

What is really happening to wages in Scotland?

Introduction

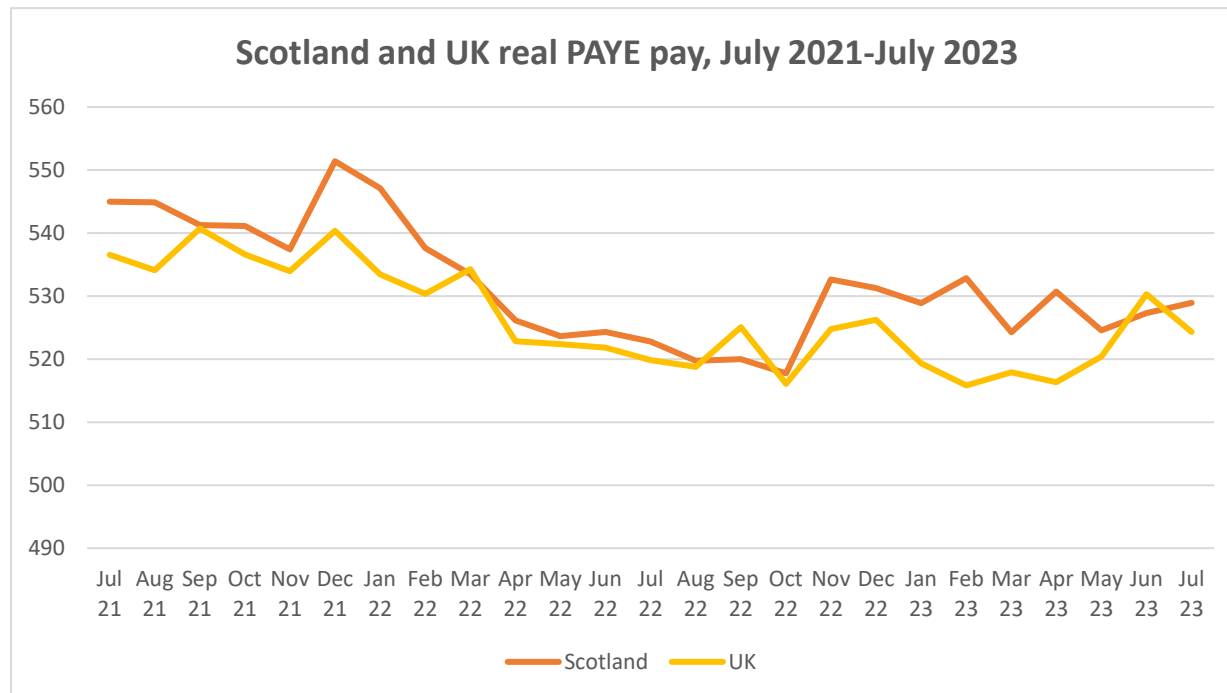
On 15 August, the ONS published its monthly labour market statistics. Relatively strong wage growth across the UK between April and June led to headlines reporting 'record pay growth'.¹

Despite the headlines, the statistics showed that real pay (that is pay once inflation is accounted for) is still falling across the UK. It also showed that the pay growth that exists is being primarily driven by the finance sector.

This briefing aims to look at the picture in Scotland.

Findings

From July 2021 to July 2023, real wages in Scotland fell by 3%. This fall is higher than the 2.3% fall for the UK during the same period.



The cumulative impact of this is that the average worker in Scotland has lost £1429 in the last two years. This is £338 more than the average worker in the UK, who has lost £1091 in the last two years.

There are significant differences by sector.

Since July 2023, only three sectors have seen a growth in real pay – Energy production and supply (+7%), Other Service Activities (+2%), and Finance and Insurance (+1%).ⁱⁱ In contrast, arts, entertainment and recreation and water, sewerage and waste have both seen a 8% fall. Accommodation and food service activities and education have both seen a 6% fall. Public administration, defence and social security; construction, manufacturing, mining and quarrying, and Agriculture, forestry and fishing have all seen a 5% fall.



STUC analysis based on real time PAYE data.

While those working in energy production and supply are £1156 better off and those in Finance and Insurance are £148 better off, every other sector is worse off. Workers in the arts are down £2406, health and social work £1265, education £1588, public administration £2584, accommodation and food services £1546, transportation and storage £1079, wholesale and retail £769, construction £2488, water supply, sewerage and waste £4502, manufacturing £2689, mining and quarrying £4942, and agriculture, forestry and fishing £2113.



STUC Analysis of real time PAYE data.

Conclusion

The average worker in Scotland is £1400 worse-off due to pay not keeping up with inflation over the last two years. While the Bank of England is forecasting a significant fall in inflation by the end of the year, it will take a lot more than a few months of wages outstripping inflation to address two years of cost-of-living pain.

At a time when FTSE 350 companies are announcing record profits and CEO pay rises,ⁱⁱⁱ the loss of income to workers in Scotland has profoundly negative implications for Scotland's tax base and Scotland's public services. The cumulative loss of income over the last two years represents more than £3.5 billion in lost income to Scotland's economy.

The Scottish Government must do more to address Scotland's pay crisis. Given Scotland's relatively large public sector workforce, it must start with increasing public sector pay.^{iv} If it does not, real wages in Scotland are likely to fall behind the UK.

Methodology and limitations

The analysis is based on Pay As You Earn Real Time Information (PAYE RTI) data. This data covers the whole employee population (for those paid through PAYE) rather than a sample, and the statistics are therefore more precise, detailed and timely than the current survey-based statistics. In contrast to the lead monthly Average Weekly Earnings (AWE) measure of average British weekly earnings, the data also includes a Scottish breakdown, including by sector.

There are limitations to this dataset. The statistics are classed as 'experimental' 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. The data for July 2023 is also subject to revision.

More significantly, self-employed workers, around half of whom are low-paid, are generally excluded from statistics due to them not earning through PAYE. The statistics also don't take account of hours worked, meaning fluctuations in hours worked are not accounted for. The latest labour force survey data suggests that average hours worked in Scotland fell slightly from 27.9 in July 2021-June 2022 to 27.5 in April 2022-March 2023.^v This represents a 1.4% decrease.

This said, the dataset is the most timely and precise earnings data available for employees in Scotland.

In order to calculate real terms pay, inflation has been factored by using CPI with a base month of July 2023. This has been used this to calculate the cumulative loss in pay by the average worker since July 2021.

Sources

Inflation Index used is based on CPI inflation, Table 57: <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation>

PAYE data used, Table 8 and Table 37

<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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ⁱ <https://twitter.com/BBCNews/status/1691333324994703360?s=20>

ⁱⁱ 'Other service activities' is a relatively small sector made up of the activities of membership organisations; repair of computers and personal and household goods; and other personal service activities such as hairdressing. Energy production does not include offshore oil and gas workers – who are categorised under mining and quarrying.

ⁱⁱⁱ <https://www.unitetheunion.org/news-events/news/2023/march/corporate-profiteering-soars-an-astonishing-89-compared-to-pre-pandemic-levels/> and

<https://www.reuters.com/world/uk/britains-ceos-get-16-pay-rise-39-mln-pounds-even-workers-struggle-2023-08-21/>

^{iv} Funded through progressive increasing tax revenue https://stuc.org.uk/files/Reports/Scotland_Demands_Better_Fairer_Taxes_for_a_Fairer_%20Future.pdf

^v ONS (15 August 2023) Headline indicators for Scotland - Worksheet 15,

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/headlinelabourforcesurveyindicatorsforscotlandhi11>