

# NERI Research inBrief

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## Low Pay in Northern Ireland

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### SUMMARY

This *Research InBrief* presents evidence on the extent of low pay in Northern Ireland. It shows that low pay is a prominent feature of the labour market, with more than 1 in 4 earning below the Real Living Wage.

Low pay should be concerning to policy makers in Northern Ireland not only because of its negative impact for the living standards of individual workers and their families, but also because of its implications for the economy.

Policies directed at increasing the wage levels of those groups of workers who are most likely to be low paid will be particularly beneficial to ensuring that work pays. Legal wage floors do provide one valuable tool for protecting and sustaining the wages of some of the most vulnerable workers. That said, more needs to be done to tackle the problem of low pay.

In particular, efforts must be made to reduce the proportion of workers earning below the Real Living Wage. Moreover, serious consideration needs to be given to using collective bargaining agreements and sectoral orders, set through a forum for social dialogue as an avenue to ensure decent pay for all workers.

### KEY POINTS

- It is estimated that in 2018:
  - 28% or just over 219,000 employees earned below the Real Living Wage of £8.75 per hour.
  - 10% or just over 78,000 employees earned below the National Living Wage of £7.83 per hour.
  - 23% or 180,000 employees earned below two-thirds of the UK median hourly pay excluding overtime of £8.49 per hour.
- Some workers are more likely to be low paid than others with concentrations of low paying jobs found in particular occupations and industries and among workers with particular characteristics.
- The occupations with the highest proportion of low paid workers include those in Sales & Customer service and Elementary occupations. Some 70% of these workers earned below the Real Living Wage, whilst 30% of workers in Elementary occupations and 20% of workers in Sales & Customer service occupations earned below the National Living Wage.
- Younger workers, part-time workers, and female workers had a higher likelihood of being low paid than others. That said, low pay is a particular issue for male workers who are employed on a part-time basis.

## Introduction

This *Research InBrief* presents evidence on the extent of low pay in Northern Ireland using the latest available earnings data from the Annual Survey of Hours and Earnings (ASHE). ASHE is a UK-wide carried out in Northern Ireland by NISRA.

## What is low pay?

There are a number of different ways in which 'low pay' can be defined. The most commonly utilised measure of low-pay in the European context defines low wage earners as those who have an hourly wage which is less than two thirds of the median gross hourly wage (Eurostat, 2015). In 2018 two-thirds of the UK median gross hourly wage excluding overtime was £8.49, and so by this measure all workers earning below this level would be classified as low paid.

Another method of assessing the extent of low pay is to examine the percentage of workers who earn below what is termed the 'Real Living Wage'. The Real Living Wage is calculated by the Living Wage Foundation and takes account of both increases in the cost of living, and applies to all workers over 18, in recognition that young people face the same living costs as everyone else.

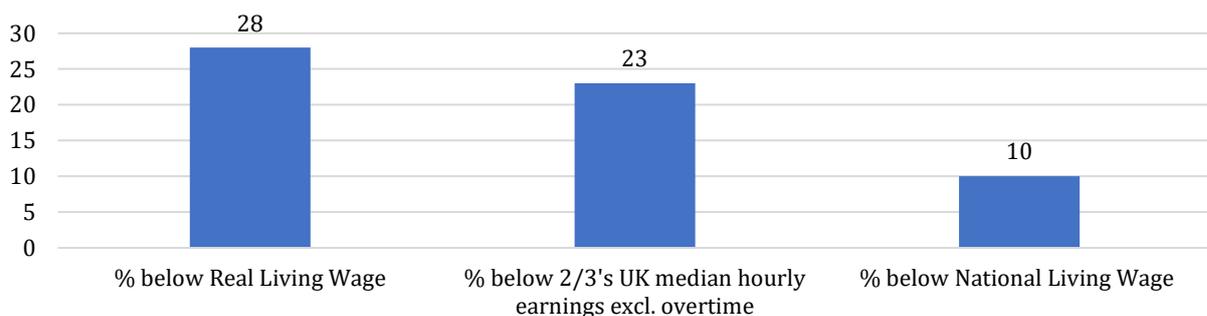
The Real Living Wage is based on the cost of a basket of household goods and services considered by the public as necessary to obtain a *minimum acceptable standard of living* with many analysts agreeing that this is a much more robust indicator of low pay. The Living Wage Foundation put the Real Living Wage at £8.75 in 2018 and at £9 in 2019.

Another way in which we can assess the extent of low pay is to examine the percentage of workers who earn at or below the 'National Living Wage'. The 'National Living Wage' was introduced in the 2015 Summer Budget, as the new national minimum wage rate for workers over the age of 25. The introduction of the National Living Wage represented a significant shift in policy in terms of how the legal wage floor was defined and implemented. When implemented the Government set a starting wage of £7.20 and an objective for the National Living Wage to reach 60 per cent of a typical (over-25) worker's hourly wage excluding overtime by 2020. This goal was subject to account being taken of how increases to the level of the wage floor affect economic growth, employment and unemployment levels. In 2018 the National Living Wage rate was set at £7.83.

## The extent of low pay

In Figure 1 below we present the percentage of all employees who can be classified as being in low-paid employment using the various different measures of low-pay. From this we see that irrespective of which measure is utilised low-pay is a reality for a significant proportion of workers in Northern Ireland: 28% of employees earn below the Real Living wage; 23% earn below two-thirds of UK median hourly earnings excluding overtime; 10% earn below the National Living Wage - these include those exempted by the structure of the minimum wage including workers aged under 25 years old and apprentices.

**Figure 1: Percentage of all employees below selected low pay thresholds, 2018**

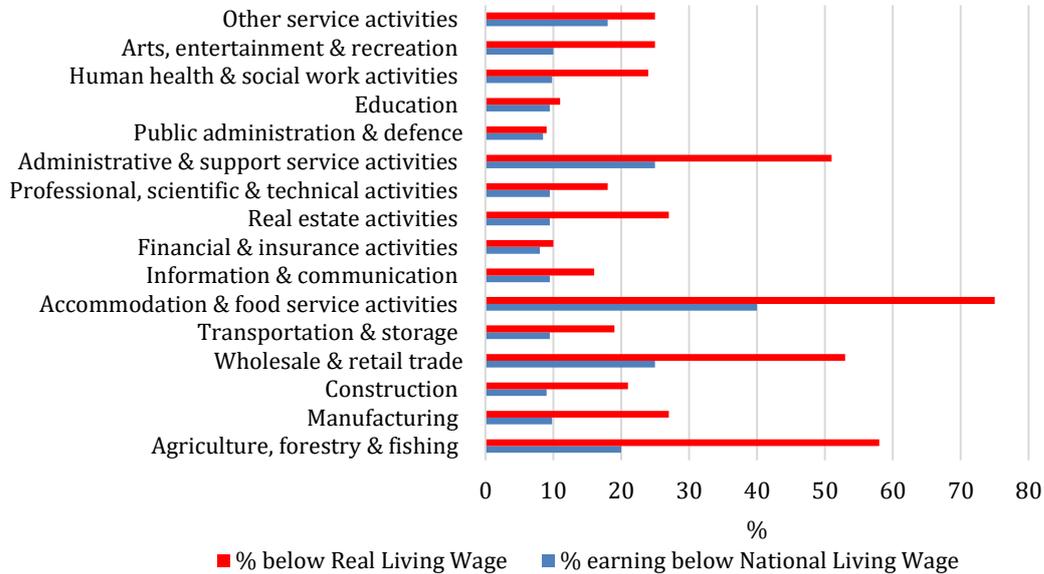


**Who are the low paid?**

Some workers are more likely to be low paid than others and concentrations of low paying jobs are found in particular occupations and industries.

service sector. 53% earned below the Real Living Wage and 25% earned below the National Living Wage in the wholesale and retail trade sector. 51% in the administrative and support services sector earned below

**Figure 2: Percentage of employees below selected low pay thresholds, by sector, 2018**



Examination of the sectoral breakdown of low pay shows that the problem of low pay is persistent across almost all sectors, with workers in some sectors at an increasingly higher risk of being low paid. For example, as shown in Figure 2 above, 75% of workers in the accommodation and food sector were paid below the real living wage, and 40% below the national living wage. Other sectors where there is a particular prevalence of low pay include the wholesale and retail trade sector and the administrative and support

the Real Living Wage and 25% earned below the National Living Wage.

In terms of occupation, as shown in Figure 3 the occupations with the highest proportion of low paid workers include those in Sales & Customer service and Elementary occupations. Some 70% of these workers earned below the Real Living Wage, whilst 30% of workers in Elementary occupations and 20% of workers in Sales & Customer service occupations earned below the National Living Wage.

**Figure 3: Percentage below selected low pay thresholds, by occupation, 2018**

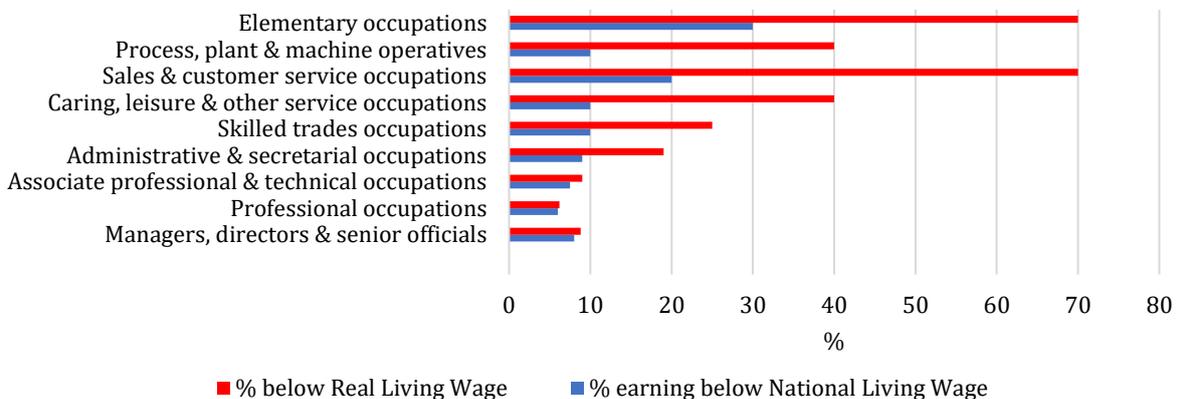


Table 1 below presents the risk of workers with different characteristics experiencing low pay. From this we see that the risk of being low paid declines with age, with 60% of all workers aged between 18-21 earning below the National Living Wage and 80% earning below the Real Living Wage. Whilst middle aged workers are among the least likely to be low paid, around 1 in 5 earn below the Real Living Wage.

earn below the Real Living Wage. This compares to 20% and 45% of females respectively.

#### How should policy respond?

Policies directed at increasing the wage levels of those groups of workers who are most likely to be low paid will be particularly beneficial to ensuring that work pays. Legal wage floors do provide one valuable tool for

**Table 1: Percentage below selected low paid threshold, by workers characteristics, 2018**

	% earning below National Living Wage	% below Real Living Wage
<b>Age</b>		
Age 18-21	60	80
Age 22-29	10	35
Age 30-39	9	21
Age 40-49	8	17
Age 50-59	9	20
Age 60+	10	26
<b>Gender</b>		
Male	10	23
Female	10	30
<b>Full-time/Part-time</b>		
Full-time	10	17
Part-time	25	51
<b>Gender * Full-time/Part-time</b>		
Male full-time	9.7	17
Male part-time	30	52
Female full-time	9.7	18
Female part-time	20	45

Part-time workers face a much greater risk of being low-paid, than full-time workers with large proportions of part-time workers low-paid. Specifically, 1 in 4 part-time workers earn below the National Living Wage and just over 1 in 2 earn below the Real Living Wage. Full-time work is not a guaranteed escape from low pay however with 1 in 10 earning below the National Living Wage and close to 1 in 5 earning below the Real Living Wage.

Of all male employees, 23% are low paid when judged against the Real Living Wage threshold. The risk is higher for female employees with 30% earning below this threshold. That said, males who are employed on a part-time basis face a higher likelihood than females who are part-time employed of being low paid. Indeed, 30% males who are part-time employed earn below the National Living Wage, and 52%

protecting and sustaining the wages of some of the most vulnerable workers. That said, more needs to be done to tackle the problem of low pay.

In particular, efforts must be made to reduce the proportion of workers earning below the Real Living Wage. Moreover, serious consideration needs to be given to using collective bargaining agreements and sectoral orders set through a forum for social dialogue as an avenue to ensure decent pay for all workers.

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