



## BRIEFING PAPER

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# National Minimum Wage Statistics

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1. Value of the National Minimum Wage
2. Jobs paid at the National Minimum Wage
3. International comparisons



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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 2019.

National Minimum Wage rates by age group 2019, 2020		
Age group	At April 2019	At April 2020
25+ (National Living Wage)	£8.21	£8.72
21-24	£7.70	£8.20
18-20	£6.15	£6.45
Under 18	£4.35	£4.55
Apprentice	£3.90	£4.15

**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 has increased 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. The various NMW rates are now above pre-recession levels in real terms.

The National Living Wage (NLW) is an NMW rate for workers aged 25 and over, introduced in April 2016. Unlike the other NMW rates, the National Living Wage has been 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. As of April 2020, the National Living Wage stands at around 60% of median earnings for people aged 25 and over.

The Low Pay Commission's new remit is to recommend the rate to apply from April 2021 following a path that reaches two-thirds of median earnings by 2024, taking economic conditions into account. This includes monitoring the labour market, advising on any emerging risks and – if the economic evidence warrants it – recommending that the Government reviews its target or timeframe. Because of a lack of clarity on the current state of the labour market, the LPC have decided to delay setting out initial thoughts on the future path of the NLW up to 2024, but plan to do so soon.

The Low Pay Commission estimates that there were 2 million workers paid at or below the minimum wage in April 2019, around 7% of all UK workers. This compares to 1.5 million jobs paid at or below the NMW in 2015, before the introduction of the National Living Wage.

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Jobs paid around the minimum wage are concentrated within a small number of low-paying occupations. The Low Pay Commission estimates that nearly half (48%) 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 2019, the UK had the seventh 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\*](#) (April 2018)

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 below shows the value of each NMW rate in April 2019 and April 2020.

National Minimum Wage rates by age group 2019, 2020					
	25 and over National Living Wage	21- 24	18- 20	Under 18	Apprentice
As of April 2019	£8.21	£7.70	£6.15	£4.35	£3.90
As of April 2020	£8.72	£8.20	£6.45	£4.55	£4.15

**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](#)

## Why are there different minimum wage rates?

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.<sup>1</sup> This is in effect another NMW rate.

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, 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.<sup>2</sup>

However, the Low Pay Commission (LPC) recommends that 21-24 year olds be included in the NLW in the next few years, because the employment rate of this group remains higher than its pre-crisis norm, and there have been increases in the proportion of 21-24 year olds combining work with full-time education. The LPC recommends lowering the age to for the NLW to 23 from April 2021 and to 21 at a later date.

## 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.<sup>3</sup>

<sup>1</sup> HM Treasury, [Summer Budget 2015: key announcements](#), 8 July 2015 [last accessed 4 May 2017]

<sup>2</sup> S Blake, [New minimum wage rates for under 25s: why are they different?](#), Low Pay Commission blog, 30 September 2016

<sup>3</sup> Low Pay Commission: [About us](#) [last accessed 09 August 2019]

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 continues to do this for workers aged under 25, since 2016 the NLW has been subject to a specific target of 60% of median wages by 2020. The NLW reached this target in April 2020.

### **The Low Pay Commission's remit since April 2020**

Since hitting its intended target of 60% of median earnings in April 2020, the LPC has been given a [new remit](#) by the Government.<sup>4</sup>

This asks them to recommend the rate to apply from April 2021 following a path that reaches two-thirds of median earnings by 2024, taking economic conditions into account.

In line with recommendations made to the Government last August, from April 2021 the NLW will apply to workers aged 23 and over, and by 2024 it will apply to workers aged 21 and over.

Because of a lack of clarity on the current state of the labour market, the LPC have decided to delay setting out initial thoughts on the future path of the NLW up to 2024, but plan to do so soon.

### **An 'emergency brake'**

The LPC's new remit includes monitoring the labour market, advising on any emerging risks and – if the economic evidence warrants it – recommending that the Government reviews its target or timeframe.

The indicators of the state of the economy they will look at include: the overall output of the economy, the level of employment (particularly in low-paying sectors) and growth in earnings and productivity.

An emergency brake could take 2 forms:

- A reduction of the increase in a given year, but still committing to reaching the two-thirds target in 2024 by making larger increases in subsequent years.
- A delay of the target year, so aiming for a NLW at two-thirds of median wages in 2025 or later.

## **1.2 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.

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<sup>4</sup> Low Pay Commission, [National Minimum Wage and National Living Wage: Low Pay Commission remit 2020](#), 1 March 2020

## National Minimum Wage Hourly Rates

UK, 1999-2020

		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		£7.83	£7.38	£5.90	£4.20	£3.70
2019		£8.21	£7.70	£6.15	£4.35	£3.90
2020		£8.72	£8.20	£6.45	£4.55	£4.15

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

Source: [Low Pay Commission](#) reports

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.

### 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:<sup>5</sup>

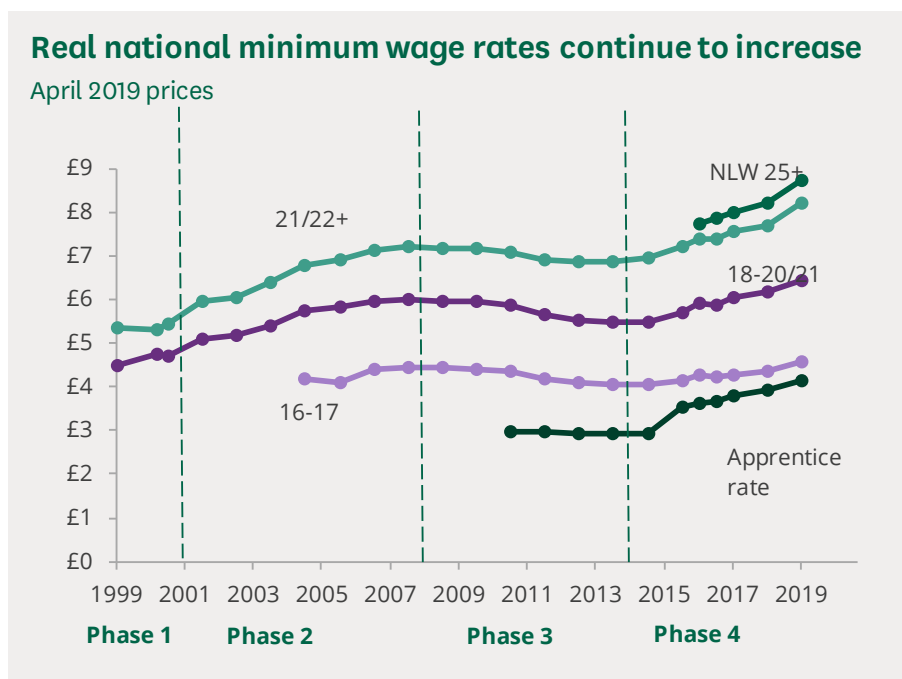
- 1 At first, the NMW was introduced at a relatively low level and was updated in line with CPI inflation in its first 18 months.

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

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- 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. In April 2020 the various NMW rates were all higher in real terms than they were before the recession in 2008.



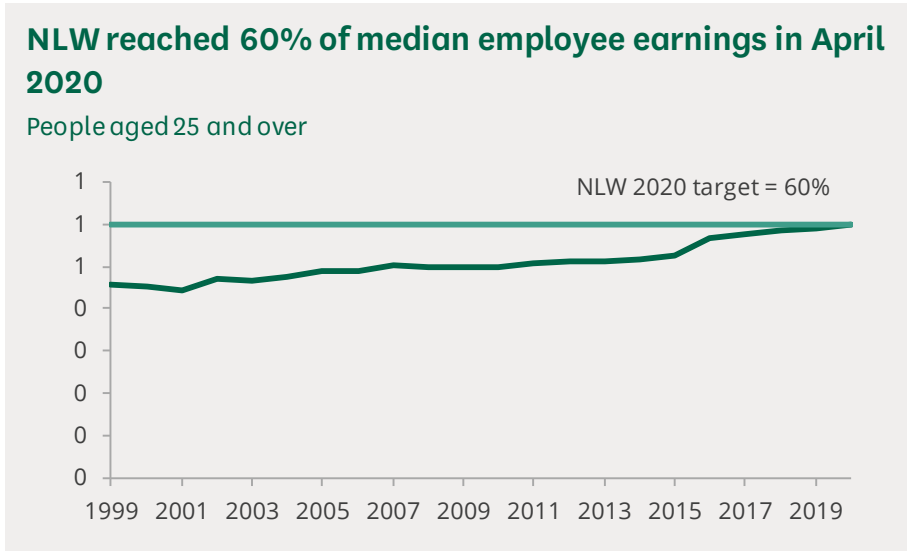
Source: [Low Pay Commission](#), ONS series [D7BT](#)

### 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 reached its target of the NLW reaching a value of 60% of median earnings by 2020.

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.



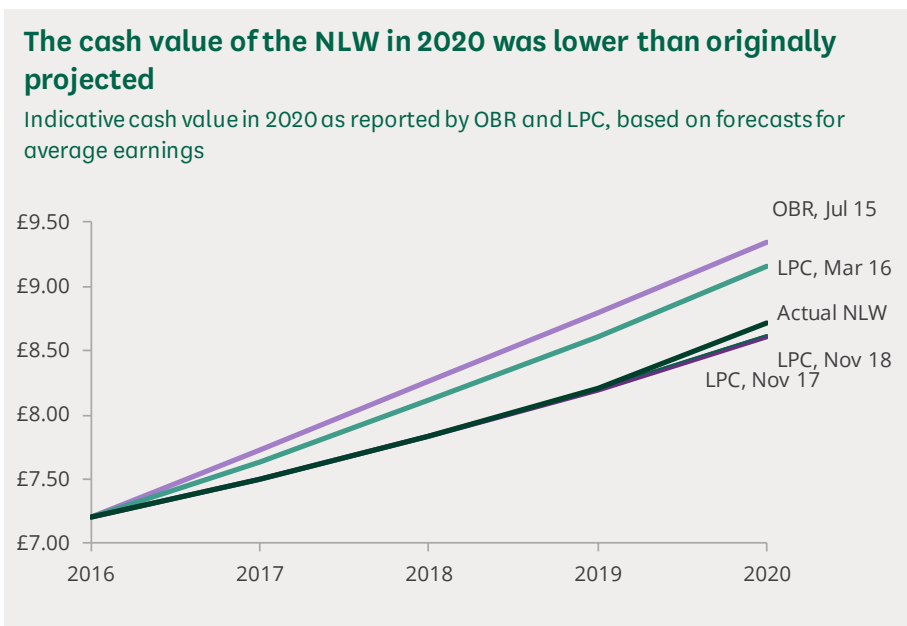


Source: [Low Pay Commission 2018 Report](#), Chapter 2

## 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.<sup>6</sup> 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.<sup>7</sup>

The 2020 NLW is actually £8.72, 63 pence lower than originally projected in July 2015, and 28 pence below £9 an hour, while still reaching its target of 60% of median employee earnings.



Sources: LPC, [Spring 2016](#), [Autumn 2017](#), and [Spring 2018](#) reports; OBR [Economic and Fiscal Outlook](#), July 2015

<sup>6</sup> Department for Business Innovation & Skills, [Low Pay Commission Remit 2016](#), p2

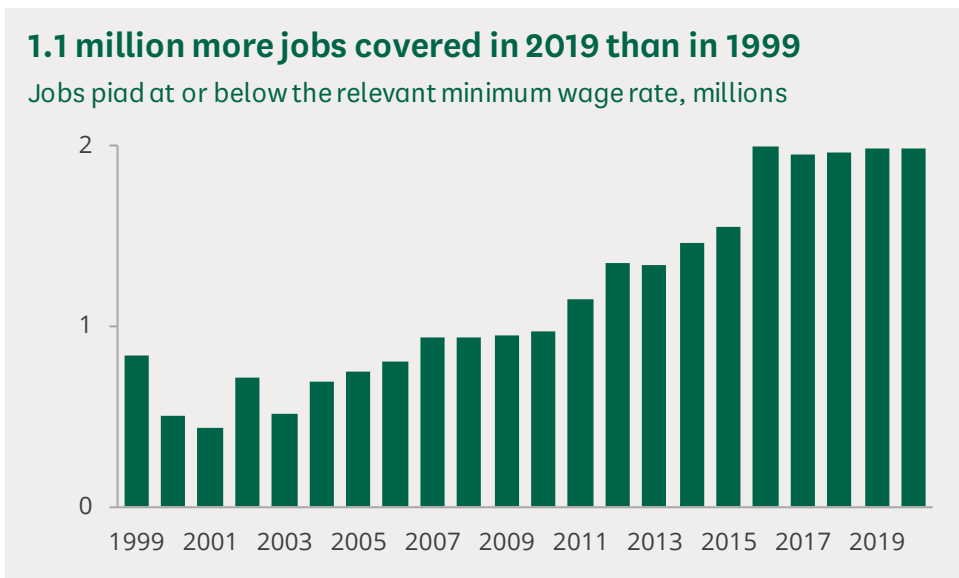
<sup>7</sup> Office for Budget Responsibility, [Economic and Fiscal Outlook: Summer 2015](#), p200

## 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 2 million employee jobs (around 7% of all employee jobs) were paid at or below the relevant National Minimum Wage rate in April 2019.

### 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, when it covered 834,000 workers. It is estimated that around 1.1 million more people are in jobs paid at or below their relevant minimum wage rate in 2019 than in 1999.<sup>8</sup>



Source: National Minimum Wage: [Low Pay Commission 2019](#) report

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 7.0% of jobs will be paid at one of the minimum wage rates.

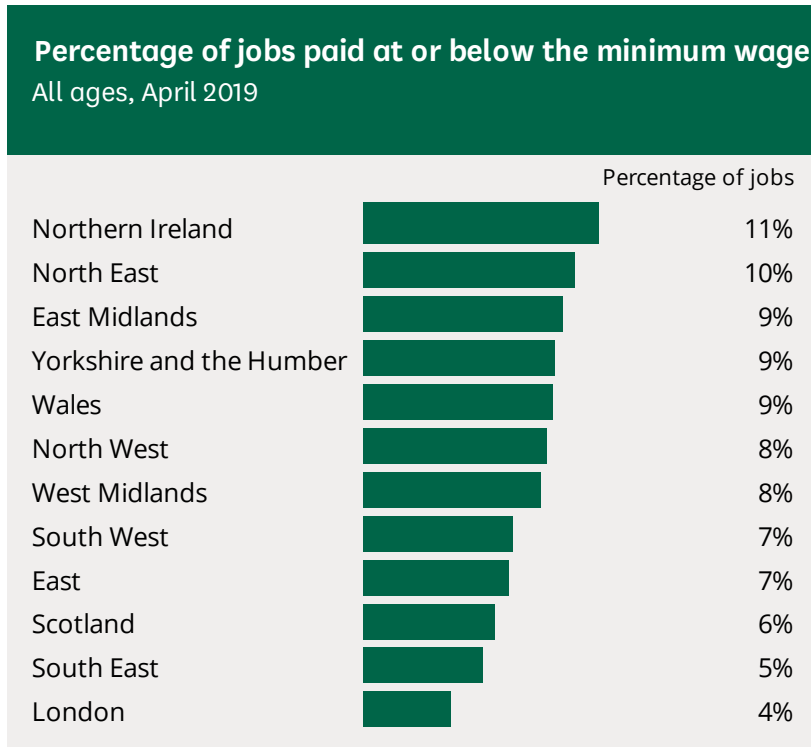
Between 2016 and 2017, there was a slight fall in the proportion of jobs estimated to be paid at or below the minimum wage. This is very likely explained by the timing of the survey used to collect the pay data (the Office for National Statistics' *Annual Survey of Hours and Earnings*). The survey has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

<sup>8</sup> Ibid

updating, 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.<sup>9</sup>

## 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.



Source: National Minimum Wage: [Low Pay Commission 2019](#) report, summary of findings

## 2.3 Coverage by local authority – Great Britain

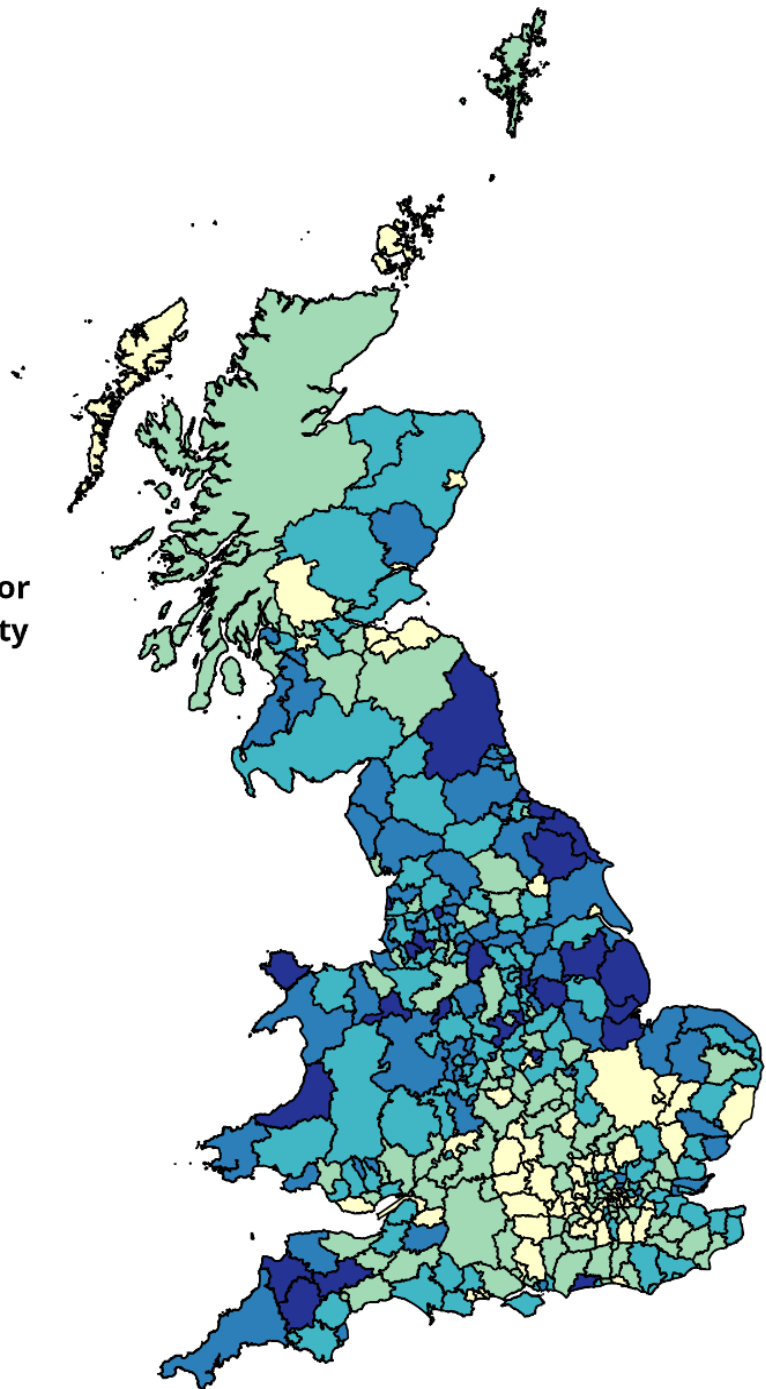
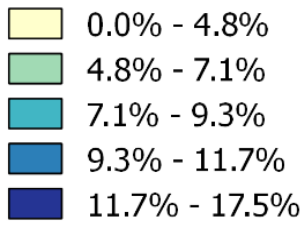
The percentage of employee jobs paid at or below the minimum wage varies across local authorities. City of London local authority has the lowest coverage at 1.1%, and local authorities of Ryedale, East Linds, and Bolsover have the highest coverage, at approximately 17%.

Data is unavailable for Northern Ireland at the local authority level.

<sup>9</sup> Low Pay Commission, [2017 report](#): paras 2.91, 2.117 (pp69, 80)

**Coverage of the NMW/NLW rates for workers aged 16+, by local authority**

Coverage - percentage of population

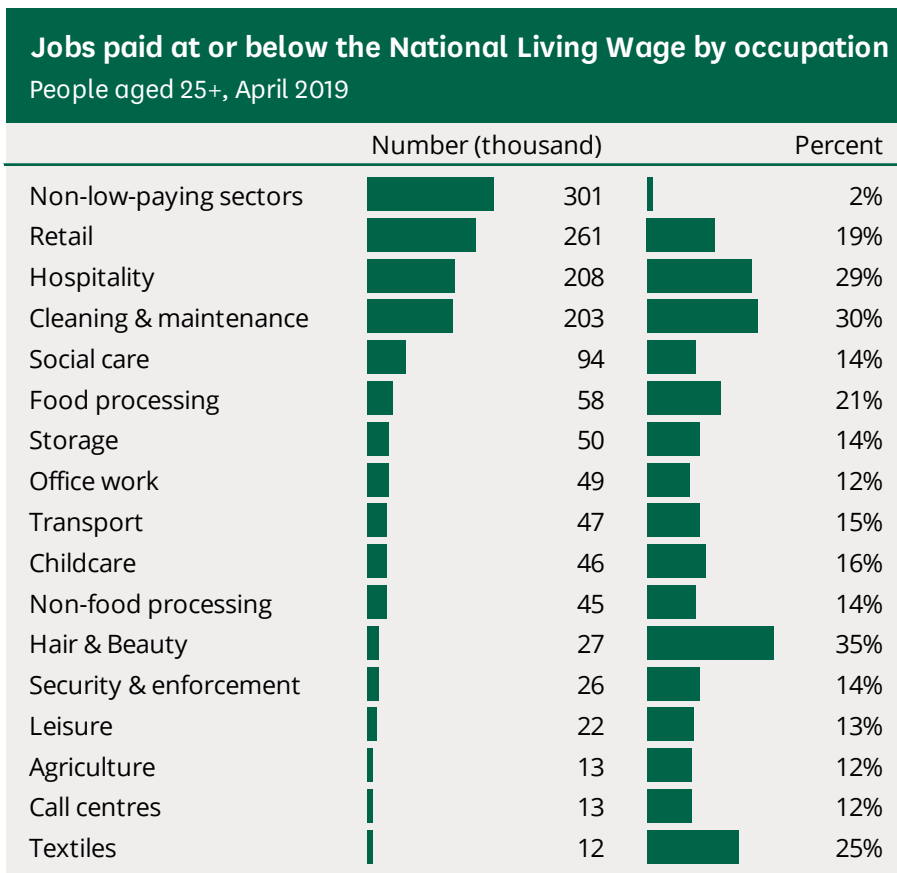


## 2.4 Coverage by occupation

Minimum wage jobs are concentrated in a relatively small number of occupations. Nearly half (48%) of all minimum wage jobs are in just three occupation groups: retail, hospitality and cleaning & maintenance.<sup>10</sup>

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 around 27,000 jobs in Hair and Beauty occupations paid at or below the National Living Wage, but this represented nearly 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 Commission describes as 'non low-paying', but this still represents a large number of people (301,000).



Source: National Minimum Wage: [Low Pay Commission 2019](#) report, Table 3.4

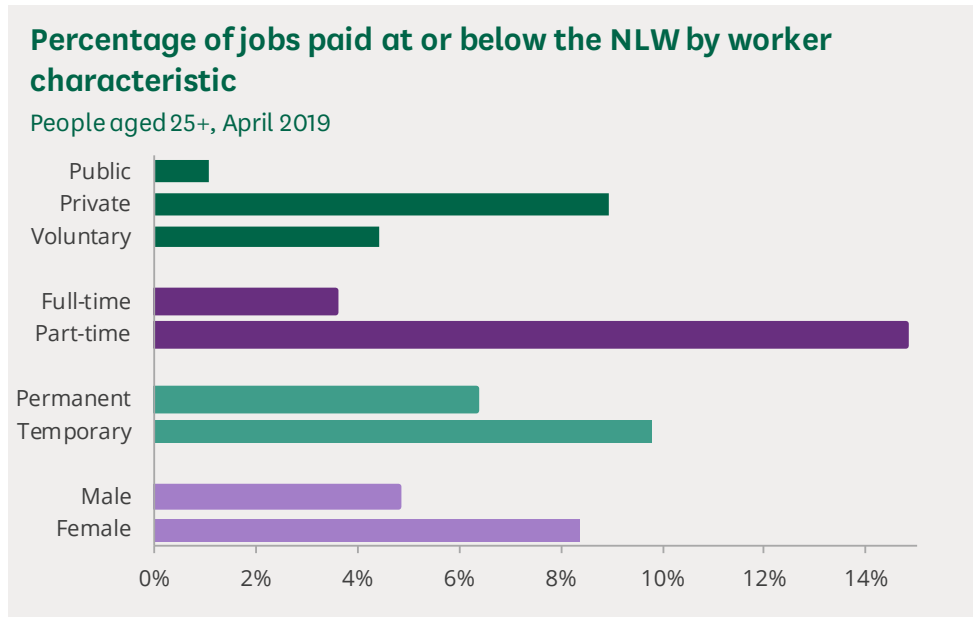
## 2.5 Coverage by worker characteristics

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.

Workers aged 25 and over are more likely to have jobs paid at or below the NLW if they have more than one job, are employed on a temporary

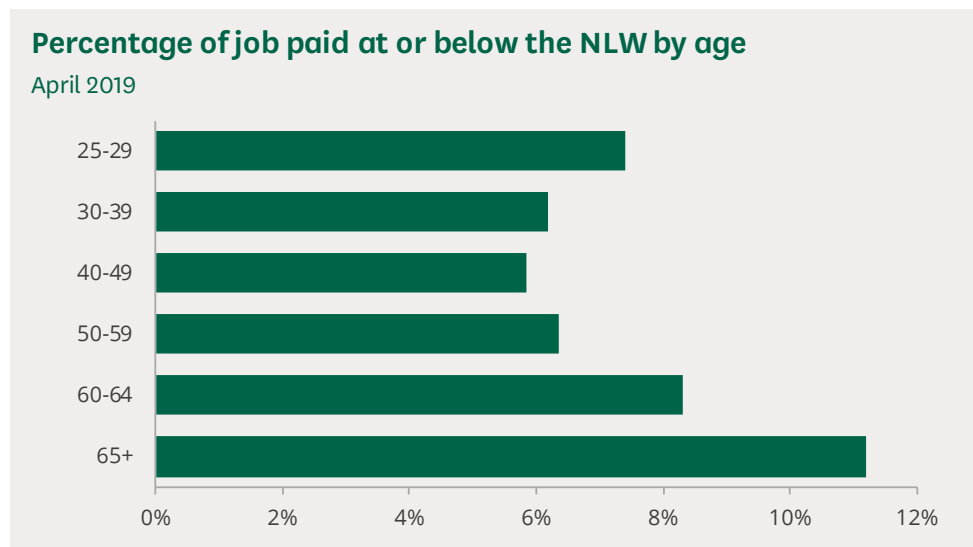
<sup>10</sup> Low Pay Commission, [2019 report](#), January 2020, p39.

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.



[Low Pay Commission](#) estimates using ASHE April 2015-2019, low pay weights, UK

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 group, 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 group.



[Low Pay Commission](#) estimates using ASHE April 2015-2019, low pay weights, UK

## 2.6 Underpayment of the National Living Wage

The LPC estimates that in April 2019 424,000 people were paid less than the minimum wage they were legally entitled to, 21.5% of

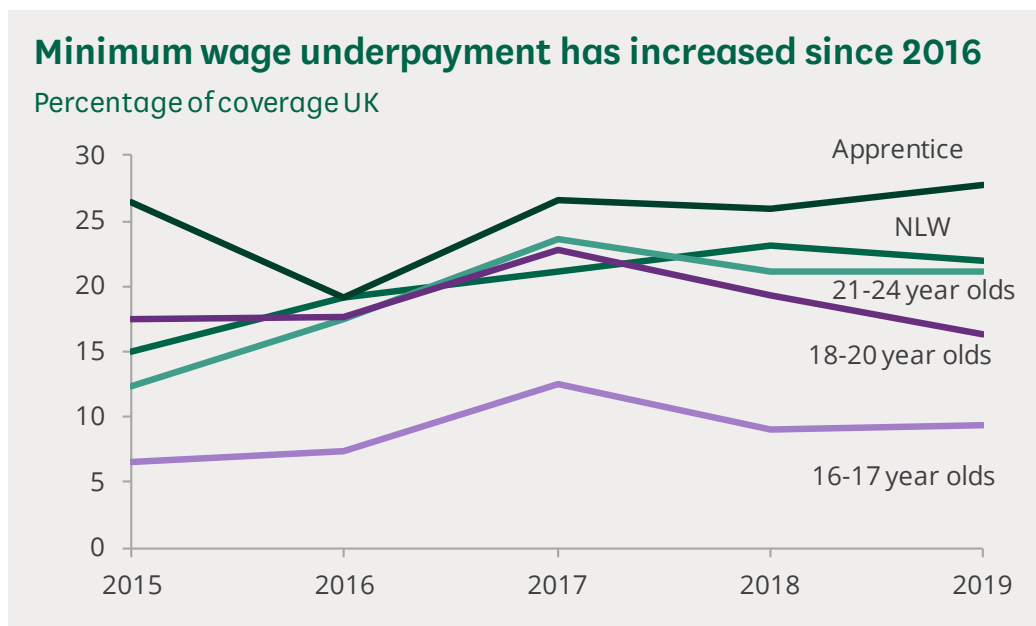
everyone paid at the NLW or NMW rates. This is down slightly from 23% in 2018, the highest recorded rate.

The chart below shows that underpayment as a proportion of coverage is highest for apprentices who are eligible for the Apprentice rate (those in their first year or aged 16-18), and underpayment is lowest for the youngest workers.

Before 2016, the overall level of underpayment of the NMW had remained constant for a number of years. When the NLW was introduced in 2016, the total amount of measured underpayment nearly doubled.

This can partly be explained by the move from October to April uprating: the NLW is increased in the same month that data is collected, so some underpayment is due to administrative delay. However, the LPC also notes that this data suggests that businesses may be adjusting to rising minimum wage rates by underpaying their employees.<sup>11</sup>

Library paper [The National Minimum Wage: rates and enforcement](#), November 2017, provides more information on NMW enforcement.



[Low Pay Commission](#) estimates using ASHE 2010 methodology, standard weights, UK, 2019

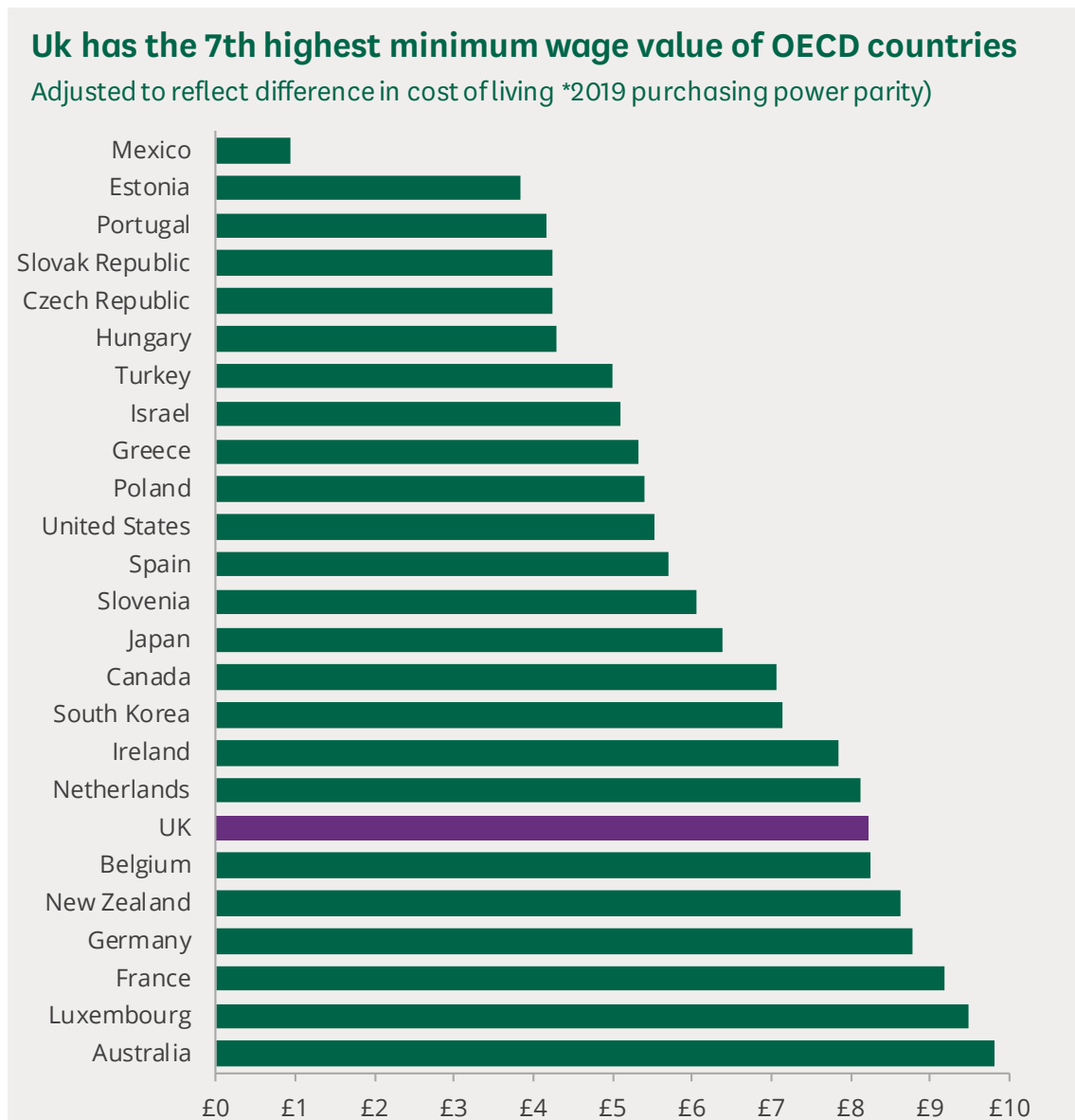
<sup>11</sup> LPC, [Non-compliance and enforcement of the National Minimum Wage](#), 2019

## 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 seventh highest minimum wage out of 25 OECD countries in 2019 after adjusting for differences in the cost of living.<sup>12</sup> In 2017, the UK had the ninth highest minimum wage.



[Low Pay Commission](#) estimates based on OECD data, 2019

<sup>12</sup> 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.



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.<sup>13</sup>

### 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.

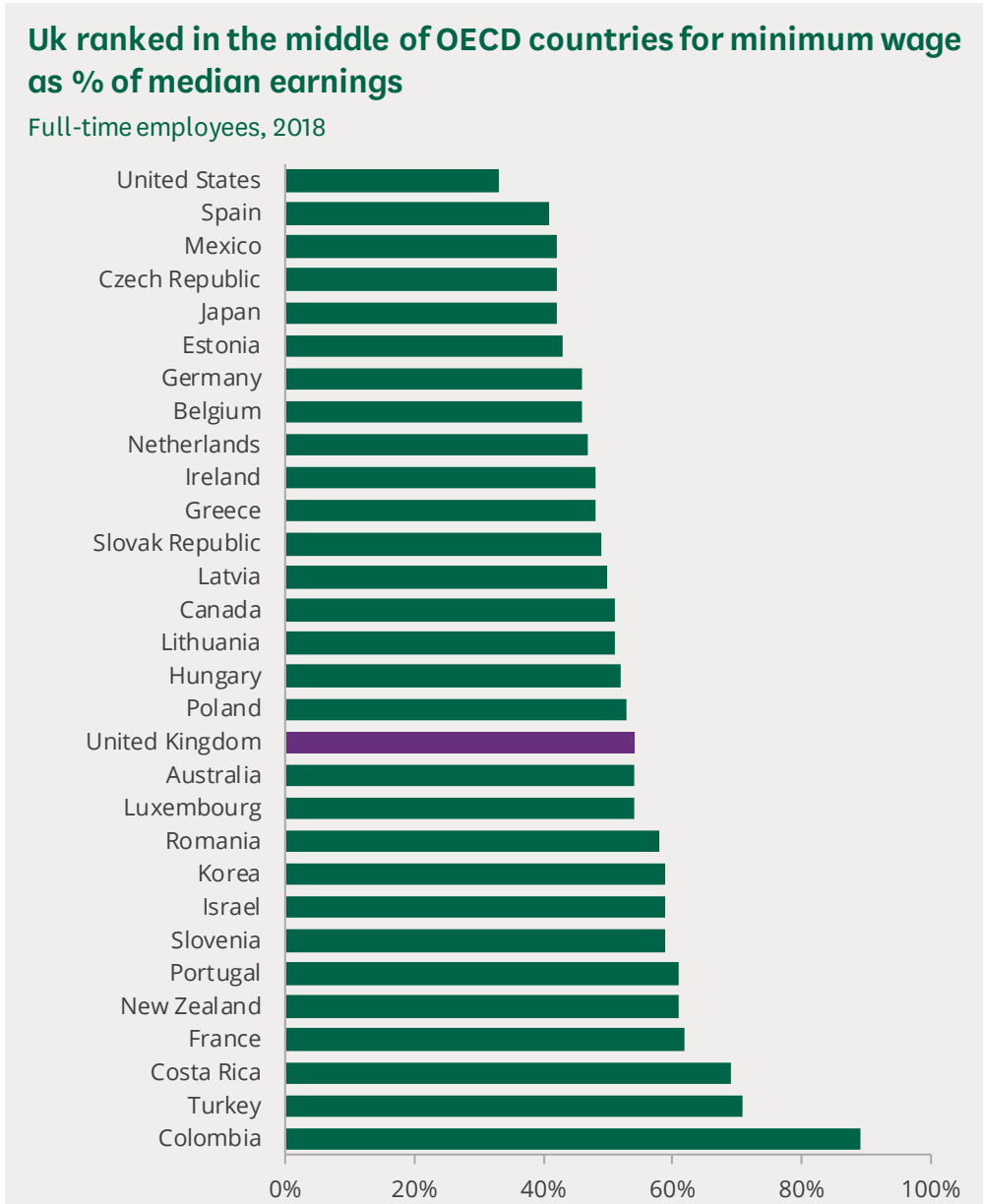
On this basis, the UK ranked in the middle of the distribution of national minimum wages in 2018 (the latest year for which data are available). As the NLW increases in value to 2020, the UK is likely to move into the top third of the country rankings.<sup>14</sup>

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.

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<sup>13</sup> Further details of the limitations of international comparisons can be found on page 48 of the Low Pay Commission's [2019 Report](#).

<sup>14</sup> Low Pay Commission, [Spring 2016 report](#), Chapter 2, Figure 2.14



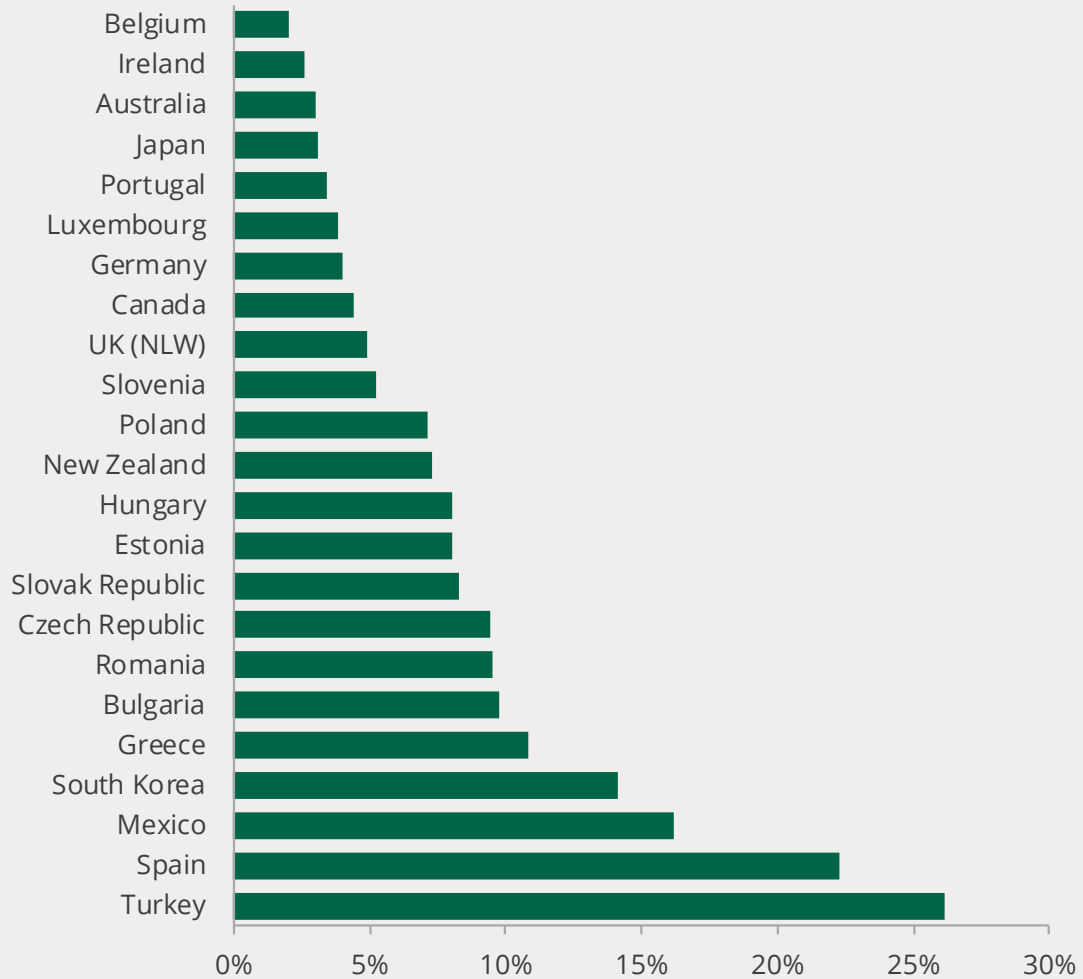
[Low Pay Commission](#) estimates based on OECD data, 2019

### 3.3 Change in national minimum wages

Compared with other high minimum wage countries, the 2019 NLW increase was large. The faster growth among low minimum wage countries reflects the trend of convergence in minimum wage rates.

## Nominal minimum wage rates are growing quickly among low minimum wage countries

% change in nominal minimum wages in EU and OECD countries 2018/19



[Low Pay Commission](#) estimates based on OECD data, 2019

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