Low-Paid Workers: The Need for Continued Support and the Challenge of Making Work Pay

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Summary: The 2024 ASHE data for the United Kingdom and Northern Ireland indicates a mixed situation of progress and ongoing challenges. While the National Living Wage increases have significantly reduced the proportion of low-paid jobs, many workers still earn below the real living wage, especially in sectors like Accommodation and Food Services. This highlights a disconnect between wage growth and the rising costs of living, particularly for essentials like housing and food. Vulnerable groups, such as part-time workers, young people, and women, continue to face high rates of low pay, indicating a need for targeted interventions. The data also reveal a decoupling between the proportion below the real living wage and the proportion below the median and suggests the importance of considering changes in the costs of essential goods and services.

As Chancellor Rachel Reeves prepares to announce further minimum wage increases, today's data underscore the requirement to do so.

In the UK Autumn Budget 2024, Chancellor Rachel Reeves is expected to announce a significant minimum wage increase, reportedly around 6%, to support low-paid workers. The National Living Wage (NLW) for those aged 21 and over is anticipated to rise from the current £11.44 to at least £12.12 per hour. The Government has also indicated that it wants 18 to 20-year-olds to be paid the same as older workers, so the gap between the two rates is expected to start to narrow from April 2025.

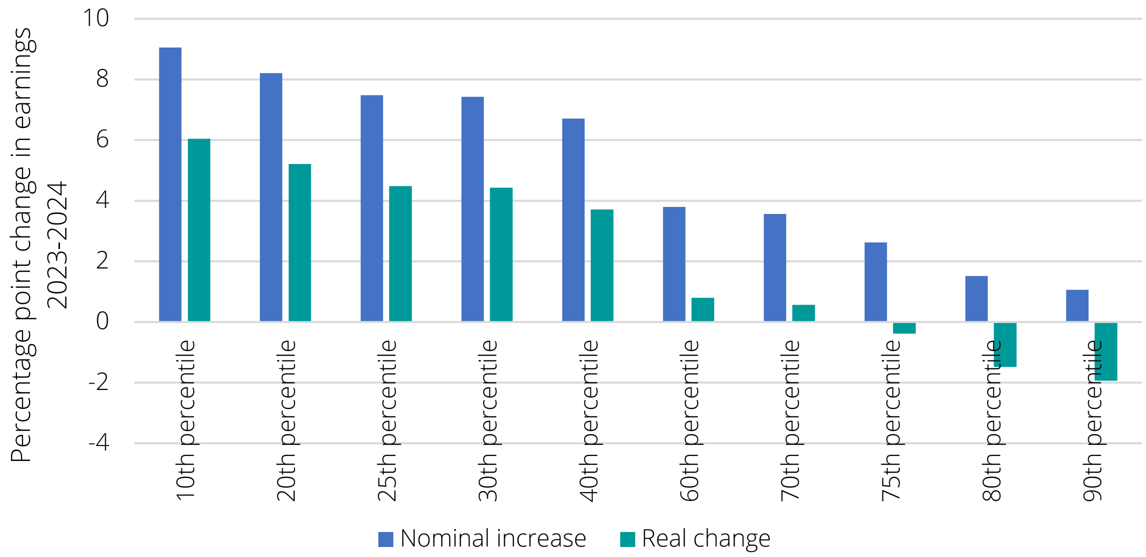
These announcements of a continuation of strong increases to the statutory wage floor may come as a surprise to some, particularly as they seek to interpret these announcements alongside newly released earnings data from the Annual Survey of Hours and Earnings. These data show that across the UK as a whole, the proportion of low-paid employee jobs fell to 3.4% in April 2024 from 9.8% in April 2023, the lowest since the series began in 1997. Within Northern Ireland, the data show a similar trend. The proportion of low-paid jobs has dropped by 7.8pps over the year to a record low of 4.7% in 2024.

Low-paid jobs have fallen sharply since the introduction of the National Living Wage in 2016 In Northern Ireland, we have seen the proportion earning less than two-thirds the median fall from 26% in 2016 to 4.7% in 2024. Across the UK as a whole the proportion has fallen from 19.4% in 2016 to 3.4%.

On account of these data, it would seem as though the 'winners' of labour market policy over the last number of years has been the low paid. This conclusion may be compounded by two other points from today's data. The first is the data on the proportion of high paid jobs. The newly released earnings data also shows that the UK (and NI) has also been experiencing a decline in high-paid jobs. Across the UK, the proportion of high-paid employee jobs fell by a record low of 0.7 percentage points on-the-year to 22.7% in April 2024. In Northern Ireland, the proportion of high-paid jobs has reached an all-time low of 14.8%, having seen the largest change in the last two decades with an annual decrease of 3.8pps.

The second is data capturing changes in earnings across the distribution which shows that those at the lower end of the earnings distribution have experienced the strongest wage growth and that the further up the earnings distribution one goes the weaker the wage growth. For example, as shown in Chart 1 below the 10th percentile experienced an increase in nominal terms of 9% (a 6% real increase), the 20th percentile experienced an increase in nominal terms of 8.2% (5.2%). In contrast, from the 75% wage percentile up employees experienced a real terms cut in pay over the year 2023 to 2024. These results are not new to this years data, and continues a trend that we have seen over the last number of years where those at the lower end of the wage distribution have experienced stronger wage growth (Cominetti, 2024; Wilson, 2019).

Chart 1: Percentage point change in earnings across the distribution 2023-24, nominal and real change

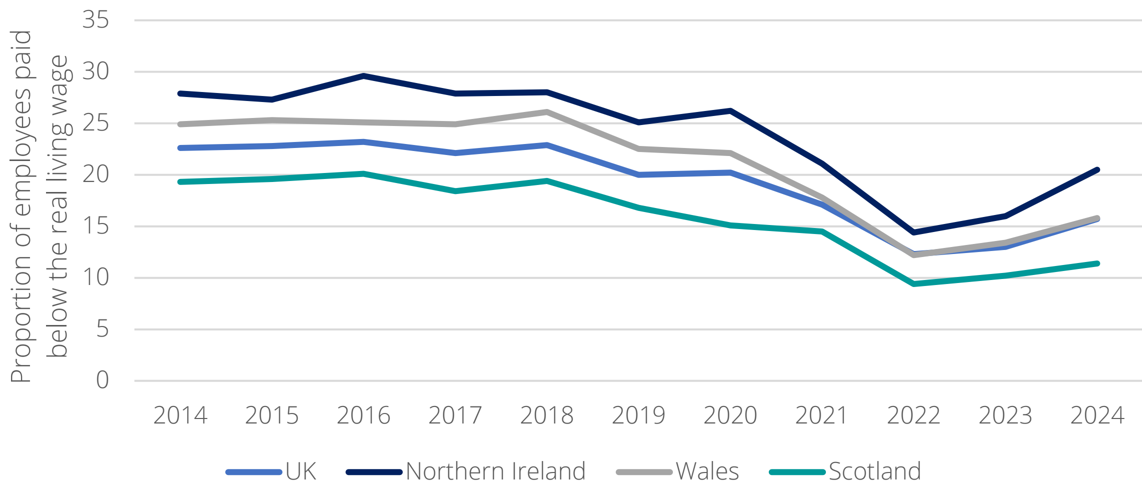


However, an assessment of trends in the data capturing the proportion of employees paid below the real living wage brings clarity as to why Chancellor Rachel Reeves is not misplaced to continue with a focus on the low paid. Across the UK, this data shows substantial increases in the proportion of workers earning below the real living wage over the last number of years. In 2024, 15.7% of employees earned below the real living wage across the UK, an almost 3.5pp increase over 2 years. In Northern Ireland, the proportion of workers paid below the real living wage has increased from 14.4% in 2022 to 20.5% in 2024.

What is the Real Living Wage?
The Real Living Wage is an unofficial hourly rate of pay which is overseen by the Living Wage Foundation charity. It is based on the amount of money the charity believes people need to earn. It is aimed at UK workers aged 18 and over, but is not a legal requirement, and businesses choose whether to pay it. The charity says more than 475,000 employees working for 15,000 firms receive the Real Living Wage. More than 100 employers across Northern Ireland have now committed to paying the real Living Wage. Just this year, we have seen the launch of Living Wage NI by Advice NI, in partnership with the Living Wage Foundation and the Department for the Economy. Until then, Northern Ireland was the only region in the UK without a local body promoting the real Living Wage and accrediting employers.

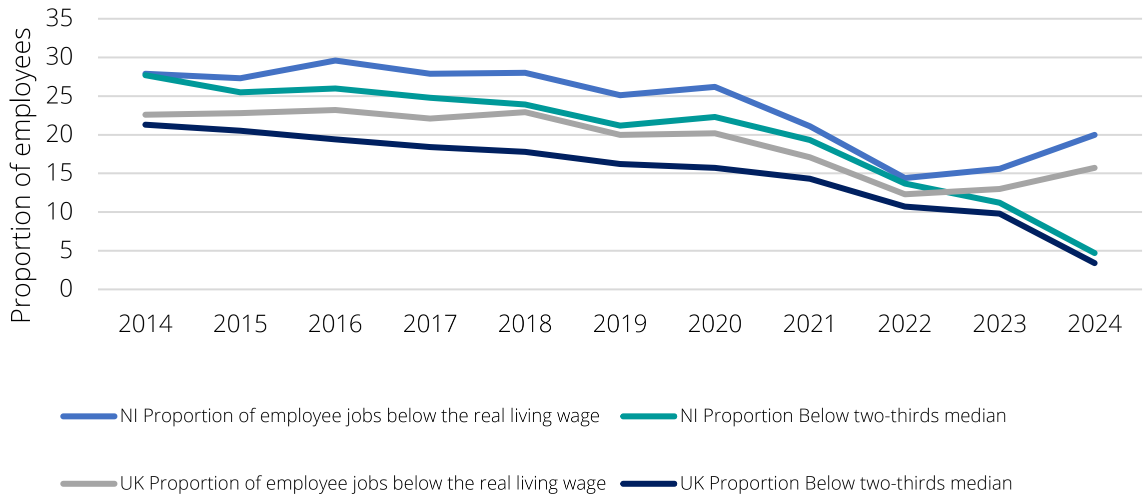
The rate for workers in London - the London Living Wage - is going up by 70p to £13.85 an hour. In the rest of the UK, a 60p increase will take the rate to £12.60. The Real Living Wage is announced in November each year and must be implemented by the following May. As such it is likely that the previous year's living wage was still in place when the ASHE survey was completed. The previous year's RLW is therefore used to calculate the percentage earning on or above the RLW. In 2023-24, the rate was £12.00.

Chart 2: Proportion of employees paid below the real living wage, 2014-2024



Illustrated another way, Chart 3 below charts data on the proportion of employees earning below two thirds the median (the most commonly utilised measure of low-pay in a European/OECD/advanced economies context) and the proportion paid below the real living wage. What is clear from this data, is an obvious trend of decoupling since 2022 whereby the proportion of employees paid below two-thirds the median has continued to decline while the proportion of employees paid below the real living wage has increased. This has been the case across the UK and also in Northern Ireland, although in Northern Ireland the proportion low paid on both measures has historically been higher on both measures and continues to be.

Chart 3: Proportion of employees below real living wage & below two-thirds the median, NI & UK, 2014-2024



In basic terms this decoupling of the real living wage from the two-thirds median wage indicates that while low pay has decreased, many jobs still do not provide a sufficient income to meet the real cost of living. This highlights that while there have been substantial improvements in reducing a particular measure of low pay, a substantial proportion of jobs still fail to pay a wage that enables a worker to obtain a minimum, decent living standard.

It is worth drawing out two other points. The first relates to the fact that wages have been growing more slowly at the median than they have been at the bottom of the earnings distribution. As a result, more workers are likely to move above the median wage threshold due to this stronger growth at the lower end and so what we see is reductions in the proportion of low paid employees.

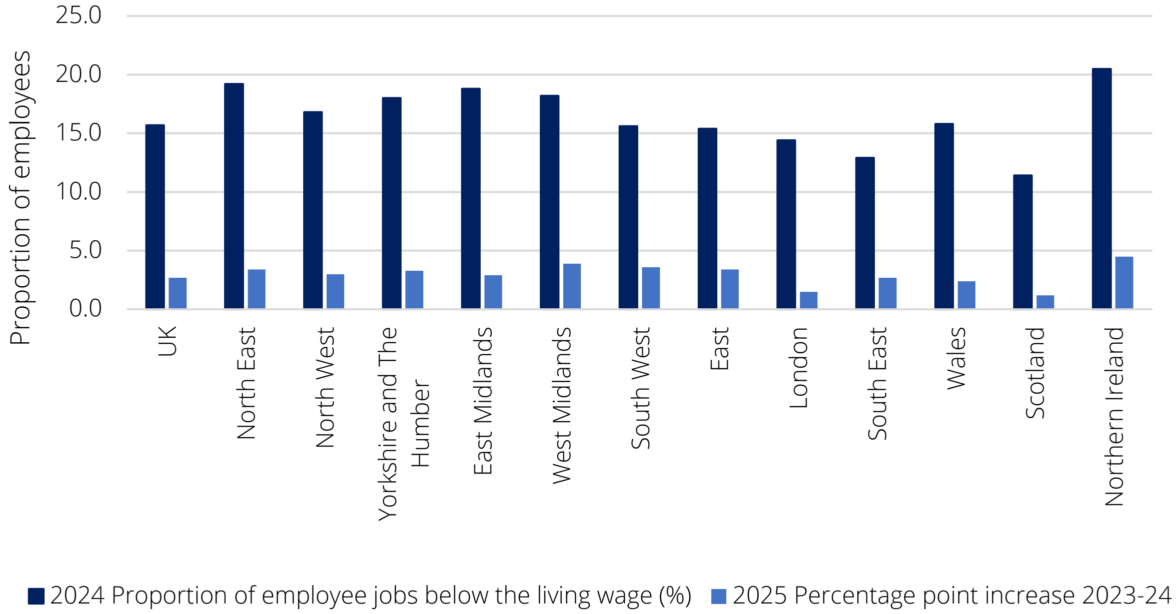
The second key observation concerns whether real-term increases at the bottom of the earnings distribution truly reflect whether earnings are keeping pace with the cost of living. The real living wage is based on the cost of essential goods and services, which have risen at a faster rate than general inflation.

Notably, the increase in the real living wage has been significantly influenced by sharp rises in housing, energy, and food costs, which have outpaced general inflation. While some workers at the lower end of the earnings distribution are seeing wage growth, it's crucial to recognise that this growth often does not keep up with the specific costs of essential goods and services.

General inflation which is used to assess the broader real-terms changes reflects broader trends in the cost of living, but the real living wage is specifically tied to the costs of basic necessities. Consequently, many low-paid workers, despite their increased earnings, still find themselves below the threshold needed to maintain a minimum, decent standard of living.

This highlights a critical issue: wage increases alone are insufficient if they do not align with the rising costs of essential needs, leaving many struggling to make ends meet in a rapidly changing economic landscape.

An in-depth look at workers paid below the real living wage in Northern Ireland



In 2024 Northern Ireland had the highest rate of employees earning below the real living wage of twelve UK regions, at 20.5%. Northern Ireland has persistently had some of the highest proportions of workers earning below the real living wage. The evidence as presented in Table 1 below also shows that despite part-time workers young workers and female workers, these same groups of workers continue to face a much higher likelihood of low pay. It should be noted that low pay amongst part-time workers, and in particular male part-time employees is a significant area of concern. 40% of part-time employees earn below the real living wage, and 42% of part-time males.

Table 1: Proportion paid below the real living wage, by demographic

	% below real living wage	
	2023	2024
Gender		
Male	13.5	16
Female	18	23
Working hours		
Full-time	10	11
Part-time	30	40
Working hours by gender		
Male Full-time	<10	10
Male Part-time	37	42
Female Full-time	10	13

Female Part-time	29	37
Age		
16-21	60	60
22-29	18	23
30-39	10	15
40-49	<10	10
50-59	10	14
60+	16	20

Furthermore, low pay is much more prevalent in particular sectors and occupations in Northern Ireland. In 2024, the Accommodation and Food Service Activities sector has the highest proportion, with 60% of workers earning below this threshold. Following this, Wholesale and Retail Trade shows 40%, and Other Service Activities has 41%. Arts, Entertainment and Recreation also has a significant proportion at 43%.

On the lower end, sectors such as Information and Communication and Financial and Insurance Activities each report only 10% of workers below the real living wage. Other notable figures include Agriculture, Forestry and Fishing at 47% (an increase from 37% the year previous), Human Health and Social Work Activities at 20%, and Construction at 15%.

Table 2: Proportion paid below the real living wage, by sector, 2024

	2024
	NI
Agriculture, Forestry and Fishing	47
Manufacturing	17
Electricity, Gas, Steam and Air Conditioning Supply	<25
Water Supply; Sewerage, Waste Management and Remediation	<20
Construction	15
Wholesale and Retail Trade	40
Transportation and Storage	12
Accommodation and Food Service Activities	60
Information and Communication	10
Financial and Insurance Activities	10
Real Estate Activities	18
Professional, Scientific and Technical Activities	13
Administrative and Support Service Activities	25
Public Administration and Defence; Compulsory Social Security	<10
Education	<10
Human Health and Social Work Activities	20
Arts, Entertainment and Recreation	43
Other Service Activities	41

In 2024, the employment landscape in Northern Ireland reveals significant disparities in the proportion of workers earning below the real living wage across various occupational categories. Notably, Sales and Customer Service Occupations show the highest proportion at 60%, followed closely by Elementary Occupations at 55%. Caring, Leisure, and Other Service Occupations have a considerable percentage as well, with 30% of workers affected. In contrast, Administrative and Secretarial Occupations report 25%, while Skilled Trades Occupations account for 16%. Professional roles, including Managers, Directors, Senior Officials, and Associate Professional Occupations, each have less than 10% of workers earning below the real living wage. This data underscores a troubling trend: lower-wage occupations, particularly in customer service and elementary roles, face significant challenges in delivering earnings which enable a minimum decent standard of living.

Table 2: Proportion paid below the real living wage, by occupation, 2024

	2024
	NI
Managers, directors and senior officials	<10
Professional occupations	< 10
Associate professional occupations	<10
Administrative and secretarial occupations	25
Skilled Trades occupations	16
Caring, Leisure and other service occupations	30
Sales and customer service occupations	60
Process, plant and machine operatives	20
Elementary occupations	55

Conclusion

The 2024 ASHE data on low-paid workers in Northern Ireland highlights a complex landscape that reveals both progress and ongoing challenges. While the introduction and increases to the National Living Wage have contributed to a significant decline in the proportion of low-paid jobs, the persistent high rate of workers earning below the real living wage—particularly in sectors like Accommodation and Food Services—signals that many are still struggling to meet basic living standards and makes the case for the proposed announcements in the forthcoming UK Budget.

The divergence between the trends in low pay and the increasing cost of living, especially in essential areas such as housing, energy, and food, underscores the importance of focusing on changes in living costs for the low paid. While those at the lower end of the earnings distribution have seen stronger wage growth, this growth often does not match the specific needs dictated by higher rising costs for essential goods. Additionally, vulnerable groups, including part-time workers, young workers, and women, continue to face disproportionately high rates of low pay, necessitating targeted interventions.