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Employee earnings in the Northern Ireland labour market

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SUMMARY

This *Research InBrief* provides an overview of the latest data on employee earnings in Northern Ireland - on an hourly, weekly and annual basis. It also provides a breakdown of employee earnings by gender and employment arrangement.

This *Research InBrief* also presents data on the distribution of earnings on an hourly, weekly and annual basis.

There is considerable variation in employee earnings across different groups of workers. In particular, it is clear that low earnings are a considerable issue in the Northern Ireland labour market.

Whilst there has been an overall net increase in employee earnings over the year, these increases can be described as weak at best. There has been a widening in the hourly earnings gap between the highest and lowest paid workers. This is because those with the highest earnings saw larger increases in their hourly earnings over the year than those with low earnings. This however has not translated to increases in the gap in weekly or annual earnings.

KEY POINTS

- In April 2018:
 - Median gross hourly pay excluding overtime of all working age employees was £11.40.
 - Median gross weekly pay was £407.40 per week.
 - Median gross annual pay was £22,016.
- Employee earnings varied considerably by employment arrangement and gender.
 - In April 2018, the hourly earnings excluding overtime of male workers was £11.94 compared to £10.79 of female workers - representing an overall gender pay gap of 9.6% in favour of male workers.
 - Interestingly, however male workers employed on a part-time basis earned considerably less than female workers employed on a part-time basis. Furthermore, the full-time hourly earnings excluding overtime of male workers is lower than that of female workers.
 - This peculiarity in the data can be explained by, what has been termed, the 'part-time effect'.
- Adjusted for inflation median hourly earnings excluding overtime increased by 1.24%, whilst weekly earnings increased by slightly more at 1.45%.
- Those with higher earnings saw their earnings increase by more than those with low earnings.

An overview of employee earnings

Table 1 below provides an overview of the latest data on employee earnings - on an hourly, weekly and annual basis. It also provides a breakdown of employee earnings by gender and employment arrangement. In April 2018, median gross hourly pay excluding overtime of all working age employees was £11.40, median gross weekly pay was £407.40 per week and median gross annual pay £22,016.

On first glance, the data here in terms of gender looks peculiar. Male workers earn more than female workers on an overall basis, but when we look at the earnings for males and females based on whether the employment is full-time or part-time, we see in both cases that female workers have higher hourly earnings than male workers. This peculiarity in the data can be explained by, what has been termed, the 'part-time effect'. In other words, because females are

Table 1: Overview of employee earnings, 2018

	Hourly pay £	Weekly pay £	Annual pay £
All	11.40	407.4	22,016
Male	11.94	464.3	25,599
Female	10.79	334.1	18,060
Full-time	12.59	500	27,006
Part-time	8.92	175.5	10,038
Male Full-time	12.50	514.2	27,973
Male Part-time	8.50	157	9,559
Female Full-time	12.94	480	25,529
Female Part-time	9.03	181.5	10,243

Employee earnings varied considerably by employment arrangement and gender. In April 2018, the hourly earnings excluding overtime of male workers was £11.94 compared to £10.79 of female workers - representing an overall gender pay gap of 9.6% in favour of male workers. On a gross weekly basis, male workers (£464.30) earned considerably more than female workers (£334.10) - a gap of 28%. Full-time workers earned considerably more per hour than part-time workers - £12.59 versus £8.92. These lower hourly earnings, coupled with the lower number of working hours per week means that the weekly, and in turn the annual earnings of part-time workers are considerably lower than those of full-time workers. The average weekly earnings of part-time workers in 2018 was £175.50, compared to £500 for full-time workers.

Interestingly, although male workers earned more on average than female workers - male workers who are employed on a part-time basis earned considerably less than female workers employed on a part-time basis. Furthermore, at £12.50 the full-time hourly earnings excluding overtime of male workers is lower than that of female workers at £12.94 - a gender pay gap of 3.4% in favour of female workers.

much more likely than males to work part-time and because part-time workers earn less than full-time workers female workers earn less than male workers overall.

Distribution of employee earnings

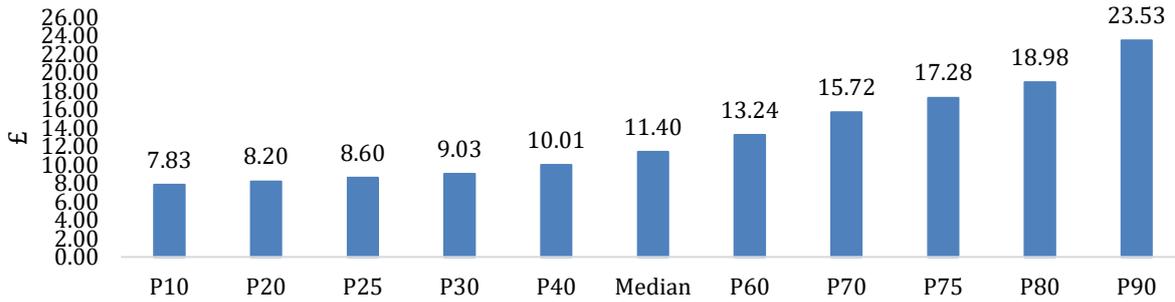
Assessments of median (hourly, weekly or annual) earnings offer an important way in which to summarise employee earnings via a single indicator. Median earnings measure the employment earnings for workers in the middle of the earnings distribution - i.e. 50% of workers earn more than this amount and 50% of workers earn below this amount. Employee earnings however vary considerably and some workers earning much less than the median wage and other workers earning much more.

The distribution of hourly employee earnings

To demonstrate the disparities in the distribution of hourly employee earnings Figure 1 illustrates disparities in hourly earnings across the earnings distribution. From this we see that in 2018:

- 10% of earned at or below £7.83 per hour - the rate of the National Living wage.
- 28% of earned at or below the Real Living Wage of £8.75 per hour.

Figure 1: Distribution of employee hourly earnings excluding overtime, 2018



The distribution of weekly employee earnings

Figure 2 illustrates disparities in gross weekly earnings across the earnings distribution. From this we see that in 2018:

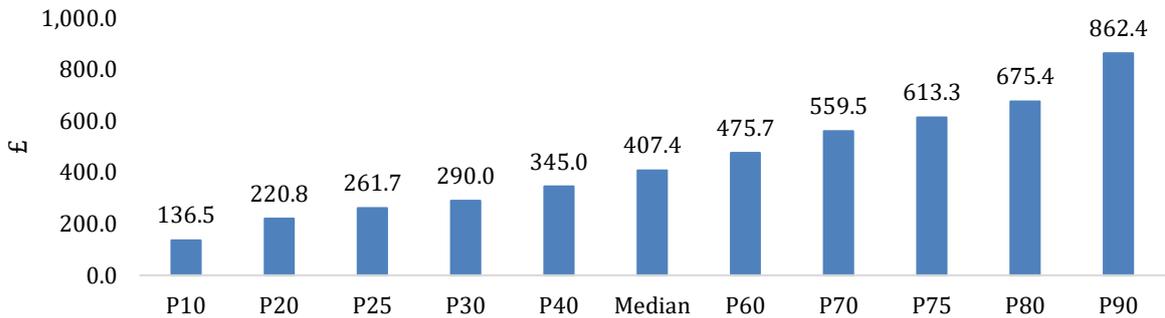
- 10% of workers earned £136.50 or less per week.
- 10% of workers earned £862.40 or more per week.
- The highest paid 10% of workers earned more than 6 times that of the lowest paid 10% of workers per week.

- 10% of employees earned just below £8000 per year.
- 20% of workers earned less than £12,000.
- 20% of workers earned more than £36,288 per week.
- 10% of workers earned more than £44,538 per week.

How have employee earnings changed over the year?

Turning next to look at changes in employee earnings over the year 2017 to 2018 what is

Figure 2: Distribution of employee gross weekly earnings, 2018



The distribution of annual employee earnings

Figure 3 illustrates disparities in gross annual earnings. From this we see that in 2018:

clear from Figure 2 below is that for the majority of workers 2018 brought some real earnings growth. Adjusted for inflation median hourly earnings excluding overtime increased by 1.24%, whilst weekly earnings increased by slightly more at 1.45%.

Figure 3: Distribution of employee gross annual earnings, 2018

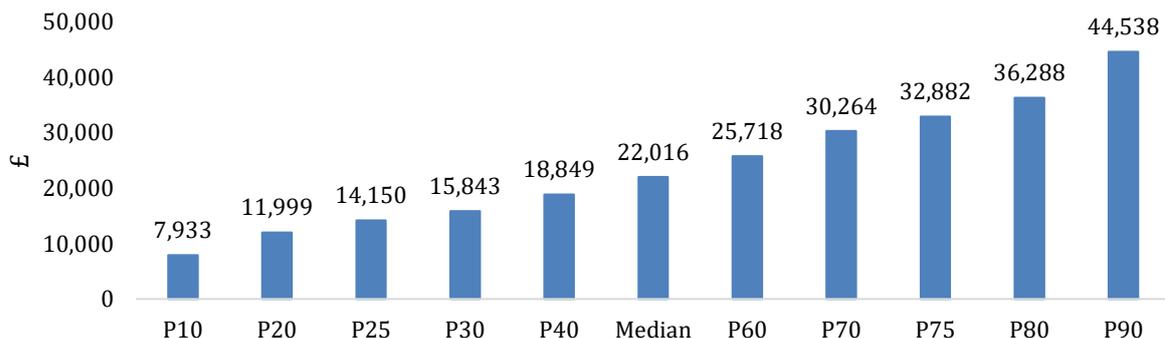
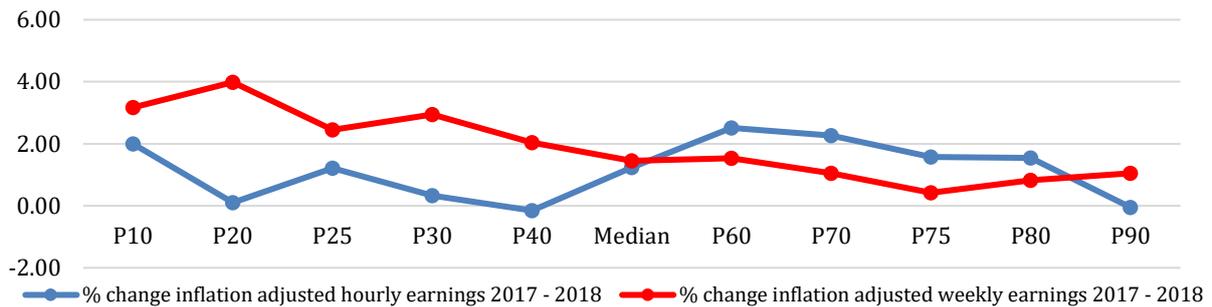


Figure 4: Inflation adjusted % change in hourly and weekly earnings excluding overtime 2017 - 2018



What is also clear from Figure 2 however is that the extent of change in earnings varied considerably across the distribution of employee earnings. Looking first to changes in inflation adjusted hourly earnings it is clear that whilst earnings did increase for those in the bottom half of the employee earnings distribution, the extent of the increase was generally larger in the upper half of the earnings distribution. In fact, real earnings declined slightly for those at the 40th percentile, did not change for those at the 20th percentile. The 25th percentile seen a 1% increase in inflation adjusted hourly earnings with hourly earnings increasing from £8.30 in 2017 to £8.60 in 2018. Hourly earnings growth was strongest for those at the 60th percentile, followed by those at the 70th percentile. That said, increases in the National Living Wage also resulted in real hourly earnings growth for the lowest earners. Specifically, those at the 10th percentile seen their earnings rise faster than average earnings, with a 2% real increase in hourly earnings excluding overtime over the year 2017 to 2018.

Interestingly, however, unlike hourly pay earnings growth, which was strongest in the upper half of the earnings distribution, weekly earnings growth was strongest in the bottom half of the income distribution. Weekly earnings rose by more in the bottom half of the income distribution than average pay. While real hourly pay increased by 2% at the 10th percentile, real weekly pay at the 10th percentile increased by 3.2%. Furthermore, whilst those at the 20th percentile experienced no real hourly earnings growth in 2018, they saw a 4% real increase in weekly earnings.

Above the median weekly earnings saw some real wage increases at each point of the distribution. That said, beyond the median real weekly earnings increases were not as high as real hourly earnings increases. One potential explanation for this disparity in earnings growth between hourly and weekly earnings for workers at different points of the earnings distribution is that the low weekly paid are not the same group of workers as the low hourly paid. This may be because people on much higher hourly pay may choose to work only a few hours a week and therefore be in the lowest weekly pay decile. However, whilst not all of the low hourly earners are likely to be amongst the low weekly earners previous research suggests that the correlation between those who have low hourly earnings and those who have low weekly earnings is high (Resolution Foundation, 2019). Consequently, this explanation does not go far enough in explaining the disparity.

Another explanation is that those with the lowest hourly earnings increased their working hours in order to increase their weekly earnings and those with the highest hourly earnings decreased their working hours between 2017 and 2018.

References

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