

## Gender pay gap narrows but social pay gap widens

The Office for National Statistics has published the provisional figures for 2011 from its Annual Survey of Hours and Earnings series (ASHE). These results are based on a survey conducted in April of each year, and provide the most comprehensive snapshot of earnings in the UK. This article summarises the headline findings from the first release of the report. Look out for more detailed analyses of specific aspects of ASHE, such as the gender pay gap, in future Pay Report issues.

The first impression from the new ASHE figures for 2011 is one of stagnating earnings. The ONS' chosen headline earnings figure – median gross weekly earnings for full-time employees – rose by just 0.4 per cent over the period, the lowest growth figure recorded since comparable records began in 1984. Over the same period, inflation in the Retail Price Index was 5.2 per cent, causing a significant real-terms earnings fall.

At a time when income inequality is under heavy scrutiny, the threshold for the top 10 per cent of earners grew by 1.8 per cent over the year, compared to growth of just 0.1 per cent in the threshold for the bottom 10 per cent. Better news was found in the gender pay gap figures, however. Over the year to April 2011, the gender pay gap in hourly earnings has fallen below 10 per cent for the first time, although at 9.1 per cent overall it remains significant, and more so for employees aged 40 and over.

Full-time earnings for all employees 2011			
	Gross annual earnings	Gross weekly earnings	Hourly earnings (excluding overtime)
Median	£26,244	£500.70	£12.62
Mean	£32,837	£605.50	£15.52

Source: ASHE (ONS)

### Full-time employees

Median weekly earnings for full-time workers grew by just 0.4 per cent over the year, to £500.70. Some other measures in the figures show slightly higher growth, typically just above 1 per cent. For example, mean weekly earnings rose by 1.2 per cent to £605.50. Looking at hourly rates, median hourly pay excluding overtime for full-time workers rose by 1 per cent at the median, and 1.3 per cent at the mean. However, all these growth figures, although higher than the headline number, remain historically low.

Median gross annual earnings for full-time workers were £26,244, an increase of 1.4 per cent on the 2010 figure. Taking the mean, however, full-time gross earnings are £32,837 a year, up 2 per cent. This difference between the mean and the median is explained by the different things they measure – the mean measures the total amount of money earned

across the directly-employed workforce divided among the working population to give an average earnings figure per person, whereas the median gives the figure for the middle-earning employee across the distribution.

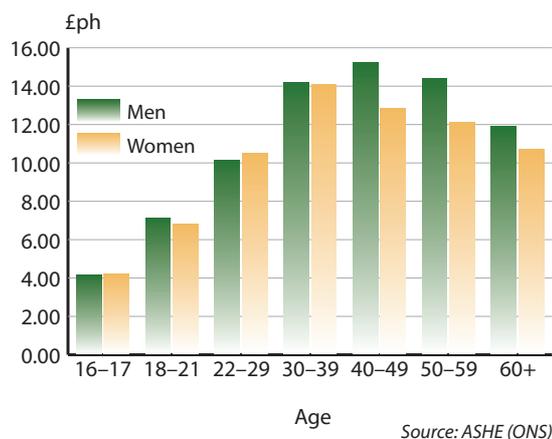
As such, the mean is far more heavily influenced by earnings at the top of the range, but gives an idea of the total amount of money paid to employees, while the median earnings figure is a more accurate estimate of earnings for the 'typical' mid-range worker. The fact that on most measures mean earnings rose faster than the median suggests that those at the top of the range have seen earnings rise faster than those at the bottom, and this is confirmed by analysis of the decile figures (see below).

### Gender pay gap narrows

The gender pay gap has dropped to its narrowest ever reading on the ONS' preferred measure – median hourly earnings excluding overtime. On this basis women's earnings rose by 1.9 per cent to £11.91 an hour, while men's earnings rose by just 0.8 per cent to £13.11. This led to the earnings gap narrowing to 9.1 per cent, the lowest figure on record and the first time the gap has dropped below 10 per cent. It is unclear at this stage what, if any, effect public-sector job losses may have had on the figures. ASHE provides a snapshot of earnings in April, and the impact of job cuts in the public sector, with its large proportion of female workers, may not feed through until the gender pay gap is measured again in April 2012.

Within this overall figure, the gender pay gap can be broken down by age, showing that for age groups up to the age of 40, the pay gaps are actually fairly small at less than 5 per cent. In fact, for those aged 22-29 the ONS recorded a small negative pay gap, meaning that women are actually paid more on average than men within this age range. However, as the graph overleaf shows, between the ages of 40 and 59 women are paid significantly less on average, with median hourly earnings more than 15 per cent below those for men. These age groups contain a significant proportion of women returning to the labour force after taking time out to have children. For those aged 60 and above, this effect falls away a little, and the pay gap is just over 10 per cent.

### Median hourly pay for full-time men and women by age, excluding overtime



As in previous years, the gender pay gap for full-time workers is wider in the private than in the public sector. The median hourly rate for full-time female public sector workers is 9.1 per cent lower than the median for male workers, while the gender pay gap for full-time workers in the private sector is almost double this rate, at 18.3 per cent.

Looking at the part-time figures shows a different trend, with hourly pay for in the private sector actually higher for women than for men – a negative pay gap of -1.2 per cent. In the public sector there is a more typical gap in favour of men. Part-time work in the private sector is generally low-paid, however, with a median rate of just £6.92 an hour for men and £7 an hour for women. This means that the actual difference in the cash value of the pay gap in favour of women is very small.

### Social pay gap widens

What growth in average earnings that did occur over the year to April 2011 was top-loaded, with remarkably low movement in earnings at the bottom end of the distribution. Hourly earnings for full-time employees excluding overtime grew by just 0.1 per cent to £7.01 at the bottom decile, which is the point below which 10 per cent of all employees' earnings fall. In contrast, hourly earnings at the top decile grew by 1.8 per cent to £26.75. This means that the threshold for inclusion in the top 10 per cent of earners stretched upward, while the bottom 10 per cent took home only barely more than they did 12 months before.

This lack of movement at the bottom of the distribution presents something of a puzzle, given that that earnings among the lowest paid were lifted by 2.2 per cent increase to the National Minimum Wage (NMW) in October 2010, between the collection of the 2010 and 2011 data. One possible explanation is that the proportion of the workforce on

low pay increased – if the NMW rate increased but more of the population are employed on it, the net effect could be no movement at the bottom 10 per cent mark.

Another explanation would be that although the NMW was increased, other low-paid employers earning a little above the NMW saw very little pay movement at all. This would fit with the pattern of pay we have observed in the Average Weekly Earnings series for distribution, retail, hotels and restaurants which has shown very little earnings movement in the past year. Whatever the reason, there has been a clear overall stretching of the earnings distribution towards the top end since the previous ASHE release.

### Public and private sectors

Making valid comparisons of earnings in the public and private sectors presents a major difficulty when it comes to comparing like-for-like jobs, with a public sector workforce dominated by professional roles in areas such as nursing and teaching. The private sector has far more jobs at either end of the earnings distribution, which is further exaggerated by low-paying public-sector jobs being outsourced to the private sector. Several recent studies, including ones undertaken by both the ONS and the TUC have looked at the reasons why the public sector tends to lead the private sector on most earnings measures. They found that among a number of factors, the qualifications needed tend to be significantly higher for the average public sector job.

As a result, it is no surprise to see the trend continue for higher public sector pay on most measures in 2011. On the same measure as the gender pay gap, hourly earnings for full-time private-sector workers are £10.02 an hour, almost 33 per cent lower than their public-sector counterparts at £14.87. However, looking at gross annual earnings rather than an hourly rate, the mean figure for the private sector is £33,290, actually £1,000 higher than the public-sector figure of £32,290.

Again, this is as we might expect. The structural and compositional differences between the workforces in the two sectors show up clearly in the hourly figures. Paid overtime – far more a private than a public sector phenomenon – is excluded from these figures. Conversely, the annual figure takes more account of bonuses – again a private-sector phenomenon. Furthermore, the mean is more easily influenced by high-earning outliers than the median, and the highest-paying jobs at the top of the scale are almost always at private firms, which explains why this measure alone shows higher earnings in the private sector. It is worth mentioning that the public sector count includes employees at the nationalised banks, which will have an upward influence on the figures.