

# London's low pay landscape

*Sakinah Abdul Aziz and Joe Richardson, Living Wage Foundation, March 2023*

Living costs in London are some of the highest in the world. As such, the experience of low pay in London is often even more challenging than in other parts of the UK. For most of the last decade, Londoners were less likely to experience the issue of wages failing to match living costs, with the higher salaries that come with working in the capital meaning a lower proportion were earning less than the real Living Wage. However, recent evidence shows this is beginning to shift. With the cost-of-living-crisis driving already sky-high living costs, this is an unwelcome development for the capital's workforce.

As of April 2022, a higher proportion of jobs in London were paid below a real Living Wage than the UK as a whole – the first time this has occurred. Similarly, London is now the region with the fourth highest proportion of low paid jobs, having been the second lowest in April 2012. While all regions have seen a drop in low paid jobs, London's decline has been the lowest by some distance.

This briefing note will explore the scale of low pay in London and examine why London has lagged behind other regions when it comes to alleviating low pay over the last decade. It will also outline where low pay is typically concentrated in the capital, with attention to the sectors, boroughs and communities which are more likely to have jobs paid less than the Living Wage.

We identify the sharp increases made to the government's National Living Wage (NLW) over recent years as a key driver of why other regions have seen their levels of low pay decline more than London. These increases have had 'ripple effects' up the income distribution, which has pushed more workers above the real Living Wage for all regions of the UK. However, due to the NLW not accounting for London's higher living costs, this has been less effective in pushing workers above the London Living Wage rate.<sup>1</sup> This is the key reason as to why London's low paid workers have been less likely to feel this benefit.

When it comes to the geographical distribution of low pay within London, there is a clear divide between jobs in Inner and Outer London. For instance, the top five Local Authorities that are worst impacted by low pay in the UK are all Outer London boroughs, with these jobs being lower paid than those in Inner London, despite workers experiencing London's higher living costs. Similarly, there is also a clear sectoral divide, with low paid sectors such as 'Accommodation and food services', 'Wholesale and retail' and 'Administrative and support services' all having a proportion of low paid jobs above the London average.

The findings in this briefing note underscore the importance of paying a wage that is based on what it costs to live, and why this is particularly vital in the UK's most expensive city.

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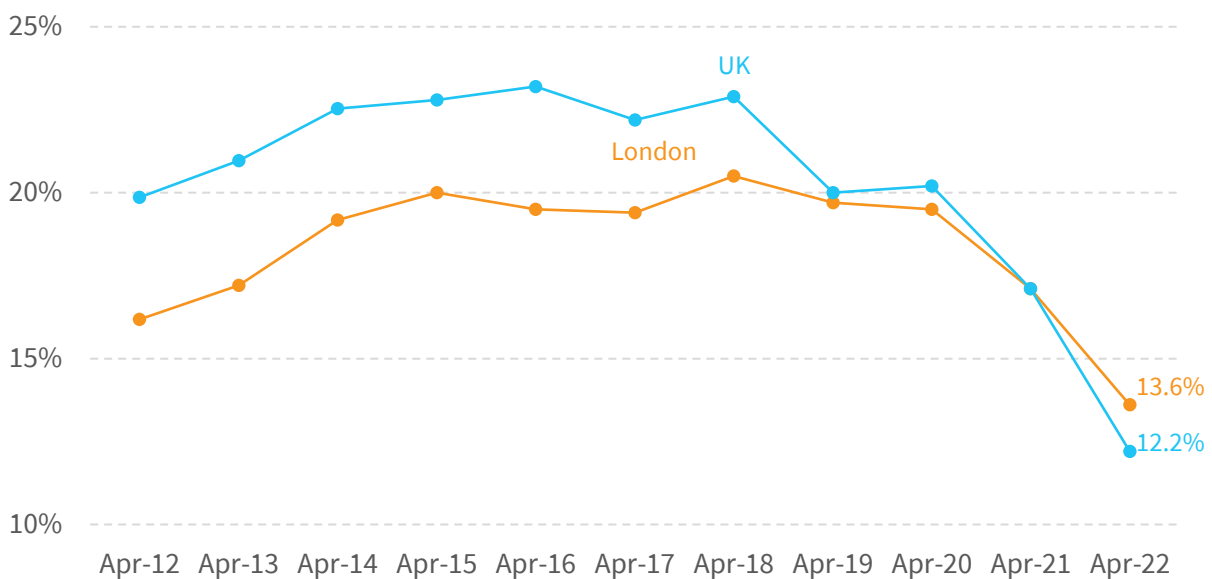
<sup>1</sup> To reflect higher living costs in the capital, the real Living Wage rate is higher for London than for the rest of the UK. The current real Living Wage rates are £11.95 for London and £10.90 for the rest of the UK. More information can be found here: <https://www.livingwage.org.uk/what-real-living-wage>

## Scale of low pay in London

Around 1 in 7 jobs (13.6 per cent) in London are paid less than the Living Wage, compared to 1 in 8 jobs (12.2 per cent) for the UK as a whole. Whilst not a huge difference, this is the first time since the figure was first recorded (April 2012) that London has had a higher rate of low pay than the UK as a whole. As outlined in Figure 1, in both London and the UK, the rate of below Living Wage pay has declined sharply over recent years (since 2018), with the percentage of low paid jobs falling to record lows for both areas (13.6 per cent for London, 12.2 per cent for the UK). However, the rate of low pay in London has not fallen by as much over this period, which is why it now has a higher incidence of low pay.

Taking a more long-term view, whilst moving in the right direction London has made less progress when it comes to alleviating low pay over the past decade. Since 2012, the percentage of low paid jobs in London has fallen by less than 3 percentage points, while over the same period, the UK has seen the rate of low pay fall by almost 8 percentage points.

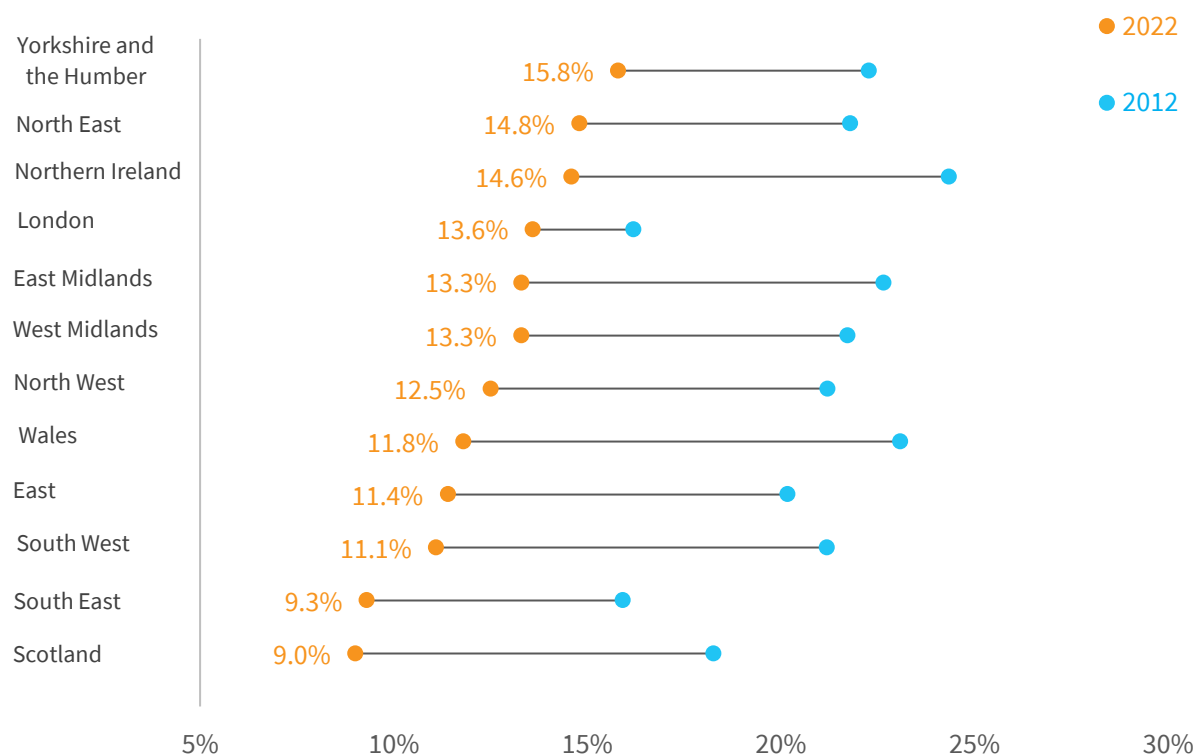
**Figure 1:** Employee jobs paid below the Living Wage in London compared to the UK, 2012 – 2022:



Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings (ASHE)

Figure 2 tracks the incidence of low pay for all UK regions between 2012 and 2022. As can be seen, all regions have seen the overall percentage of low paid jobs decline. However, the drop has been much less pronounced for London, which has seen the lowest decline. While it is true that in 2012, London had a lower level of low paid jobs than most other regions, this was also the case for the South East, which has still seen a drop of almost 7 percentage points. This has resulted in London becoming the fourth highest region in the UK when it comes to the proportion of low paid jobs, having been the second lowest in 2012.

**Figure 2:** Employee jobs paid below the Living Wage by Region, UK, 2012-2022:



Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings (ASHE)

## Drivers of low pay in London

The evidence presented above points to a shift in the regional distribution of low pay across the UK, particularly where the capital is concerned. It is therefore worth considering the key drivers of this.

### Increases to the National Living Wage

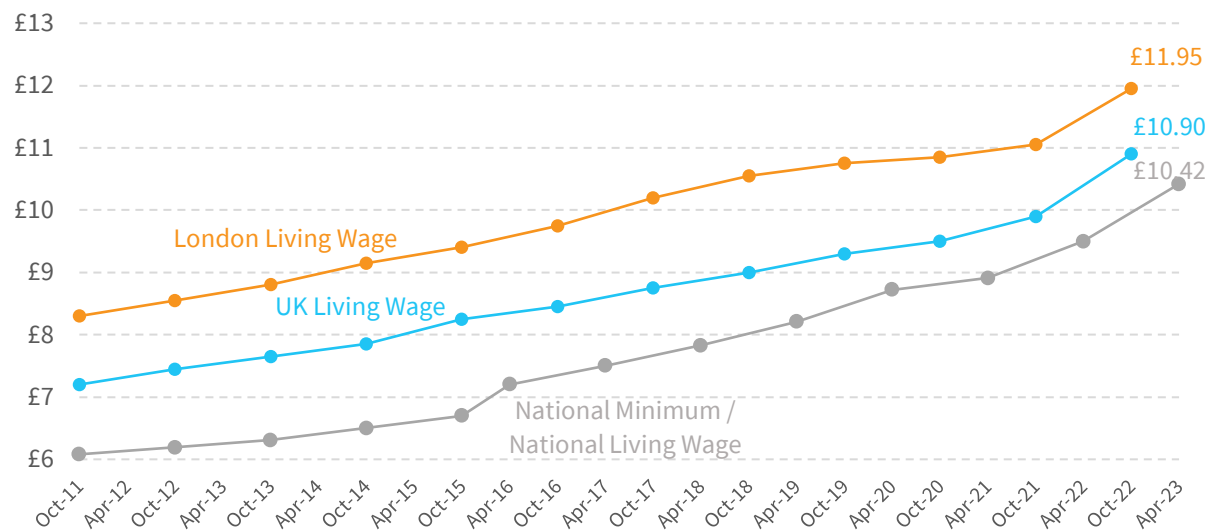
The National Living Wage (NLW) has undergone a series of sharp increases over recent years. The key driver of this was the remit provided to the Low Pay Commission (LPC) to increase the NLW to two thirds of median earnings by 2024.<sup>2</sup> This has been reflected in the increases to the NLW since 2018, and particularly over the past two years, with the figure rising by 6.6 per cent in April 2022, and due to increase by 9.7 per cent in April 2023, which will see it climb to £10.42 an hour. As Figure 3 illustrates, each of these increases were high compared to the years prior (in both nominal and percentage terms). While the NLW has remained below the real Living Wage rate, the increases have had ‘ripple effects’ up the earnings distribution, and pushed more workers above the UK real Living Wage rate. This is reflected in the fact that between April 2018-April 2022, the proportion of jobs paid less than the Living Wage in the UK has dropped from 22.9 per cent to 12.1 per cent – a drop of almost 11 percentage points.

However, this has been less impactful in London, due to the fact that unlike the real Living Wage, the National Living Wage does not have a separate rate for London, despite the increased living

<sup>2</sup> Francis-Devine, F. (2022) [National Minimum Wage statistics. London: House of Comms Library.](#)

costs in the capital. The lack of regional variance has meant that there has remained a higher level of divergence between the London Living Wage and the NLW, therefore meaning that even as the NLW has seen higher increases, these increases have not been as effective at pushing workers up to or above the London Living Wage rate. Once again, this is reflected in the fact that since 2018, the percentage of low paid jobs in London has fallen by 6.9 per centage points, while the figure for the UK as a whole has fallen by 10.7 per centage points.

**Figure 3:** National Living Wage, real Living Wage and London Living Wage, UK, 2012-2023:



Source: Living Wage Foundation analysis of National Minimum/National Living Wage, UK Living Wage and London Living Wage rates.

It should also be noted that a smaller proportion of London’s workforce are directly affected by increases to the wage floor, due to a smaller proportion of workers being paid the NLW. For instance in 2021, 3 per cent of jobs in London were paid at or below the NLW, compared to 7 per cent for the UK as a whole, with jobs in the North East and Northern Ireland being more than twice as likely to be earning the NLW/NMW as workers in London.<sup>3</sup> As such, the ‘bite’ of the increases to the NLW is lower, as is the ripple effect across the income distribution. This is consistent with the LPC’s review that strong wage floors help to reduce regional pay inequalities.<sup>4</sup>

### Wage growth among lower earners

The lower impact of the NLW in London also appears to have had some impact on wage growth for low earners in London, and this is another interconnected driver of low pay in the capital. For example, looking at the lowest earning decile (bottom 10 per cent of earners), nominal wage growth has been lower for those in London than for the UK as a whole in 8 of the last 10 years, with the main exception being in 2021 when the LPC revised down its recommended increase to the minimum wage from £9.04 to £8.91 due to the pressures on the labour market caused by the pandemic. There is a similar trend amongst the lowest earning quintile (bottom 20 per cent of earners), with those in London having lower nominal wage growth in 9 of the last 10 years compared to the UK.

<sup>3</sup> Low Pay Commission (2021) National Minimum Wage. London: Low Pay Commission.

<sup>4</sup> Low Pay Commission (2021) National Minimum Wage. London: Low Pay Commission.

## Who is most impacted by low pay in London?

As mentioned above, low pay impacts Londoners unequally, with certain communities being more likely to be low paid than others. This section will explore the scale of low pay in London across different Local Authorities, sectors and communities.

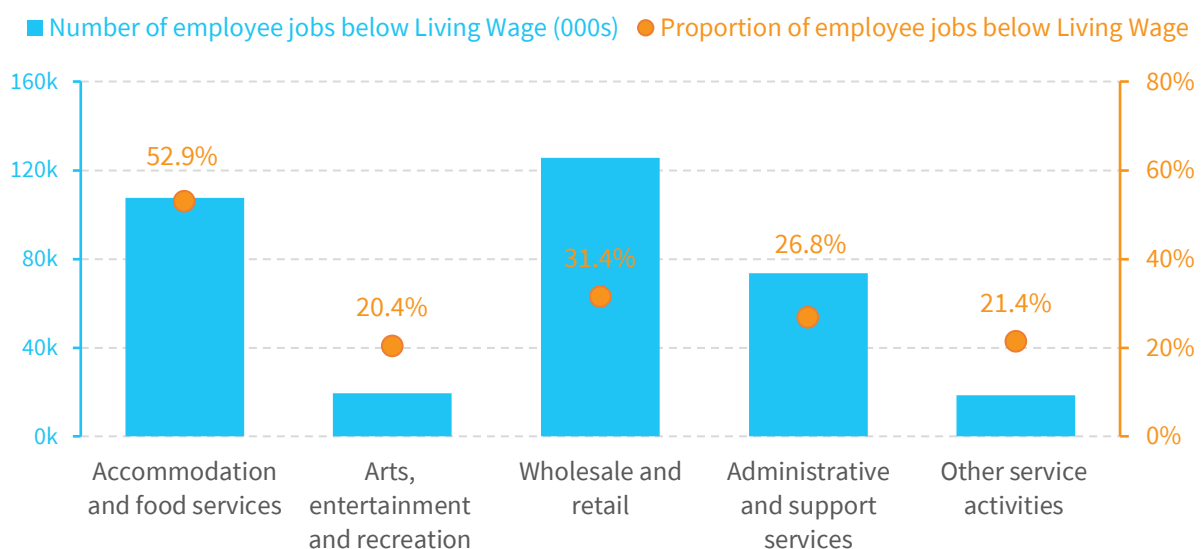
### Local Authority

Jobs in Outer London are considerably more likely to be paid less than the Living Wage than those in Inner London. Crucially, workers with jobs in Outer London face the higher cost of living that comes with living in the capital, without having the higher wages seen in Inner London. As such, Outer London is host to many below Living Wage ‘hotspots’, not just in London, but in the UK overall. For example, each of the top five Local Authorities with the highest proportion of low paid jobs in the UK are Outer London boroughs: Haringey (34.2 per cent), Bexley (33.1 per cent), Redbridge (31.9 per cent), Waltham Forest (30.4 per cent) and Harrow (29.8 per cent). While Outer London has long been an area with higher levels of low pay, this is the first time in which each of the top five areas with the highest incidence of low pay nationally have all been in Outer London. Contrastingly, boroughs in Inner London typically have very low levels of below Living Wage pay, particularly the City of London (3.6 per cent), Tower Hamlets (5.7 per cent), Camden (6.2 per cent) and Islington (7.2 per cent). Looking at the top 25 UK Boroughs for low paid jobs, Outer London boroughs account for 11 of them, while Inner London boroughs account for none. This is another illustration of the regional inequality within London when it comes to the incidence of low paid jobs.

### Industry and occupation

In London, as with the UK, particular industries have higher levels of below Living Wage pay. Hospitality (Accommodation and Food Services) is the sector with the highest incidence of low paid jobs, with more than half (52.9 per cent) of jobs in London’s hospitality sector being low paid. Similarly, with this sector having 107,000 low paid jobs in London, it accounts for almost a fifth (18.7 per cent) of all London’s low paid jobs, despite accounting for just 5 per cent of total jobs in the capital. Other industries with elevated levels of low pay are ‘Wholesale and retail’ (31.4 per cent), ‘Administrative and support services’ (26.8 per cent), ‘Other Service Activities’ (21.4 per cent) and ‘Arts, Entertainment and Recreation’ (20.4 per cent).

**Figure 4:** Number and proportion of employee jobs paid below the Living Wage in industries with above-average below Living Wage rates (one-digit SIC): April 2022, London:



Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings (ASHE).

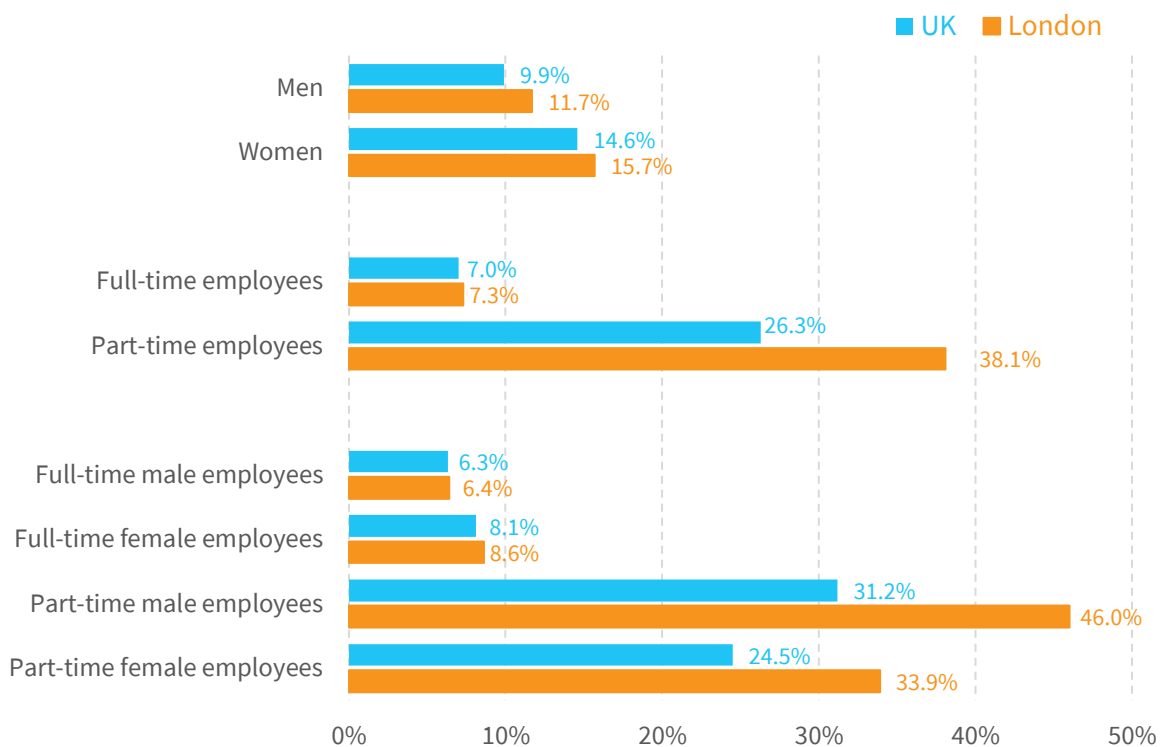
Looking at Occupations (One-Digit-SOC), the distribution of low pay in London is also uneven. For example, a majority of jobs in London’s ‘Elementary administration and service occupations (e.g. bar staff and cleaners) and ‘Customer service occupations’ (e.g. call centre workers) are low paid – 59.5 per cent and 55.2 per cent respectively. Similarly, the ‘Textiles, printing and other skilled trades’ has an above average incidence of low pay in London (43.0 per cent), as does the ‘Leisure travel and related personal service occupation’ (37.8 per cent) and the ‘Process plant machine operatives’ and ‘Caring personal services’ (e.g. care workers and childminders) occupations – both 32.3 per cent respectively.

### Gender and working hours

In London, a higher proportion of jobs (15.7 per cent) held by women are paid below the Living Wage, compared to jobs held by men (11.7 per cent). This amounts to 317,000 jobs paid below the Living Wage held by women, and 258,000 jobs held by men. Similarly, part time jobs are considerably more likely to be low paid than full time jobs (38.1 per cent compared to 7.3 per cent).

The exception, however, is that, within the ‘part time’ jobs group in London, those held by men are more likely to be low paid than those by women (46.0 per cent compared to 33.9 per cent) – this is also consistent with the figures of the UK as a whole. However, women are still much more likely to be in part time work in the first place, and therefore account for a larger number of low paid part time jobs in the capital – of the 328,000 low paid part time jobs in London, 192,000 are held by women and 136,000 are held by men.

**Figure 5:** Employee jobs paid below the Living Wage, by gender and working hours, London compared to UK, April 2022:

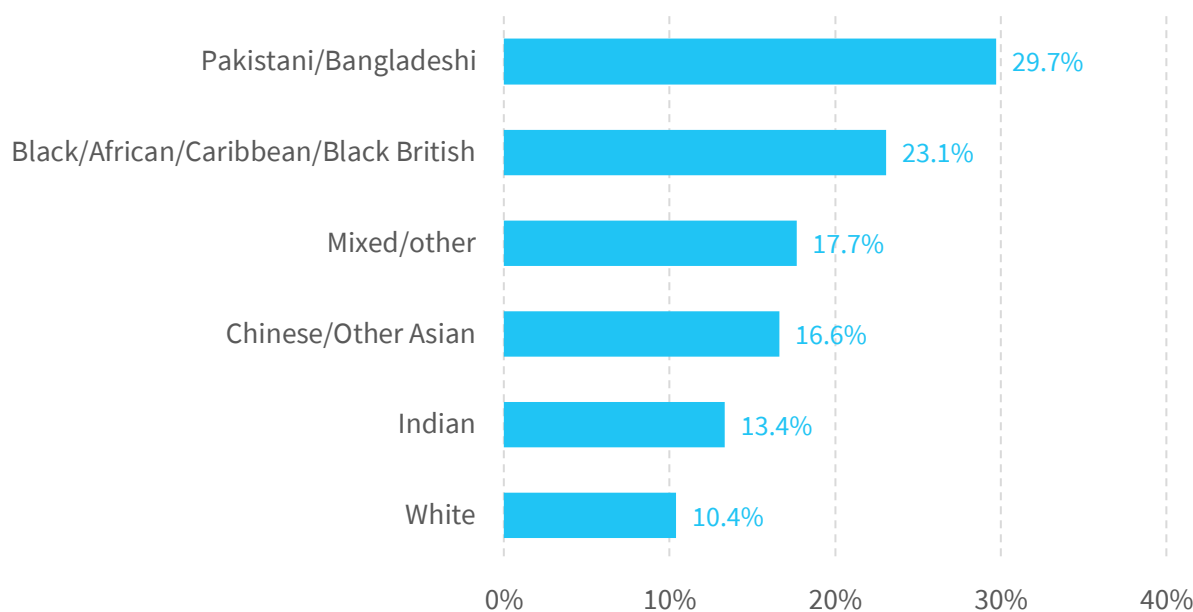


Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings (ASHE).

## Ethnicity and migration status

In London, certain ethnic groups have elevated levels of low pay. As outlined in Figure 6, almost a third (29.7 per cent) of Pakistani/Bangladeshi workers in London earn less than the Living Wage, while the same is true for around a quarter (23.1 per cent) of Black workers. White workers, on the other hand, face a much lower risk of being low paid (10.4 per cent), as do Indian workers (13.4 per cent). These findings chime with the picture seen across the UK as a whole. Previous Living Wage Foundation research has shown that white, Indian and Chinese workers face the lowest risk of being low paid, while Pakistani and Bangladeshi workers face the highest risk.<sup>5</sup>

**Figure 6:** Percentage of London’s workforce earning less than the Living Wage by ethnic group, UK, 2022:



Source: Living Wage Foundation analysis of LFS. LFS data was re-weighted to ASHE using standard re-weighting techniques. To ensure sufficient sample sizes, quarterly LFS data from 2020–2022 was aggregated for each ethnic group, and certain ethnic groups were grouped together; ‘Pakistani’ and ‘Bangladeshi’; ‘Chinese’ and ‘Other Asian’; ‘Mixed/multiple ethnic groups’ and ‘Other ethnic group’. Data was then scaled to be consistent with the latest available ASHE data.

Alongside ethnicity, other factors also determine Londoners’ likelihood of experiencing low pay. Migration status also plays a role (though this is also intertwined with ethnicity). For instance, 17.1 per cent of workers born outside the UK earn less than the Living Wage, compared to 11.5 per cent of those born inside the UK. This is despite the fact that migrants play a significant role in the London economy. For instance, around 37 per cent of people living in London were born outside the UK,<sup>6</sup> while a similar proportion (38 per cent)<sup>7</sup> of jobs are held by migrants. Furthermore, analysis by PwC found that around a fifth (22 per cent) of London’s Gross Value Added comes from migrant workers.<sup>8</sup>

<sup>5</sup> Reddyhoff, L and Richardson, J (2022) [A Living Wage matters: the role of the Living Wage in closing ethnicity pay gaps](#). London: Living Wage Foundation.

<sup>6</sup> House of Commons (2021) Migration Statistics. House of Commons Briefing Paper.

<sup>7</sup> HMRC (2022) Payrolled employments in the UK by region, industry and nationality, from July 2014 to June 2021

<sup>8</sup> PwC (2018) Facing Facts: the impact of migrants on London, its workforce and economy.

## Housing status

London has the lowest rate of home ownership of all regions in the UK, with 46.8 per cent of the capital's population owning their homes or having a mortgage, while 53.2 per cent are renters. For context, the region with the second lowest home ownership rate is the North East, where 60.7 per cent are either mortgage holders or own their homes and 39.3 per cent are renters.<sup>9</sup> Our research shows renters are also twice as likely to be low paid, with around a fifth of renters (19.1 per cent) earning less than the Living Wage, compared to a tenth (9.9 per cent) of mortgage holders or property owners. This finding is particularly concerning given that rents in London have risen rapidly over the past 12 months.<sup>10</sup> This is despite London already having higher average rental costs than anywhere else in the UK before the latest price spiral.<sup>11</sup>

## Age

Low pay typically impacts young workers disproportionately. London's young workers are no different in this respect, with the youngest workers (aged 18-21) being the most at risk of being paid less than the Living Wage. Of these workers in London, 62.8 per cent are low paid. This compares with 49.5 per cent of jobs held by workers in the same age bracket in the UK as a whole. That said, there appears to be a significant drop off once workers enter their early-to-mid-twenties, with just 13.1 per cent of those aged 22-29 in London being paid less than the Living Wage. Interestingly, older workers in London (those aged 60 and above), are the second most likely age group to be low paid, with almost a fifth (17.3 per cent) earning less than the Living Wage.

## Conclusion

The findings in this briefing underline that despite London's reputation for high paid jobs, there remains a significant proportion of the London workforce earning less than what it costs to live. In recent years, the capital's workforce has been less likely to see the benefits of the sharp increases to the NLW, and this has resulted in low pay being more prevalent in London than in most other regions of the UK. With living costs in London rising at alarming speeds, it is more crucial than ever that workers in the capital receive a real Living Wage.

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<sup>9</sup> ONS (2022) Housing, England and Wales: Census 2021

<sup>10</sup> For example, research by property search website Zoopla found that asking prices for rent had risen by 17 per cent in 2022 – the highest level of rental growth across all UK cities. Zoopla (2022) [Rents reach least affordable level in 10 years.](#)

<sup>11</sup> ONS (2022) [Private rental market summary statistics in England: April 2021 to March 2022.](#)