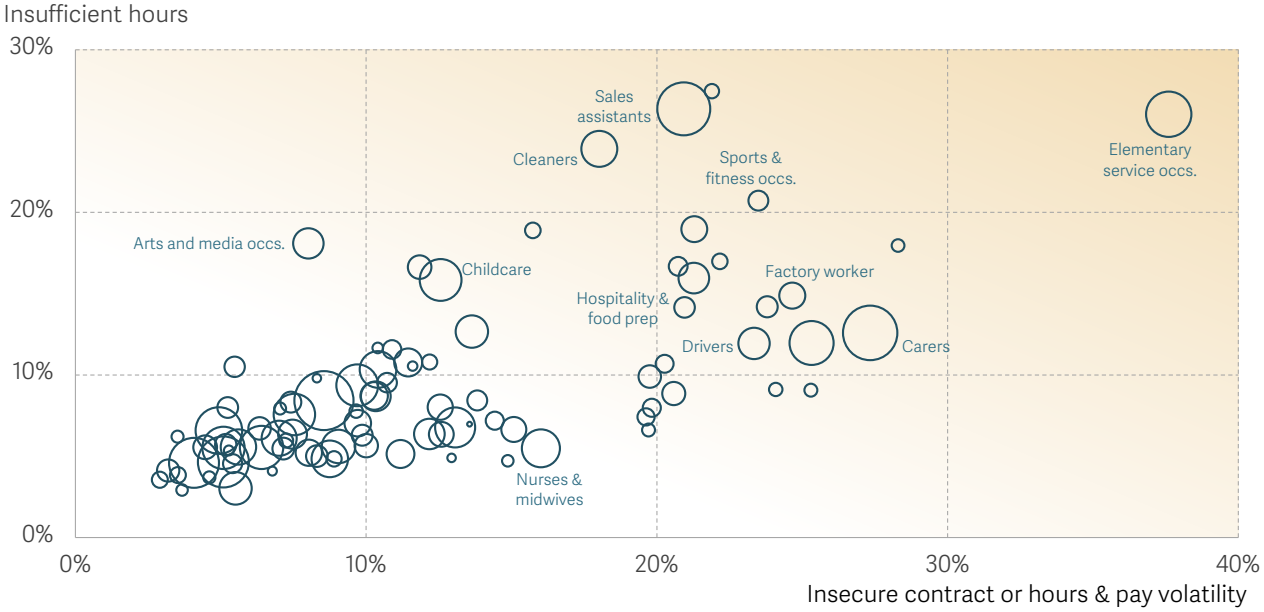
NOTES: Low pay is defined as hourly pay below two-thirds of the median. Results based on 'domin' stata package, where all possible combinations of a regressions are run, and the factors are assigned a 'dominance' statistic based on the performance of models where they are present compared to where they are not.
SOURCE: Analysis of ONS, LFS.

Occupations have different insecurity 'profiles', but there are some where multiple forms of insecurity are concentrated – along with low pay

So which types of jobs are we looking for? We have already shown in section 2 that the incidence of low pay varies significantly across occupations, and in some has been highly persistent. A similar analysis (in Figure 31) of the incidence of two types of insecurity (hours/contract insecurity, and hours insufficiency) shows that there is a positive correlation between these types of insecurity at the occupation level. There are several occupations which have high levels of both. Most notable are 'elementary service occupations', where 38 per cent of workers experience insufficient hours, and 26 per cent experience hours and pay volatility or have an insecure contract type.

FIGURE 31: **Some low-paid occupations show high levels of both hours/ contract insecurity as well as hours insufficiency**

Proportion of employees experiencing hours/contract insecurity, and proportion experiencing insufficient hours, by occupation: UK, 2019-21



NOTES: Size of circle corresponds to number of employees in 2019-21. Elementary service occupations include a number of jobs in hospitality (kitchen/catering assistants, waiters, bar staff) as well as hospital porters, theme park attendants, and night porters.
SOURCE: Analysis of ONS, LFS.

Of course – that is not to say that there is a perfectly positive relationship between different forms of insecurity at the occupation level. Occupations differ in their insecurity 'profiles'. For example, nurses and midwives are moderately likely to work through an insecure contract or experience hours and pay volatility, but are very unlikely to

experience hours insufficiency. The opposite is true for arts and media occupations, where insecure contracts are fairly uncommon, but hours insufficiency are common.

So where should policy makers focus? Figure 32 puts forward a candidate set of occupations where a significant part of the UK's low pay and insecurity problem is found. The table lists 12 occupation groups (in order of size) each of which ranks highly on either low pay or on one of the types of insecurity listed earlier in this section. As is apparent from the cell shading (higher values within each column are shaded red) there is significant overlap. For example, elementary service occupations, in which 970,000 people work, have the highest incidence of low pay, and also the highest rate of insecure contracts and hours insufficiency. On the other hand, they make low use of self-employment.

FIGURE 32: **There are a small number of occupations where low pay, insecurity, and self-employment are concentrated**

Various measures of low pay and insecurity, by occupation: UK, 2019-21

Occupation	Employees in hourly low pay	Employees in weekly low pay	Self-emp. share	Insecure contracts / hrs & pay volatility	Insufficient hours	Total emp.	Emp. growth 2006-08 - 2019-21
Caring	32%	46%	4%	27%	13%	1,405k	37%
Sales assistants	50%	78%	2%	21%	26%	1,321k	-16%
Elem. services	63%	83%	1%	38%	26%	969k	9%
Childcare	45%	71%	7%	13%	16%	819k	7%
Elem. cleaning	46%	75%	20%	18%	24%	599k	-14%
Food & hospitality	37%	40%	6%	21%	16%	438k	14%
Agriculture	34%	26%	55%	10%	9%	352k	14%
Elem. factory	40%	46%	6%	25%	15%	294k	22%
Hairdressers	53%	75%	56%	12%	17%	254k	15%
Sports & fitness	27%	53%	42%	23%	21%	182k	69%
Animal care	38%	51%	41%	22%	17%	110k	79%
Cleaning	37%	50%	2%	28%	18%	73k	55%
Whole economy	18%	26%	14%	13%	10%	32,560k	11%

NOTES: Low pay is defined as hourly pay below two-thirds of the median. Figures are averages across 2019-21. Elementary service occupations include a number of jobs in hospitality (kitchen/catering assistants, waiters, bar staff) as well as hospital porters, theme park attendants, and night porters.
SOURCE: Analysis of ONS, LFS.

All together these occupations account for 21 per cent of total employment. But they account for 55 per cent of all employees in low hourly pay, 53 per cent of all employees in low weekly pay, 38 per cent of workers facing contract/hours insecurity, and 40 per cent

of workers experiencing insufficient hours. They therefore cover a significant part of the UK's low pay and insecurity problem.

The next section moves on from insecurity, and explores the impact of the minimum wage, and in particular the question of wage compression and progression out of minimum wage jobs.

Section 5

The impact of the minimum wage

The proportion of workers paid the minimum wage is higher than 20 years ago. Alongside the usual things that policy makers watch for (such as negative employment effects on minimum wage workers), some have worried that wage compression at the bottom of the labour market might have a negative effect on workers' rate of progression out of low pay. We find that, although rates of progression off the minimum wage are lower than they were 20 years ago, they have been flat in recent years, suggesting the recent faster increases in the minimum wage haven't had a negative impact on wage progression. This holds true on average but also specifically in low-paying sectors, and among workers who stay with the same employer.

The previous sections showed how low pay has evolved in the UK context, who benefited the most from this progress and the concerns that remain about work insecurity among these workers. As pointed out in Sections 2 and 3, it is low hourly pay that is falling fastest – driven by the expansion of the minimum wage. This section focuses in detail on the evolution of the effects of this policy in terms of number of workers covered, their transitions in and out of employment, and their experience of wage growth and career progression opportunities.

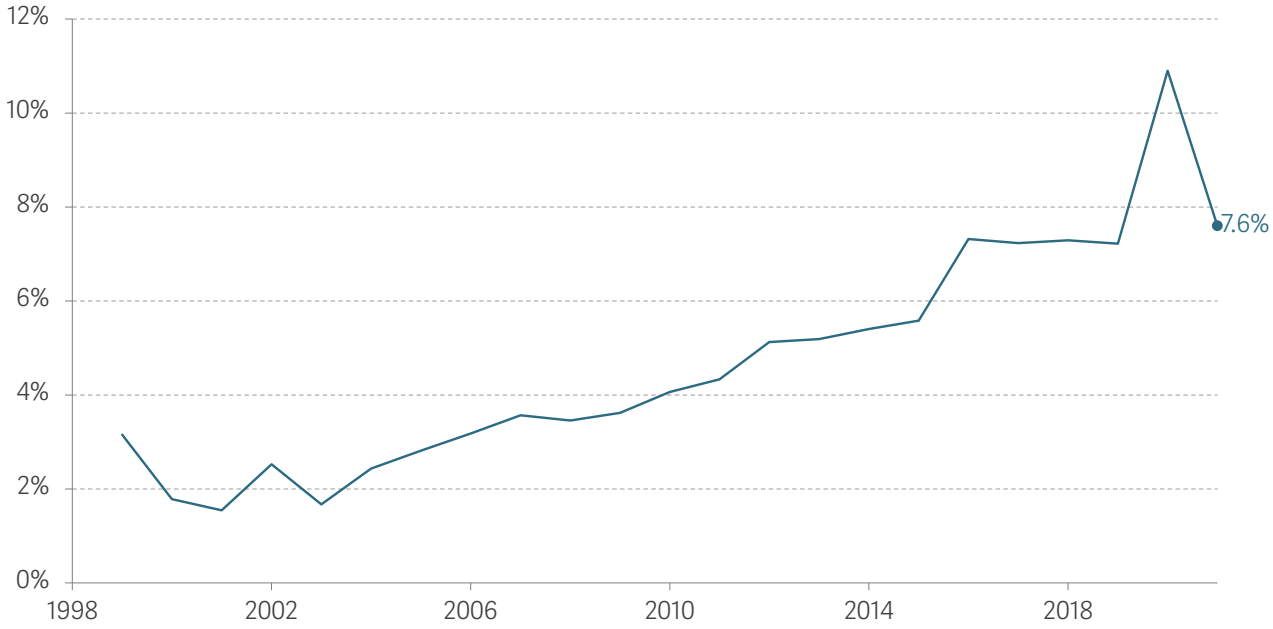
As the minimum wage has increased relative to median pay, the proportion of workers earning at or below the wage floor has risen

Since its introduction the national minimum wage (NMW) has risen from £3.60 in 1999 to £9.50 in 2022. This represents a growth in the wage floor of 164 per cent, over a period when the median wage has grown by only approximately 100 per cent (both in nominal terms). This large increase in the wage floor, coupled with slow wage growth across the

rest of the distribution has led to an increase in the coverage of the minimum wage. In 2021, 7.6 per cent of employees in Britain were earning at or below their age-specific minimum wage, up from 3.2 per cent in 1999, the year the minimum wage was introduced.

FIGURE 33: **The percentage of workers on the minimum wage has risen over 20 years, but been flat since 2016**

Proportion of workers on or below their age specific minimum wage: GB



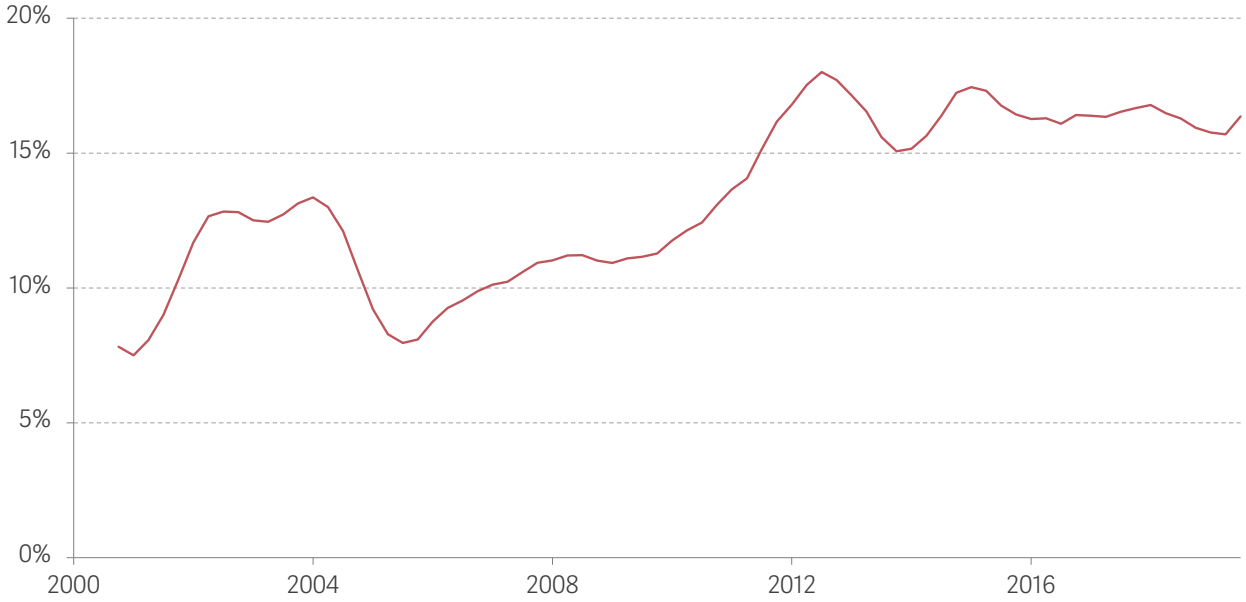
NOTES: Includes workers earning at or below their age-specific minimum wage rate, plus 1% (to allow for some measurement error). Includes the apprenticeship rate from 2012 onwards.
SOURCE: Analysis of ASHE.

The rate of increase in minimum wage coverage has been relatively consistent over the 20 years of the minimum wage's existence, apart from a notable two percentage point jump in 2016, driven by the introduction of the higher 'National Living Wage', which led to more than a 10% year-on-year increase in the wage floor for over-25s. Since the NLW introduction, however, the wage floor has continued to increase at a fast rate, while coverage has stayed stable. The upwards blip in 2020 is explained by a measurement effect for furloughed workers – who in ASHE were treated as working their 'normal' hours, meaning their derived hourly pay (weekly pay divided by hours) fell.

Coverage of the minimum wage is particularly high among those entering employment, 16 per cent of whom do so on a minimum wage job. Minimum wage coverage among job starters has been flat since 2012, but rose before that. This is set out in Figure 34.

FIGURE 34: **1-in-6 people moving into employment do so on a minimum wage job – this share has been stable since 2012**

Proportion of workers on the minimum wage among those entering employment: UK

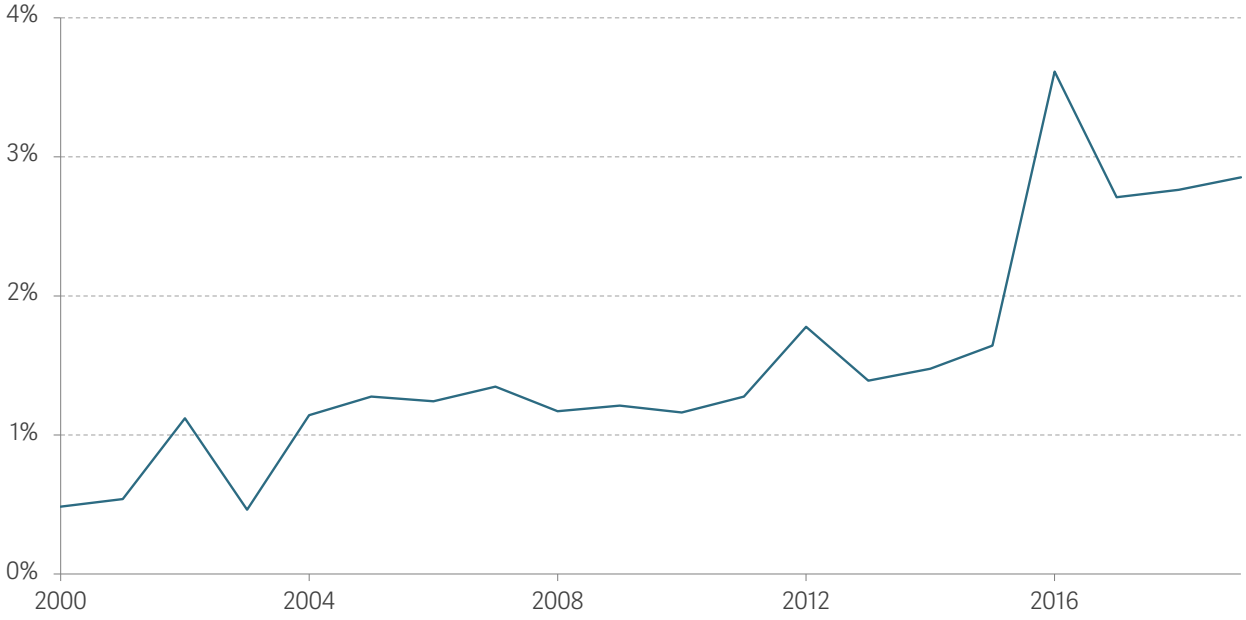


NOTES: Transitions are defined between waves 1 and 5 of LFS, hence approximately a year between interviews. Non-employment state is defined as individuals in unemployment or inactivity. An individual is considered a job starter if transitioning from non-employment to employment between waves.
SOURCE: Analysis of Longitudinal LFS 5Q.

As well as inflows into minimum wage jobs from non-employment, another way the coverage of the minimum wage has risen is by 'catching' workers who were previously paid above the minimum wage. Figure 35 shows the proportion of workers who, in each year, were earning above the minimum wage, and who in the following year were earning at or below the minimum wage. The share of workers being 'caught' by the minimum wage has trended up over time, but shot up dramatically in 2016 (the year the NLW was introduced) when 3.5 per cent of workers previously earning above the minimum wage became minimum wage workers.

FIGURE 35: **As the minimum wage has risen, it is 'catching' a larger number of non-minimum wage workers**

Proportion of workers earning above the minimum wage who in the following year were earning at or below the minimum wage: GB



Source: Analysis of ASHE

A rising wage floor has led to concerns about wage compression at the bottom of the labour market, with potential implications for progression. These issues have not worsened in the NLW era

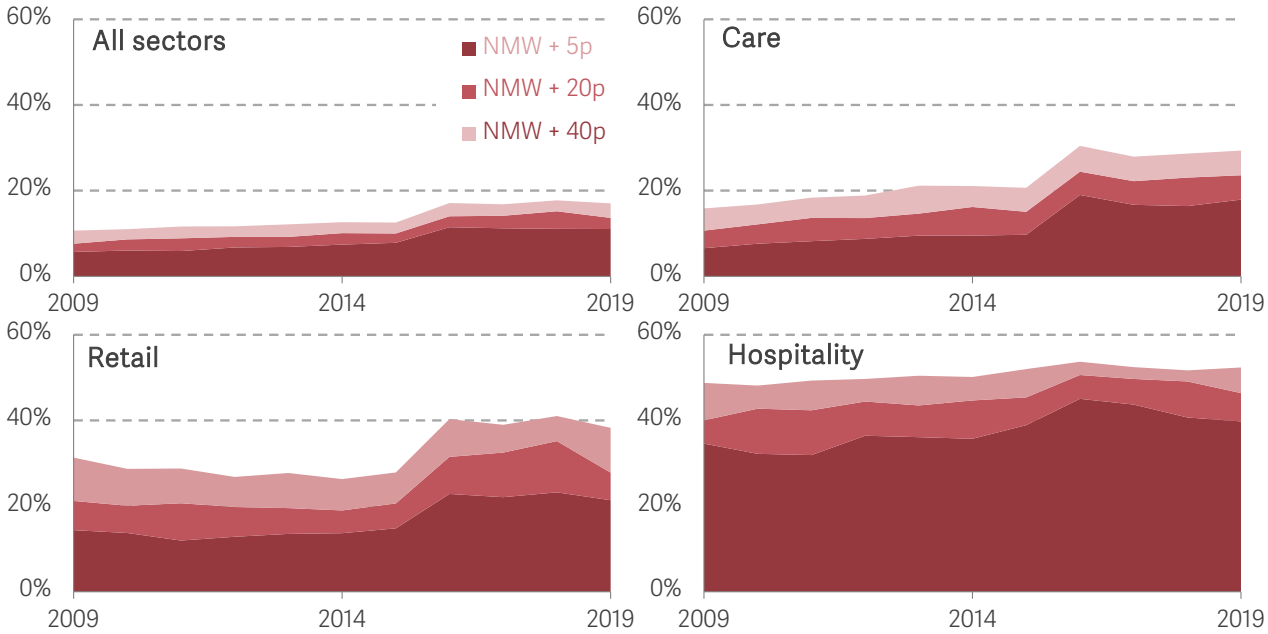
As minimum wage coverage increases, it becomes ever more important to understand what is happening to workers in minimum wage jobs and how they transition (or don't) to better paid jobs. One concern has been that a rising wage floor leads to ever-increasing wage compression and the erosion of pay differentials between occupation levels (for example, between retail assistants and retail supervisors). This might in turn have negative implications for workers' rates of job progression, if their incentive to move into higher-level occupations falls.

First, then, how significant is wage compression at the bottom of the labour market, and is it growing? Figure 36 shows the proportion of workers earning at the adult minimum wage (plus 5p), and in small bands above the minimum wage (5-20p above, 20-40p above). The sample is restricted to workers age 25 and above. In line with the headline figure on minimum wage coverage, the proportion of workers on the wage floor has been trending upwards, and increases sharply in 2016. But since then coverage has been flat, as has the proportion of workers earning just above the wage floor. It's not the case that workers stopped gathering on the wage floor after 2016 but gathered just above it instead –

coverage at and just above the wage floor has been flat since 2016. This is also true in the lowest paying sectors – the figure shows the care, retail, and hospitality sectors.

FIGURE 36: **Wage compression at the bottom of the labour market did not increase between 2016 and 2019**

Proportion of workers by hourly pay in relation to the adult minimum wage, by sector: GB

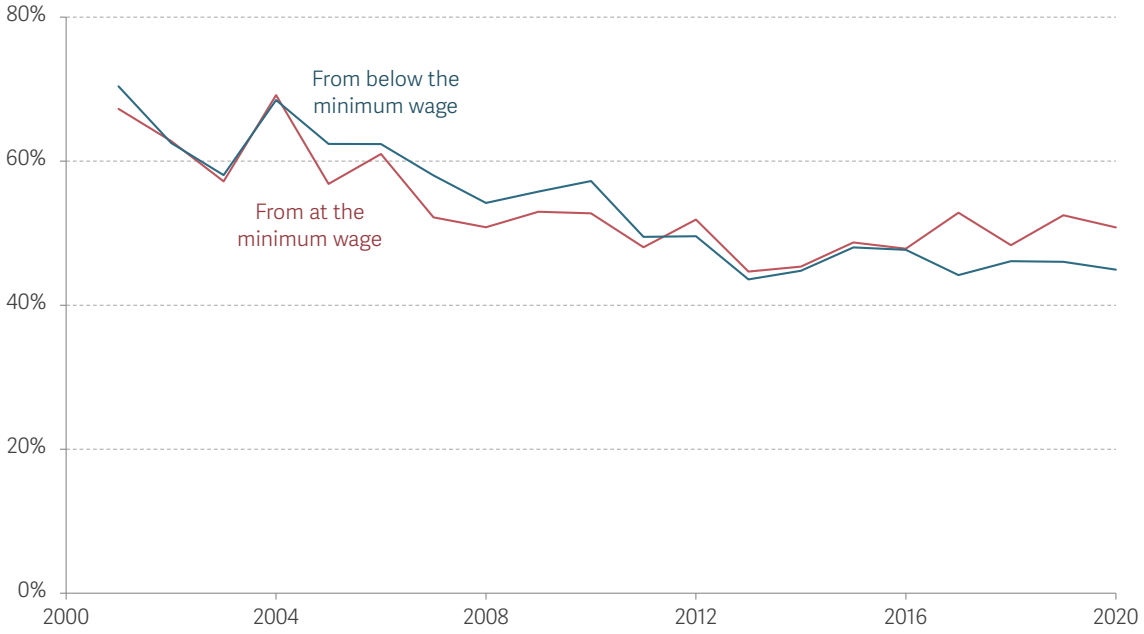


NOTES: 'NMW' refers to the main adult-rate minimum wage, but the sample is all workers – meaning younger workers are included, some of whom will be paid below the adult rate but above the youth-specific rate.
SOURCE: Analysis of ONS, ASHE.

What about progression rates off the minimum wage? Over the long-term, rates of progression off the minimum wage have fallen. Figure 37 shows that at the introduction of the minimum wage around 70 per cent of workers on the minimum wage would find themselves in a job paying above the minimum wage the following year. This figure now lies at less than 50 per cent. But again, it's notable that that this not a problem which has got 'worse' in the NLW era. The reduction in the progression rate occurred prior to, during and just following the financial crisis rather than in the more recent NLW era, since when the wage floor has risen faster.

FIGURE 37: **The percentage of workers transitioning out of minimum wage jobs has fallen considerably since introduction**

Proportions of workers transitioning out of minimum wage jobs: GB



SOURCE: Analysis of ONS, ASHE

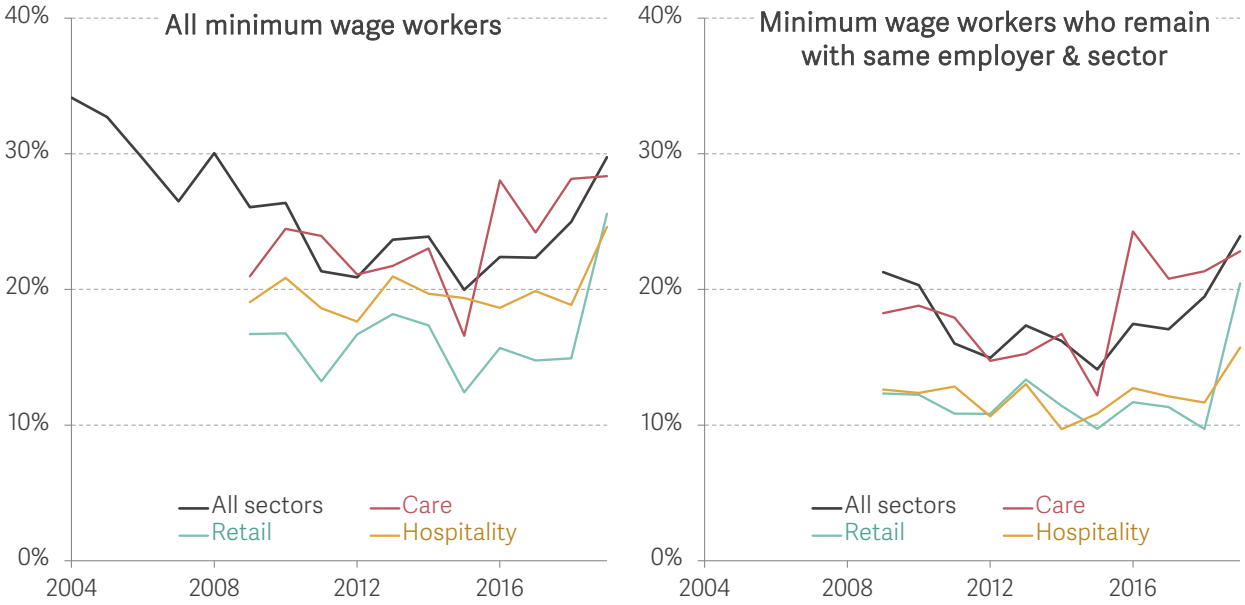
Encouragingly, this is true even if we focus on low paying sectors, and even if we focus on workers staying with the same employer. Figure 38 sets out a slightly different progression measure – the proportion of workers on the minimum wage who in the following year earn at least 50p more than that year's minimum. The trend is the same as with the broader progression measure, trending downwards but then flat and even rising after 2016. And this appears to be consistently true overall as well as in low paying sectors, and also for workers who don't change employer.

The reason this last point is notable is that the strongest predictor of moving into a job above the MW the following year is switching either occupation or industry: switching industry is associated with a 20% reduction in the probability of staying in a MW job year-to-year, while switching occupation is associated with a 15% reduction.[15] This means we might expect problems of faltering progression to most affect those workers who don't change sector – so it's encouraging that we don't find that.

15 The results of a regression analysis on the factors associated with a worker remaining on the minimum wage in two successive years are as follows (for each predictor, the coefficient is listed, followed by the standard error). Age 0.00980*** (0.000748); Age^2 -0.0000654*** (0.00000892); Male 0.0394*** (0.00435); Part Time 0.0929*** (0.00421) Occupation Switcher -0.147*** (0.00579), Industry Switcher -0.198*** (0.00575). The stars indicate the coefficient is significantly different from zero with the following probability: three stars: 99 per cent; two stars: 95 per cent; one star: 90 per cent.

FIGURE 38: **The minimum wage 'escape' rate has been rising since 2016, even in low paying sectors, and even among workers who stay with the same employer**

Proportion of workers (age 25+) on the minimum wage who in the following year are earning at least 50p more than that year's minimum wage: GB

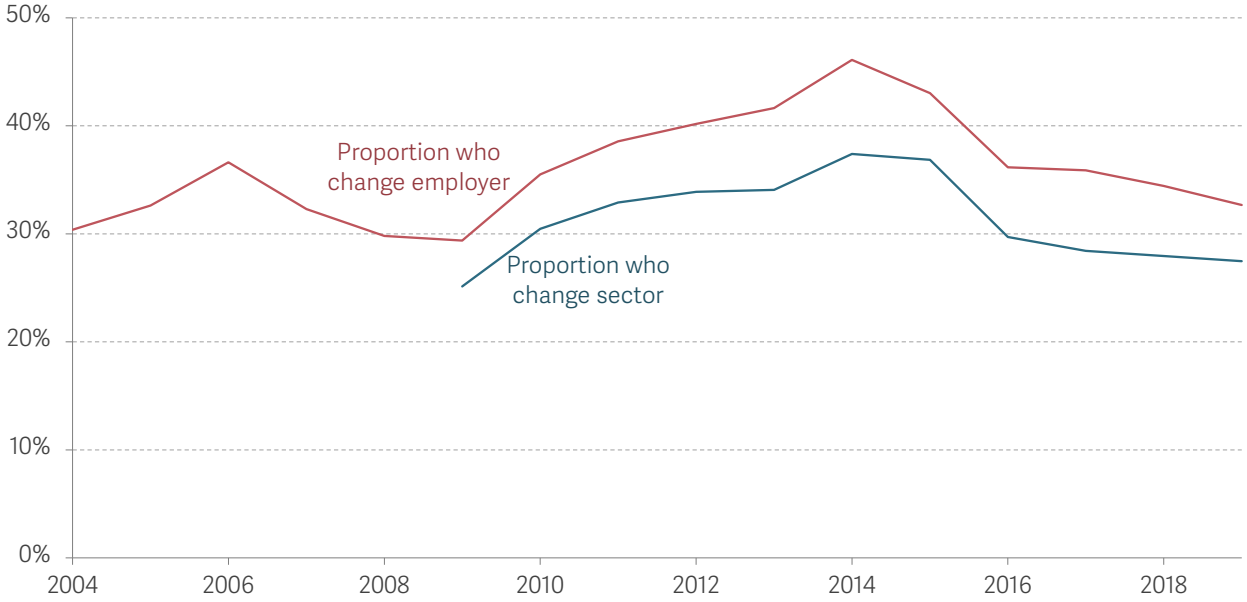


NOTES: Sector refers to starting sector.
SOURCE: Analysis of ONS, ASHE.

To reiterate this point, Figure 39 plots the proportion of workers who do escape the minimum wage that do by either changing employer, or changing sector. Again, if there were worsening progression problems, we might expect workers to increasingly have to change employer to find a higher paying job. But the proportion of minimum wage 'escapers' who are changing employer or sector has been broadly flat, and actually trending downward since 2016.

FIGURE 39: **There is no sign that workers who 'escape' the minimum wage are relying more on switching employer or sector to do so**

Proportion of minimum wage escapers (defined as earning at least 50p more than the following year's minimum wage) who also switched employer or sector: GB



NOTES: Sector is measured at the SIC division level. Employer moves are measured based on the individual's employer reference number changing (or not).
SOURCE: Analysis of ONS, ASHE.

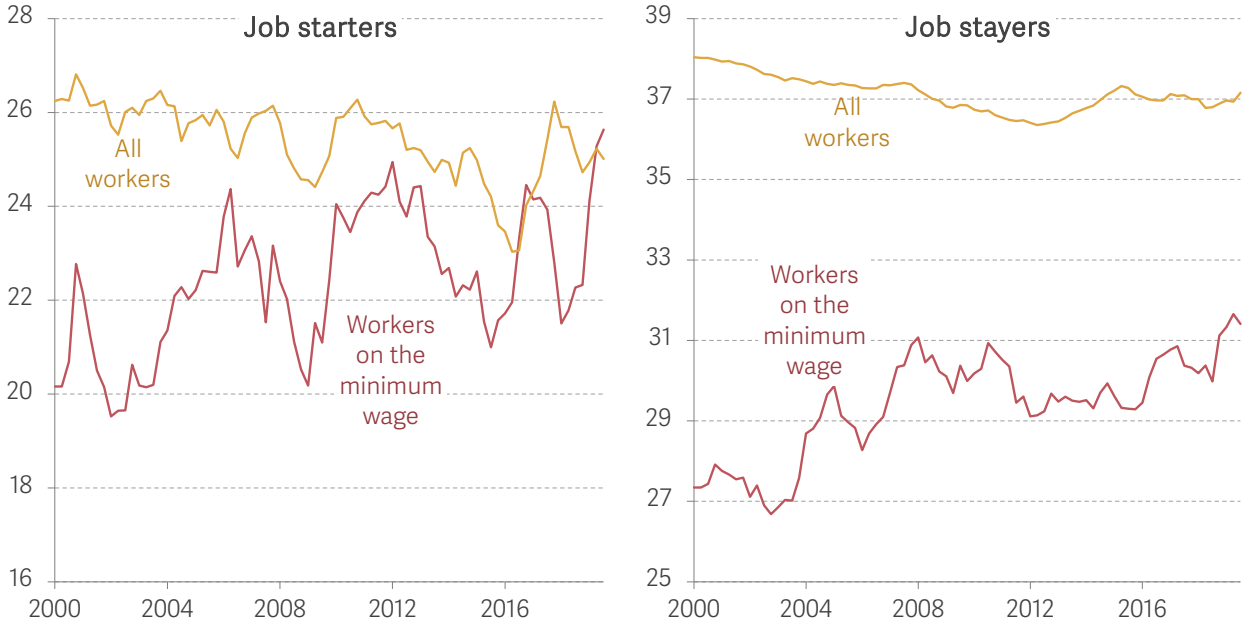
This result is in keeping with the weight of evidence on the minimum wage in the UK – it has pushed up pay, and there is little sign of negative side effects

While impacts on wage growth for those experiencing low pay are important, they are only part of the story, and for a proper evaluation of MW policy it's important to consider other margins of adjustment. There exists a rich literature on the impacts of wage floors in the UK. A large quantity of evidence, both old and new, has generally found no impacts on both headcount and hours employment.[16] In line with the academic literature, average hours worked by job starters and stayers in minimum wage positions have been trending upwards over the past 20 years, and are converging with workers in higher paying jobs. This is true for both minimum wage workers who have entered employment, and those who are staying in minimum wage jobs. This is shown in Figure 40.

16 R. Dickens, S. Machin, A. Manning, The Effects of Minimum Wages on Employment: Theory and Evidence from Britain, Journal of Labor Economics, 1999; S. Machin, A. Manning and L. Rahman, Where the Minimum Wage Bites Hard: Introduction of Minimum Wages to a Low Wage Sector, Journal of the European Economic Association, 2003; R. Dickens, R. Riley and D. Wilkinson, The UK minimum wage at 22 years of age: a regression discontinuity approach, Journal of the Royal Statistical Society, 2014; N. Datta, S. Machin, Living wages and age discontinuities for low-wage workers, CEP Discussion Paper, 2021; G.Giuponni, S. Machin, Minimum Wages and the Wage Policy of Firms, CEP Discussion Paper, 2021.

FIGURE 40: **Average hours worked among workers on the minimum wage have been trending upwards over the past 20 years**

Average hours worked for job stayers and starters by minimum wage status: UK, 1999-2019



NOTES: Transitions are defined between waves 1 and 5 of LFS, hence approximately a year between interviews. Non-employment state is defined as individuals in unemployment or inactivity. An individual is considered a job starter if transitioning from non-employment to employment between waves. Average hours are measured in usual hours in wave 5.
SOURCE: Analysis of Longitudinal LFS 5Q.

Furthermore, literature on other margins of adjustment shows negligible impacts on producer and consumer prices[17] and negative impacts on firm profits[18]. Combined with the positive wage effects, the existing set of evidence points to a benign aggregate impact of the minimum wage, and suggests raising it is likely to continue delivering more of the same.

Two pieces of recent work, however, suggest some caution should be taken. Firstly, in arguably the UK's most exposed industry, the social care sector, where there exists an implicit price cap for most residents due to government funding, there is evidence the introduction of the NLW increased the proportion of the workers on ZHCs, especially in the domiciliary care sector, thus increasing insecurity.[19] Secondly, in a study exploiting the introduction of the Living Wage Foundation's real Living Wage (calculated using a basket of goods and services and marketed as the "true" living wage) Datta and Machin found

17 M. Draca et al, The Impact of the National Minimum Wage on Profits and Prices, Research Report for the Low Pay Commission, 2005; J. Wadsworth, Did the National Minimum Wage Affect UK Prices?, 2010; Frontier Economics, Estimating The Impact of Minimum Wages on Prices, Research Report for the Low Pay Commission, 2020.
18 M. Draca et al, Minimum Wages and Firm Profitability, American Economic Journal: Applied Economics, 2011; B. Bell and S. Machin, Minimum Wages and Firm Value, Journal of Labor Economics, 2018.
19 N. Datta, G. Giupponi, S. Machin, Zero-hours contracts and labour market policy, Economic Policy, July 2019.

that establishments responded to increases by shifting hours away from younger to older workers.[20] While this redistribution of hours does not affect aggregate hours worked, it does suggest that there may be heterogenous effects of minimum wages amongst the low paid, and thus there may be some "winners" and "losers" of a higher minimum wage.

The minimum wage is increasingly determining wage growth for those on the wage floor – but this is partly a symptom of weak overall wage growth

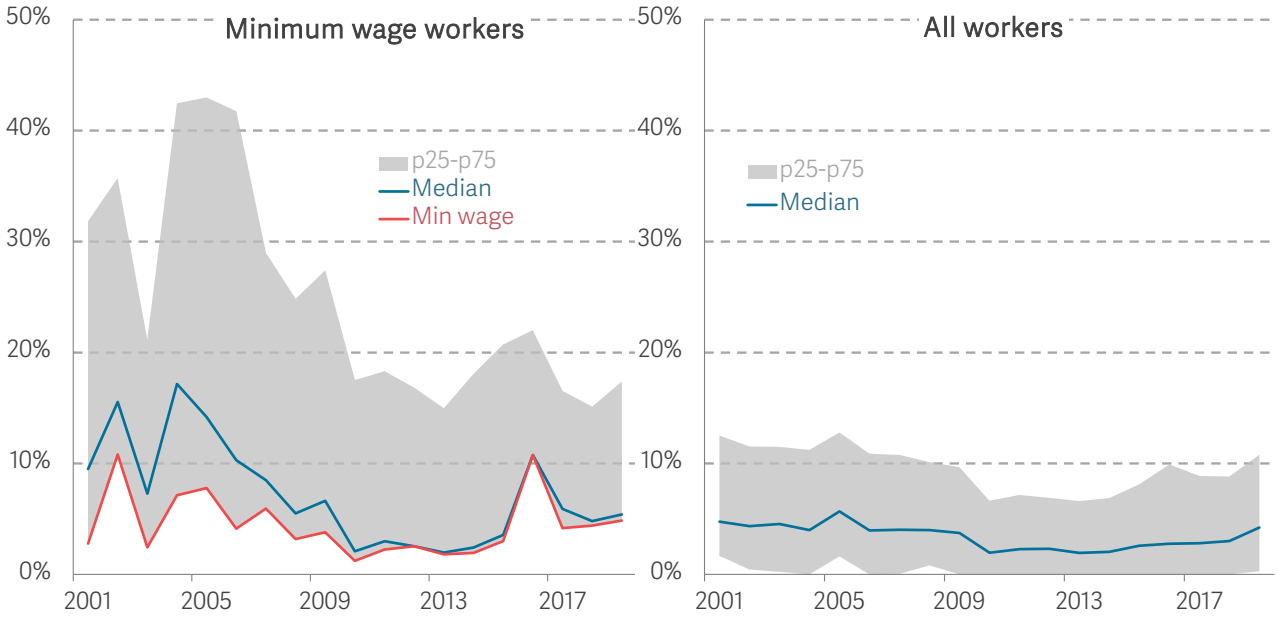
Despite the large increases in the wage floor, the main culprit for the increase in those in MW jobs is not the NMW itself, but rather slow wage growth for the past fourteen years. Figure 41 exemplifies this issue. The left-hand panel shows that median year-on-year wage growth across all workers averaged approximately 4.5% between 2000 and 2008. Since the Great Recession however this has averaged approximately 2.6% and has stayed relatively stable aside from a slight uptick in 2019. The right-hand panel shows that the equivalent figures for MW workers are 11% before the Great Recession, and 4.5% since. Thus, average wage growth for the median worker is approximately 6.5 percentage points lower than the first half of the decade. Furthermore, the right-hand panel suggests this difference would be considerably lower without the introduction of the NLW, which has ensured faster wage growth for the average minimum wage worker. By just examining the period between 2009 and 2015, the data suggest that wage growth for minimum wage workers could have fallen by a further 3 percentage points were it not for the NLW introduction.

The above patterns become even more striking when looking at the impacts on wage growth at the top of the wage growth distribution. Before the Great Recession the 75th percentile of wage growth for all workers stood around 11% year-on-year, and since 2009, has dropped to about 8%. The equivalent figures for minimum wage workers are 34% and 18% respectively.

20 N. Datta, S. Machin, Living wages and age discontinuities for low-wage workers, CEP Discussion Paper, 2021.

FIGURE 41: **Nominal wage growth has slowed for all workers but has slowed comparatively more for minimum wage workers**

The wage growth distribution for minimum wage workers, and all workers: GB



SOURCE: Analysis of ASHE

BOX 3: **Transitions between minimum wage and solo self-employment**

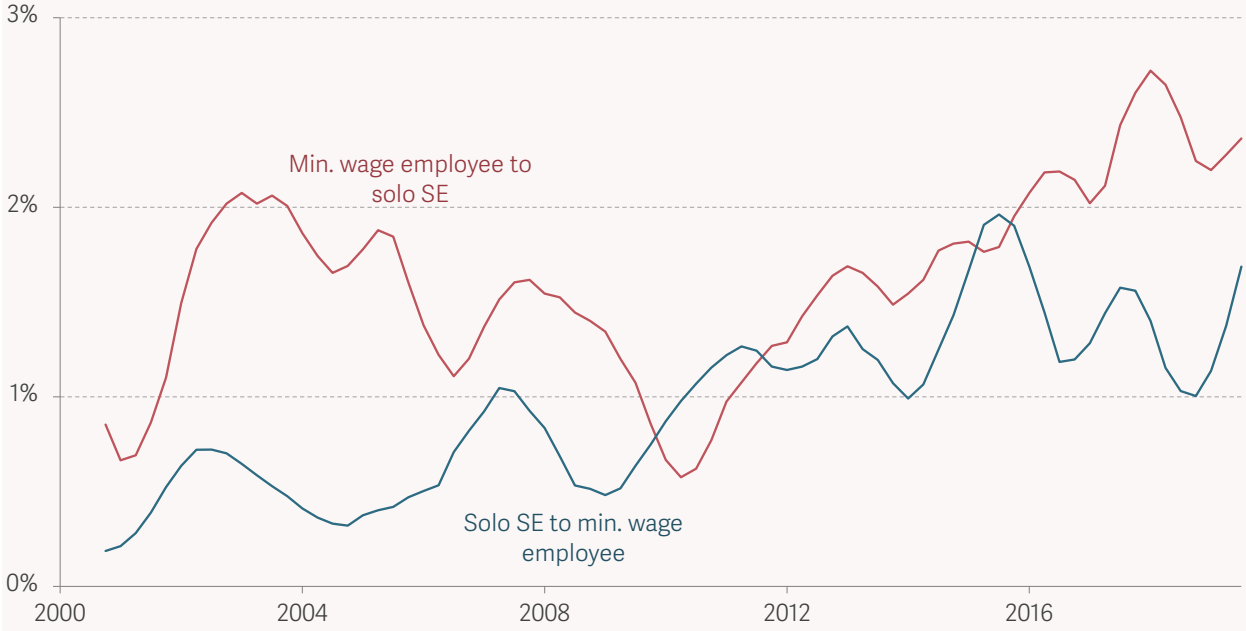
As documented in Section 2, a considerable share of solo self-employed individuals earns similar or lower hourly and weekly rates than minimum wage employees. In fact, once the rises in both the share of solo self-employed in the UK labour market (Figure 13: The rise in solo-self-employment in the UK is uncommon in Europe – in most countries solo self-employment has been flat or falling as a share of employment over the past 20 years) and the share of solo self-employed in low pay is considered (Figure 11: 1 in 5 workers in low hourly pay are self-employed – this share has been rising for 20 years), it is plausible to assume that the solo self-employed and minimum wage workers are increasingly working in similar segments of the UK labour market.

To understand the interplay between solo self-employed and minimum wage workers, Figure 42 looks at the transition rate between these employment states. The overall levels of transition are low - over the period 1999 to 2019, on average, around 2% of minimum wage workers changed to solo self-employment and around 1% of solo self-employed workers moved to minimum wage jobs in the space of a year. However, both transitions

have seen a steady increase in the aftermath of the Great Financial Crisis which aligns with the increase of solo self-employed workers reporting low-paid earnings. This reinforces the abovementioned premise that these two groups of workers are increasingly acting in the same labour markets.

FIGURE 42: **Since the Great Financial Crisis switching between solo self-employment and minimum wage jobs has increased**

Transition probabilities between solo self-employment and minimum wage jobs 1999-2019



NOTES: Transitions are defined between waves 1 and 5 of LFS, hence approximately a year between interviews. Data shown are four-quarter rolling averages.
SOURCE: Analysis of Longitudinal LFS 5Q.

Another question is whether moving to solo self-employment in order to supply hours more flexibly and overcome under-employment is a driver of transitions (Figure 26). Figure 40 already demonstrated that, in aggregate, hours worked for minimum wage job starters have been trending up since the introduction of the minimum wage in the UK hence making the previous hypothesis unlikely.

We can also look at how workers' hours change when they make these switches. Generally, workers hours don't change – on average. But we find that during the financial crisis, workers moving from minimum wage jobs to solo self-employment experienced (on average) a significant drop in hours worked, suggesting this group of minimum wage workers who moved to solo self-employment during the crisis may have been doing so in order to avoid full unemployment.

Section 6

Conclusion

This report has shown the dramatic changes in the low pay landscape brought about by an ambitious minimum wage policy. The proportion of employees in low hourly pay (defined as earning below two-thirds of the median) stands at 13 per cent, its lowest level since 1975. With the minimum wage still on a fast upward trajectory, low hourly pay should continue to fall, likely to below OECD-average levels. The overall evidence continues to suggest that this progress has not come at the expense of employment among the low paid, and we find that another potential concern – of wage compression at the bottom causing minimum wage workers becoming stuck in their jobs – does not seem to have worsened since 2016.

But there has been less progress on low weekly pay and low pay among the self-employed, where the minimum wage has a less direct impact. And we have also argued that low pay is only one part of what matters at work; security is also important (along with other dimensions of job quality – this report has focused on security). And these are areas where there has been much less action from the Government – its Employment Bill which should address some of these issues has been pushed back again.

A policy agenda for low paid workers in the 2020s should expand beyond the minimum wage to include these other areas. These are the new frontiers for tackling low pay – low weekly pay, the self-employed, and insecurity. In the rest of this conclusion section we summarise our previous policy recommendations in these areas, and point to where new policies are needed. We will follow up with more detailed policy proposals later this year as part of the Interim Report and second phase of the Economy 2030 Inquiry.

The UK should continue its ambitious minimum wage policy

While reaching into new areas, the core of low pay policy should remain the same – a rising hourly wage floor. The current remit for the Low Pay Commission, which includes the target that the adult minimum wage reach two-thirds of median hourly pay among the age group covered, and lowering the age range of the 'National Living Wage' to 2021

runs up until 2024. That means that a decision about the future remit will be taken in the next year or so.

Assuming those targets are successfully reached, the next remit should take a similar form to the current one – a higher target, linked to median hourly pay, alongside the Low Pay Commission's usual role of monitoring economic conditions and gathering evidence on negative side effects.

Expanding low pay policy to include the self-employed and low weekly pay

As set out up, raising the minimum wage has its limitations, even on pay. It has had a relatively muted impact on the incidence of low weekly pay, and has no direct impact on low pay among the self-employed, whose share of the low paid workforce has risen rapidly. Policy should broaden its focus to include these groups.

Policy responses for these groups will be hard, because the Government doesn't have a direct policy lever to pull in the way that it does with the hourly wage floor. But there are still things it can do. Policy responses are likely to fall into the following groups (note these are only the outlines of policy responses, we will be following up with a detailed policy paper this year, in the second phase of the Economy 2030 Inquiry).

Self-employed low pay

More self-employed workers should be brought into the scope of the minimum wage. There are two ways of achieving this.

- Creating a clearer test of the worker/self-employment boundary so that those who are truly 'workers' (and entitled to the minimum wage) can more easily secure that status. Currently, this is happening via court cases (for example in the case of Uber and Pimlico Plumbers) and only on a firm-by-firm basis. The May Government said it intended to do this.[21]
- Removing the tax incentive to use self-employed labour instead of taking on employees. This means self-employed workers should pay the same National Insurance Contributions as employees.

In addition, we have previously argued that the minimum wage could apply to the self-employed who don't set their own prices, even if their employment relationship doesn't rise to the level of 'worker' status.[22] This could resemble the piecework test within minimum wage legislation, where prices for work done are set such that someone working at an 'average' pace earns at least the minimum wage.

21 HM Government, Good work: A Response to the Taylor Review of Modern Working Practices, February 2018.
22 See: C D'Arcy, The minimum required? Minimum wages and self-employment, Resolution Foundation, July 2017.

Low weekly pay

Efforts to tackle low weekly pay will likely cover three areas:

- Removing barriers to working more hours. Given low weekly paid group is concentrated among women, the affordability and availability of childcare is an obvious place to start.
- Improving work incentives. In Universal Credit there is no work allowance for second earners, meaning benefits are withdrawn with the first pound earned. This creates a very high marginal tax rate for second earners on low hours.
- Improving the availability of hours. This does not have straightforward policy solutions. We have previously recommended that workers have a right to request more hours, and the employer an obligation to consider the request.[23] But a 'right to request' is clearly not a strong protection. In some parts of the US, local policy makers have brought in a requirement for some sectors that firms looking to hire need to first offer greater hours to existing workers. This is an idea worth exploring for the UK.

Going beyond pay – improving job security for low paid workers

The other area where policy makers should raise their ambitions is on the quality of work. This naturally covers a range of areas, in this report we have focused on the question of security. We have written about this subject before, and our recommendations have been as follows.[24]

- Job security: Return the qualifying period for unfair dismissal rights to one year.
- Hours / pay volatility: Workers should have a right to a stable contract where the actual pattern of their hours reflects this. Ireland brought in a similar measure in 2019.
- Hours insufficiency: As above, our recommendation has been that workers have a right to request more hours; but this may need strengthening.

Finally, there are a set of broader policies which would be beneficial to low paid workers, including stronger enforcement of existing employment rights, and the promotion of worker power.[25] We will go into all of the above policy areas in more detail in a future report.

23 See: T Bell, N Cominetti & H Slaughter, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.
24 See: T Bell, N Cominetti & H Slaughter, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.
25 We are publishing a report on worker power as part of the Economy 2030 Inquiry next month (June 2022).

Appendix

Employees in low pay data table

TABLE 1: **Low pay in April 2021 among employees, on different measures.**

	Below 2/3 median hourly pay			Near or below NLW			Below Living Wage			Below 2/3 median weekly pay		
	Number (000s)	% of all below threshold	% in group below threshold	Number (000s)	% of all below threshold	% in group below threshold	Number (000s)	% of all below threshold	% in group below threshold	Number (000s)	% of all below threshold	% in group below threshold
All employees	3,530	100%	13%	2,010	100%	8%	4540	100%	17%	6,735	100%	26%
Sex												
Men	1,465	42%	11%	845	42%	6%	1830	40%	14%	1,980	29%	15%
Women	2,060	58%	15%	1,165	58%	9%	2710	60%	20%	4,755	71%	36%
Age group												
16-20	680	20%	63%	210	11%	19%	770	17%	71%	815	13%	81%
21-24	485	14%	26%	150	8%	14%	305	7%	28%	625	10%	35%
25-30	425	12%	11%	305	16%	8%	610	14%	16%	645	10%	18%
31-35	305	9%	9%	215	11%	6%	440	10%	13%	600	9%	19%
36-40	290	8%	9%	205	11%	6%	415	9%	13%	630	10%	20%
41-45	250	7%	8%	180	9%	6%	370	8%	12%	590	9%	20%
46-50	265	8%	8%	180	9%	6%	395	9%	12%	640	10%	21%
51-55	260	8%	9%	185	9%	6%	405	9%	13%	665	10%	22%
56-60	265	8%	10%	175	9%	7%	405	9%	16%	680	11%	27%
61-65	200	6%	13%	130	7%	9%	285	7%	19%	520	8%	36%
Region												
North East	160	5%	16%	95	5%	10%	190	4%	20%	275	4%	29%
North West	445	13%	15%	255	13%	9%	535	12%	19%	770	11%	27%
Yorkshire and The Humber	345	10%	15%	195	10%	9%	405	9%	19%	600	9%	28%
East Midlands	315	9%	16%	175	9%	9%	380	8%	21%	510	8%	28%
West Midlands	360	10%	16%	210	10%	9%	425	9%	19%	575	9%	26%
South West	355	10%	15%	195	10%	8%	435	10%	19%	680	10%	29%
East	325	9%	13%	170	9%	7%	395	9%	16%	695	10%	28%
London	325	9%	8%	205	10%	5%	680	15%	17%	705	10%	18%
South East	455	13%	11%	240	12%	6%	535	12%	13%	1,000	15%	25%
Wales	175	5%	14%	105	5%	8%	225	5%	18%	350	5%	29%
Scotland	270	8%	11%	160	8%	7%	335	7%	15%	585	9%	26%
City region												
Manchester	165	10%	16%	95	10%	10%	195	9%	19%	270	9%	27%
Birmingham	155	9%	15%	95	10%	10%	175	8%	18%	235	8%	24%
Liverpool	80	5%	13%	40	4%	7%	105	5%	17%	150	5%	25%
Leeds	150	9%	14%	85	9%	8%	180	8%	17%	280	9%	27%
Sheffield	105	6%	17%	60	6%	10%	115	5%	20%	165	6%	28%
Newcastle	120	7%	16%	70	7%	10%	140	6%	20%	200	7%	28%
Nottingham	65	4%	16%	35	4%	10%	85	4%	22%	115	4%	30%
Bristol	70	4%	12%	35	4%	6%	90	4%	15%	140	5%	25%
Glasgow	85	5%	11%	50	5%	7%	105	5%	14%	190	6%	25%
Cardiff	80	5%	12%	45	5%	7%	105	5%	17%	165	6%	27%
Tees Valley	40	2%	16%	25	3%	11%	50	2%	21%	75	2%	30%
London	325	20%	8%	205	21%	5%	675	30%	17%	630	21%	17%
East Anglia	125	8%	13%	65	7%	7%	150	7%	16%	215	7%	25%
Greater Lincolnshire	75	5%	18%	40	4%	10%	90	4%	22%	110	4%	30%
Occupation												
Professional	105	3%	4%	70	3%	2%	150	3%	5%	270	4%	10%
Associate prof. & technical	60	2%	1%	25	1%	0%	90	2%	1%	515	8%	8%
Managers & senior officials	155	4%	4%	75	4%	2%	205	5%	5%	475	7%	11%
Admin & secretarial	340	10%	11%	200	10%	7%	470	10%	15%	1,080	16%	35%
Skilled trades	305	9%	17%	175	9%	10%	340	8%	20%	295	4%	18%
Process & machinery ops.	570	16%	22%	285	14%	11%	780	17%	31%	1,305	19%	53%
Personal services	620	18%	29%	345	17%	17%	850	19%	43%	1,140	17%	59%
Sales & customer service	240	7%	18%	155	8%	12%	320	7%	24%	215	3%	17%
Elementary	1,140	32%	42%	680	34%	26%	1335	29%	51%	1,440	21%	55%

Reports published as part of The Economy 2030 Inquiry to date

All publications are available on the Inquiry's website.

1. The UK's decisive decade: The launch report of The Economy 2030 Inquiry
2. Levelling up and down Britain: How the labour market recovery varies across the country
3. Work experiences: Changes in the subjective experience of work
4. The Carbon Crunch: Turning targets into delivery
5. Trading places: Brexit and the path to longer-term improvements in living standards
6. Home is where the heat (pump) is: The Government's Heat and Buildings Strategy is a welcome step forward but lower-income households will need more support
7. Business time: How ready are UK firms for the decisive decade?
8. Begin again?: Assessing the permanent implications of Covid-19 for the UK's labour market
9. More trade from a land down under: The significance of trade agreements with Australia and New Zealand
10. Social mobility in the time of Covid: Assessing the social mobility implications of Covid-19
11. Changing jobs? Change in the UK labour market and the role of worker mobility
12. Social Insecurity: Assessing trends in social security to prepare for the decade of change ahead
13. A presage to India: Assessing the UK's new Indo-Pacific trade focus
14. Under pressure: Managing fiscal pressures in the 2020s
15. Under new management: How immigration policy will, and won't, affect the UK's path to becoming a high-wage, high-productivity economy

16. Shrinking footprints: The impacts of the net zero transition on households and consumption
17. Enduring strengths: Analysing the UK's current and potential economic strengths, and what they mean for its economic strategy, at the start of the decisive decade
18. Listen up: Individual experiences of work, consumption and society
19. Growing clean: Identifying and investing in sustainable growth opportunities across the UK

THE ECONOMY 2030 INQUIRY

SHAPING A DECADE OF CHANGE

The UK is on the brink of a decade of huge economic change – from the Covid-19 recovery, to exiting the EU and transitioning towards a Net Zero future. The Economy 2030 Inquiry will examine this decisive decade for Britain, and set out a plan for how we can successfully navigate it.

The Inquiry is a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics. It is funded by the Nuffield Foundation.

For more information on The Economy 2030 Inquiry, visit economy2030.resolutionfoundation.org.

For more information on this report, contact:

Nye Cominetti
Senior Economist
nye.cominetti@resolutionfoundation.org

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