

Financial Scrutiny Unit Briefing

Earnings in Scotland 2012

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Ned Sharratt

The Office for National Statistics released the Annual Survey of Hours and Earnings (ASHE) 2012 Provisional results on 22 November 2012. Using this data, this briefing provides an overview of earnings in Scotland.

Earnings in Scotland rose in cash terms between April 2011 and April 2012 at a higher rate than the UK as a whole, although there is a mixed picture in different parts of Scotland. Adjusted for inflation, however, median wages in both Scotland and across the UK fell. In cash terms, wages in the public sector have very slightly risen. Median wage growth in Scotland and the UK has been driven by the private sector, notably in the construction and production sectors. Men's hourly pay for full-time workers grew at a higher rate than women's in Scotland, while the reverse was true for the UK as a whole.



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ABOUT THE ASHE DATA

All the data in this briefing is taken from the Annual Survey of Hours and Earnings (ASHE) 2012 Provisional results, published by the Office of National Statistics (2012a). The survey provides a wide variety of earning statistics for employees across the UK. It does not cover the self-employed.

The averages presented are the median figures to provide an indication of the typical pay. The median figure shows the pay of the employee who has an equal number of people paid more and paid less than them. Average wages calculated by the mean can be more skewed by relatively few very high earners and are almost always higher than the median wage.

ASHE is based on a 1% sample of employee jobs taken from the PAYE records of HMRC covering a single pay period in April 2012. Where figures are adjusted for inflation, the Consumer Prices Index (CPI) is used. The April 2012 CPI figure is 3%; the Retail Prices Index (RPI) for the same period was 3.5%. Because of the potential for sampling errors, for relatively smaller groups, including local areas and small industries, there is a wider margin of error than for the data on Gender, Public/Private Sectors and Scotland as a whole.

ANNUAL PAY

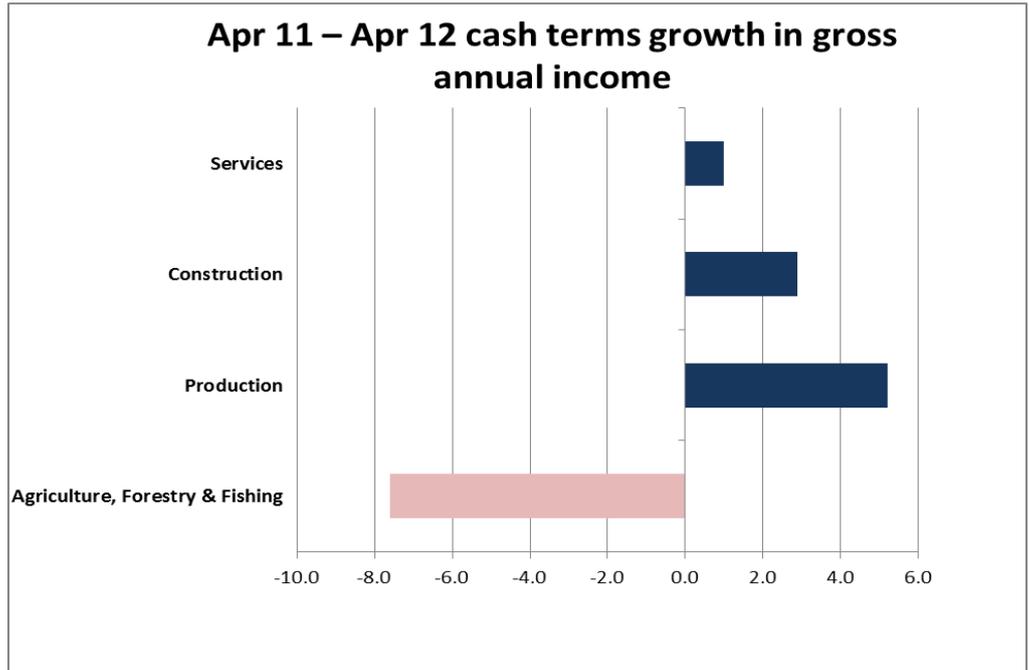
Median earnings in Scotland rose by 2.4%; which when adjusted for inflation, shows a 0.6% decrease. The UK as a whole saw an average decrease of 1.5% when adjusted for inflation. Scotland's median annual pay remains lower than that of the UK.

Annual pay - Gross (£) - For full-time employee			
	Median (£)	Apr 11 – Apr 12 change	
		Cash	Inflation adjusted
Scotland	25,960	2.4%	-0.6%
United Kingdom	26,462	1.4%	-1.5%

Given the size of the samples, it is not possible to give accurate and meaningful median figures for residents in every local authority. However, we can say that there is a fairly wide spread of earnings across Scotland; for example, the median annual gross pay for full-time employees in Edinburgh (£28,471) and South Lanarkshire (£26,193) are higher than the Scottish average, and the figures for Highland (£24,259) and Glasgow (£24,447) are lower than the Scottish average.

INDUSTRY SECTORS

Growth in Scottish earnings in cash terms was mainly driven by the Production and Construction sectors. The Agriculture, Forestry & Fishing sector is relatively small in terms of employees (1% of jobs in this survey) and the reduction in wages in this sector, while marked, had little effect on the Scottish average.



Full-time employees in the services sector account for roughly 80% of the Scottish full-time jobs in the Annual Survey of Hours and Earnings; however, average earnings grew at a slower rate in that sector slower than in production and construction. The average annual wage of in the services sector is £25,254, lower than earnings in the production (£28,287) and construction (£26,851) sectors. Employees’ median earnings in the Agriculture, Forestry & Fishing sector are lowest at £21,898; however, as noted above, this average is based on a relatively small sample.

PUBLIC/PRIVATE SECTOR

Average public sector earnings in Scotland showed little growth in cash terms. Average public sector pay in Scotland is roughly equal to that of the UK as a whole. Earnings in the private sector increased at above-inflation rates in Scotland. Average private sector earnings remain lower in Scotland than the UK.

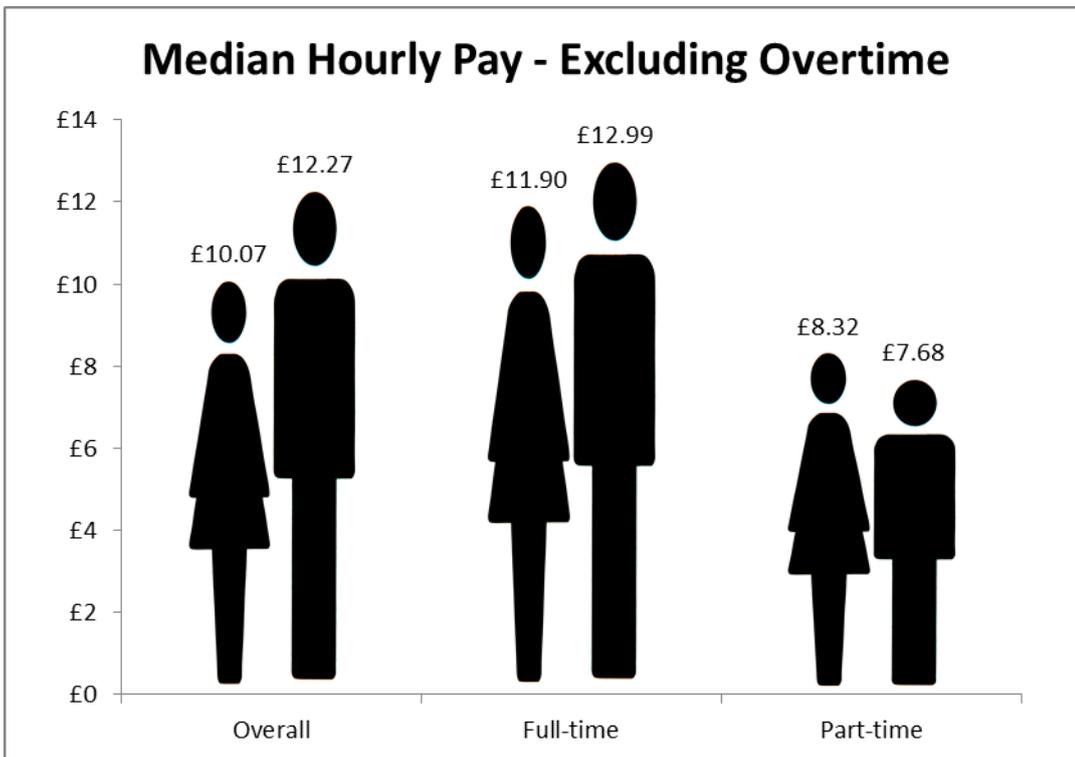
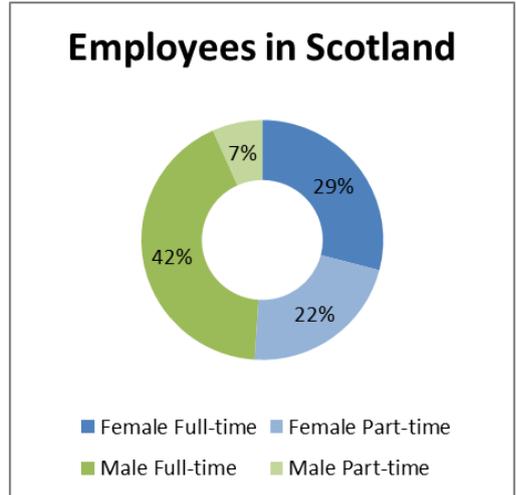
Annual pay - Gross (£) - For full-time employee			
		Median	Apr 11 – Apr 12 change
United Kingdom	Public sector	28,930	0.6
	Private sector	25,240	1.8
Scotland	Public sector	28,845	0.2
	Private sector	23,999	3.2

The Office for National Statistics (2012b) notes the difficulties of comparing earnings of the private and public sectors “as employees have different personal characteristics that can impact on their pay” such as skill-sets and experience, age and the size of the employers. The ONS further cautions that “[u]sing simple averages to compare earnings between the two sectors is often misleading”.

GENDER

The usual measure used to compare levels of wages between the genders is hourly pay excluding overtime. This is because men are more likely to be in full-time work and more likely to be paid overtime than women (Office of National Statistics, 2012a).

Between 2011 and 2012, the average hourly rate paid to men in full time work increased by 3.1% in cash terms against 1.4% for women in Scotland. This meant that the “gender gap”, percentage difference between full-time male and female employees increased in 2012 to 8.4% from 6.8% in 2011. For the UK as a whole, the gap decreased to 9.6% in 2012 from 10.5% in 2011. However, the gender gap is still smaller in Scotland.



While women are much more likely to work part time than men, they are likely to be paid slightly more per hour when doing so. Also, female part-time workers work more hours on average than male part-time workers.

The chart, left, shows the differences in average earnings between men and women in Scotland.

DRIVERS OF CHANGE

The ASHE data indicates that Scottish wages have increased in cash terms. This rise appears to have been driven by increases in men's average wages and employees working in the private sector, specifically the production and construction sectors.

Wages in the public sector are relatively flat and the services sector showed low growth. Women are more likely to work in these sectors and their wages have been relatively slower to grow on average than men's.

But, a growth in average wages does not necessarily indicate a real growth in wages. Professor David Bell offers this explanation of the apparent growth in earnings in Scotland,

"What might have happened is that a lot of the people who lost their jobs in Scotland are at the bottom end of the wage distribution, and if falling employment is concentrated in the bottom, that moves the median up [...] I don't think there is evidence of great [upward] wage pressure in the Scottish economy." (The Herald, 2012)

SOURCES:

The Herald (2012), *Loss of low-paid jobs behind 'rising wages' figure for Scots workers*
Available online at: <http://www.heraldscotland.com/business/markets-economy/loss-of-low-paid-jobs-behind-rising-wages-figure-for-scots-workers.19557765> (Accessed 5 December 2012)

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Office for National Statistics (2012b), *Estimating differences in public and private sector pay at the national and regional level* Available online at: <http://www.ons.gov.uk/ons/rel/lmac/public-and-private-sector-earnings/november-2012/index.html> (Accessed on 28 November 2012)

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