

7 November 2007

Coverage
United Kingdom
Theme
Labour Market

Low pay estimates

Spring 2007

The Annual Survey of Hours and Earnings (ASHE) estimates for spring 2007 show that:

- There were 292,000 jobs with pay less than the national minimum wage held by people aged 16 or over. This constitutes 1.2 per cent of the number of UK jobs.
- There were 16,000 jobs held by 16 to 17-year-olds (4.1 per cent of jobs held by those in this age group) with pay less than £3.30 per hour, 45,000 jobs held by 18 to 21-year-olds (2.5 per cent of jobs held by those in this age group) with pay less than £4.45 per hour and 231,000 jobs held by those aged 22 and over (1.0 per cent of jobs held by those in this age group) with pay less than £5.35 per hour.

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

People in part-time work were almost three times more likely than people in full-time work to be paid less than the minimum wage, with 2.1 per cent of part-time jobs and 0.8 per cent of full-time jobs falling below the minimum wage. Jobs held by women were more likely to pay less than the minimum wage than jobs held by men (1.4 per cent versus 0.9 per cent) but this was entirely due to the number of women holding part-time jobs.

Number of jobs (per cent of UK jobs) paid below the national minimum wage in the UK held by full-time/part-time workers and men/women

| | Men | | Women | | All jobs | |
|-----------|------|----------|-------|----------|----------|----------|
| | 000s | Per cent | 000s | Per cent | 000s | Per cent |
| Full-time | 83 | 0.7 | 61 | 0.8 | 145 | 0.8 |
| Part-time | 34 | 2.2 | 113 | 2.1 | 148 | 2.1 |
| All | 118 | 0.9 | 175 | 1.4 | 292 | 1.2 |

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Estimates for 2004-2007

The figures for 2007 show a decrease of 4,000 jobs with pay less than the national minimum wage compared with the estimates for 2006. Estimates for 2006 have been revised downwards by 40,000 jobs.

Number of jobs (per cent of UK jobs) paid below the national minimum wage in the UK

| | Jobs held by people aged 16-17 | | Jobs held by people aged 18-21 | | Jobs held by people aged 22 + | | All jobs | |
|--------------------------------|-----------------------------------|----------|-----------------------------------|----------|----------------------------------|----------|----------|----------|
| | 000s | Per cent | 000s | Per cent | 000s | Per cent | 000s | Per cent |
| Spring 2004¹ | | | 44 | 2.3 | 233 | 1.0 | 276 | 1.1 |
| Spring 2005² | 20 | 4.0 | 55 | 3.0 | 233 | 1.0 | 308 | 1.2 |
| Spring 2006³ | 14 | 3.8 | 44 | 2.3 | 238 | 1.0 | 296 | 1.2 |
| Spring 2007⁴ | 16 | 4.1 | 45 | 2.5 | 231 | 1.0 | 292 | 1.2 |

¹Rate is £3.80 per hour (aged 18-21) or £4.50 per hour (aged 22 and over).

²Rate is £3.00 per hour (aged 16-17) or £4.10 per hour (aged 18-21) or £4.85 per hour (aged 22 and over).

³Rate is £3.00 per hour (aged 16-17) or £4.25 per hour (aged 18-21) or £5.05 per hour (aged 22 and over).

⁴Rate is £3.30 per hour (aged 16-17) or £4.45 per hour (aged 18-21) or £5.35 per hour (aged 22 and over).

Estimates for 1998-2003

For years prior to 2004, the survey did not include additional samples introduced to improve the ASHE coverage. Therefore to yield the best available low pay estimate, the ASHE-based estimate must be combined with the LFS. Estimates for 1998 to 2003 provided by the central estimate of the ASHE and LFS are given below.

Number of jobs (per cent of UK jobs) paid below the national minimum wage in the UK¹

| | Jobs held by people aged 18-21 | | Jobs held by people aged 22 + | | All jobs | |
|--------------------------------|-----------------------------------|----------|----------------------------------|----------|----------|----------|
| | 000s | Per cent | 000s | Per cent | 000s | Per cent |
| Spring 1998² | 110 | 7.2 | 1170 | 5.4 | 1280 | 5.6 |
| Spring 1999³ | 40 | 2.4 | 460 | 2.1 | 490 | 2.1 |
| Spring 2000³ | 30 | 2.2 | 190 | 0.9 | 230 | 1.0 |
| Spring 2001⁴ | 40 | 2.1 | 210 | 0.9 | 240 | 1.0 |
| Spring 2002⁵ | 50 | 2.7 | 290 | 1.3 | 340 | 1.4 |
| Spring 2003⁶ | 40 | 2.3 | 210 | 0.9 | 250 | 1.0 |

¹Estimates for 1998 to 2003 are based on a central estimate of the LFS and ASHE.

²Figures for Spring 1998, before the national minimum wage was introduced, are for the number of jobs paid at less than £3.00 per hour (aged 18-21) or £3.60 per hour (aged 22 and over).

³Rate is £3.00 per hour (aged 18-21) or £3.60 per hour (aged 22 and over).

⁴Rate is £3.20 per hour (aged 18-21) or £3.70 per hour (aged 22 and over).

⁵Rate is £3.50 per hour (aged 18-21) or £4.10 per hour (aged 22 and over).

⁶Rate is £3.60 per hour (aged 18-21) or £4.20 per hour (aged 22 and over).

Although the low pay estimates attempt to measure the number of jobs that are paid below the national minimum wage, it should be noted that the estimates cannot be used as a measure of non-compliance with the legislation. This is because it is not possible to determine from the survey data whether an individual is eligible for the minimum wage. For example, it is not possible to identify people such as apprentices and those undergoing training, who are exempt from the minimum wage rate or are entitled to lower rates. If employees receive free accommodation, employers are entitled to offset hourly rates.

BACKGROUND NOTES

Survey details

1. The estimates for 2004-2007 have been produced using the Annual Survey of Hours and Earnings (ASHE) which replaced the New Earnings Survey (NES) in 2004.
2. The ASHE methodology includes imputation of missing earnings and hours information and weighting according to categories defined by age group, gender, region and occupation. From 2004 the ASHE also includes employees who have either moved jobs or entered the labour market between February, when the main ASHE sample is identified from HM Revenue & Customs records, and April, when the survey is conducted. NES datasets for 1997-2003 have been reworked using the ASHE methodology, but do not include the additional samples.
3. For 1998-2003, estimates have been provided of the central estimate of the ASHE and LFS estimates as the best available indication of the number of jobs paid less than the minimum wage. This is because the ASHE cannot stand alone as the source for low pay estimates without the additional samples introduced in 2004 to improve its coverage. For comparison, a central estimate for 2004 of the LFS and the ASHE excluding the additional samples would indicate that 270,000 jobs (1.1 per cent) were paid below the minimum wage. This consists of 40,000 jobs (2.3 per cent) held by people aged 18 to 21, and 230,000 jobs (1.0 per cent) held by people aged 22 and over. The overall LFS estimate of jobs paid below the minimum wage by those aged 18 and over is 290,000 (1.2 per cent).
4. This release gives only estimates of the total number of jobs paid below the national minimum wage by sex or age band. More detailed estimates, including analyses by occupation, industry and regions, are given for 1998 to 2007 on the website at:
http://www.statistics.gov.uk/downloads/theme_labour/jobs_below.xls, with the distribution by 10p bands given at:
http://www.statistics.gov.uk/downloads/theme_labour/10pbands.xls
5. The new ASHE methodology allows publication of more detailed estimates than previously published. ASHE estimates can be published as long as the coefficient of variation (the ratio of the standard error of an estimate to the estimate) is 20 per cent or less and the estimate is not disclosive. As a further improvement, ONS has introduced an indication of the quality of estimates based on their coefficient of variation, summarised in the key that appears with the disaggregated tables.

6. The coefficients of variation for the 2006 ASHE estimates given above are shown in the following table.

Coefficients of variation for estimates of UK jobs paid below national minimum wage in Spring 2007

| | Estimate (000s) | Coefficient of variation (per cent) |
|--------------------------|-----------------|--|
| 16-17 years | 16 | 13.4 |
| 18-21 years | 45 | 7.6 |
| 22 years and over | 231 | 2.8 |
| All over 16 years | 292 | 2.6 |

Revisions

7. Estimates for 2006 have been revised downwards by 40,000 jobs. Most of this revision comes from the 22 years and over age group and much of this is explained by information from HM Revenue & Customs on employees where age information was missing in 2006.
8. Until 2007, if there was no information available from HMRC on the age of the employee, the ASHE system imputed an age of 25. For 2006, HM Revenue & Customs now have age information on most of these employees and many of them were in the 16 to 17-year-old age group. This resulted in the National Minimum Wage rate for the 22 and over age group being applied to these 16 to 17-year-olds employees.

National minimum wage rates

9. UK legislation covering minimum wage rates for employees over the age of 18 was introduced on 1 April 1999. In October 2004 a national minimum rate was introduced for 16 to 17-year-olds. Since their introduction the national minimum wage rates have been regularly reviewed. Details of the different wage rate levels are given in the following table.

National minimum wage hourly rates: April 1999 - October 2007

| | 16-17 | 18-21 | 22 and over |
|-------------------------------|-------|-------|-------------|
| April 1999 - May 2000 | | £3.00 | £3.60 |
| June 2000 - September 2000 | | £3.20 | £3.60 |
| October 2000 - September 2001 | | £3.20 | £3.70 |
| October 2001 - September 2002 | | £3.50 | £4.10 |
| October 2002 - September 2003 | | £3.60 | £4.20 |
| October 2003 - September 2004 | | £3.80 | £4.50 |
| October 2004 - September 2005 | £3.00 | £4.10 | £4.85 |
| October 2005 - September 2006 | £3.00 | £4.25 | £5.05 |
| October 2006 - September 2007 | £3.30 | £4.45 | £5.35 |
| October 2007 - | £3.40 | £4.60 | £5.52 |

Release policy

10. Details of the policy governing the release of new data are available from the press office. Also available is a list of the names of those given pre-publication access to the contents of this release.

11. **National Statistics** are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. © Crown Copyright 2007.