

Financial Scrutiny Unit Briefing

Earnings in Scotland 2014

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The Office for National Statistics released the Annual Survey of Hours and Earnings (ASHE) 2014 provisional results on 19 November 2014. Using this data, this briefing provides a brief overview of earnings in Scotland.



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ANNUAL SURVEY OF HOURS AND EARNINGS (ASHE) DATA

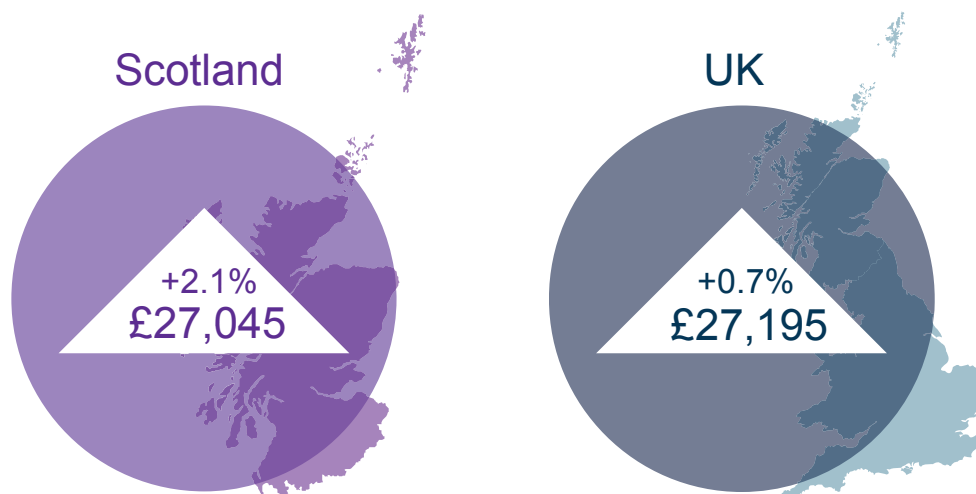
The data in this briefing are taken from the Annual Survey of Hours and Earnings (ASHE) 2014 provisional results, published by the Office of National Statistics (2014a). The survey provides a wide variety of earning statistics for employees across the UK. It does not cover the self-employed. ASHE is based on a one percent sample of employee jobs taken from the Pay As You Earn (PAYE) records of Her Majesty Revenue and Customs (HMRC) covering the pay period over the year to 5 April 2014.

Key points about the data:

- Where figures are adjusted for inflation, the April 2014 Consumer Price Inflation (CPI) figure, 1.8%, has been used. CPI is appropriate in this instance as it is used for uprating pensions, wages and some benefits and can aid in the understanding of the impact of inflation on family budgets.
- Because of the potential for sampling errors for smaller groups, including local areas and small industries, there is a wider margin of error for the data on gender and public/private sectors than for Scotland as a whole.
- Unless otherwise stated the median estimate has been used rather than mean average as it provides a better indication of 'typical' pay. Median values split the top 50 per cent from the bottom 50 per cent meaning it is less likely to be skewed by the relatively small number of very high earners.
- 'Full-time' is defined as employees working 30 paid hours per week or more (or 25 or more for the teaching professions).

ANNUAL PAY

Figure 1: Scottish and UK Annual Full-Time Pay 2014



Median gross full-time annual pay in Scotland increased by 2.1% in cash terms over the year to April 2014, with the UK seeing an increase of 0.7%. While Scotland saw a higher increase than the UK average, the median annual pay for full-time employees is still below the UK average. In real terms, Scotland has seen an increase in annual pay while the UK has seen a real terms decrease of 1.1%.

Table 1: Gross annual pay for full-time employees

	Median	Annual percentage change	
		Cash (%)	Real (%)
Scotland	£27,045	2.1	0.3
UK	£27,195	0.7	-1.1

This year's survey shows that there is a slightly higher proportion of people working part-time in Scotland than the UK. The median gross annual pay for part-time employees in Scotland is higher than the UK average but increased at a slower pace than that of the UK. However, part-time annual pay for both Scotland and the UK has decreased in real terms over the year (see Table 2).

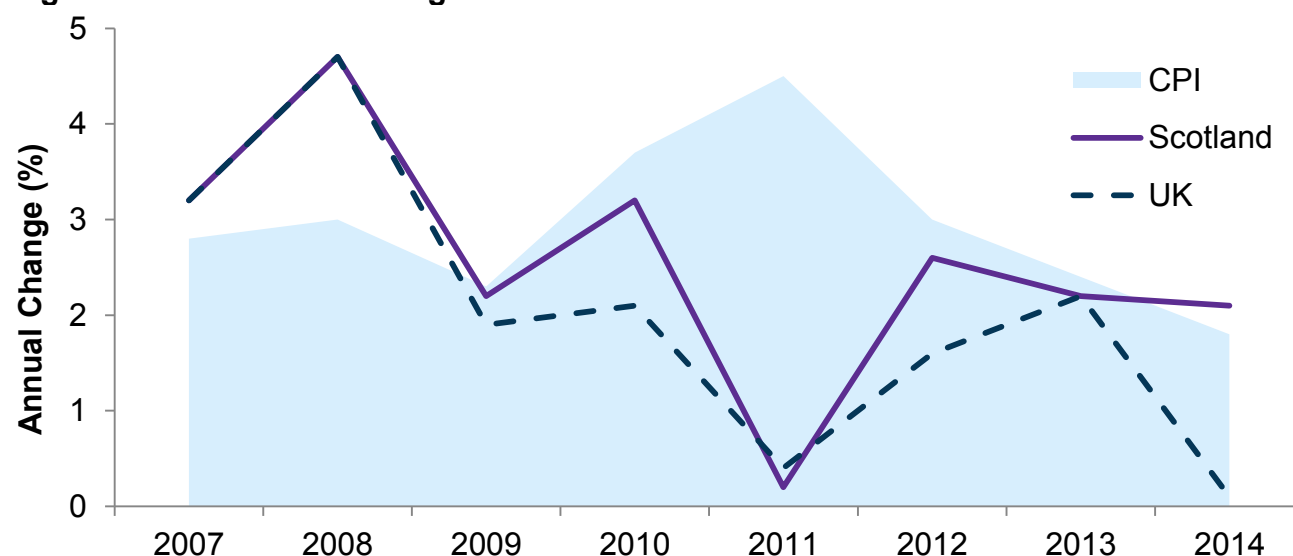
Table 2: Gross annual pay for part-time employees

	Median	Annual percentage change	
		Cash (%)	Real (%)
Scotland	£9,421	0.7	-1.1
UK	£9,000	1.6	-0.2

EARNING TRENDS

The indicator used by the ONS when looking at earning trends is median full-time gross weekly earnings. The ONS highlights that this year's increase in median full-time gross weekly earnings for the UK *"is the smallest annual growth since April 1997, the first year for which ASHE data are available."* However, growth in Scotland was 2.1%, above the rate of inflation. This was the first time that wages in Scotland had grown above the rate of inflation since 2008 (see Figure 2).

Figure 2: Increase in earnings and CPI: 2007 onwards



Since 2008 median full-time gross weekly pay in Scotland has fallen 6% in real terms. However this is less than the UK which has seen a 10% drop in real terms wages.

PUBLIC/PRIVATE SECTOR PAY

The reasons for the differences in private and public sector pay levels are complex ‘because of the different jobs and characteristics of the people within each sector’ (see [ONS briefing](#)). In order to address some of these issues the figures used for comparing the public and private sector in this briefing are hourly pay excluding overtime. This helps to control for the difference in the length of the working week.

Both public and private sector workers in Scotland saw a real terms increase in their hourly pay, while the UK experienced increases below the rate of inflation (see Table 3).

Table 3: Hourly pay excluding overtime for Public and Private sector employees

	Sector	Median	Annual percentage change	
			Cash (%)	Real (%)
Scotland	Public	£14.41	3.0	1.2
	Private	£10.25	2.5	0.7
UK	Public	£14.27	1.0	-0.8
	Private	£10.49	0.8	-1.0

The public sector has a higher proportion of people who work part-time. Full-time workers in the private sector saw a below inflation increase in hourly pay excluding overtime. However part-time workers in both the public and private sector have seen real term increases (see Table 4).

Table 4: Hourly pay excluding overtime for public and private sector employees in Scotland - Full-time and Part-time

	Sector	Median	Annual percentage change	
			Cash (%)	Real (%)
Full-Time	Public	£15.79	4.8	3.0
	Private	£11.64	1.2	-0.6
Part-time	Public	£11.37	5.0	3.2
	Private	£7.50	5.3	3.5

PAY BY GENDER

The difference between men’s and women’s pay is also a complex issue that is difficult to cover using one indicator. However one measure which provides a useful comparison of male and female pay is hourly pay excluding overtime. This is used because men are more likely to be in full-time employment and work over-time than women, therefore annual or weekly pay does not provide a fair comparison.

Median full-time hourly earnings (excluding overtime) have increased for both men and women in Scotland. However, only men’s have seen a real-terms increase. At the UK level, neither men nor women have seen a real terms increase and men have experienced a 0.1% decrease in cash terms over the year (see Table 5).

Table 5: Full-time hourly earnings (excluding overtime) by gender

		Median	Annual percentage change	
			Cash (%)	Real (%)
Scotland	Male	£13.61	2.5	0.7
	Female	£12.39	1.1	-0.7
UK	Male	£13.59	-0.1	-1.9
	Female	£12.31	0.6	-1.2

Median part-time hourly earnings (excluding overtime) have increased for both men and women in Scotland and across the UK. However, only men in Scotland have seen a real-terms increase over the year (see Table 6).

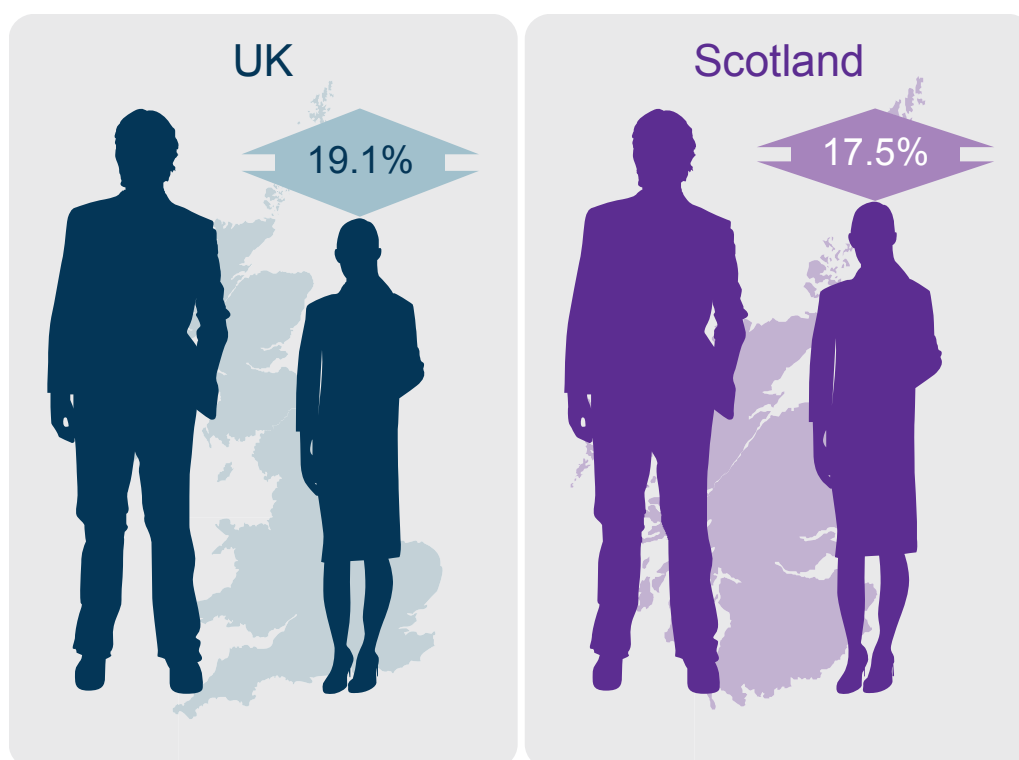
Table 6: Part-time hourly earnings (excluding overtime) by Gender

		Median	Annual percentage change	
			Cash (%)	Real (%)
Scotland	Male	£8.31	5.9	4.1
	Female	£8.91	1.4	-0.4
UK	Male	£8.00	1.2	-0.6
	Female	£8.44	0.8	-1.0

PAY GAP

The gender pay gap is defined as the difference between men's and women's hourly earnings as a percentage of men's earnings. The UK gender pay gap for all employees (full-time and part-time) decreased from 19.8% in 2013 to 19.1% in 2014. Taking into account the 2013 revised figures the Scottish gender pay gap for all employees is unchanged at 17.5%.

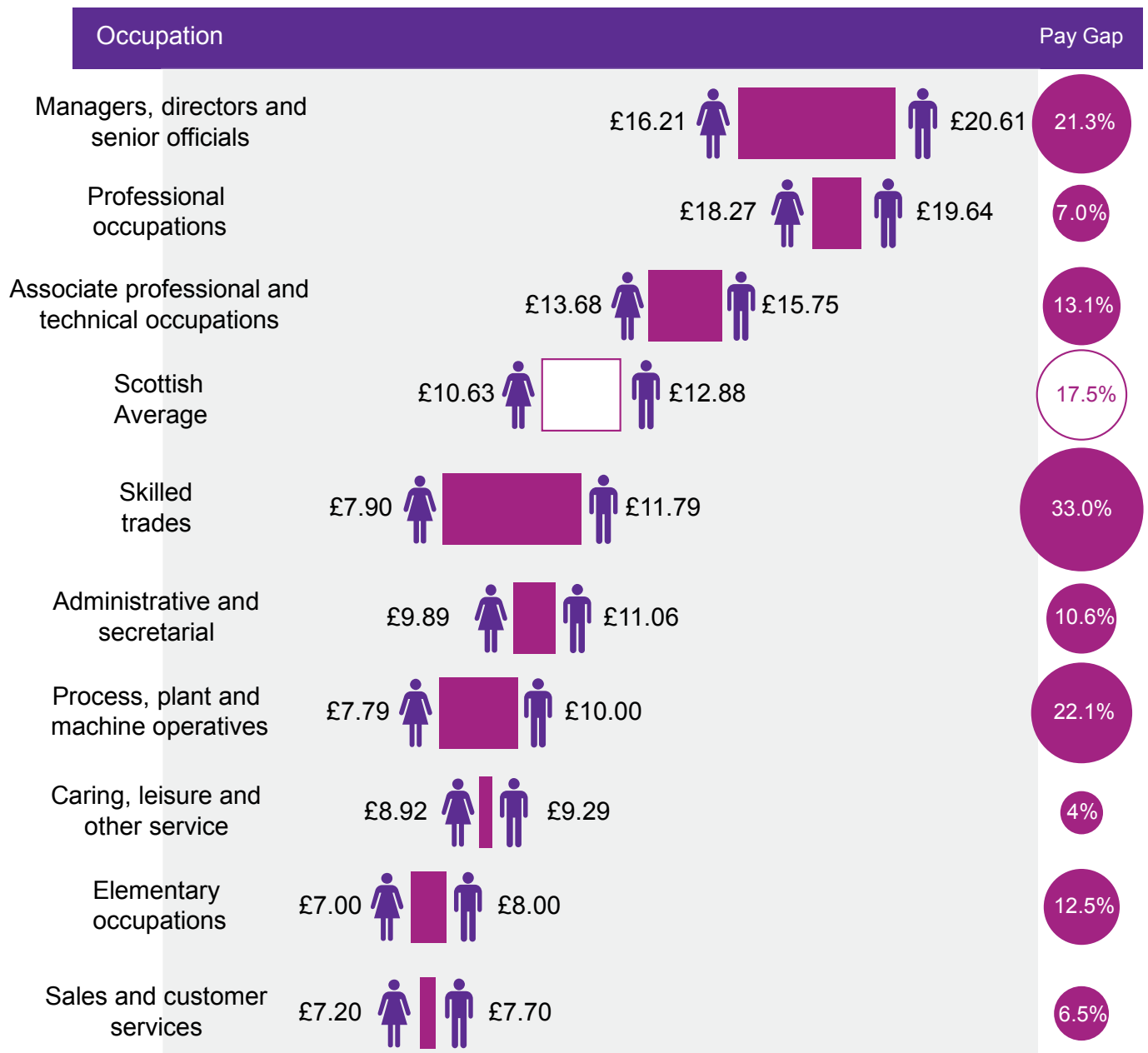
Figure 3: Gender Pay Gap for all employees - hourly earnings (excluding overtime)



PAY BY OCCUPATION

The pay gap varies depending on occupation. Skilled trades have the highest pay gap at 33% which is higher than the UK gap of 25%. The caring, leisure and other services occupations have the smallest pay gap in Scotland at 4% which is lower than the UK gap of just over 8%. However the smallest UK gap is for sales and customer services occupations at 3%.

Figure 4: Pay Gap by Occupation for hourly pay excluding overtime in Scotland, with Scottish average



NATIONAL MINIMUM WAGE

The National Minimum Wage (NMW) is the minimum hourly rate that employees must be paid. It varies depending on age or whether the recipient is an apprentice. The NMW is set by the Department for Business, Innovation and Skills and is based on the Low Pay Commission's recommendations every October.

The Low Pay Commission points out in their '[National Minimum Wage Report 2014](#)' that since 2007 the increase in the NMW has been lower than rises in average wages or inflation.

At the time of the 2014 survey the following National Minimum Wages applied

- Apprentices 16-18 and those aged 19+ in their first year: £2.68
- 16-17: £3.72
- 18-20: £5.03
- 21+: £6.31

There are currently estimated to be 69,000 people in Scotland earning the minimum wage or less which accounts for three percent of the workforce.

Table 7: Employees (16+) earning the National Minimum Wage or less in Scotland

	Level	Proportion (%)
2013	63,000	2.8
2014	69,000	3.0

Source: Scottish Government

PAY BELOW THE MINIMUM WAGE

In April 2014, 0.9% of employees in the UK, around 236,000 people, were paid less than the NMW. In Scotland, 0.5% or around 13,000 employees were paid below the minimum wage.

Table 8: Employees earning less than the National Minimum Wage

	Level	Proportion (%)
Scotland	13,000	0.5
UK	236,000	0.9

Source: Scottish Government

It should not be assumed that people are being paid below the NMW due to non-compliance with legislation. There are a number of reasons people may not receive the NMW. For example, employees may be in receipt of benefits such as accommodation which offset their hourly rates, they may be a family member of the employer living in the employer's home, or a worker younger than school leaving age (usually 16).

LIVING WAGE

The living wage is an independently set hourly rate which is calculated according to the basic cost of living in the UK. The rate is set in November each year by the Living Wage Foundation and is calculated by the Centre for Research in Social Policy at Loughborough University.

At the time of the 2014 survey the UK Living Wage was £7.65 per hour.

Although the living wage is not compulsory there are a number of employers in Scotland who have committed to paying the living wage including large employers such as RBS, Standard Life and Aberdeen Asset Management. The Scottish Government has set out in its pay policy that all [bodies covered by the policy](#) must pay their staff at least the Scottish Living Wage. This includes

all people directly employed by the Scottish Government as well as its agencies such as sportScotland, Scottish Court Service and Creative Scotland.

It is estimated that there are 427,000 people earning less than the living wage in Scotland or just over 18% of the work force. This is an increase of around 32,000 on 2013.

Table 9: Employees (16+) earning less than the Living Wage in Scotland

	Level	Proportion (%)
2013	395,000	17.6
2014	427,000	18.4
Change	+32,000	

Source: Scottish Government

LIVING WAGE BY GENDER

In 2014 in Scotland over 20% of women earned less than the living wage. Around 14% of men earned less than the living wage. These figures are for hourly earnings excluding overtime.

Table 10: Employees (16+) earning less than the Living Wage by gender in Scotland

Gender	Proportion (%)
Male	13.9%
Female	22.4%

Source: Scottish Government

LIVING WAGE IN PUBLIC AND PRIVATE SECTORS

Around 27% of private sector employees earn less than the living wage when looking at hourly earnings excluding overtime. In the public sector there are just over 3% who earn less than the living wage.

Table 11: Employees (16+) earnings the Living Wage by public/private sector in Scotland

Sector	Proportion (%)
Public	3.4%
Private	27.2%

Source: Scottish Government

LIVING WAGE BY SECTOR

The proportion of people earning the living wage varies by sector. The accommodation and food services, wholesale and retail trade and administrative and support services have the highest proportion of people earning less than the living wage. The figures used are for hourly earnings excluding overtime.

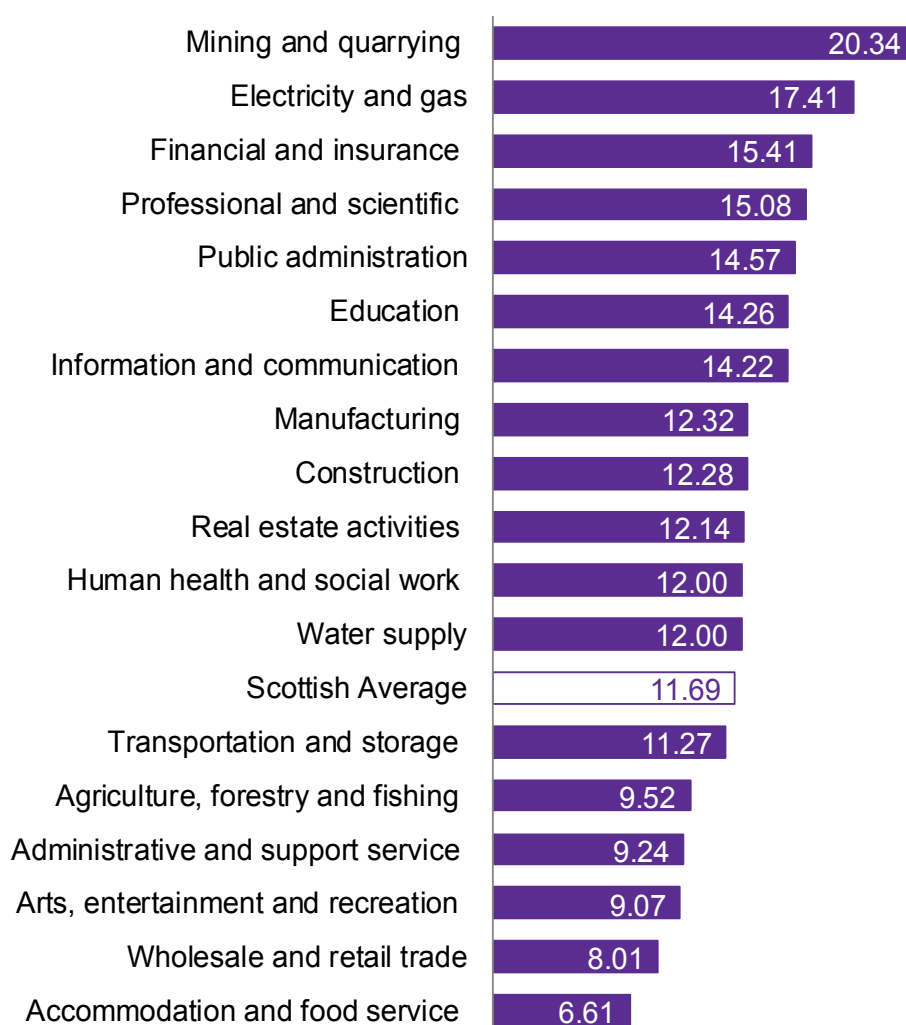
Figure 5: Sectors with the highest proportion of people earning less than the living wage in Scotland



PAY BY INDUSTRY

The mining and quarrying industry in Scotland has the highest median hourly rate excluding overtime despite seeing a real term reduction over the year. The accommodation and food services industry has the lowest hourly rate excluding overtime. It is the only industry to have a median wage below the living wage and experienced flat growth over the year in real terms.

Figure 6: Hourly pay excluding overtime by industry (£)



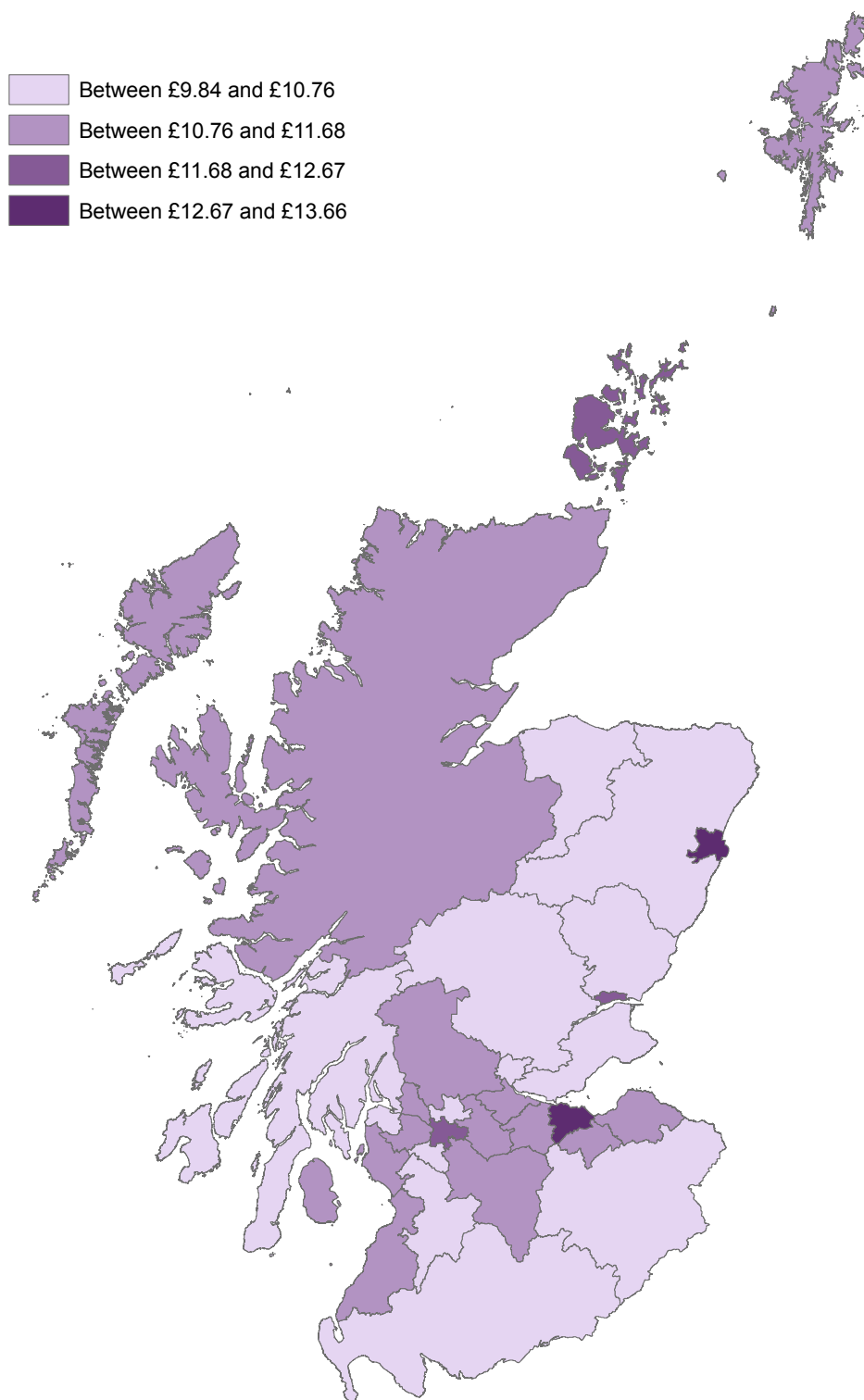
Data for Figure 6 in annex.

PAY BY LOCAL AUTHORITY

When looking at median hourly pay (excluding overtime) by place of work Edinburgh and Aberdeen have the highest hourly pay, with £13.66 and £13.60 respectively. However hourly pay in Edinburgh and Aberdeen has increased below the rate of inflation over the year.

Dumfries and Galloway has the lowest hourly pay despite a real terms increase over the year. East Renfrewshire has seen the biggest increase in pay at 9.5% while Clackmannanshire has seen a real terms *reduction* of 12.7%.

Figure 7: Hourly pay excluding overtime by place of work – local authority



ANNEX

Table A1: Hourly pay excluding overtime by industry

Industry	Median (£)	Annual change (%)
Accommodation and food service activities	6.61	1.8
Administrative and support service activities	9.24	7.3
Agriculture, forestry and fishing	9.52	0.2
Arts, entertainment and recreation	9.07	3.0
Construction	12.28	2.4
Education	14.26	2.4
Electricity, gas, steam and air conditioning supply	17.41	0.1
Financial and insurance activities	15.41	0.6
Human health and social work activities	12.00	-0.8
Information and communication	14.22	-1.9
Manufacturing	12.32	-3.3
Mining and quarrying	20.34	-0.3
Professional, scientific and technical activities	15.08	5.4
Public administration and defence	14.57	4.3
Real estate activities	12.14	3.9
Scottish average	11.69	1.6
Transportation and storage	11.27	1.3
Water supply	12.00	-3.5
Wholesale and retail trade	8.01	1.8

Table A2: Hourly pay excluding overtime by place of work

Local Authority	Median (£)	Annual Change (%)
Aberdeen City	13.60	1.4
Aberdeenshire	10.50	3.1
Angus	10.09	0.6
Argyll and Bute	10.44	2.2
City of Edinburgh	13.66	1.3
Clackmannanshire	9.99	-10.9
Dumfries and Galloway	9.84	3.2
Dundee City	11.94	2.0
East Ayrshire	10.71	-1.1
East Dunbartonshire	9.99	-5.5
East Lothian	10.91	-4.9

Local Authority	Median (£)	Annual Change (%)
East Renfrewshire	10.03	9.5
Eilean Siar	11.38	0.3
Falkirk	11.11	5.5
Fife	10.71	0.2
Glasgow City	12.65	1.5
Highland	11.11	2.8
Inverclyde	10.27	-0.8
Midlothian	11.02	0.3
Moray	10.12	2.9
North Ayrshire	10.92	9.0
North Lanarkshire	11.27	3.3
Orkney Islands	11.78	4.4
Perth and Kinross	10.35	2.4
Renfrewshire	11.19	-4.7
Scottish Borders	10.29	-0.1
Shetland Islands	11.61	-8.7
South Ayrshire	11.52	-0.7
South Lanarkshire	11.63	5.3
Stirling	11.40	-6.9
West Dunbartonshire	11.31	-1.2
West Lothian	11.13	5.8
Scotland	11.68	1.6

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