

3 Low and high pay analysis

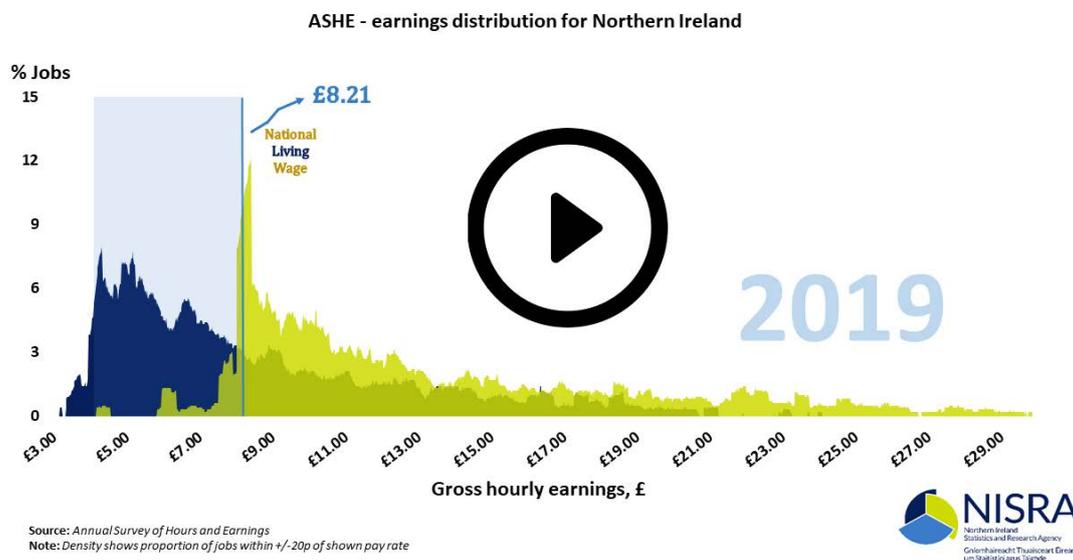
Key findings

- Median hourly pay in NI is lowest of all regions
- The percentage of low-paid and high-paid jobs in NI at their lowest in 20 years
- NI has the highest percentage of low-paid jobs of all the UK regions
- NI has the joint second lowest percentage of high-paid jobs in the UK
- Increase in earnings at bottom 10th percentile in line with NLW increases since 2016

The **National Living Wage (NLW)** was introduced by the Government on 1 April 2016 for all working people aged 25 and over, and is currently set at £8.21 per hour.

The **National Minimum Wage (NMW)** applies for those under the age of 25. It was introduced in 1 April 1999 and ranges between £3.90 and £7.70 per hour. Further details and a full breakdown on rates can be found in section 4.

Figure 17: Gross hourly earnings distribution for all employees NI, April 2002 to April 2019



Note: Jobs shows proportion of jobs within +/-20p of shown pay rate

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Impact of National Living Wage on earnings

Figure 17 shows the changing distribution of earnings from 2002 to 2019. The shape of the chart is typical of a skewed earnings distribution with more jobs at lower earnings and tailing off towards higher earnings.

The peak of the chart, which shows the wage rate with the largest proportion of jobs can be seen moving to the right each year in line with increases in the National Minimum/Living Wage.

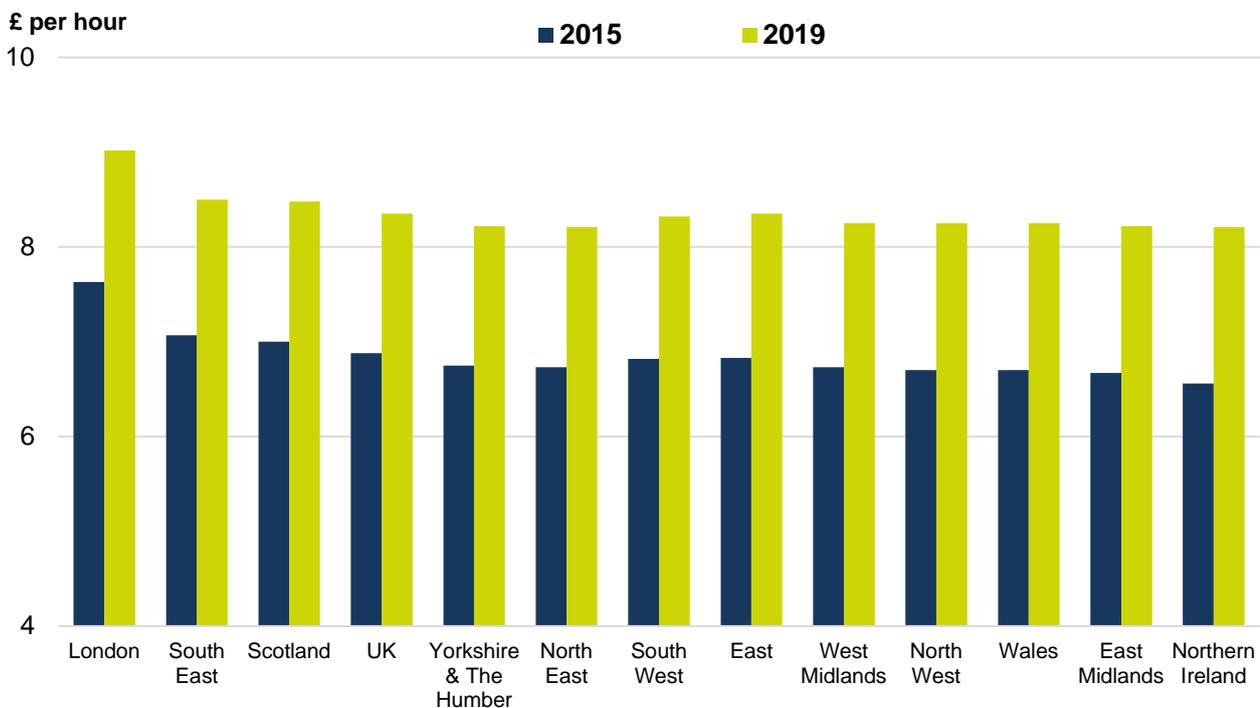
The shape of the distribution has also changed over time. The peak has become more pronounced as earnings are compressed around the National Minimum/Living Wage. In 2002 8.0% of jobs were within 20p of the minimum wage and in 2019 12.1% were within 20p of the National Living Wage.

The largest change in the distribution occurs at 2016 when the National Living Wage was introduced resulting in a 70 pence increase in the minimum wage for those aged 25+ (from a National Minimum Wage of £6.50 in April 2015 to National Living Wage of £7.20 in April 2016). The proportion of jobs within 20p of the minimum wage increased from 12.0% in 2015 to 13.4% in 2016.

The graph also shows jobs below the minimum wage. This cannot be used as a measure of non-compliance with the minimum wage legislation as it is not always possible to determine from the survey data whether an individual is eligible for the minimum wage. For example, if employees receive free accommodation, employers are entitled to offset hourly rates.

The proportion of jobs paid below the National Living Wage in 2019 was 1.1%.

Figure 18: Gross hourly earnings at the 10th percentile for all employees by Government region, April 2015 and April 2019



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Note: Non-zero axis.

Up to 2016, earnings at the 10th percentile were above the National Minimum Wage. Since the introduction of the National Living Wage in 2016, the 10th percentile of earnings in NI has been at the National Living Wage value.

Between 2015 and 2019, earnings at the 10th percentile in NI increased by £1.65 (25.2%), the largest increase of all the regions. The increases in the National Living Wage have directly impacted a larger proportion of employee jobs in NI than in the other UK regions.

Although NI had the lowest earnings at the 10th percentile in 2015 and remains joint lowest in 2019, the difference between NI's lowest earners and the rest of the UK's lowest has narrowed. In 2015 there were no regions within 5p of NI's lowest earners compared to 6 regions in 2019.

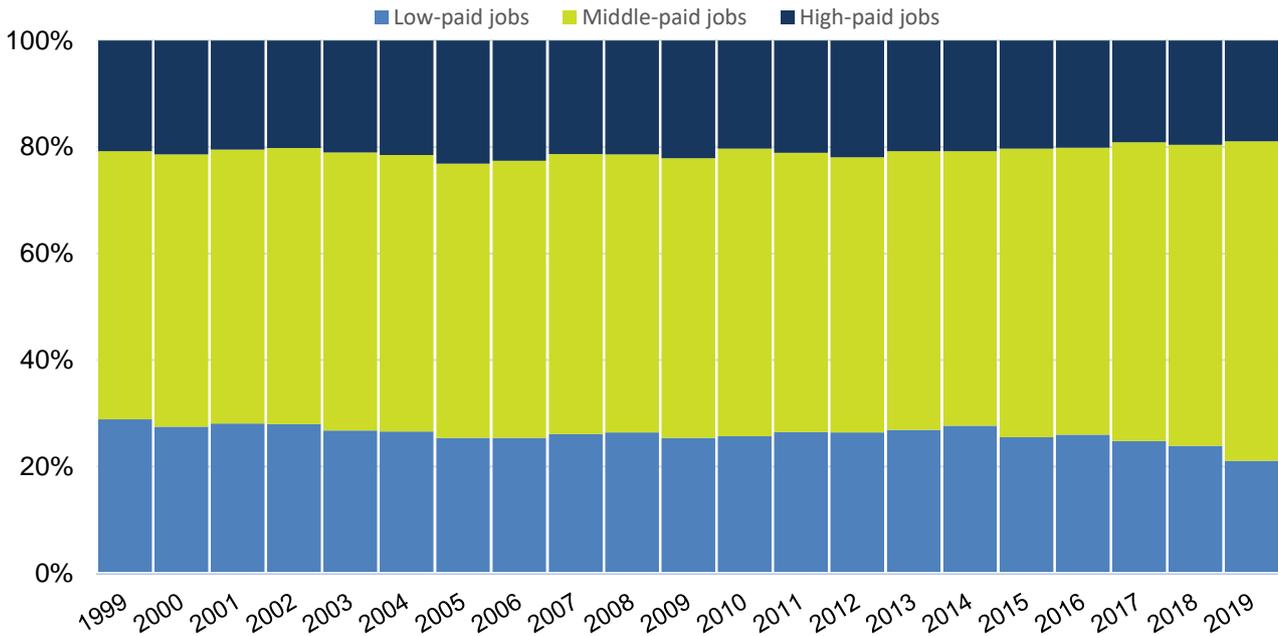
NI has most low-paid jobs in UK

The following **Organisation for Economic Co-operation and Development (OECD)** definitions of low pay and high pay are used.

Low pay is defined as the value that is two-thirds of the UK median hourly earnings (eg £13.27 x 2/3 = £8.85 in 2019)

High pay is defined as the value that is 1.5 times the UK median hourly earnings (eg £13.27 x 1.5 = £19.91 in 2019).

Figure 19: Proportion of low-paid and high-paid employee jobs in NI, April 1999 to April 2019



Note: there were a number of methodological changes during the series in 2004, 2006 and 2011. See Section 4 Further information for full details.

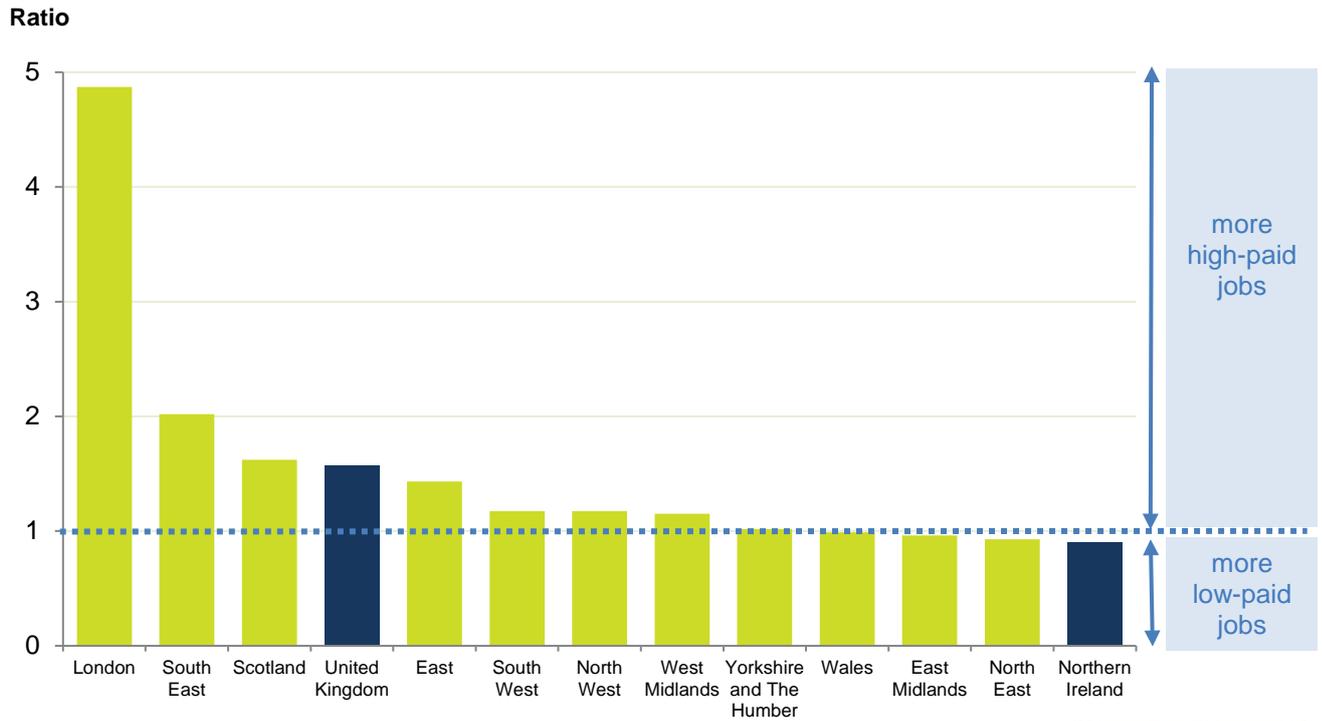
Hourly earnings for all employees is used to calculate high and low pay in line with ONS methodology.

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Figure 19 shows that, over the last 20 years the proportion of low-paid jobs has decreased from 28.9% in 2009 to its lowest proportion of 21.1% in 2019. Since the introduction of the National Living Wage in 2016, the proportion of low-paid jobs has decreased by 5.1pps.

The proportion of high paid jobs is at its lowest in the 20 year period at 18.9%, compared to 23.1% in 2005. As the proportions of both low-paid and high-paid jobs have decreased, the proportion of middle-paid jobs has increased to 60% in 2019.

Figure 20: Ratio of high-paid to low-paid employee jobs, by Government region, April 2019



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Hourly earnings for all employees is used to calculate high and low pay in line with ONS methodology.

Although the proportion of low-paid jobs has decreased, NI has the highest proportion of low-paid jobs of all the UK regions.

Analysis of ratios of high-paid to low-paid employee jobs in the different regions of the UK (Figure 20) shows that NI had the lowest ratio, indicating that low-paid jobs exceeded high-paid jobs to the greatest extent in the UK. London had the highest ratio, with almost 5 times as many high-paid than low-paid jobs, followed by South East and Scotland, all of which were above the UK average. There were only 3 regions other than NI where the number of low-paid jobs exceeded the number of high-paid jobs.