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Financial Scrutiny Unit Briefing

Earnings in Scotland 2016

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16/92

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The Office for National Statistics released the Annual Survey of Hours and Earnings (ASHE) 2016 provisional results on 26 October 2016. This briefing provides a short overview of earnings in Scotland.



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EXECUTIVE SUMMARY

This briefing looks at how much people earned in Scotland in 2016. Using data from [the Annual Survey of Hours and Earnings 2016](#) (ONS 2016) it looks at earnings across a range of indicators. The data referred to in this briefing can be found in [the Annex](#).

Key points:

- Scotland has the third highest annual income of the regions of the UK, behind London and the South East.
- Scotland saw the weakest growth in salaries across the UK, but this still equated to a real terms increase.
- People working in Aberdeen, Edinburgh and Shetland have the highest incomes while those working in East Renfrewshire, Scottish Borders and Dumfries and Galloway have the lowest.
- The Mining and Quarrying sector, which includes oil and gas, is the highest paid industry in Scotland but only fourth across the UK as a whole.
- The fall in oil prices has affected average wages – Aberdeen saw the second biggest fall in workplace wages while the Mining and Quarrying sector saw the biggest fall in wages by sector.

ANNUAL SURVEY OF HOURS AND EARNINGS (ASHE) DATA

The data in this briefing are ASHE 2016 provisional results, published by the Office of National Statistics (2016). The survey provides a range of earning statistics for employees across the UK. It does not cover the self-employed. ASHE is based on a 1% sample of employee jobs taken from the Pay As You Earn (PAYE) records of Her Majesty Revenue and Customs (HMRC) covering the pay period over the year to 13 April 2016.

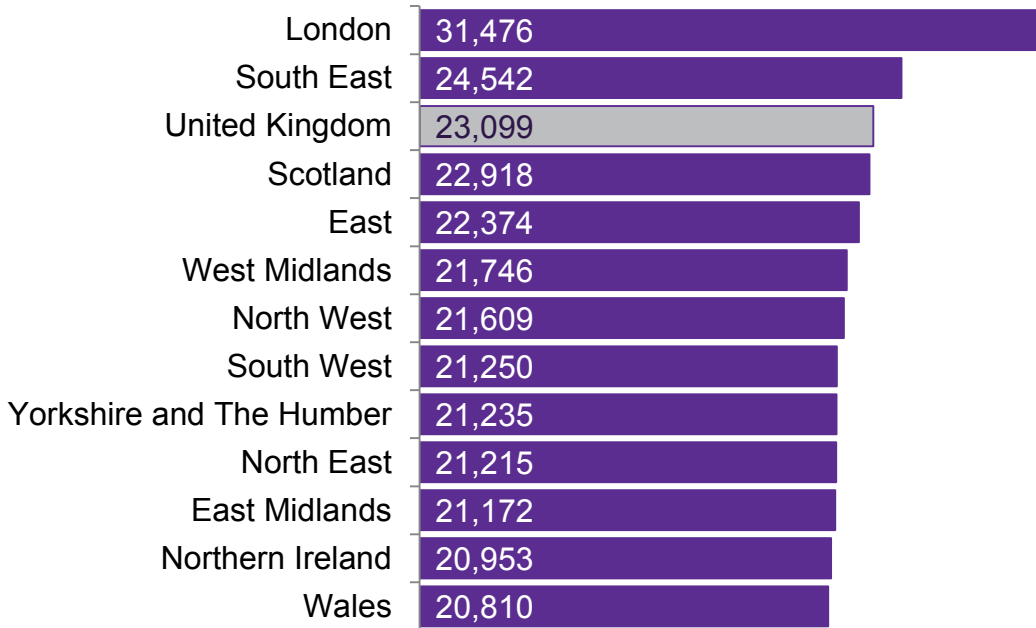
Key points about the data:

- Where figures are adjusted for inflation, the April 2016 Consumer Price Inflation (CPI) figure, 0.3%, has been used. CPI is appropriate in this instance as it is used for uprating pensions, wages and some benefits and can aid in the understanding of the impact of inflation on family budgets.
- Because of the potential for sampling errors for smaller groups, including local areas and small industries, there is a wider margin of error with some of the data than for Scotland as a whole.
- Unless otherwise stated the median estimate has been used rather than mean average as it provides a better indication of 'typical' pay. Median values split the top 50 per cent from the bottom 50 per cent meaning it is less likely to be skewed by the relatively small number of very high earners.
- 'Full-time' is defined as employees working 30 paid hours per week or more (or 25 or more for the teaching professions).

HOW MUCH ARE SALARIES IN SCOTLAND?

Gross annual pay in Scotland is currently £22,918. Scotland has the third highest gross annual income across the UK, behind London and the South East. The data for annual earnings relates to employees who have been in the same job for more than one year.

Figure 1: Gross annual pay for all employees across the UK - 2016



[Annex Table: A1](#)

Scotland has seen the lowest increase in income across the UK. The Fraser of Allander Institute has suggested that [this could be because of downturn in the offshore economy and correspondingly the economy of the north east.](#) (Fraser of Allander Institute 2016)

Figure 2: Growth in Gross annual pay for all employees across the UK - 2016



[Annex Table: A1](#)

HOW MUCH ARE FULL-TIME AND PART-TIME SALARIES?

The majority of people in employment in Scotland work full-time. Full-time workers in Scotland earn slightly less than the UK average but have the third highest income across the UK. Scotland also saw the lowest increase in full-time earnings across the UK between 2015 and 2016.

Table 1: Gross annual pay for full-time employees - 2016

| | Median | Annual percentage change | |
|-----------------|---------|--------------------------|----------|
| | | Cash (%) | Real (%) |
| Scotland | £27,953 | +1.0 | +0.7 |
| UK | £28,213 | +2.2 | +1.9 |

Around a quarter of people employed in Scotland work part-time. Part-time worker median income is above the UK average. They have the second highest median income across the UK. However Scotland saw the second lowest growth in median part-time earnings in the UK between 2015 and 2016.

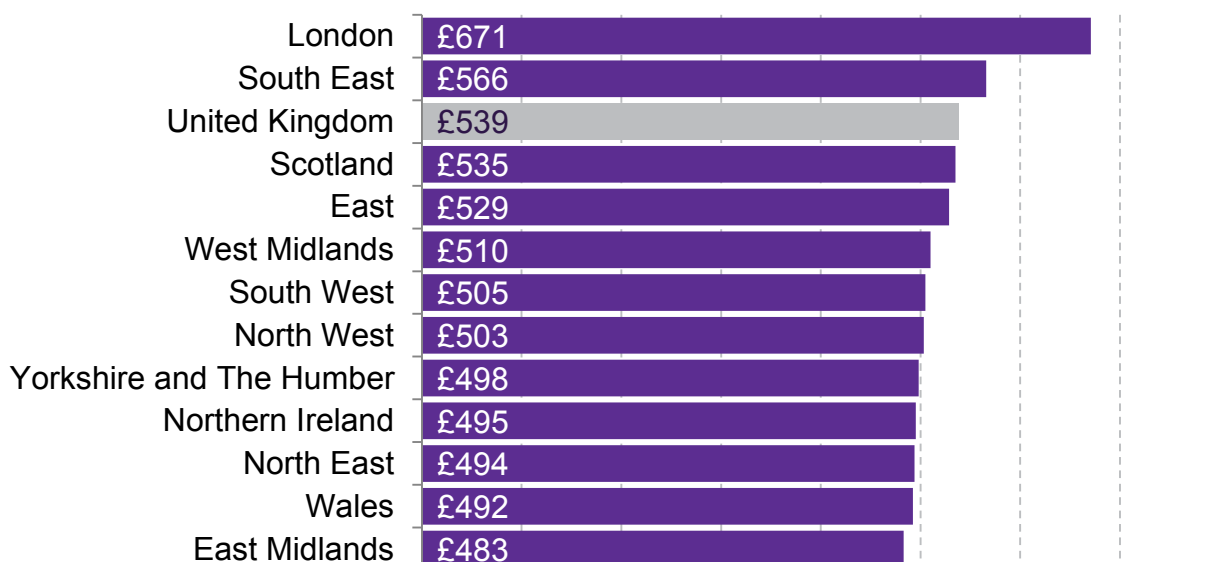
Table 2: Gross annual pay for part-time employees - 2016

| | Median | Annual percentage change | |
|-----------------|---------|--------------------------|----------|
| | | Cash (%) | Real (%) |
| Scotland | £10,148 | +3.2 | +2.9 |
| UK | £9,637 | +4.4 | +4.1 |

WHAT DOES WEEKLY PAY LOOK LIKE?

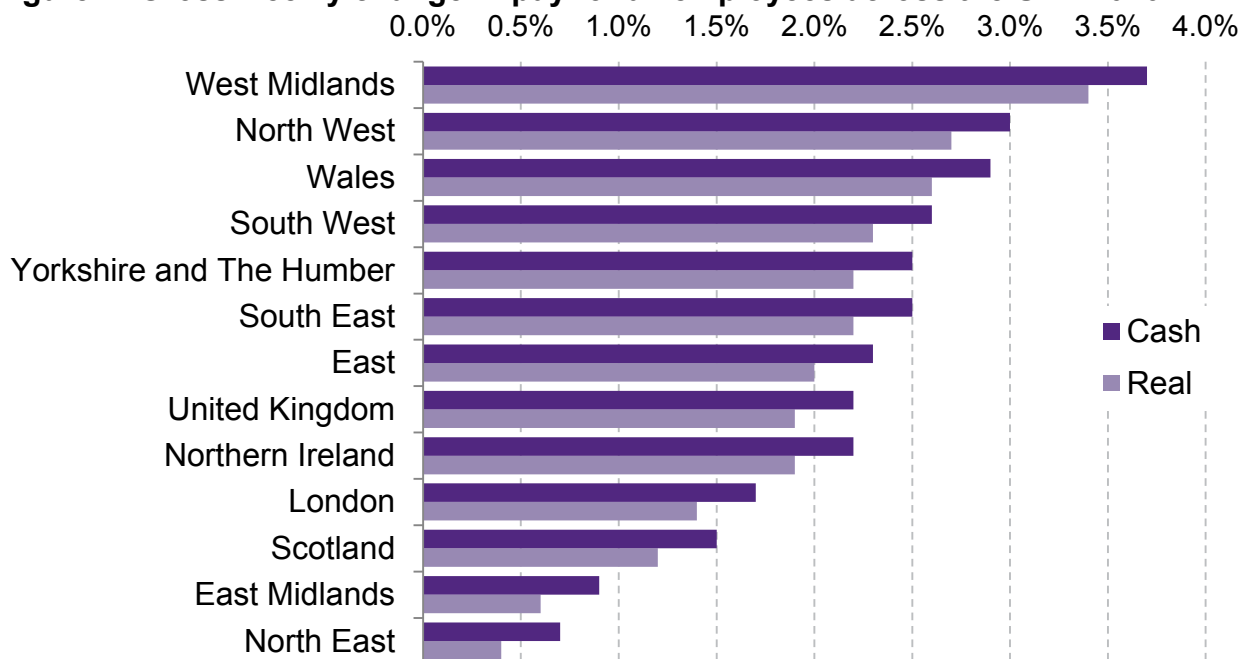
The ONS focus on gross weekly full-time pay as their headline figure for earnings. This is because it is the figure which that has the longest time series. Gross median weekly pay in Scotland for full-time workers was £535, just below the UK average. It is the third highest weekly income across the UK behind London and the South East. Unlike annual pay, weekly pay is based on income at the time of the survey.

Figure 3: Gross median pay for full-time employees across the UK- 2016



Over the year Scotland has seen the third lowest growth in full-time weekly wages. Only the East Midlands and the North East saw weaker growth. However every region of the UK saw a real terms increase in weekly income. When the regional time series began in 1997 Scotland had the 8th highest full-time weekly income. However since 2012 Scotland has had the 3rd highest income behind London and the South East (ONS 2016).

Figure 4: Gross weekly change in pay for all employees across the UK - 2016



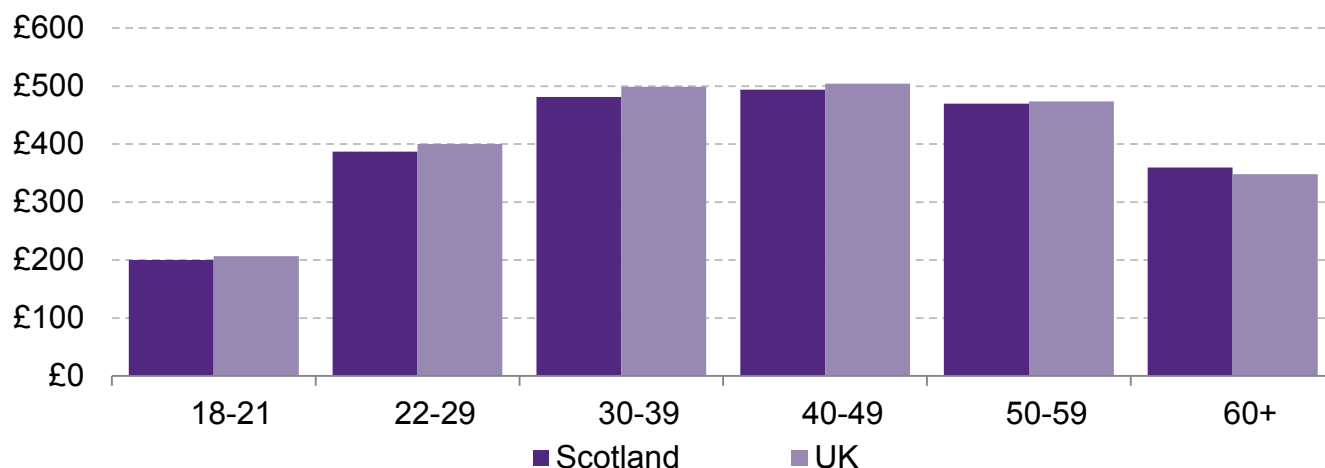
[Annex Table: A2](#)

HOW DOES PAY BY AGE COMPARE?

Median gross weekly pay increased across all age groups in Scotland and the UK generally. In Scotland the 22-29 age group saw the largest increase in wages while the over 60 age group saw the smallest increase.

The 40-49 age group has the highest pay of any age group in Scotland. The 18-21 age group has the lowest pay as they are more likely to work part-time and in occupations and sectors with lower pay. The 60 and over age group was the only age group in Scotland to have higher wages than the UK.

Figure 5: Median gross weekly pay for all employees by age - 2016



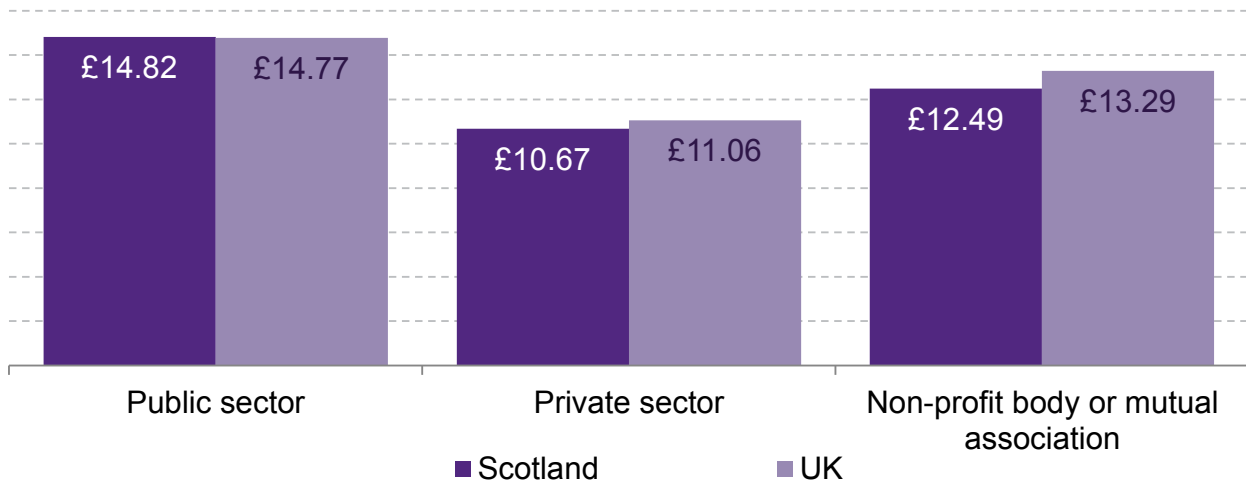
[Annex Table: A3](#)

HOW DOES PUBLIC AND PRIVATE SECTOR PAY COMPARE?

The reasons for the differences in private and public sector pay levels are complex ‘[because of the different jobs and characteristics of the people within each sector](#)’ (ONS 2014). In order to address some of these issues, hourly pay excluding overtime is used for comparing the public and private sector in this briefing. This helps to control for the difference in the length of the working week.

Public sector pay in Scotland is slightly higher than the UK. However pay in all sectors in Scotland grew at a slower rate than the UK. Pay is higher for those working in the public sectors across the UK.

Figure 6: Hourly pay excluding overtime for Public and Private sector employees - 2016



[Annex Table: A4](#)

Full-time workers in the Scottish public sector saw a decrease in hourly pay excluding overtime over the year. However full-time hourly pay is higher in the public sector. Full-time hourly pay excluding overtime in the private sector saw the largest increase. The difference in earnings between people working in the public and private sectors in Scotland is higher than the UK average.

Figure 7: Hourly pay excluding overtime for public and private sector employees in Scotland - Full-time and Part-time - 2016



[Annex Table: A5](#)

WHICH OCCUPATIONS PAY THE MOST?

This section looks at hourly pay excluding overtime by occupation. This measure has been used as it controls for the difference in the length of the working week between occupations.

“Professional occupations” in Scotland (including engineers and IT and health professionals) have the highest hourly rates of pay. “Sales and customer services” and “elementary occupations” (for example bar staff, cleaners and farm workers), both have median hourly rates below the living wage.

“Caring, leisure and other service occupations”, “Sales and customer service occupations” and “Elementary occupations” saw the highest increases in hourly pay excluding overtime. This is [likely to be connected to the introduction of the National Living Wage](#) which increases the minimum hourly income for all employees aged 25 and over. (ONS 2016)

Figure 8: Hourly pay excluding overtime by occupation in Scotland – 2016



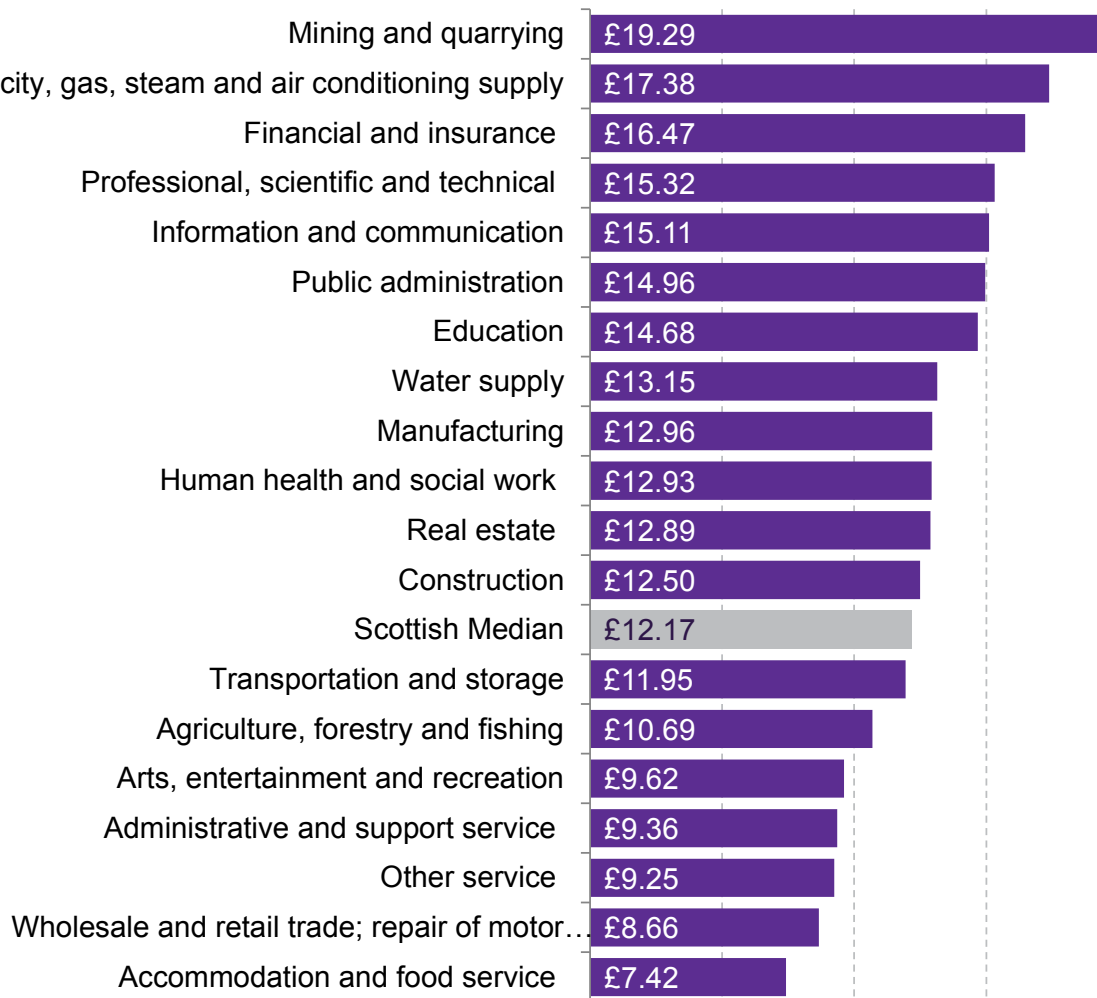
[Annex Table: A6](#)

WHICH INDUSTRIES PAY THE MOST?

The “mining and quarrying” industry in Scotland has the highest median hourly rate excluding overtime, which includes the offshore oil and gas sector. However over the year it has seen the biggest decrease of any sector.

The “financial and insurance activities” industry saw the largest increase in median hourly pay excluding overtime in Scotland. The “accommodation and food services” industry has the lowest hourly rate excluding overtime despite seeing the second largest percentage increase in earnings over the year. “Accommodation and food service activities” is the only sector to have a median wage below the living wage rate of £8.25 an hour.

Figure 9: Median hourly pay excluding overtime by industry (£) in Scotland - 2016



[Annex Table: A7](#)

WHERE IS THE HIGHEST PAY IN SCOTLAND?

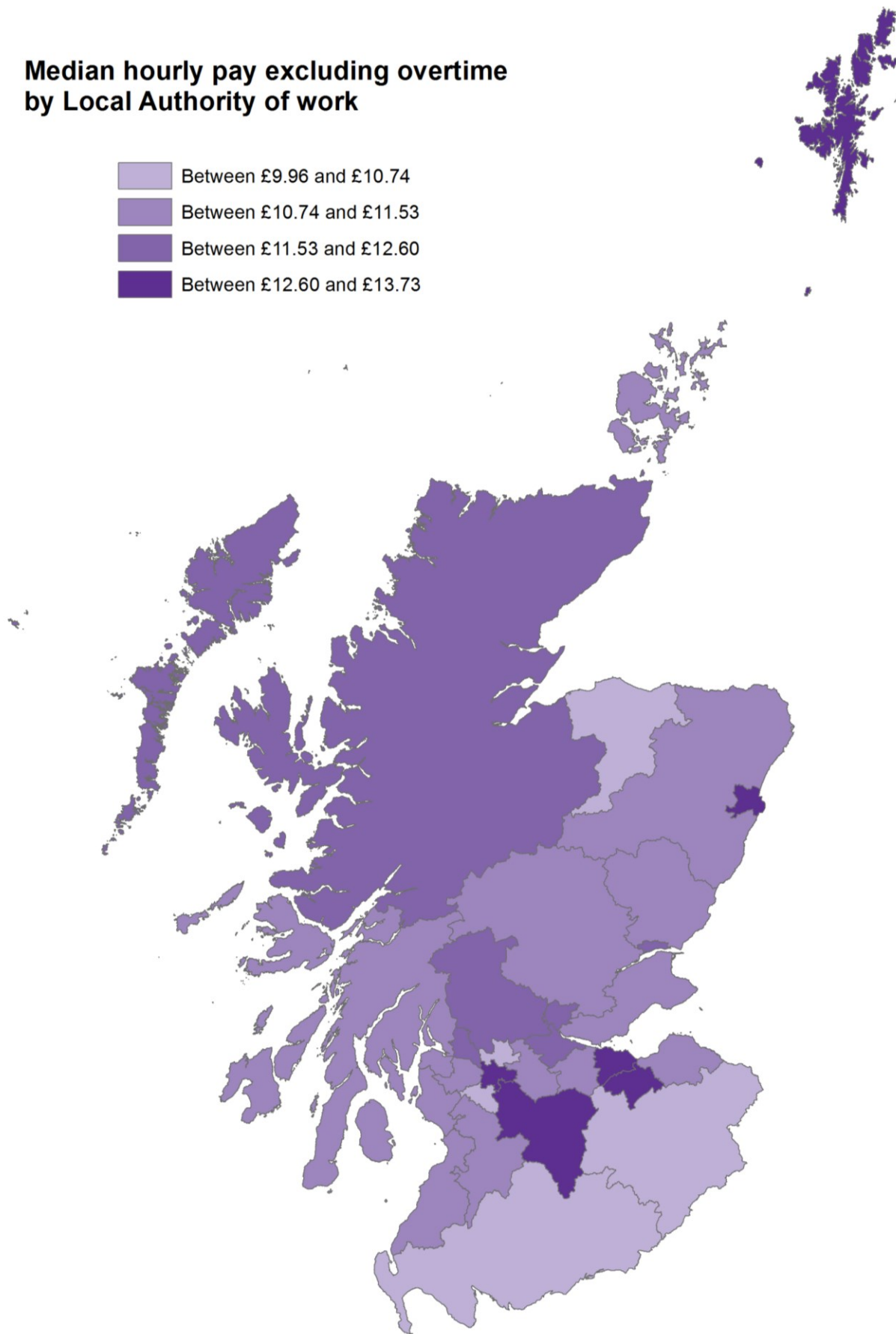
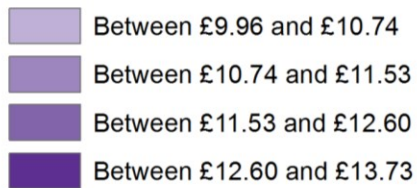
The following section looks at median hourly pay excluding overtime by local authority of employee workplace.

Aberdeen City is the local authority with the highest median hourly income excluding overtime. East Renfrewshire has the lowest median hourly income excluding overtime.

Over the year West Dunbartonshire saw the biggest increase while Argyll and Bute saw the biggest decrease.

Figure 10: Hourly pay excluding overtime by local authority of work - 2016

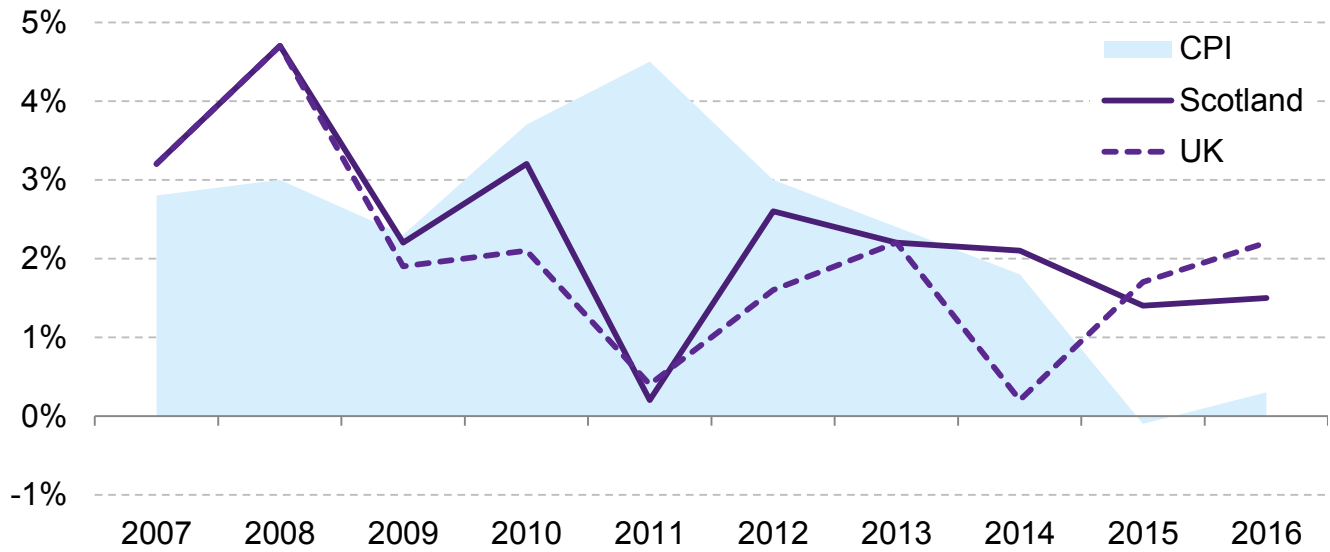
**Median hourly pay excluding overtime
by Local Authority of work**



EARNING TRENDS

The ONS uses median full-time gross weekly earnings when looking at earning trends. Wages across the UK as a whole have increased in real terms over the year for the second year in a row. However this is the third year in a row that Scotland has seen above inflation increases in wages.

Figure 6: Annual change in median full-time weekly earnings and CPI: 2007 onwards



ANNEX

DATA TABLES

Table A1: Gross annual pay for all employees across the UK - 2016

| | Median | Annual Change | |
|--------------------------|---------|---------------|----------|
| | | Cash (%) | Real (%) |
| United Kingdom | £23,099 | 3.0 | 2.7 |
| North East | £21,215 | 2.4 | 2.1 |
| North West | £21,609 | 3.0 | 2.7 |
| Yorkshire and The Humber | £21,235 | 3.3 | 3.0 |
| East Midlands | £21,172 | 2.6 | 2.3 |
| West Midlands | £21,746 | 3.3 | 3.0 |
| East | £22,374 | 3.3 | 3.0 |
| London | £31,476 | 2.3 | 2.0 |
| South East | £24,542 | 3.2 | 2.9 |
| South West | £21,250 | 2.9 | 2.6 |
| Wales | £20,810 | 2.6 | 2.3 |
| Scotland | £22,918 | 2.2 | 1.9 |
| Northern Ireland | £20,953 | 3.0 | 2.7 |

Table A2: Gross median pay for full-time employees across the UK- 2016

| | Median | Annual Change | |
|--------------------------|--------|---------------|----------|
| | | Cash (%) | Real (%) |
| United Kingdom | £539 | 2.2 | 1.9 |
| North East | £494 | 0.7 | 0.4 |
| North West | £503 | 3.0 | 2.7 |
| Yorkshire and The Humber | £498 | 2.5 | 2.2 |
| East Midlands | £483 | 0.9 | 0.6 |
| West Midlands | £510 | 3.7 | 3.4 |
| East | £529 | 2.3 | 2.0 |
| London | £671 | 1.7 | 1.4 |
| South East | £566 | 2.5 | 2.2 |
| South West | £505 | 2.6 | 2.3 |
| Wales | £492 | 2.9 | 2.6 |
| Scotland | £535 | 1.5 | 1.2 |
| Northern Ireland | £495 | 2.2 | 1.9 |

Table A3: Median gross weekly pay for all employees by age - 2016

| | Scotland | | | UK | | |
|--------------|----------|---------------|----------|--------|---------------|----------|
| | Median | Annual Change | | Median | Annual Change | |
| | | Cash (%) | Real (%) | | Cash (%) | Real (%) |
| 18-21 | £200 | 0.6 | 0.3 | £207 | 3.7 | 3.4 |
| 22-29 | £387 | 4.4 | 4.1 | £400 | 4.4 | 4.1 |
| 30-39 | £482 | 0.5 | 0.2 | £499 | 1.9 | 1.6 |
| 40-49 | £494 | 1.5 | 1.2 | £504 | 2.5 | 2.2 |
| 50-59 | £470 | 3.1 | 2.8 | £473 | 3.4 | 3.1 |
| 60+ | £360 | 4.2 | 3.9 | £348 | 2.8 | 2.5 |

Table A4: Hourly pay excluding overtime for Public and Private sector employees – 2016

| | Sector | Median | Annual percentage change | |
|-----------------|---------------------------------------|--------|--------------------------|----------|
| | | | Cash (%) | Real (%) |
| Scotland | Public | £14.82 | +1.8 | +1.5 |
| | Private | £10.67 | +2.1 | +1.8 |
| | Non-profit body or mutual association | £12.49 | +0.7 | +0.4 |
| UK | Public | £14.77 | +1.9 | +1.6 |
| | Private | £11.06 | +3.9 | +3.6 |
| | Non-profit body or mutual association | £13.29 | +2.5 | +2.2 |

Table A5: Hourly pay excluding overtime for public and private sector employees in Scotland - Full-time and Part-time - 2016

| | Sector | Median | Annual percentage change | |
|------------------|---------------------------------------|--------|--------------------------|----------|
| | | | Cash (%) | Real (%) |
| Full-Time | Public | £16.05 | +1.8 | +1.5 |
| | Private | £12.16 | +1.2 | +0.9 |
| | Non-profit body or mutual association | £14.82 | +2.4 | +2.1 |
| Part-Time | Public | £11.88 | +3.4 | +3.1 |
| | Private | £7.84 | +4.4 | +4.1 |
| | Non-profit body or mutual association | £9.51 | +2.9 | +2.6 |

Table A6: Hourly pay excluding overtime by occupation in Scotland – 2016

| | Median | Annual percentage change | |
|---|--------|--------------------------|----------|
| | | Cash (%) | Real (%) |
| Managers, directors and senior officials | 18.37 | -2.6 | -2.9 |
| Professional occupations | 19.39 | 1.6 | 1.3 |
| Associate professional and technical occupations | 14.62 | -0.3 | -0.6 |
| Administrative and secretarial occupations | 10.53 | 2.4 | 2.1 |
| Skilled trades occupations | 11.65 | 1.7 | 1.4 |
| Caring, leisure and other service occupations | 9.24 | 2.6 | 2.3 |
| Sales and customer service occupations | 8.16 | 7.7 | 7.4 |
| Process, plant and machine operatives | 10.13 | 1.9 | 1.6 |
| Elementary occupations | 7.99 | 4.8 | 4.5 |

Table A7: Hourly pay excluding overtime by industry - 2016

| Industry | Median (£) | Annual change (%) |
|--|------------|-------------------|
| Agriculture, forestry and fishing | 10.69 | 8.1 |
| Mining and quarrying | 19.29 | -6.7 |
| Manufacturing | 12.96 | 0.8 |
| Electricity, gas, steam and air conditioning supply | 17.38 | -3.6 |
| Water supply; sewerage, waste management and remediation activities | 13.15 | 10.0 |
| Construction | 12.5 | 0.0 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 8.66 | 5.0 |
| Transportation and storage | 11.95 | 3.6 |
| Accommodation and food service activities | 7.42 | 6.0 |
| Information and communication | 15.11 | 0.6 |
| Financial and insurance activities | 16.47 | -1.5 |
| Real estate activities | 12.89 | 1.3 |
| Professional, scientific and technical activities | 15.32 | 3.3 |
| Administrative and support service activities | 9.36 | -0.4 |
| Public administration and defence; compulsory social security | 14.96 | 1.0 |
| Education | 14.68 | -0.8 |
| Human health and social work activities | 12.93 | 6.7 |
| Arts, entertainment and recreation | 9.62 | 6.8 |
| Other service activities | 9.25 | 0.6 |
| Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use | 10.03 | 10.0 |

Table A8: Hourly pay excluding overtime by place of work - 2016

| Local Authority | Median (£) | Annual Change (%) |
|------------------------------|-------------------|--------------------------|
| Aberdeen City | £13.73 | -2.3 |
| Aberdeenshire | £11.00 | 0.0 |
| Angus | £11.01 | 6.4 |
| Argyll and Bute | £11.53 | -6.4 |
| City of Edinburgh | £13.70 | 0.3 |
| Clackmannanshire | £12.27 | 8.6 |
| Dumfries and Galloway | £10.01 | -0.5 |
| Dundee City | £12.24 | -0.1 |
| East Ayrshire | £11.32 | 3.7 |
| East Dunbartonshire | £10.60 | 4.6 |
| East Lothian | £11.53 | 9.7 |
| East Renfrewshire | 9.96 | 3.7 |
| Eilean Siar | £11.80 | -0.3 |
| Falkirk | £12.24 | 5.0 |
| Fife | £11.40 | 1.4 |
| Glasgow City | £12.90 | 0.9 |
| Highland | £11.85 | 6.5 |
| Inverclyde | £11.53 | 9.2 |
| Midlothian | £12.92 | 15.0 |
| Moray | £10.74 | 2.3 |
| North Ayrshire | £11.39 | 6.4 |
| North Lanarkshire | £11.49 | 3.2 |
| Orkney Islands | £11.34 | -1.2 |
| Perth and Kinross | £11.28 | -0.4 |
| Renfrewshire | £11.52 | 2.8 |
| Scottish Borders | £10.50 | -2.1 |
| Shetland Islands | £13.20 | 3.1 |
| South Ayrshire | £11.33 | -0.5 |
| South Lanarkshire | £12.98 | 13.9 |
| Stirling | £12.00 | 5.6 |
| West Dunbartonshire | £12.60 | 17.2 |
| Scotland | £12.17 | 2.4 |

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Fraser of Allander Institute (FAI 2016), *Wage growth in Scotland: what does the latest data say and why does it matter?* Available online at: <https://fraserofallander.org/2016/10/27/wage-growth-in-scotland-what-does-the-latest-data-say-and-why-does-it-matter/> [Accessed 9 November 2016]

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RELATED BRIEFINGS

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