

London's Low Pay Landscape

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1. Executive Summary

London is home to some of the highest paying jobs in the UK, but it's also a city where half a million jobs are paid less than the real Living Wage. The real Living Wage is the only wage rate calculated based on what it costs to live, and there is a separate, higher, London Living Wage rate to reflect higher living costs in London.¹ This report sets out to understand who earns less than the real Living Wage in London, and the impact this has on their lives.

574,000 jobs in London are low paid (13.3 per cent of jobs).² Of all UK regions, London has seen the least progress on eradicating low pay since 2012, with only a 3-percentage point decrease in the proportion of low paid jobs between 2012 and 2023, less than half the UK's average reduction over the same period. Despite London having previously been amongst the regions with the lowest incidence of low pay, there is now a higher rate of low pay in London compared to the UK as a whole (13.3 per cent vs 12.9 per cent).

This is partly due to the National Living Wage not having regional variation, unlike the real Living Wage which has a higher London Living Wage rate to reflect the higher cost of living in the capital. This means that despite year-on-year increases to the National Living Wage, these higher rates have been less effective in pushing Londoners out of low pay compared to workers in the rest of the UK. The gap between what the lowest paid workers in London earn and the London Living Wage adds up to £1,092 a year, compared to a gap of £390 in the rest of the UK. As such, the lowest paid Londoners earn significantly less than what it costs them to live compared to their counterparts in the rest of the UK.³

¹ The real Living Wage is an independently calculated hourly rate, produced by the Resolution Foundation and overseen by the Living Wage Commission. The rate is updated annually to reflect actual living costs, based on the best available evidence. The current rates are £13.15 in London and £12 in the rest of the UK. Accredited Living Wage employers pay the real Living Wage to all employed staff, including third party staff, aged 18 or over. The real Living Wage is different to the government's National Living Wage, which is based on median earnings and applies to workers over 21. You can find more information here: www.livingwage.org.uk/what-real-living-wage and in our latest report on the scale of low pay here: www.livingwage.org.uk/employee-jobs-paid-below-real-living-wage-2023.

² We consider low paid jobs to be those paid below the real Living Wage in the UK or below the London Living Wage in London.

³ The gap between what the lowest paid Londoners earn and the London Living Wage is 56 pence (£1,092 a year for a full time worker working 37.5 hours a week), while the gap between what the lowest paid workers in the UK and the real Living Wage is 20 pence (£390 a year).

WHO IS MOST IMPACTED BY LOW PAY IN LONDON

There are significant disparities in how low pay affects different groups of London workers.

- Outer London is a low pay hotspot, not just in London but in the whole of the UK. London's Outer Boroughs make up 4 of the 5 Local Authorities with the highest rate of low pay in the UK. Together their rate of low pay is twice as high as the Inner Boroughs (22 per cent versus 9 per cent).
- Hospitality is the sector with the highest rate of low pay in London with almost half (49 per cent) of these jobs being low paid in the capital.
- Women are more likely to be low paid than men in London (15 per cent vs 12 per cent).
- London has the highest rate of low pay for part time jobs of any UK region, with 38 per cent of part time jobs in London being low paid compared to 28 per cent in the rest of the UK. Given that most part-time jobs are held by women, this further highlights how low pay entrenches gender inequality.
- Young workers between 18-21 are considerably more likely to be low paid than any other age group in London, with more than half of these workers being low paid. Young workers between 18-21 in London are also more likely to be low paid compared to their counterparts in the rest of the UK (56 per cent vs 50 per cent).
- Renters in London are more than twice as likely to be low paid than homeowners (20 per cent versus 8 per cent), highlighting the intersection of low wages and housing insecurity.
- Low pay also further entrenches racial inequality in London. Minority ethnic workers are twice as likely to be low paid than white workers in London (20 per cent versus 10 per cent) and the proportion of low paid jobs held by minority ethnic workers is higher in London than in the rest of the UK.
- London workers born outside the UK have a higher rate of low pay than those born in the UK (17 per cent versus 11 per cent).

HOW LONDONERS ARE IMPACTED BY LOW PAY

- Our findings highlight the ongoing cost of living pressures felt by low paid workers in London. Almost half (45 per cent) of low paid Londoners report being worse off than a year ago.
- Over a third (36 per cent) of low paid workers in London have regularly skipped meals for financial reasons in the past year, with 42 per cent having difficulty paying for food in the past year.
- Half (51 per cent) of low paid Londoners have used a foodbank in the past year, with about a quarter (23 per cent) visiting a foodbank at least once a week.
- To cope with the cost of living, over half (51 per cent) of low paid Londoners have undertaken more work to make ends meet.

- Many low paid Londoners have little or no financial safety net, with 41 per cent having less than £10 left over each week, once they have paid for essentials like housing, food, utilities and transport.
- Over a third (34 per cent) of low paid Londoners expect that they won't be able to save any money in the next year.
- The negative impacts of being low paid in London extend across many areas of workers' lives. A large majority reported that their level of pay has a negative impact on their anxiety levels (69 per cent), their overall quality of life (68 per cent), their sleep quality (66 per cent) and their mental health (65 per cent). Over half of low paid Londoners reported a negative impact on their relationships with close friends and family (57 per cent), their physical health (57 per cent), and their relationship with their partner (51 per cent).
- A majority of low paid Londoners reported that being paid a wage that met and increased in line with the cost of living would improve their mental health, their overall quality of life and their anxiety levels.
- Our polling found that low paid Londoners identified increased pay as the most important measure their employer could offer them.

2. Introduction

The UK labour market has faced significant disruptions in recent years. The Covid-19 pandemic in 2020 resulted in millions of workers being furloughed and economic activity stagnating. This was closely followed by the most severe cost of living crisis in 40 years.⁴ The UK has also experienced notable worker shortages, record levels of economic inactivity, and slow economic growth, culminating in the economy officially entering a recession at the end of 2023.⁵ While inflation has eased and the economy has returned to growth this year, the impact of these consecutive shocks continues to be felt across the UK.

Despite these challenges, we have continued to see significant progress on the eradication of low pay during this period. The proportion of jobs paid below the real Living Wage fell from 20.2 per cent (5.4 million jobs) in 2020 to 12.9 per cent (3.7 million jobs) in 2023. This was largely driven by the Government's target set in 2019 to increase the National Living Wage to two-thirds of median earnings by 2024.⁶ This target was achieved when the National Living Wage was increased to £11.44 on 1 April this year.

Progress on tackling low pay is a welcome development, but it hasn't been felt evenly. London is the region which has seen the least progress on eradicating low pay since 2012, with only a 2.9 percentage point reduction in the proportion of low paid jobs compared to the UK's average reduction of 7.1 per cent. 13.3 per cent of London jobs were still low paid in 2023, a higher rate than in the UK as a whole (12.9 per cent).

This is worrying because the high cost of living in the capital has the potential to leave low paid Londoners even more exposed to the risk of in-work poverty. London was ranked the eighth most expensive city in the world in 2024,⁷ and despite its reputation as a global financial hub, many Londoners struggle to make ends meet. Recent research finds that 24 per cent of Londoners live in poverty,⁸ and that London is the region with the highest rate of child poverty, at 33 per cent.⁹ The recent cost of living crisis has exacerbated the economic fallout from the pandemic and deepened the financial pressures that many were already struggling to manage. Indeed, London's high prices were already a challenge before the cost of living crisis, with polling finding that the cost of living was the most important issue facing Londoners in late 2021.¹⁰

⁴ Resolution Foundation & Centre for Economic Performance, LSE (2023) Ending Stagnation: A New Economic Strategy for Britain. Available at: <https://economy2030.resolutionfoundation.org/reports/ending-stagnation/>

⁵ Office for National Statistics (2024) Quarterly economic commentary: October to December 2023. Available at: <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/quarterlyeconomiccommentary/octobertodecember2023>

⁶ Low Pay Commission (2023) Summary of Evidence 2023 Report. Available at: https://assets.publishing.service.gov.uk/media/65577236046ed400148b9b01/LPC_2023_summary_of_evidence.pdf

⁷ Mercer (2024) Cost of Living City Ranking 2024. Available at: <https://www.mercer.com/insights/total-rewards/talent-mobility-insights/cost-of-living/>

⁸ Trust for London (n.d.) London's Poverty Profile. Available at: <https://trustforlondon.org.uk/data/>

⁹ The Childhood Trust (2023, December 13). Child poverty in London. Available at: <https://www.childhoodtrust.org.uk/about-us/child-poverty-in-london/>

¹⁰ London Funders (2022) Cost of Living Data Insight: March 2022. Available at: <https://londonfunders.org.uk/resources-publications/data-insights-funders/data-insights-cost-living-crisis>

Living costs in the capital have soared in recent years. Trust for London found that London households had to pay 27 per cent more in April 2024 to achieve the same standard of living as in March 2020.¹¹ Childcare costs are the highest in the country, with London parents spending between 25 and 33 per cent more for childcare in London than in the rest of Great Britain.¹² London's average house prices are also the highest of any UK region, with average monthly private rents almost double average rents in England.¹³

Moreover, the steep inflation seen since early 2022 has disproportionately impacted those with the lowest incomes as they spend a higher proportion of their income on items most impacted by inflation, such as energy and food.¹⁴ Food insecurity levels in London have risen dramatically in the past two years, with 18 per cent of London households being food insecure in September 2022 – 7 percentage points higher than 6 months prior,¹⁵ and 30 per cent of Londoners reporting buying less food or essentials to help manage living costs in December 2023.¹⁶

The high cost of living in London creates additional financial pressures for low paid Londoners who are struggling to make ends meet. This report seeks to explore the extent to which the 'bite' of low pay is worse in London due to the higher cost of living in the capital and the lack of regional variation in the National Living Wage. We explore the scale of low pay in London and the experiences of Londoners employed in low paid jobs. Our findings underscore the importance of paying a wage that is based on what it costs to live, and why this is particularly vital in the UK's most expensive city.

This report functions as a companion piece to our previous publication, London's Living Hours Landscape: Exploring Insecure Work in the Capital.¹⁷ Together these reports aim to provide a better understanding of in-work poverty in London by exploring its two main drivers: low pay and insecure work. This dual focus recognises that a decent standard of living is a function of both a wage that is based on the actual cost of living as well sufficient, secure, and stable working hours.

¹¹ Trust for London (April 2024) London's Cost of Living Tracker. Available at: <https://trustforlondon.org.uk/data/topics/cost-of-living-tracker/>

¹² London Assembly Economy Committee (2024) Early years childcare in London. Available at: <https://www.london.gov.uk/who-we-are/what-london-assembly-does/london-assembly-work/london-assembly-publications/early-years-childcare-london-report>

¹³ London Assembly Economy Committee (2024) Cost of Living Working Group Report. Available at: <https://www.london.gov.uk/who-we-are/what-london-assembly-does/london-assembly-work/london-assembly-publications/cost-living-working-group-report>

¹⁴ Harari, D. et al (2024) Rising Cost of Living in the UK, House of Commons Library. Available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-9428/>

¹⁵ The Food Foundation (2022) Food Insecurity Tracking: Round 11. Available at: <https://foodfoundation.org.uk/initiatives/food-insecurity-tracking#tabs/Round-12>

¹⁶ London Assembly Economy Committee (2024) Cost of Living Working Group Report. Available at: <https://www.london.gov.uk/who-we-are/what-london-assembly-does/london-assembly-work/london-assembly-publications/cost-living-working-group-report>

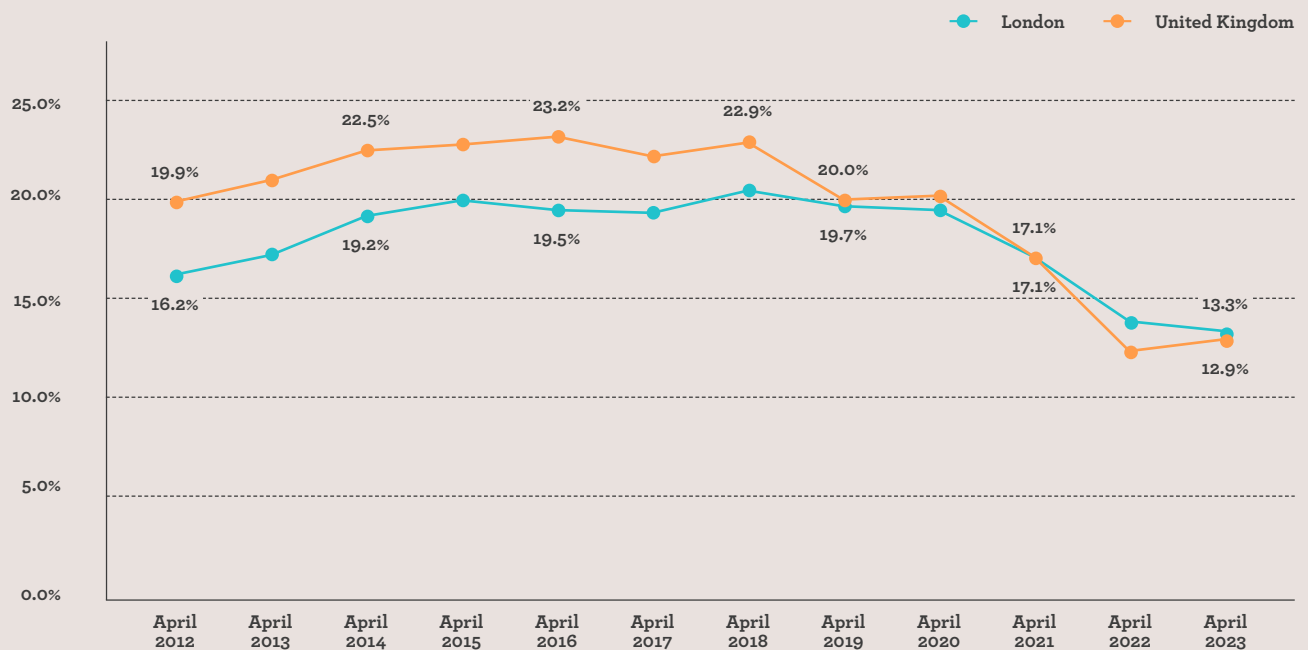
¹⁷ Mignon, K. and Witteveen, A. (2024) London's Living Hours Landscape: Exploring Insecure Work in the Capital. Living Wage Foundation: London. Available at: <https://livingwage.org.uk/london%E2%80%99s-living-hours-landscape-exploring-insecure-work-capital>

3. Scale of Low Pay in London

A. Low pay in London compared to the UK

According to the latest data, in 2023 13.3 per cent of employee jobs (574,000 jobs) were paid less than the real Living Wage in London, compared to 12.9 per cent in the UK. While this difference may seem small, London having a higher proportion of low paid jobs than in the UK is a very recent development. As seen in Figure 1, prior to 2022 the proportion of low paid jobs in London was consistently lower than the UK average.

Figure 1: Low paid employee jobs, London vs UK, 2012-2023.



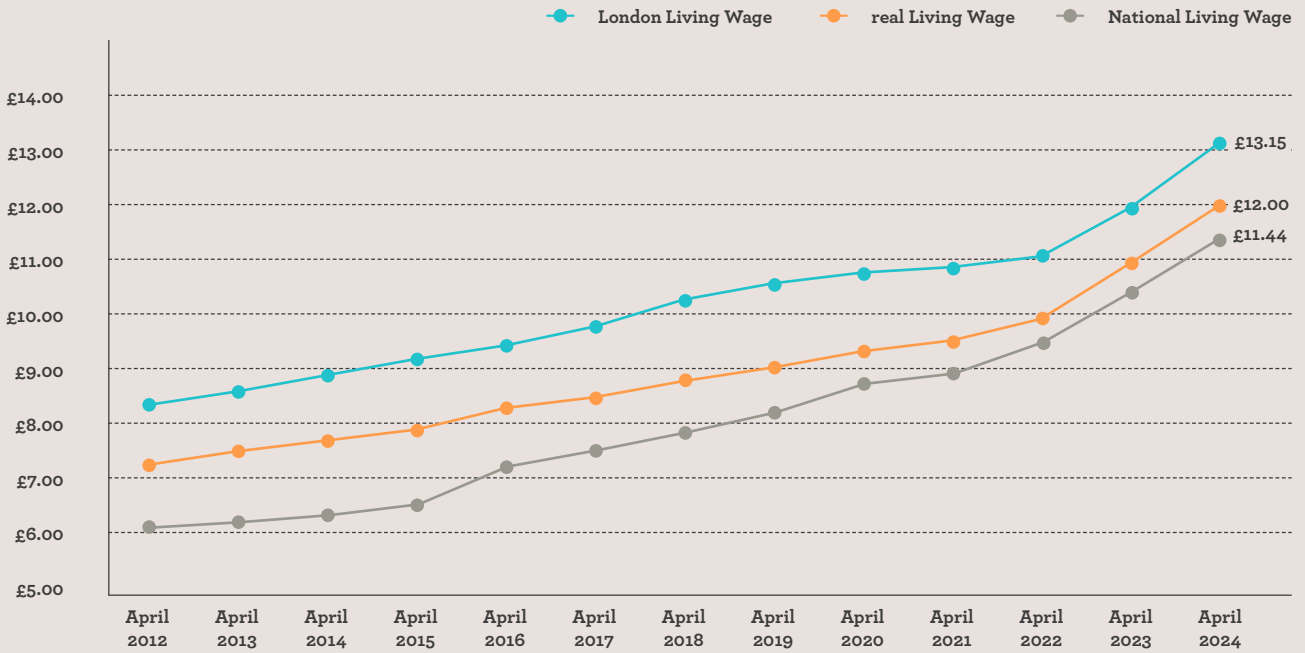
Source: Living Wage Foundation analysis of ONS data from the Annual Survey of Hours and Earnings (ASHE).

A key driver of the fall in the scale of low pay over time has been the significant rise in the National Living Wage, the legal minimum wage for workers over 21 years old. In 2019, the Low Pay Commission set a target of increasing the National Living Wage to reach two thirds of median earnings by 2024.

¹⁸ The real Living Wage is the only rate calculated according to what people need to make ends meet. It provides a voluntary benchmark for employers that choose to take a stand by ensuring their staff earn a wage that meets the costs and pressures they face in their everyday lives. The UK Living Wage is currently £12 per hour. There is a separate London Living Wage rate of £13.15 per hour to reflect the higher costs of things like transport, childcare and housing in the capital. These figures are independently calculated each year by the Resolution Foundation and overseen by the Living Wage Commission, based on the best available evidence on living standards in London and the UK.

This target was met on 1 April 2024 following a series of sharp increases to the National Living Wage beginning in 2019 (Figure 2).

Figure 2: National Living Wage, real Living Wage and London Living Wage, UK, 2012-2024¹⁹.



Source: Living Wage Foundation analysis of National Living Wage, real Living Wage and London Living Wage rates.

Despite the National Living Wage remaining below the real Living Wage rate, these increases in the government minimum have had ripple effects on the earnings distribution as employers seek to maintain wage differentials. This has pushed more workers above the real Living Wage rate over time and resulted in the levels of low pay in the UK falling by 7 percentage points between 2019 and 2024.

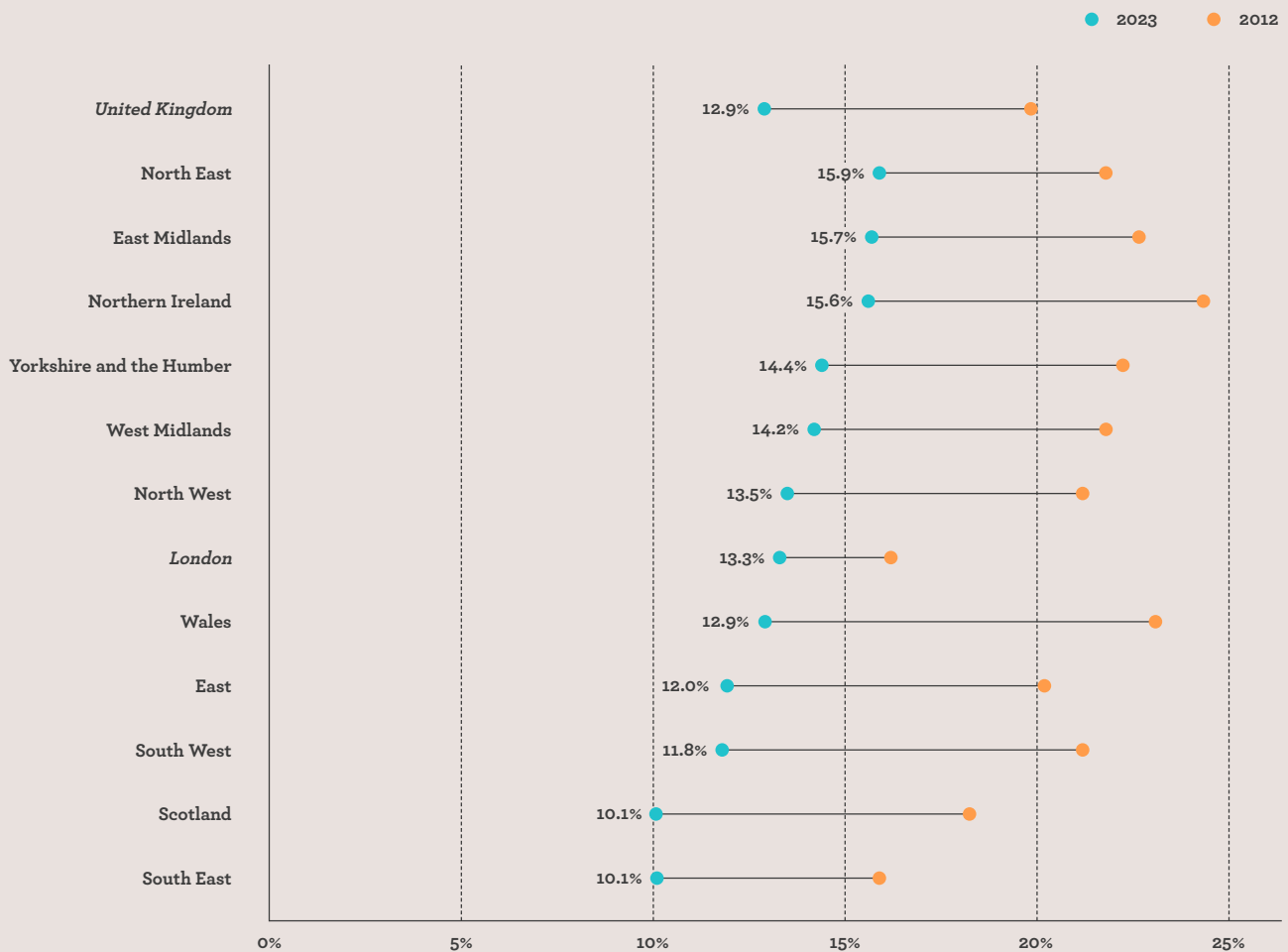
However, the positive effect of the rising National Living Wage rate has had less of an impact on workers in London. This is because unlike the real Living Wage, which is based on actual living costs, the National Living Wage does not have a separate wage rate for London despite living costs being higher in the capital.²⁰ This lack of regional variation means that the gap between the London Living Wage and the National Living Wage has not narrowed as much as the gap between the real Living Wage and the National Living Wage. The rise in the National Living Wage has therefore been less successful in moving London workers out of low pay.

¹⁹ Note that the National Living Wage was called the National Minimum Wage until 2016. The real- and London Living Wage rates are generally announced in the Autumn while the National Living Wage is announced in April but all three are shown in April each year in this graph for comparability.

²⁰ Cominetti, N. & Murphy, L. (2023) Calculating the Real Living Wage for London and the rest of the UK: 2023, Resolution Foundation. Available at: <https://livingwage.org.uk/calculating-real-living-wage-2023>

This is a key reason why London is the region which has seen the least progress on eradicating low pay since 2012. There has been only a 3-percentage-point decrease in the proportion of jobs that are low paid in London, compared to the UK’s average of 7-percentage-point decrease. London’s modest progress on eradicating low pay is evident in Figure 3 below.

Figure 3: Proportion of low paid employee jobs by region, UK 2012-2023.



Source: Living Wage Foundation analysis of ONS data from the Annual Survey of Hours and Earnings (ASHE).

This stunted progress explains why a higher proportion of workers in London are now low paid compared to the UK as a whole (13.3 per cent vs 12.9 per cent), despite London having previously been amongst the least impacted regions. Moreover, looking at the gap between the lowest earners and the real Living Wage, we find that the lowest earners in London earn 56 pence per hour less than the London Living Wage, which adds up to £1,092 per year. This is the highest gap of all UK regions, and well above the UK average of 20 pence per hour or £390 a year. Low paid Londoners are therefore typically ‘further away’ from the London Living Wage than their counterparts in other UK regions are to the real Living Wage.

B. Who is most affected by low pay in London

Low pay impacts workers unequally, with certain groups of people being more likely to experience low pay than others. In this section we examine who is most affected by low pay in London based on the following characteristics:

- The location of their job (by local authority),
- The industry they work in,
- Their gender,
- Their ethnicity,
- Their country of birth,
- Their housing status and
- Their age.

Our analysis on low pay by location, industry, gender and age uses data from the Annual Survey of Hours and Earnings (ASHE) while our analysis of low pay by ethnicity, country of birth and housing status uses data from the Labour Force Survey (LFS). More information is available in the methodology section of this report.

WHERE PEOPLE WORK

A key aspect of London's low pay landscape is the fact that its geographical spread is very unequal. Outer Boroughs have much higher levels of low pay than Inner Boroughs, with the average level of low pay for London's Outer Boroughs being double the average level of low pay for Inner Boroughs (22 per cent of jobs vs 9 per cent).²¹

In 2023, the most recent year that data is available for, the five Local Authorities with the highest level of low pay in the UK were all in London, and four of them were Outer Boroughs: Brent (30 per cent), Waltham Forest (29 per cent), Bexley (29 per cent) and Redbridge (28 per cent). This highlights the fact that Outer London isn't just a hotspot for low paid jobs within London, but also within the UK as a whole. Outer London boroughs have higher living costs compared to the rest of the UK without necessarily receiving the higher-than-average wages seen in more central areas of the capital, which underscores the extent of London's pay inequality and the necessity for low paid workers in the capital to earn a London Living Wage.

²¹ Note that the area refers to job location, not the worker's residence.

INDUSTRY AND OCCUPATION

Low pay is unevenly distributed across industries and occupations. In London, the sector with the highest proportion of low paid jobs is Hospitality (Accommodation and food services), with almost half (49 per cent) of jobs being low paid, followed by Wholesale and retail trade (30 per cent), Other service activities (24 per cent), Administrative and support services (23 per cent), and Arts and Entertainment (20 per cent). These five sectors combined represent 61 per cent of all low paid Londoners. This is a similar story to the rest of the UK, but London has slightly higher rates of low pay for each of these sectors apart from Arts and Entertainment.

As illustrated in Figure 4, while Hospitality has the highest rate of low pay, Wholesale and retail trade has the highest number of low paid workers, employing 124,000 low paid workers in London in 2023.

Some jobs are also more likely to be low paid. The occupation with the highest proportion

Figure 4: Number and proportion of jobs paid below the London Living Wage in top 5 industries with above-average rates of low pay (one-digit SIC): April 2023, London.



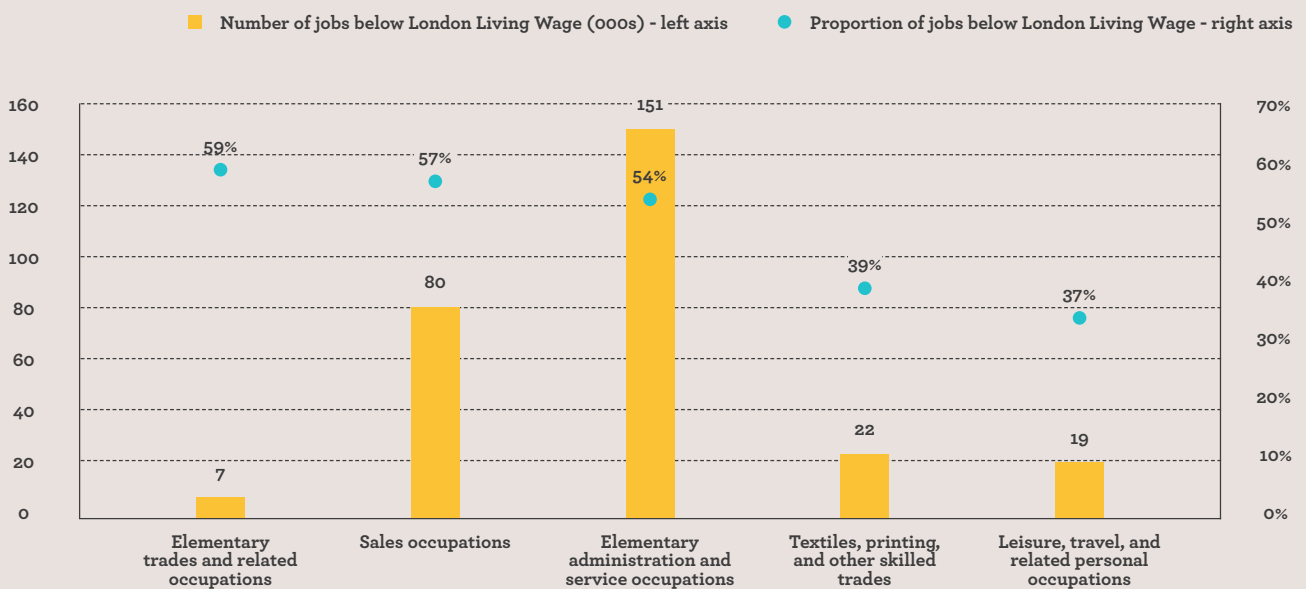
Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings, 2023.

of low paid jobs in London is Elementary trades and related occupations, with almost two thirds (59 per cent) of these jobs being low paid. This classification includes jobs like general construction labourers, packers, and industrial cleaners. Sales occupations (57 per cent) and Elementary administration and service occupations (54 per cent) are also low paid (Figure 5).

These groups include sales assistants, retail cashiers, kitchen assistants, waiters, cleaners, security guards and shelf fillers to name a few.²² There is a similar picture in the rest of the UK, but the rate of low pay for each of these occupations is higher in London.

Elementary administration and service jobs account for the highest number of low paid jobs by far, despite only having the third highest proportion of low paid jobs, with 151,000 of these jobs being low paid in London in 2023.

Figure 5: Number and proportion of jobs paid below the London Living Wage in top 5 occupations with above-average rates of low pay (one-digit SOC): April 2023, London.



Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings, 2023.

GENDER AND WORKING HOURS

In London a higher proportion of jobs held by women (15 per cent) are low paid compared to jobs held by men (12 per cent). Some 308,000 low paid jobs are held by women compared to 265,000 held by men in 2023. This gap of 3 percentage points between the rate of low pay for men and women in London is smaller than in the UK as a whole (5 percentage points).

London has the highest rate of low pay for part time jobs of any region, with 38 per cent of part time jobs being low paid in London compared to 28 per cent in the UK as a whole. This is important because previous research emphasises the role that insufficient working hours play in driving low pay and in-work poverty. This suggests that low paid part-time workers in London are at higher risk because they are faced with both low hourly pay and

²² ONS (2021) SOC 2020. Available here: <https://www.ons.gov.uk/methodology/classificationsandstandards/standardoccupationalclassifications/soc2020/>

few working hours. London is also the region with the highest proportion of low paid part time jobs held by women, with 34 per cent of part time jobs held by women being low paid compared to the UK average of 27 per cent.

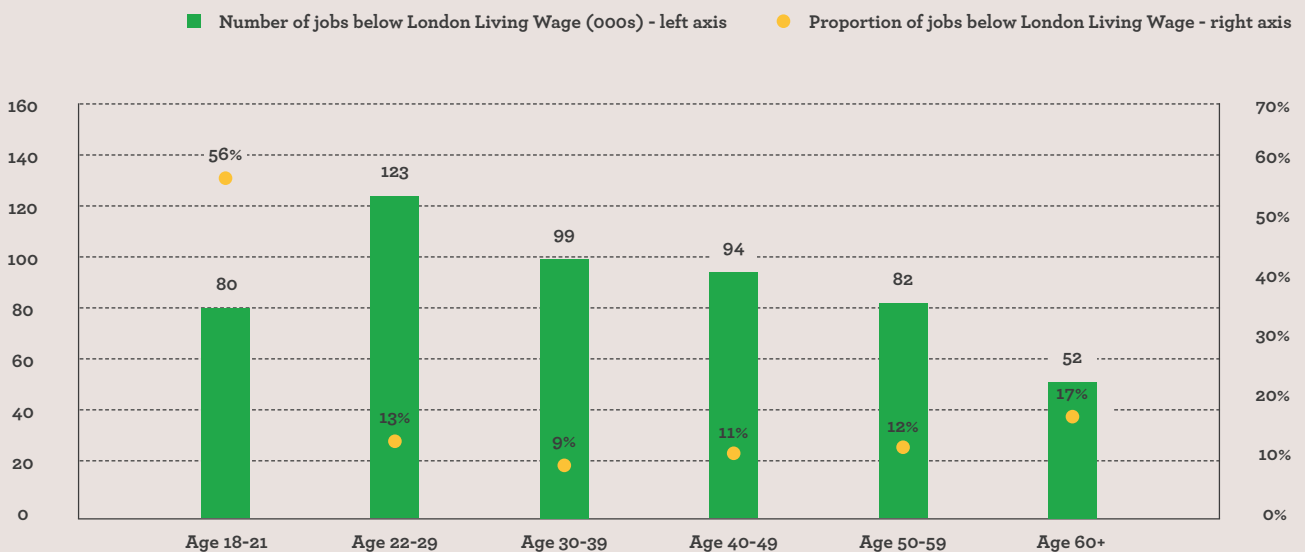
A higher proportion of part-time jobs held by men (47 per cent) are low paid compared to part-time jobs held by women (34 per cent) in London. However, since women are still more likely to be in a part-time job compared to men, there are many more women in low paid part-time jobs than there are men (532,000 women compared to 284,000 men).

AGE

In London, workers aged between 18-21 are considerably more likely to be low paid than any other age group, with more than half of young workers (55 per cent) earning less than the real Living Wage. This is likely because the National Living Wage has different minimum wage rates for workers aged 18-20, whereas the real Living Wage applies to everyone 18 and above. As such there is a larger gap between the National Minimum Wage that young workers earn (£7.49 for those 18-20 in 2023) and the London Living Wage (£11.95 in 2023). This demonstrates how paying the real Living Wage can make a difference to lots of young workers, with 80,000 18-20-year-olds in London earning below the real Living Wage.’

Older workers have the second highest level of low pay in London, with about 1 in 6 workers over 60 being low paid. The age group that makes up the largest number of low paid workers in London is 22-29-year-olds, with 123,000 of these Londoners in low paid jobs in 2023 (Figure 6).

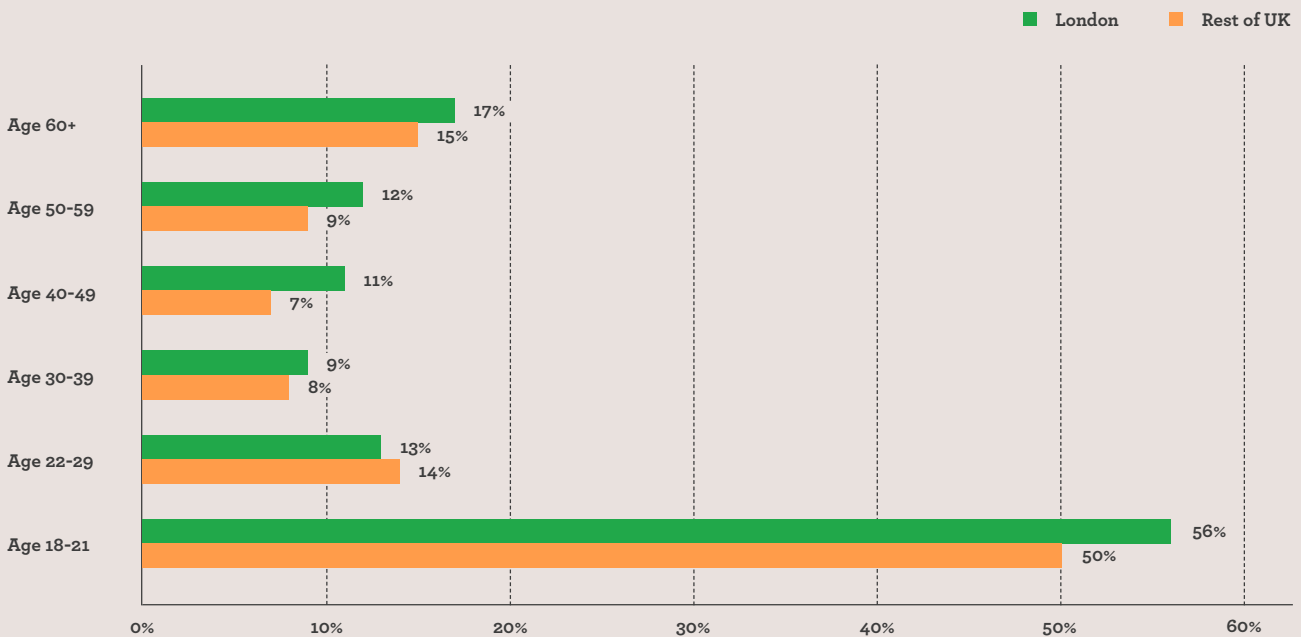
Figure 6: Number and proportion of jobs paid below the London Living Wage by age group: April 2023, London.



Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings, 2023.

Both the youngest and oldest workers in London are slightly more likely to be low paid compared to their counterparts in the rest of the UK (56 per cent in London vs 50 per cent in the UK for 18-21 year olds and 17 per cent in London vs 15 per cent for those aged 60+ in the rest of the UK), as seen in Figure 7. Almost all age groups are worse off in London than they are in the rest of the UK.

Figure 7: Proportion of low paid jobs by age group, London and rest of UK, 2023.



Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings, 2023.

HOUSING STATUS

Renters in London are more than twice as likely to be low paid than homeowners, with almost a fifth of renters (20 per cent) in London being low paid compared to less than a tenth of homeowners (8 per cent). While this is a similar breakdown to the rest of the UK where 21 per cent of renters are low paid compared to 11 per cent of homeowners, this is especially concerning because London rents have spiralled upwards in recent years. Though increases in London rents finally seem to be slowing down in 2024, rents grew 31 per cent from 2021 to 2023, thus adding pressure to already-high costs of living.²³

²³ Savills (2023) Mainstream Rental Forecasts. Available at: https://www.savills.co.uk/research_articles/229130/353669-0. Savills UK (2024) UK rents to keep on rising but will hit 'affordability ceiling' in 2025. Available at: <https://www.savills.co.uk/insight-and-opinion/savills-news/354578-0/uk-rents-to-keep-on-rising-but-will-hit-affordability-ceiling--in-2025>

In 2022, London was the least affordable region for private renters and the only region where rents are above the affordability threshold²⁴ with median rents making up 35 per cent of a median renter's household income.²⁵ Moreover, poverty rates in London increase significantly once housing costs are considered; Trust for London found that accounting for the price of housing in London leads to almost one million more people falling below the poverty line compared to when housing costs aren't included.²⁶

ETHNICITY AND COUNTRY OF BIRTH

Ethnicity is also a defining factor when measuring rates of low pay in London.²⁷ Sample shortages make it difficult to provide detailed rates of low pay for specific ethnic groups. The data available allows us only to make a crude comparison between workers whose ethnicity is white (67 per cent of London workers) and those whose ethnicity falls into any other category (33 per cent of London workers).

In London minority ethnic workers are more likely to be low paid than white workers. A fifth (20 per cent) of minority ethnic workers paid less than the Living Wage compared to a tenth (10 per cent) of white workers in London. The proportion of low paid jobs held by minority ethnic workers is also higher in London than in the rest of the UK (20 per cent compared to 16 per cent in the rest of the UK).

As well as their ethnicity, workers' country of birth is also linked to their likelihood of experiencing low pay. In London, workers born outside the UK have a higher rate of low pay (17 per cent) than those born within the UK (11 per cent). This difference is much more pronounced than in the rest of the UK, where foreign-born workers have a more similar rate of low pay compared to UK-born workers (14 per cent vs 13 per cent).²⁸

²⁴ The ONS deem a property "affordable" if a household would spend the equivalent of 30% or less of their income on rent.

²⁵ Office for National Statistics (2023) Statistical bulletin: Private rental affordability, England, Wales and Northern Ireland: 2022. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/private-rental-affordability-england/2022>

²⁶ Trust for London (n.d.) Poverty before and after housing costs. Available at: <https://trustforlondon.org.uk/data/poverty-before-and-after-housing-costs>

²⁷ Due to the low and declining sample sizes of the Labour Force Survey, we aren't able to provide the different rates of low pay for specific ethnic groups in London. As such, in order to ensure a sufficient sample size, we have grouped together multiple minority ethnic groups to analyse as a single cohort. We acknowledge that this provides a limited understanding of how different ethnic groups experience the labour market. Throughout this report, we use the term minority ethnic to describe workers from racialised backgrounds. We recognise that any term which groups together different ethnic groups into a single category fails to fully capture the nuance of individual minority ethnic groups, and their experiences in the labour market. That is why our previous reports on the ethnicity pay gap analysed ethnic groups independently. Our research found that there were large gaps between white and minority ethnic workers, as well as between different minority ethnic groups when it came to low pay. You can find more information in our 2022 report: <https://livingwage.org.uk/living-wage-matters-the-role-living-wage-closing-ethnicity-pay-gaps>

²⁸ In London, 41 per cent of London workers are born outside of the UK, compared to 15 per cent of workers in the rest of the UK.

4. Impact of Low Pay on Workers

The first section of this report explored the scale of low pay in London using data from major UK labour market datasets. The second part of this report focuses on workers' experience of low pay in London in order to understand how they are impacted by low pay and the higher cost of living in the capital. We do so using new polling data that explores their current financial situation and the impact of their pay on various measures of life satisfaction. More information is available in the methodology section of this report.

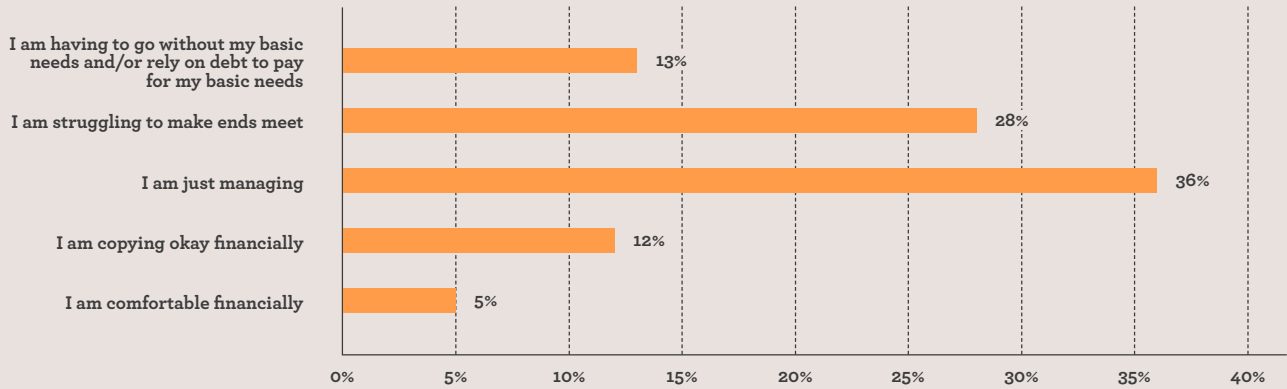
A. Low paid workers' current financial situation

Our findings suggest that low paid workers in London are still struggling with the cost of living. When asked about their current financial situation, over a third (36 per cent) of low paid Londoners reported that they were “just about managing”, just under a third (28 per cent) reported they were “struggling to make ends meet” and over a tenth (13 per cent) reported having to go without their basic needs or relying on debt to pay for essentials (Figure 8). There was no significant difference in responses across men and women or part-time and full-time workers, but we found that older workers are worse affected.

Half (50 per cent) of low paid Londoners aged 45 to 64 reported that they were struggling to make ends meet or having to go without basic necessities compared to a third (33 per cent) of 18- to 34-year-olds. Similarly, over half (52 per cent) of low paid Londoners with a disability reported they were struggling to make ends meet or having to go without basic necessities compared to 38 per cent of those without a disability.²⁹

²⁹ The LFS dataset does not have sufficient samples of low paid workers in London who are disabled for us to be able to provide a reliable rate of low pay. However, across the UK, low paid workers who have a disability have a higher rate of low pay than those who do not (17 per cent vs 12 per cent in 2023).

Figure 8: Proportion of workers earning below the London Living Wage describing their current financial situation, 2024.

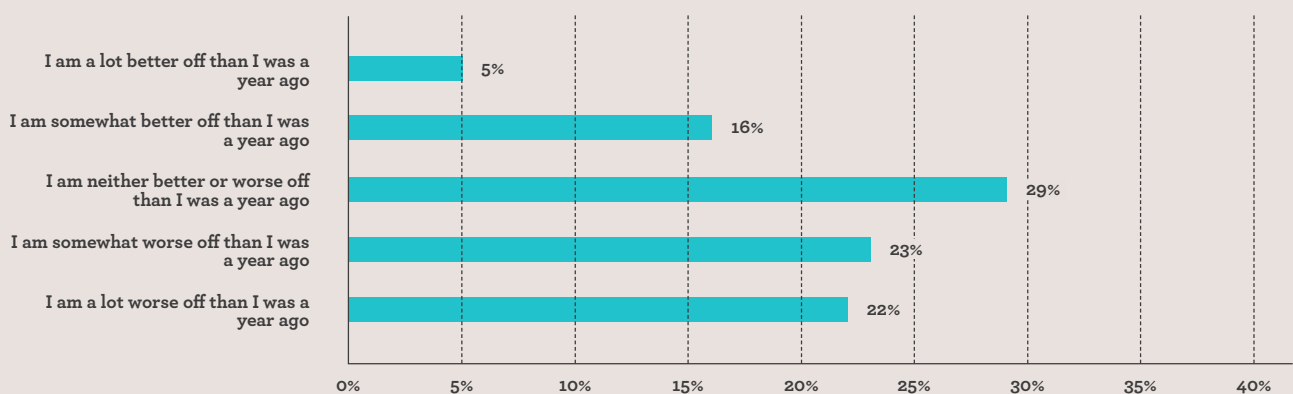


Source: Living Wage Foundation analysis of Survation data. All respondents were asked: Thinking about your current financial situation, which of these statements best applies to you? This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage. Figure excludes the following responses: 'Don't know', 2 per cent and 'Prefer not to say', 3 per cent.

Despite inflation easing back to target levels in 2024, almost half (45 per cent) of low paid Londoners report being worse off than a year ago, 22 per cent of whom report being a lot worse off than a year ago (Figure 9). When asked for the main reason they are worse off, 61 per cent of respondents cited the increased cost of living. This underscores the persistent impacts of the increased cost of living on low paid Londoners.

Our findings suggest that older workers are struggling more than younger workers, with 56 per cent of low paid workers in London aged 45 to 64 reporting being worse off than last year compared to 37 per cent of workers aged 18 to 34. We did not see notable differences across gender or working hours.

Figure 9: Proportion of workers earning below the London Living Wage reporting on their current financial situation compared to that of a year ago, 2024.



Source: Living Wage Foundation analysis of Survation data. All respondents were asked: How would you describe your current financial situation compared to that of a year ago? This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage. Figure excludes the following responses: 'Don't know', 2 per cent and 'Prefer not to say', 3 per cent.

Our polling found that a significant amount of London low paid workers have little or no safety net after paying for basic necessities. 41 per cent of low paid Londoners have had less than £10 left over each week once they have paid for essentials like housing, food, utilities and transport. This includes 10 per cent who are in deficit after paying for essentials, resorting to credit and loans to cover essentials (Figure 10). This highlights the extent to which inflationary price increases over recent years continue to burden low paid workers despite these increases slowing over the past year.

Figure 10: Proportion of workers earning below the London Living Wage with different amounts of income available each week after essential expenses, UK, August 2023.



Source: Living Wage Foundation analysis of Survation data. All respondents were asked: On average over the past 12 months, how much money have you had left over each week once you have paid for your essentials (housing/food/utilities/transport)? This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage.

Low paid men and women report having similar amounts of money left over after paying for essentials. However, low paid Londoners who work part-time are more likely to lack a sufficient financial cushion compared to full-time workers, with 44 per cent of part-time low paid Londoners having less than £10 left every week after paying for essentials, compared to 34 per cent for full-time workers.

This lack of financial resilience is further emphasised by the fact that half of low paid Londoners (49 per cent) could not afford a one-off unexpected but necessary expense of £850.³⁰

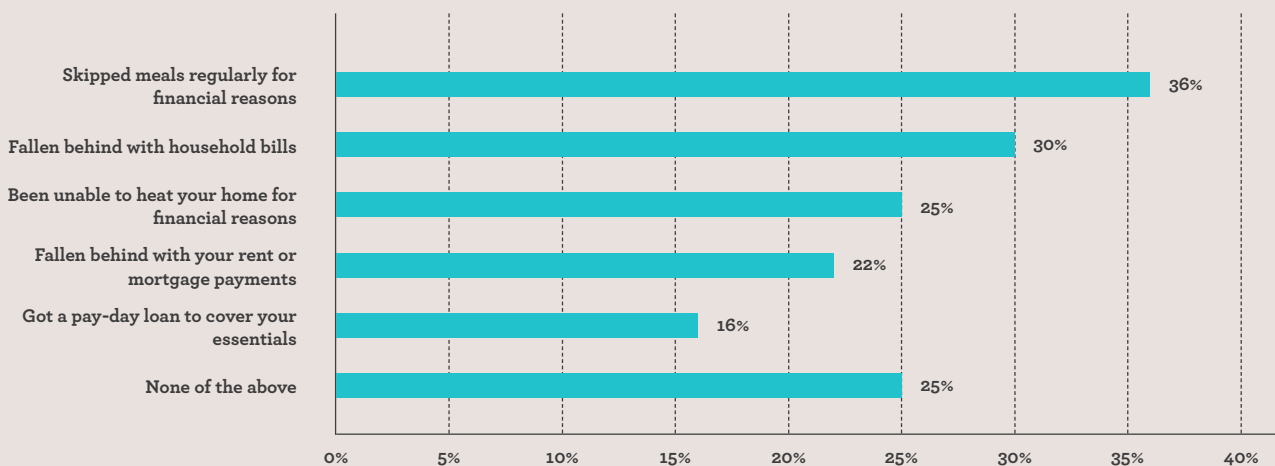
³⁰ The ONS uses households who are unable to afford an unexpected, but necessary, expense of £850 as an indicator of financial vulnerability which helps identify households that may not be able to absorb a sudden increase in their cost of living. This could come in the form of an unexpected bill, like a boiler breaking or a car in need of repair.

This suggests many are living paycheck to paycheck and are lacking a sufficient financial cushion, leaving them vulnerable to unplanned costs or events. Women in low paid jobs are more likely than men to say that they could not afford an unexpected but necessary expense of £850 (54 per cent compared to 44 per cent).

B. Managing financial hardship

Over a third (36 per cent) of low paid workers in London have regularly skipped meals for financial reasons in the past year, just under a third (30 per cent) have fallen behind on household bills, and a quarter (25 per cent) have been unable to heat their home for financial reasons (Figure 11).

Figure 11: Proportion of workers earning below the London Living Wage who have experienced the following life situations, 2024.



Source: Living Wage Foundation analysis of Survation data. All respondents were asked: In the past 12 months, have you experienced any of the following life situations? This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage. Figure excludes the following responses: 'Don't know', 3 per cent and 'Prefer not to say', 4 per cent.

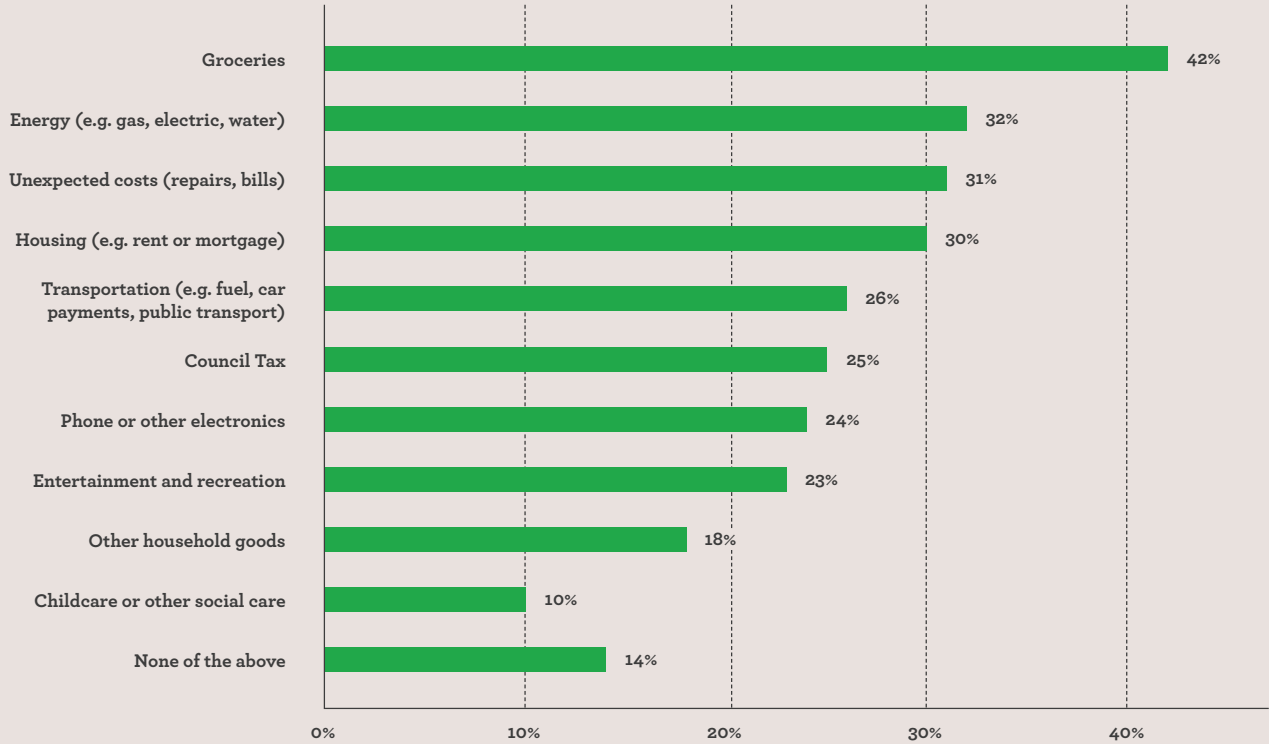
We also found that the expense that most workers struggled to afford was groceries, with 42 per cent of low paid Londoners having difficulty paying for food in the past year. About a third of low paid Londoners also struggled to afford energy, housing and unexpected costs in the past year (Figure 12). This is in keeping with food and energy being two key drivers of high inflation in the cost of living crisis – with food inflation reaching 19 per cent in March 2023, the highest rate seen in 45 years,³¹ and the consumer price index for domestic fuels being 77 per cent higher in January to March 2023 compared to a year previously³² that low paid households were worse affected by this peak in inflation.³³

³¹ ONS (2024) Cost of living insights: Food. Available at: <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>

³² Department for Energy Security and Net Zero (2023) Quarterly Energy Prices: June 2023. Available at: <https://www.gov.uk/government/statistics/quarterly-energy-prices-june-2023>

³³ Turcatti, D. et al. (2022) The unequal impact of rising inflation, NIESR. Available at: <https://www.niesr.ac.uk/blog/unequal-impact-rising-inflation>.
Cominetti, N. et al. (2024) Paying the price: How the inflation surge has reshaped the British economy, Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2024/05/Paying-the-price.pdf>

Figure 12: Proportion of workers earning below the London Living Wage who struggled to pay for different household expenses over the past 12 months, 2024.

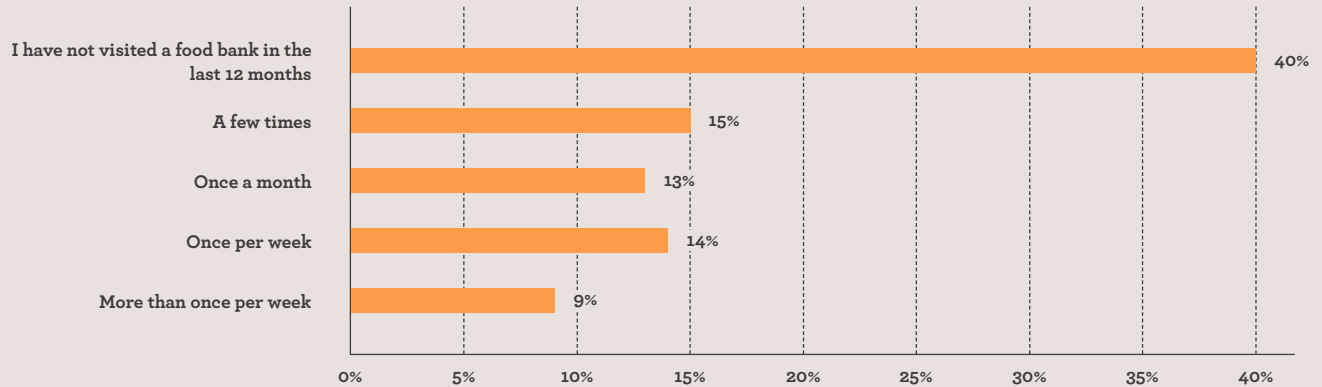


Source: Living Wage Foundation analysis of Survation data. All respondents were asked: Over the past 12 months, have you struggled to pay for any of the following? This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage.

FOODBANK USE

Our findings also show that reliance on foodbanks is widespread among low paid Londoners. Half (51 per cent) of low paid Londoners have used a foodbank in the past year, with about a quarter (23 per cent) visiting a foodbank once a week or more (Figure 13). 41 per cent of those that used a foodbank reported increasing their use in the last year, 37 per cent reported their foodbank use stayed the same and only 18 per cent reported it decreasing. These findings highlight the continued pressures felt by low paid workers as a result of high living costs.

Figure 13: Proportion of workers earning below the London Living Wage using a foodbank in the past year by frequency of visit, 2024.



Source: Living Wage Foundation analysis of Survation data. All respondents were asked: Over the past 12 months, how many times have you used the services of a foodbank? This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage.

Low paid men in London are more likely than women to have visited a foodbank in the past year (59 per cent versus 43 per cent).

Low paid Londoners working full time are also more likely than part time workers to have visited a foodbank in the past year, with 57 per cent of full-time low paid workers in London having used a foodbank compared to 46 per cent of part-time low paid workers in London.

Low paid Londoners who have dependent children are also more likely than those without children to have visited a foodbank in the past year, with 63 per cent of low paid workers with dependent children in London having used a foodbank compared to 41 per cent of those without.

A large majority of low paid Londoners who have a disability (71 per cent) have visited a foodbank in the past year, which is significantly higher than those without a disability (45 per cent).

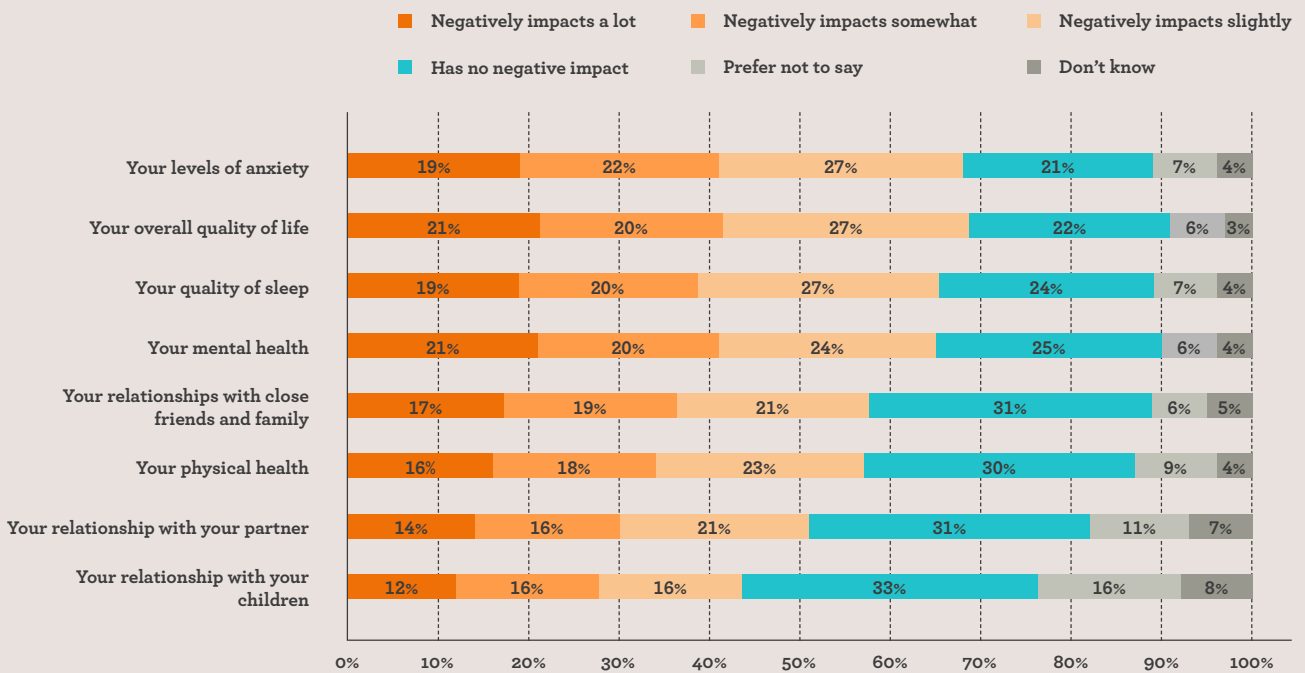
CHANGES IN WORK

In order to cope with increased living costs, many workers have undertaken more work to make ends meet. This is the case for over half (51 per cent) of low paid Londoners. 34 per cent of those workers reported doing extra hours at their existing workplace, while 33 per cent undertook freelance work and 25 per cent took on a second job in the last year.

C. Impact of low pay on quality of life

Our polling found that the negative impacts of being paid less than the real Living Wage in London extend across many areas of workers’ lives. Indeed, a large majority of low paid Londoners reported negative impacts on their anxiety levels (69 per cent), their overall quality of life (68 per cent), their sleep quality (66 per cent) and their mental health (65 per cent). Over half of low paid Londoners reported a negative impact on their relationships with close friends and family (57 per cent), their physical health (57 per cent), and their relationship with their partner (51 per cent), as seen in Figure 14. These findings highlight the wide-ranging negative impacts low pay can have on workers’ lives.

Figure 14: Negative impact of earning below the London Living Wage on different aspects of London workers’ personal lives, 2024.



Source: Living Wage Foundation analysis of Suvation data. All respondents were asked: To what extent does the payment you receive for your work impact the following, if at all? This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage.

Our findings also show that older workers report being more negatively affected by low pay than younger workers, though both groups report high levels of negative impact. 75 per cent of London workers aged 45 to 64 reporting a negative impact on their overall quality of life compared to 64 per cent of workers aged 18 to 34.

Low paid full-time workers are also more likely than low paid part-time workers to report a negative impact on their overall quality of life (73 per cent vs 66 per cent), their relationship with close friends and family (65 per cent vs 52 per cent), their relationship with their partners (60 per cent vs 43 per cent), and their relationship with their children (56 per cent vs 34 per cent).

Low paid men in London are more likely than low paid women to report that their pay negatively impacts their relationship with close friends and family (60 per cent vs 53 per cent), their relationship with their partner (56 per cent vs 45 per cent) and their relationship with their children (47 per cent vs 40 per cent).

Low paid Londoners who have dependent children are also more likely than those without children to report that their pay negatively impacts their relationship with close friends and family (65 per cent vs 49 per cent) and their relationship with their partner (62 per cent vs 41 per cent).

Low paid Londoners with a disability are more likely than those without a disability to report that their pay negatively impacts every aspect of their life they were polled on, such as their overall quality of life (75 per cent compared to 68 per cent), their levels of anxiety (74 per cent vs 68 per cent), their mental health (74 per cent vs 63 per cent), their physical health (68 per cent vs 55 per cent), and their relationship with their children (54 per cent compared to 41 per cent).

D. Employee expectations for the coming year

Low paid Londoners were also asked about their expectations for the coming year and how they thought being paid a wage that increases in line with inflation would impact them.

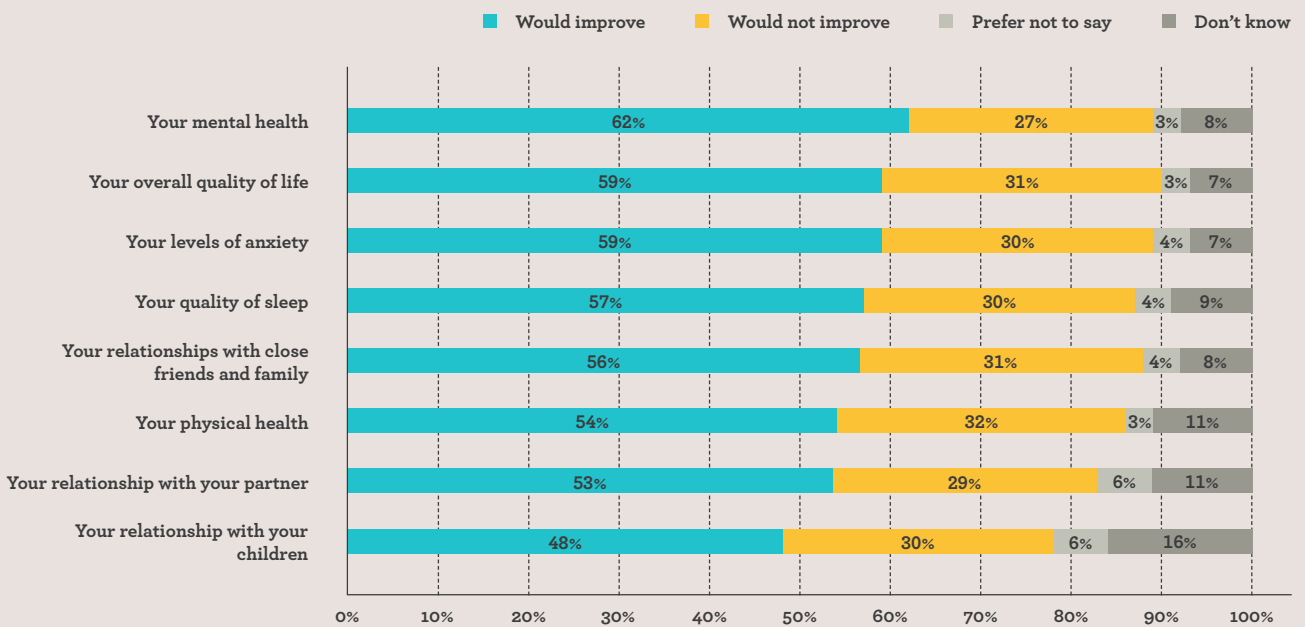
Over a third (34 per cent) of low paid Londoners expect that they won't be able to save any money in the next year. Low paid women in London were more pessimistic than their male counterparts, with 40 per cent anticipating they won't save any money compared to 29 per cent of men.

Almost a third (32 per cent) of low paid Londoners expect that their pay will stay the same and a quarter expect their pay to increase but not in line with the cost of living.

EXPECTED PERSONAL BENEFITS OF EARNING A WAGE THAT MEETS AND INCREASES WITH THE COST OF LIVING

A majority of low paid Londoners reported that being paid a wage that met and increased in line with the cost of living would improve their mental health (62 per cent), their overall quality of life and their levels of anxiety (59 per cent each). Half of low paid Londoners also felt that being paid a real Living Wage would improve their relationships with close friends and family, with their partner, with their children, and that it would improve their physical health and quality of sleep (Figure 15).

Figure 15: Low paid Londoner’s expectations about the impact of receiving a London Living Wage on different aspects of their personal lives, 2024.

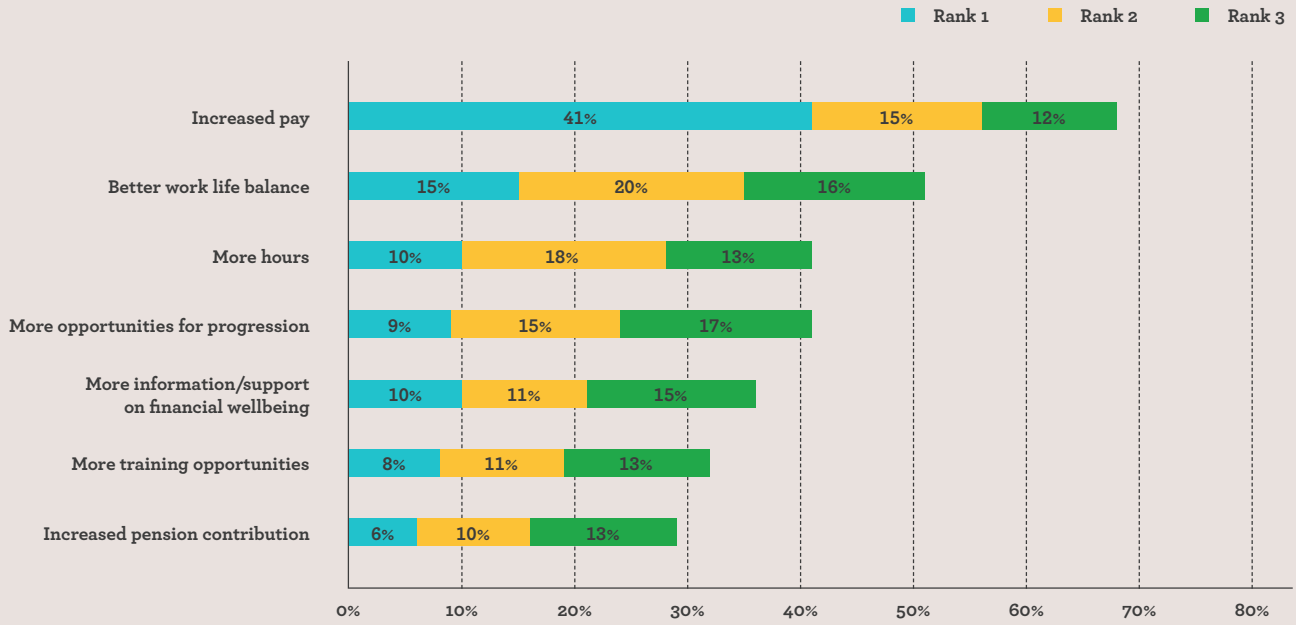


Source: Living Wage Foundation analysis of Survation data. All respondents were asked: If you were paid a wage that met and increased in line with the cost-of-living, what impact, if any, would this have on the following? This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage.

E. What workers value the most from employers

Our polling results show that the most important measure employers could implement to help their workers cope with increased cost of living is increased pay. When asked to rank in order of importance various options their employer could offer them, 41 per cent of low paid Londoners chose increased pay as the most important. Low paid Londoners were almost three times more likely to choose increased pay over any other option (Figure 16).

Figure 16: Low paid Londoners’ views on what employer measures would be most important, 2024.



Source: Living Wage Foundation analysis of Survation data. All respondents were asked: Please rank the following options your employer could offer you in order of importance, with 1 being the most important and 7 being the least important. This question yielded a sample of 1,002 respondents aged 18+ who live in London and are paid below the London Living Wage. Figure only depicts options ranked first, second and third.

5. Conclusion

According to official statistics on the scale of low pay, although the prevalence of low paid jobs in London today is similar to the rest of the UK, less progress has been made on eradicating low pay in the capital compared to the UK. The gap between London's lowest earners and the London Living Wage is almost three times the gap between the lowest earners in the rest of the UK and the real Living Wage rate. This means that the lowest paid Londoners earn £1,092 a year less than what it costs them to live, compared to £390 in the rest of the UK.

Low paid Londoners are therefore typically 'further away' from the London Living Wage than their counterparts in other UK regions are to the real Living Wage.

There are significant variations in the rate of low pay across Local Authorities, sectors, genders, working hours, age groups, housing status and ethnicity groups. Those most impacted by low pay in London are people who work in Outer Boroughs, Hospitality workers, women, part-time workers, workers aged 18-21, renters, minority ethnic workers, and workers born outside of the UK.

High living costs continue to erode Londoners' pay packets and negatively impact low paid workers' lives. Almost half of London's low paid workers report being worse off than a year ago, and are either struggling to make ends meet, having to go without basic necessities, or relying on credit to afford them. 40 per cent of low paid Londoners lack a financial safety net and live pay check to pay check, and half have used a foodbank in the past year. This new data throws into sharp relief the reality of low pay in London, with a large majority reporting that their pay has a negative impact on various aspects of their life, such as their overall quality of life, mental health, sleep quality and relationships.

Our findings underscore the persistent challenges faced by low-paid workers in London, who continue to struggle despite inflation stabilising at target levels. This situation is not unique to London, however the lack of progress toward eradicating low pay in London in recent years is concerning, with low-paid workers in the city being further from the London Living Wage than their counterparts in the rest of the UK are from earning the real Living Wage.

Accrediting as a Living Wage Employer is a practical step London employers can take to provide their workers with a wage that reflects the higher costs of living in the capital, allowing all their workers to live with dignity.



The Making London a Living Wage City project was launched in 2021 to tackle issues of low pay and insecure work through Living Wage- and Living Hours accreditations. The project is a partnership between Citizens UK, the Living Wage Foundation and the Mayor of London. Its aim is to put over £635m back in the pockets of low paid workers and achieve 10,000 Living Hours contracts in London by accrediting businesses to become Living Wage- and Living Hours Employers. Since the start of the project, just under 2,000 London organisations have become Living Wage Employers, uplifting almost 60,000 workers onto the London Living Wage. You can find more information on the Making London a Living Wage City project at: <https://www.citizensuk.org/campaigns/making-london-a-living-wage-city/a-living-wage-city>

6. Methodology

A. Analysis of scale of low pay

In the first section of this report, the analysis of the scale of low pay and how it is distributed across Local Authority, gender, working hours, industry, occupation and age groups is based on analysis of the Annual Survey of Hours and Earnings (ASHE) data collected by the Office for National Statistics (ONS). This survey is carried out in April each year and is the most comprehensive source of information on the structure and distribution of hours and earnings among employees in the UK. The ASHE is based on a one per cent sample of employee jobs taken from HM Revenue & Customs (HMRC) Pay As You Earn (PAYE) records. Consequently, individuals with more than one job may appear in the sample more than once. Information on earnings and paid hours worked is obtained from employers and treated confidentially. The ASHE does not cover the self-employed or employees not paid during the reference period. The following definitions apply to the analysis throughout this report:

- Data is available up to April 2023; however, estimates for 2023 are provisional and will be subject to small revisions in 2024.
- Following the ONS convention, we focus on gross hourly pay for all employees whose pay was not affected by absence (with a slightly adjusted definition for 2020 and 2021 due to the Covid-19 pandemic and furlough scheme).
- We use a workplace-based (as opposed to residence-based) definition when assigning regional and other geographical classifications. That is, data for each geographical area relates to the employee jobs at workplaces located in that area, not the employees who live in that area. This approach is necessary for accurately identifying the jobs subject to the London and UK real Living Wage rates.
- Full-time jobs refer to jobs in which employees work more than 30 paid hours per week (or 25 or more for the teaching professions).
- Data for industries are classified according to the Standard Industrial Classification (SIC) 2007 coding frame.³⁴ Data for occupations before 2021 are classified according to the Standard Occupational Classification (SOC) 2010³⁵ coding frame. Data for occupations from 2021 onward are classified according to the Standard Occupational Classification (SOC) 2020 coding frame.³⁶

³⁴ ONS (2016) UK SIC 2007. Available here: <https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007>

³⁵ ONS (2016) SOC 2010. Available here: <https://www.ons.gov.uk/methodology/classificationsandstandards/standardoccupationalclassificationsoc/soc2010>

³⁶ ONS (2021) SOC 2020. Available here: <https://www.ons.gov.uk/methodology/classificationsandstandards/standardoccupationalclassificationsoc/soc2020/soc2020volume1structureanddescriptionsofunitgroups>

Since 2015, the ONS has published data tables detailing the number and proportion of UK jobs paid below the Living Wage by region and nation, Local Authority/Metropolitan County, Parliamentary Constituency, and disaggregated by gender and full-time/part-time hours. In these instances, we present the published ONS statistics.

For estimates relating to industries and occupations in all years and for all estimates prior to 2015, the ONS does not publish data on jobs below the Living Wage. In these instances, we estimate the proportion of jobs paid below the Living Wage using other data tables which detail the percentile distribution of earnings (the 10th, 20th, 25th, 30th, 40th, 50th (median), 60th, 70th, 75th, 80th and 90th percentiles). For each individual region and nation of the UK, we identify the percentile band within which the applicable Living Wage rate (London or UK) falls. We then interpolate the exact proportion of jobs that fall below this threshold, assuming that the distribution of earnings follows a linear trend between percentile points. We apply this proportion to the total number of jobs in each category to estimate the number of employee jobs paid below the Living Wage. This method does not allow us to estimate the number or proportion of jobs paid below the Living Wage in categories where the proportion is below 10 per cent.

We then sum results for each region and nation to derive UK-wide figures (the implied total number of jobs paid below the Living Wage, when summed across sub-groups, can vary slightly across categories due to the nature of the estimation method used).

Data disaggregated by industry and occupation is not available for Northern Ireland, so in these instances we estimate the proportion of jobs paid below the Living Wage across Great Britain, and then apply this proportion to the number of jobs in each category across the UK to derive a UK-wide estimate for the number of employee jobs paid below the Living Wage. This 'linear interpolation' approach follows that taken by KPMG and IHS Markit in previous reports on the proportion of employee jobs paid below the Living Wage.³⁷

Compared to the published estimates of employee jobs paid below the Living Wage for 2015 onwards, this linear interpolation estimation approach produces very similar (but consistently slightly lower) results. To ensure that our results are consistent across different disaggregations and over time, we adjust the estimates from our linear interpolations using 'scale factors' based on the proportional difference between estimated and published results. This is seen as an appropriate approach because these scale factors are relatively consistent from year to year, and scale factors across regions and nations (and other geographies) in adjacent years are positively correlated. For years prior to 2015, we use the 2015 scale factors specific to each geography, gender and working pattern (full-time/part-time). For industries and occupations, we use the overall scale factor estimated for each region or nation in that year.

³⁷ IHS Markit (2019) Living Wage Research for KPMG. Available at: <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2019/10/living-wage-research-for-kpmg-2019.pdf>

The data on how low pay is distributed across ethnicity, country of birth, and housing status is based on the ONS's Labour Force Data Survey. In order to achieve sufficient sample sizes, we pooled together quarterly data from the most recent three years (Q1 2021 to Q4 2023). We then applied scaling factors based on rates of low pay by gender and working hours established with the 2023 ASHE to align estimates across datasets.

B. Low pay polling

The second section of this report explores the impact of low pay on workers. This data comes from a poll commissioned to Survation, a member of the British Polling Council. 1,002 London workers paid below the London Living Wage were polled in July and August 2024 to gather this data. Respondents were asked to report on their current financial situation, how it compares to last year, how they have coped with increased living costs, the impact their wage has on various aspects of their lives, the impact being paid a real Living Wage would have on those same aspects of their lives, and what measures they would value most from their employers.

C. Caveats, considerations and limitations when interpreting ASHE and LFS data

With the following considerations in mind, this report's findings should be interpreted with some caution. However, the ASHE and LFS datasets remain the most authoritative and comprehensive datasets in the UK when it comes to employee earnings.

ASHE DATASET

Despite the ASHE being the most reliable and authoritative dataset on employee earnings in the UK, some caution must be applied when interpreting our findings.

The ASHE has faced some sampling attrition since the Covid-19 pandemic.³⁸ The number of observations in the ASHE sample in 2023 was 156,000 – an increase compared to previous years (148,000 in 2022, 142,000 in 2021 and 144,000 in 2020),³⁹ but still below the number of observations typically recorded pre-pandemic (usually around 180,000). Further to this, inspection of the ASHE sample and the employer non-response weighting used in the ASHE dataset has found that both smaller firms (particularly those with less than 10 employees) and private sector firms are under-represented within the ASHE sample, even after weighting is applied.

³⁸ Forth, J. et al (2022). Methodology Paper: Longitudinal Attrition in ASHE. Wage and Employment Dynamics. Available at: <https://www.wagedynamics.com/wp-content/uploads/2022/10/Longitudinal-attrition-in-ASHE-Version-1b.pdf>

³⁹ Office for National Statistics (2023) Employee Earnings in the UK. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2023>

This has implications for reported pay levels, particularly for the lower end of the pay distribution, with both the public sector and larger organisations typically having lower incidences of low paid jobs. Indeed, the Wage Employment Dynamics' (WED) adjusted ASHE weight which boosted the representation of small, young, private sector firms, saw the reported median hourly pay fall by 4.0 per cent.^{40,41}

Additionally, over recent years, there has been growing discord between ASHE and other UK earnings datasets, particularly regarding pay growth distribution. For example, according to the ASHE dataset, lower earners in the UK saw higher nominal growth in earnings between April 2022 and April 2023 than those further up the income distribution, for both hourly and weekly pay. For both hourly and weekly pay, the lowest quartile of earners saw earnings growth which was both above the median and, to a slightly larger extent, above that seen for the highest quartile. However, the Real Time Information Pay As You Earn (RTI-PAYE) data from HMRC contradicts this slightly. Over the same period (April 2022-April 2023) RTI-PAYE data shows much flatter earnings growth across the pay distribution, with wage growth for the lowest quartile being broadly consistent with median earners and those at the upper end of the pay distribution (annual wage growth of 6-7 per cent for both single-month and three-month averages). Some level of discrepancy is to be expected, particularly as the RTI-PAYE data covers monthly earnings while ASHE covers hourly/weekly earnings. That being said, in previous years (particularly before Covid-19), there was a much higher degree of congruence between these two datasets.

LFS DATASET

The LFS, which is the most comprehensive dataset on the UK Labour Market, can also be problematic for measuring pay data, particularly when analysing the bottom end of the pay scale. Unlike ASHE, the LFS asks respondents to self-report income based on how they are paid – i.e., by the hour, week or month. A minority of respondents report their pay hourly. Consequently, for those that don't report their 'hourly pay', the LFS derives hourly pay based on someone's annual earnings, divided by the number of hours they tend to work per week. However, many workers do unpaid overtime or work above their contracted hours – be it through unpaid training, working extra hours in the office, or doing additional time on the shop floor (closing the shop, cashing up etc). As a result, the derived hourly pay that is reported in the LFS can often be artificially deflated, and not reflective of the actual levels of pay that are enshrined into workers contracts. We have overcome this by re-weighting LFS data to ASHE data, the most reliable source of data on employee pay in

⁴⁰ See footnote 39.

⁴¹ It is worth noting that the WED adjusted weight also resulted in the reported proportion of 'low paid' employee jobs falling. However, their definition of 'low pay' was that of being below two thirds of median income. Their re-weight was shown to deflate earnings unevenly, with the lowest quartile of earners seeing their reported earnings fall by 2.5 percentage points, compared to 4 percentage points for median earners. This is why there was a lower proportion of workers that were 'low paid' by their definition, because the median earners had been deflated more than the lowest earners, resulting in fewer workers being paid less than two thirds of the median. Using our own definition as the barometer of low pay – as those being paid below the real Living Wage - the adjusted ASHE data would result in more workers being considered as 'low paid'. This is because our definition simply includes those who are paid less than the real Living Wage, and therefore any deflation of earnings data (irrespective of the distribution), means more workers fall below that threshold, which in turn results in more workers being considered 'low paid'.

the UK. We do this by adjusting the weight assigned to respondents of the LFS, so that in Q2 of each year, when ASHE is collected, our estimates of low pay from the LFS match those from ASHE. LFS data on pay is therefore vulnerable to errors in respondents' self-reported income and subject to derivation issues once income weights are applied.⁴³

Moreover, the Labour Force Survey has been experiencing significant sampling issues since the pandemic which have cast doubt on its reliability. The response rate for the LFS fell from 47.9% in June-August 2013 to 14.6% in June-August 2023, which prompted the ONS to suspend the publication of LFS data in October 2023 due to quality concern.⁴² While publication has resumed following some methodological updates, the LFS has lost its 'National Statistics' status, meaning the ONS are still less confident in the figures as they do not fully meet standards on quality.⁴³

⁴² Francis-Devine, B. (2023) Has labour market data become less reliable? House of Commons Library. Available at: <https://commonslibrary.parliament.uk/has-labour-market-data-become-less-reliable>

⁴³ Corlett, A. & Slaughter, H. (2024) Measuring up? Exploring data discrepancies in the Labour Force Survey. Resolution Foundation. Available at: <https://www.resolutionfoundation.org/publications/measuring-up/>