

Analysis of real wages in Scotland using PAYE data

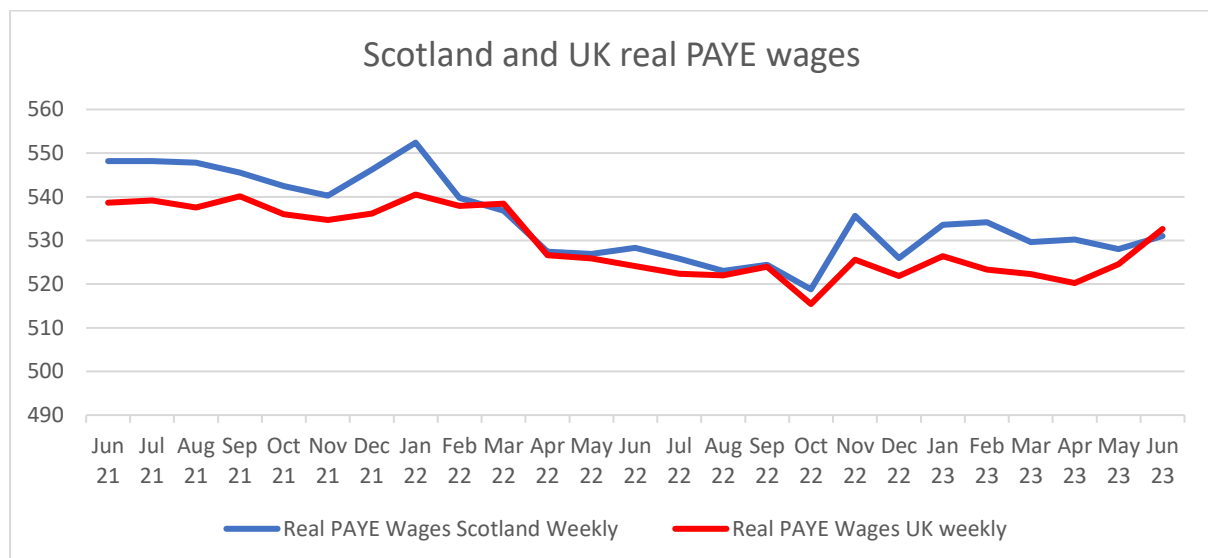
New analysis shows that over the last two years the average employee in Scotland has lost £1,448 in real wages as a result of pay not keeping up with inflation.

Real wages in Scotland fell 3% between June 2021 and June 2023.

The analysis is based on pay as you earn (PAYE) data - the most timely earnings data available for employees in Scotland.

Real wages in Scotland have fallen further and faster than the UK average. UK PAYE wages fell 1% between June 2021 and June 2023. This means the average worker in the UK lost £995 during this period, but the average worker in Scotland lost £1,448.

The findings come as forecasts suggest next week's monthly labour market data might show real wages rising again. The STUC is warning that it will take a lot more than one month of wage growth to ease two years of cost-of-living pain.



Across the UK, pay in the public sector has lagged behind the private sector. Given Scotland's relatively large public sector workforce, and the recent pay offers made by the UK Government, the Scottish Government must look again at its public sector pay strategy of 3.5%. If they do not, real wages in Scotland are likely to fall further behind the UK.

Methodology and Limitations

Inflation has been factored by using CPI with a base month of June 2023. This has been used to calculate the cumulative loss in pay by the average worker since June 2021.

Pay As You Earn Real Time Information (PAYE RTI) data covers the whole employee population (for those paid through PAYE), rather than a sample, and can be used to produce more precise, detailed and timely statistics on pay and employment than the current survey-based statistics. In contrast to the lead monthly Average Weekly Earnings (AWE) measure of average British weekly earnings, it includes a Scottish breakdown.

It should be noted that the statistics are classed as 'experimental'. This is because the Office for National Statistics (ONS) uses International Labour Organisation (ILO) definitions for its survey-based statistics, and these cannot be adhered to so precisely using PAYE data, which are primarily collected for tax purposes.

Self-employed workers, around half of whom are low-paid, are generally excluded from statistics due to them not earning through PAYE.

The figures are not broken down by public and private sector, but there is a sectoral breakdown, which we hope to examine in future analysis.

The Inflation Index used is based on CPI inflation, Table 57:

<https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation>

PAYE data used, Table 8:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted>

Information on PAYE RTI methodology:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/monthlyearningsandemploymentestimatesfrompayasyouearnrealtimeinformationpayertidatamethods>

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