



BRIEFING PAPER

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National Minimum Wage Statistics

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2. Jobs paid at the National Minimum Wage
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Summary

The National Minimum Wage (NMW) applies to most workers and sets minimum hourly rates of pay. The rates are provided in regulations made by the Secretary for State with parliamentary approval, based on the recommendations of the Low Pay Commission (LPC).

NMW rates vary by age group. The table below shows the current rates and the value of the rates in April 2018 when they are next set to rise.

National Minimum Wage Rates by age group

	25 and over National Living Wage	21- 24	18- 20	Under 18	Apprentice
As of April 2017	£7.50	£7.05	£5.60	£4.05	£3.50
As of April 2018	£7.83	£7.38	£5.90	£4.20	£3.70

Notes: Apprentice rate applies to apprentices who are either in their first year of their apprenticeship or are aged 19 and under. Apprentices who fall outside this definition are entitled to the minimum wage rate for their age group.

Source: Gov.uk: [National Minimum Wage and National Living Wage rates](#)

The value of each minimum wage rate is higher in real terms (i.e. has increased faster than prices) since the NMW was first introduced in 1999. However, in the aftermath of the 2008/09 recession, the real value of all minimum wage rates decreased. With the exception of the rate for 16-17 year olds, the various NMW rates have now increased again in real terms to above their pre-recession levels.

Unlike the other NMW rates, the National Living Wage is subject to a Government target that its value must reach 60% of median earnings (the point at which half of people earn more and half earn less) by 2020. At October 2017, the National Living Wage stood at around 57% of median earnings for people aged 25 and over, as estimated by the Low Pay Commission.

The Low Pay Commission estimates that there were 1.9 million jobs paid at or below the NMW in April 2017, around 6.7% of all employee jobs. This compares to 1.5 million jobs paid at or below the NMW in 2015, before the introduction of the National Living Wage. The coverage of the NMW is expected to increase to 3.4 million employees by 2020 as the National Living Wage moves towards its 2020 target.

Jobs paid around the minimum wage are concentrated within a small number of low-paying occupations. The Low Pay Commission estimates that half of all jobs paying at or below the minimum wage are in retail, hospitality and cleaning & maintenance occupations.

The UK has a relatively high minimum wage, in terms of monetary value, compared with other OECD countries. In 2016, the UK had the ninth highest adult minimum wage out of 27 OECD countries (based on the National Living Wage rate) after taking into account differences in the cost of living.

Other Library briefings on the National Minimum Wage

[*The National Minimum Wage: rates and enforcement*](#) (November 2017)

This briefing provides details of current and historic National Minimum Wage rates; discusses the introduction of the National Living Wage and different age-related rates; sets out the legislative mechanism for rate increases; explains the role of the Low Pay Commission; and discusses the various means of enforcing the National Minimum Wage.

[*Economic impacts of the National Living Wage: in brief*](#) (March 2016)

This briefing provides an overview of the expected impact of the National Living Wage on workers, employers and the economy.

[*The National Minimum Wage: volunteers and interns*](#) (December 2015)

This briefing provides an overview of the application of law around the National Minimum Wage to persons working in a voluntary capacity.

1. Value of the National Minimum Wage

The hourly rate of the National Minimum Wage (NMW) varies by age group. The table shows the value of each NMW rate at April 2017 and the rates as they will be in April 2018.

National Minimum Wage Rates by age group

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Source: Gov.uk: *National Minimum Wage and National Living Wage rates*

Why are there different minimum wage rates?

The rationale for varying the rate across age groups has typically been that younger workers occupy a more vulnerable position in the labour market, with a greater need to acquire experience. It is therefore thought that if younger workers were eligible for the full minimum wage they might be priced out of the labour market. Average wages for younger workers are well below those for older workers and, furthermore, research indicates that spells of youth unemployment may have 'scarring' effects on earnings further on in people's careers. A [Low Pay Commission blog](#) explains the reasons in more detail.¹

A **National Living Wage (NLW)** for workers aged 25 and over was introduced in April 2016, having been announced by the then Chancellor George Osborne in the 2015 Summer Budget.² This is in effect another NMW rate. The Budget set a target for the NLW to reach 60% of median earnings by the year 2020 (the median is the point where half of people earn more and half earn less.) The Budget stated that the Low Pay Commission would advise the government on the incremental rises to the NLW in order to meet this target.

1.1 The Low Pay Commission and the setting of minimum wage rates

The level of the NMW is determined by the government with the advice of the [Low Pay Commission](#) (LPC). The LPC makes annual recommendations in response to a remit set by the government.³

Traditionally, the LPC has based its recommendations on the extent to which the NMW may be increased without damaging the employment prospects of low-paid workers. While it will continue to do this for workers aged under 25, this no longer applies for the NLW which is

¹ S Blake, [New minimum wage rates for under 25s: why are they different?](#), Low Pay Commission blog, 30 September 2016

² HM Treasury, [Summer Budget 2015: key announcements](#), 8 July 2015 [last accessed 4 May 2017]

³ Low Pay Commission: [About us](#) [last accessed 04 May 2017]

subject to a specific target. Instead, the LPC has been asked to recommend the trajectory by which the NLW reaches its 2020 target.⁴

1.2 Value of the minimum wage rates over time

The NMW was introduced on 1 April 1999 at the rate of £3.60 per hour for adults aged 22 and over, and £3.00 per hour for younger workers aged 18-21.

Since then the rates have been increased on an annual basis. The 16-17 year old rate was introduced on 1 October 2004 following the recommendations of the LPC. The apprentice rate was introduced on 1 October 2010; at the same time, the age of entitlement to the main rate was reduced from 22 to 21. The NLW for workers aged 25 and over was introduced in April 2016.

National Minimum Wage Hourly Rates, UK, 1999- 2018

	Aged 22+	Aged 18-21	Aged 16-17	Apprentice	
1999	£3.60	£3.00			
2000	£3.60	£3.20			
2000	£3.70	£3.20			
2001	£4.10	£3.50			
2002	£4.20	£3.60			
2003	£4.50	£3.80			
2004	£4.85	£4.10	£3.00		
2005	£5.05	£4.25	£3.00		
2006	£5.35	£4.45	£3.30		
2007	£5.52	£4.60	£3.40		
2008	£5.73	£4.77	£3.53		
2009	£5.80	£4.83	£3.57		
	Aged 21+	Aged 18-20	Aged 16-17	Apprentice	
2010	£5.93	£4.92	£3.64	£2.50	
2011	£6.08	£4.98	£3.68	£2.60	
2012	£6.19	£4.98	£3.68	£2.65	
2013	£6.31	£5.03	£3.72	£2.68	
2014	£6.50	£5.13	£3.79	£2.73	
2015	£6.70	£5.30	£3.87	£3.30	
	25+	21-24	Aged 18-20	Aged 16-17	Apprentice
2016 <i>a</i>	£7.20	£6.95	£5.55	£4.00	£3.40
2017	£7.50	£7.05	£5.60	£4.05	£3.50
2018 <i>b</i>	£7.83	£7.38	£5.90	£4.20	£3.70

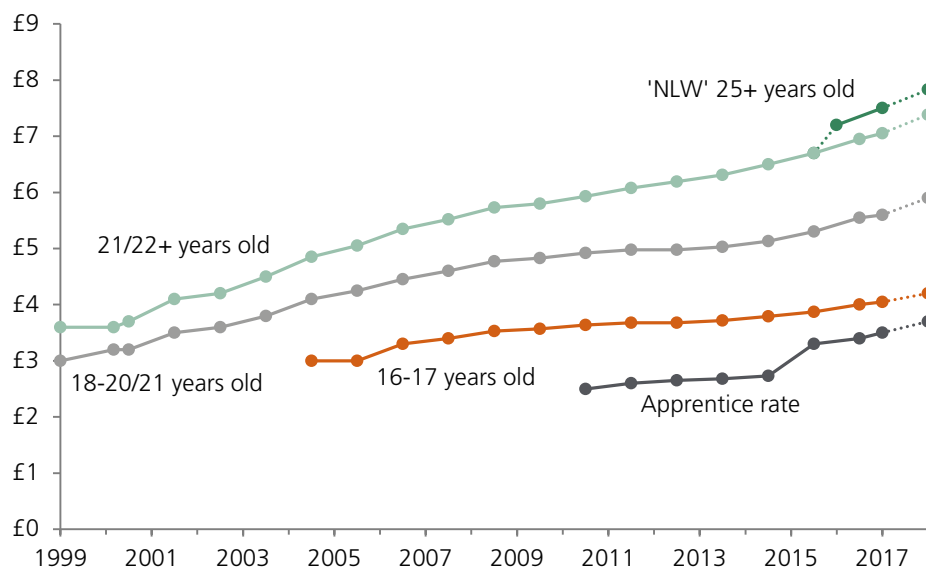
Notes: (a) Rate for people aged 25+ applied from April 2016. Other rates applied from October 2016.

(b) 2018 rates were announced in November 2017 and apply from April 2018.

Source: Low Pay Commission Reports

⁴ Department for Business, Innovation and Skills, [National Minimum Wage: Low Pay Commission remit 2016 \(autumn\)](#), 14 March 2016

Hourly minimum wage rates by age group



Source: Low Pay Commission; Gov.uk

Notes: 2018 rates to come into force in April 2018

Value of minimum wage rates in real terms

By looking at the 'real' value of the NMW (i.e. adjusted for inflation) we can assess how the NMW is keeping up with the cost of living.

The Low Pay Commission notes four distinct phases in the path of the NMW:⁵

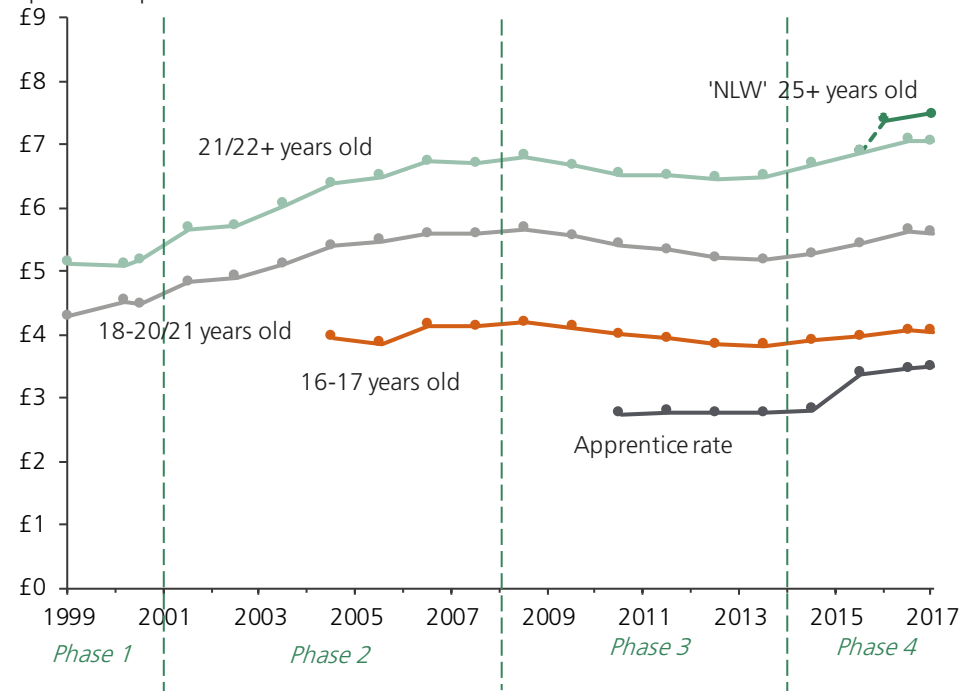
- 1 At first, the NMW was introduced at a relatively low level and was updated in line with CPI inflation in its first 18 months.
- 2 After research suggested the NMW had not adversely impacted jobs or the economy, subsequent annual increases to the NMW saw it grow faster than average earnings or prices up to 2007.
- 3 Following the economic downturn in 2008, the real value of the NMW decreased.
- 4 The adult rate of the NMW increased above inflation again from 2014.

The different phases are visible in the chart below. With the exception of the rate for 16-17 year olds, the various NMW rates are now higher in real terms than they were before the recession in 2008.

⁵ Low Pay Commission, [Spring 2016 Report](#), Chapter 1, para 1.17

National minimum wage rates, real terms

April 2017 prices



Source: Low Pay Commission; ONS Consumer Price Index (D7TB)

1.3 National Minimum Wage and earnings growth

Another way to think about the value of the minimum wage is to compare it against average earnings across the workforce. This is typically done by calculating the minimum wage as a proportion of median earnings – the point at which half of people earn more and half of people earn less. The Government has a target for the NLW to reach a value of 60% of median earnings by 2020.

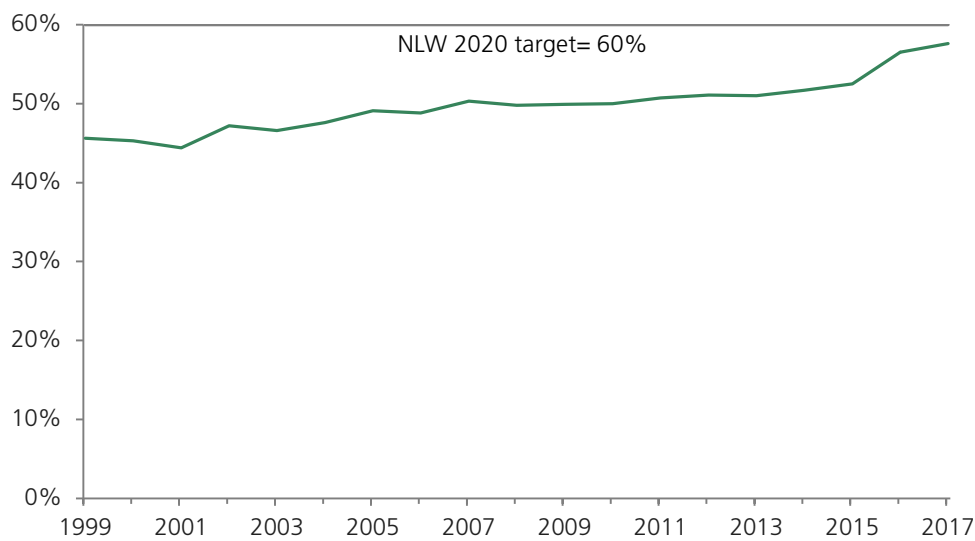
In November 2017 the LPC projected that the then NLW of £7.50 was equal to 57% of median hourly earnings for people aged 25 and over.⁶

Since the early 2000s, the adult NMW has been slowly increasing as a proportion of median earnings, as growth in the NMW has exceeded growth in median earnings.

⁶ Low Pay Commission, [2017 report](#), Chapter 2, Figure 2.2

NMW/NLW as a proportion of median employee earnings

People aged 25 and over



Source: Low Pay Commission, 2017 Report (figure 2.2)

1.4 Projected value of the National Living Wage in 2020

The Government originally anticipated that the 60% median earnings target for the NLW would mean a cash value of more than £9 an hour by 2020.⁷ When the NLW was first announced in July 2015, the Office of Budget Responsibility projected that 60% of median earnings in 2020 would equate to around £9.35 per hour.⁸

However, the projected future value of the NLW has been repeatedly revised downwards. More recent forecasts indicate that earnings growth across the economy up to 2020 is likely to be considerably weaker than originally expected. The LPC's Autumn 2017 report suggested the NLW would be around **£8.61 an hour** in 2020.⁹

Based on this projection, the 2020 NLW would be 74 pence lower than originally projected in July 2015, and 39 pence below £9 an hour.

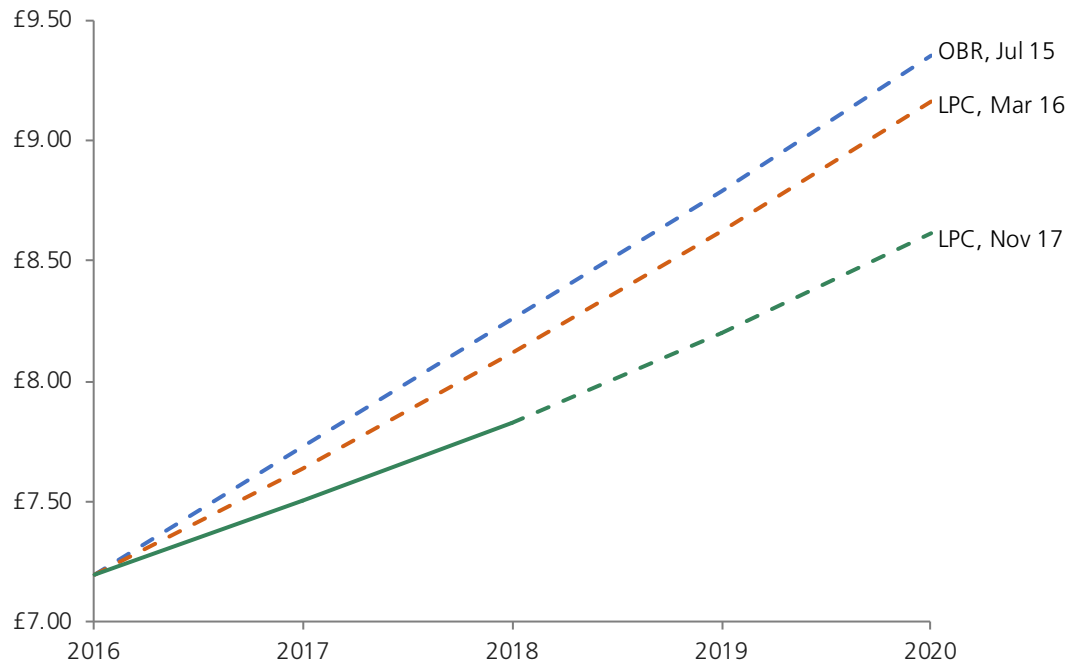
⁷ Department for Business Innovation & Skills, [Low Pay Commission Remit 2016](#), p2

⁸ Office for Budget Responsibility, [Economic and Fiscal Outlook: Summer 2015](#), p200

⁹ Low Pay Commission, [2017 Report](#), p184

The cash value of the NLW in 2020 is set to be lower than originally projected

Indicative cash value of NLW in 2020 as reported by OBR and LPC, based on forecasts for average earnings



Source: LPC, Spring 2016 and Autumn 2017 Reports; OBR, Economic and Fiscal Outlook, July 2015

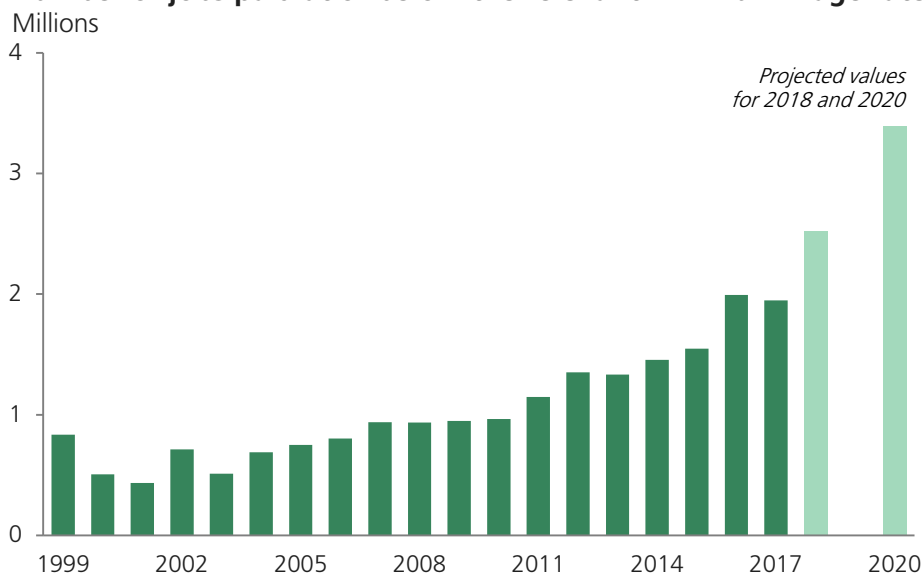
2. Jobs paid at the National Minimum Wage

The LPC publishes estimates of the number of “minimum wage jobs”, defined as jobs paying up to five pence above the appropriate minimum wage rate (for all age groups, not just people aged 25 and over). They estimate that 1.9 million employee jobs (6.7% of all employee jobs) were paid at or below the relevant National Minimum Wage rate in April 2017. The LPC forecasts this will increase to 3.4 million in 2020.¹⁰

2.1 Trend in minimum wage jobs

The number of jobs paid at or below the minimum wage has increased since it was first introduced in 1999. It is estimated that around 1.1 million more people are in jobs paid at or below their relevant minimum wage rate in 2017 than in 1999.¹¹

Number of jobs paid at or below the relevant minimum wage rate



Source: Low Pay Commission, via correspondence

The percentage of jobs paid at or below the minimum wage increased sharply in 2016 following the introduction of the National Living Wage (NLW): the large increase in the rate for people aged 25 and over meant more workers were then covered by the minimum wage. An estimated 6.9% of jobs were covered by one of the minimum wage rates in 2016, up from 5.6% in 2015. It is estimated that by 2020 12.4% of jobs will be paid at one of the minimum wage rates.

Between 2016 and 2017, there was a slight fall in the proportion of jobs estimated to be paid at or below the minimum wage. This is very likely explained by the timing of the survey used to collect the pay data (the Office for National Statistics' *Annual Survey of Hours and Earnings*). The survey has a reference date of April, the same month as

¹⁰ Low Pay Commission, via correspondence

¹¹ Ibid

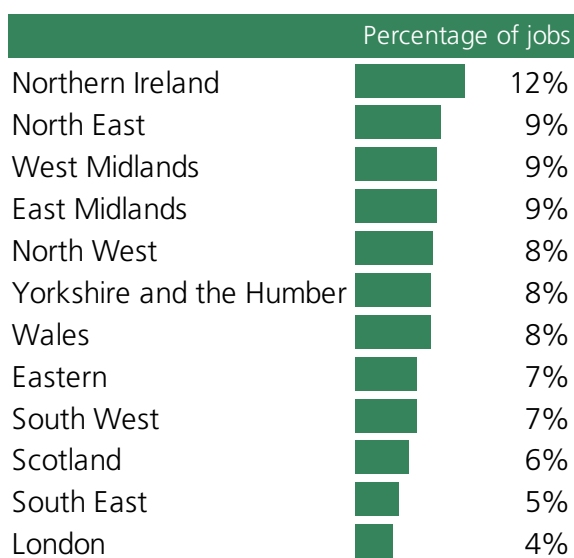
the NLW was introduced in 2016. Seeing as employers are only required to increase pay from their first full pay period after the minimum wage uprating, the data may suggest some individuals are paid below the new minimum wage rate but *only because they are still covered by a previous pay period*. This had more of an impact on the data for 2016 than for 2017, because the 2016 survey was conducted earlier in April.¹²

2.2 Coverage by region

The percentage of employee jobs paid at or below the minimum wage varies across countries and regions of the UK. Coverage is lowest in London and the South East and highest in Northern Ireland.

Percentage of jobs paid at or below the minimum wage

All ages, April 2017



Source: Low Pay Commission, 2017 Report, Local authority coverage data tables

2.3 Occupations

Minimum wage jobs are concentrated in a relatively small number of occupations. Half of all minimum wage jobs are in just three occupation groups: retail, hospitality and cleaning & maintenance.¹³

Although the number of people paid at the NMW in a particular occupation may be small, this can represent a large proportion of employees in that occupation. For example, there were just over 26,000 jobs in Hair and Beauty occupations paid at the National Living Wage, but this represented over 35% of people aged 25 and over working in those occupations.

The reverse is also true: less than 2% of workers aged 25 and over were paid at or below the minimum wage in occupations that the Low Pay

¹² Low Pay Commission, [2017 report](#): paras 2.91, 2.117 (pp69, 80)

¹³ Low Pay Commission, [A rising floor: the latest evidence on the National Living Wage and youth rates of the minimum wage](#), April 2017, p13

Commission describes as 'non low-paying', but this still represents a large number of people (274,000).

Jobs paid at or below the National Living Wage by occupation

People aged 25+, April 2017

	Number (thousand)	Percent
Retail	304	19%
Non-low-paying sectors	274	2%
Hospitality	242	31%
Cleaning & maintenance	239	31%
Social care	81	12%
Food processing	66	23%
Transport	63	14%
Storage	61	12%
Childcare	49	16%
Office work	47	11%
Non-food processing	42	12%
Hair & Beauty	26	36%
Leisure	20	12%
Agriculture	17	13%
Security & enforcement	15	10%
Textiles	9	27%
Call centres	5	8%

Source: Low Pay Commission, 2017 Report, Figure 2.10 and [Summary report](#), p5

2.4 Worker characteristics

The LPC has published estimates of the proportion of workers aged 25 and over in different groups who are paid at the National Living Wage.

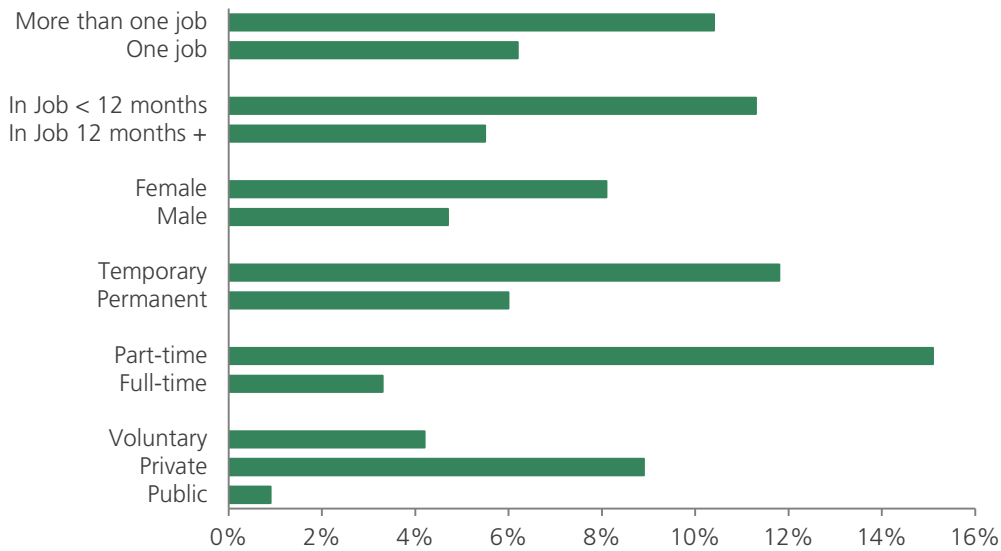
In total, the LPC estimates that around 1.6 million jobs were paid at or below the NLW rate in 2017, representing 6.4% of employee jobs held by people aged 25 and over. They estimate that this will rise to just under 3 million by 2020 (12.2% of employee jobs in the relevant age range).¹⁴

Workers aged over 25 are more likely to have jobs paid at or below the NLW if they have been in their job for less than a year, are employed on a temporary basis, work part-time or work in the private sector. Women in this age group were more likely to be in a minimum wage job than men.

¹⁴ Low Pay Commission, [2017 Report](#), Figure 2.7

Percentage of jobs paid at or below the National Living Wage, by worker characteristics

People aged 25+, April 2017

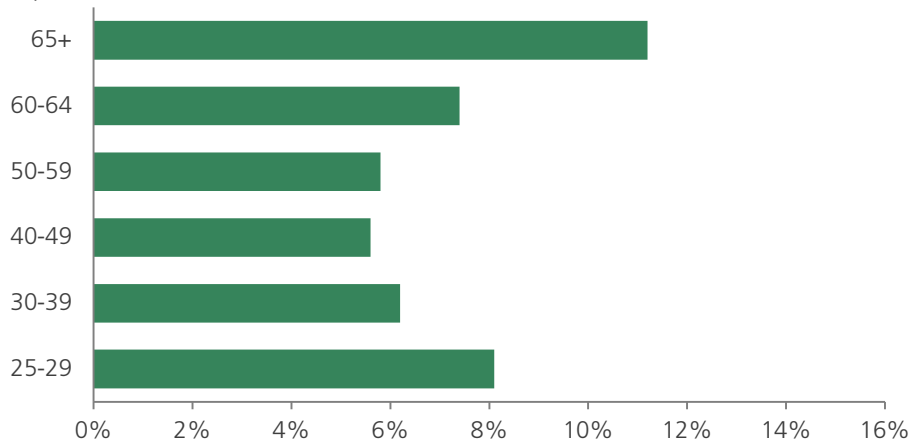


Source: Low Pay Commission, 2017 Report, Figure 2.9

Around 8% of employee jobs held by 25-29 year olds were paid at the NLW. This was a higher proportion than for workers in older age brackets, with the exception of workers aged 65 and over where 11% were paid at or below the NLW. However, there are considerably fewer employees aged 65 and over than there are in other age brackets.

Percentage of jobs covered by the National Living Wage by age

April 2017



Source: Low Pay Commission, 2017 Report, Figure 2.8

3. International comparisons

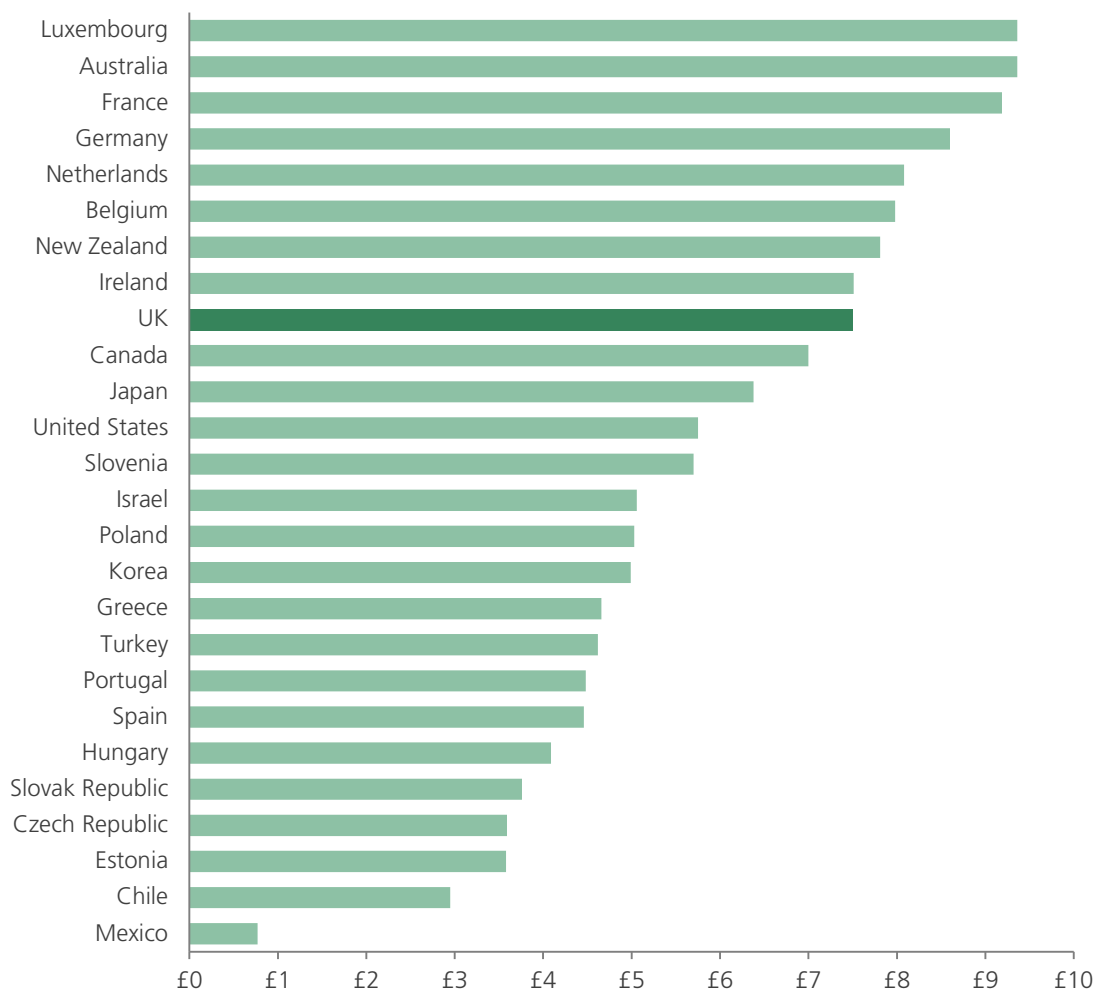
3.1 Value of the minimum wage

The value of the UK National Minimum Wage is relatively high compared to minimum wages in other OECD countries.

If we compare the National Living Wage with minimum wages in other countries, then the UK had the ninth highest minimum wage out of 27 OECD countries in 2017 after adjusting for differences in the cost of living.¹⁵

Minimum wage values in OECD countries

Adjusted to reflect differences in cost of living (2017 purchasing power parity)



Source: Low Pay Commission, 2017 Report, figure A4.2, based on data from OECD

¹⁵ Minimum wage values in other countries are converted from national currencies into £ sterling using "Purchasing Power Parities" rather than market exchange rates, in order to take into account differences in the cost of living.

The UK can be expected to move up the rankings as the National Living Wage moves towards its 2020 target of 60% of median earnings. If minimum wages in other countries remained constant in real terms and the cost of living relative to the UK was unchanged, then by 2020 the UK would have the seventh highest minimum wage out of 27 countries. In reality it is highly unlikely that other countries should keep their minimum wages constant in real terms and that relative differences in the cost of living are unchanged. Nevertheless, this assumption is helpful for the purpose of making comparisons.

These international rankings need to be interpreted with care as they provide little insight into other employment considerations: for example, there may be a trade-off between a higher minimum wage and lower employment levels. The ranking may also be somewhat misleading to the extent that it is influenced by differences in age structure between countries, and whether comparisons are made against pay of full-time workers or of all workers.

The design of national minimum wage regimes also varies between countries and some countries do not have a minimum wage.¹⁶

3.2 Minimum wage as a proportion of median earnings

Alternatively we can consider national minimum wages as a proportion of median earnings. This changes some country rankings dramatically: even if the monetary value of the minimum wage in a given country is low compared to other countries, the minimum wage might be set at a high level relative to average earnings at home.

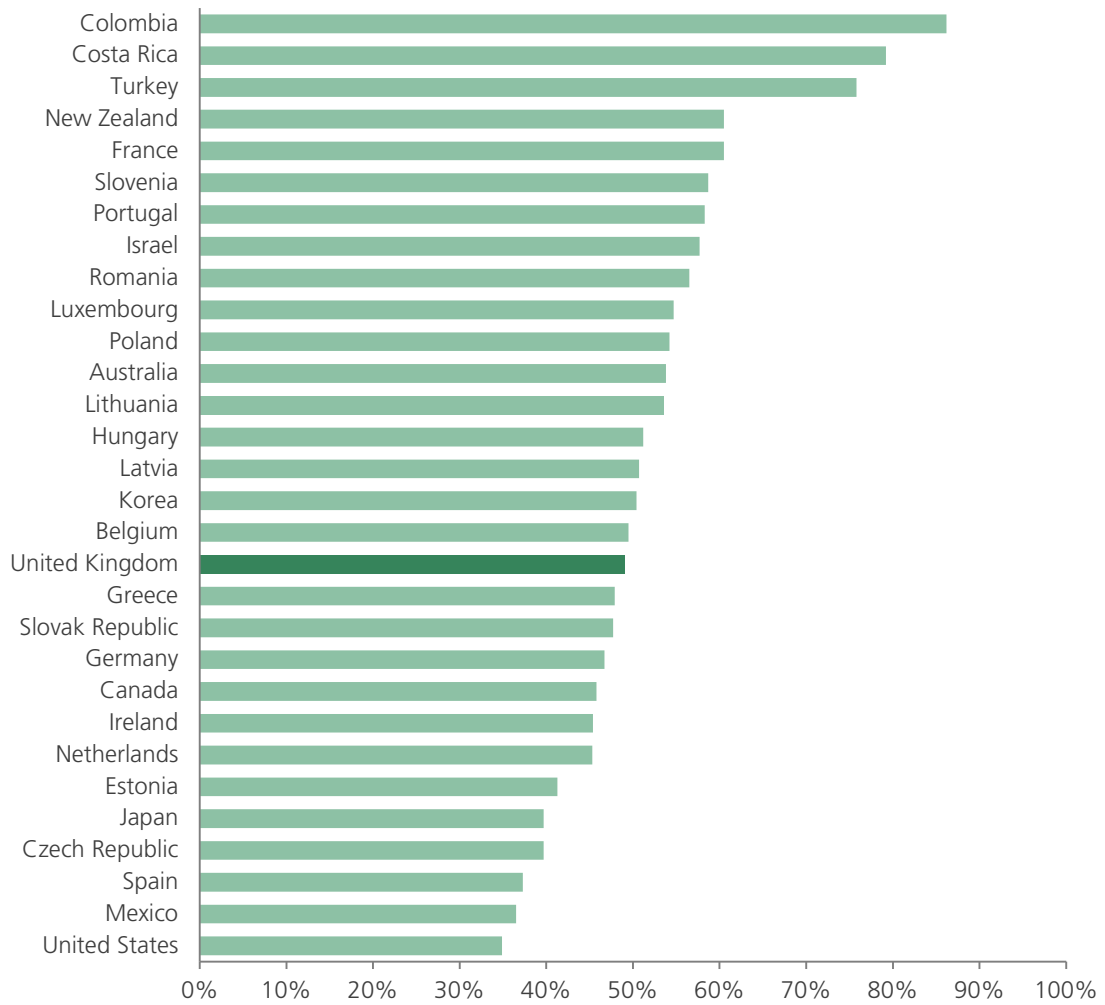
On this basis, the UK ranked in the middle of the distribution of national minimum wages in 2016 (the latest year for which data are available). As the NLW increases in value to 2020, the UK is likely to move into the top third of the country rankings.¹⁷

The chart below shows minimum wages as a percentage of median earnings of **full-time** employees rather than all employees, so is not comparable with the data in section 1.3 above.

¹⁶ Further details of the limitations of international comparisons can be found on page 233 of the Low Pay Commission's [2017 Report](#).

¹⁷ Low Pay Commission, [Spring 2016 report](#), Chapter 2, Figure 2.14

Minimum wage as % of median earnings, OECD countries
Full-time employees, 2016



Source: Low Pay Commission, 2017 Report, figure A4.3, based on data from OECD

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