Department for Work & Pensions

State Pension Coverage: Lower Earnings Limit and Multiple jobs – further analysis :UK – 1996/97 to 2013/14

February 2015

Summary

This analysis updates previous published analysis from the Labour Force Survey on the numbers of individuals who the Department estimates are working in two or more jobs with individual earnings below the Lower Earnings Limit (LEL), £111 a week, in 2014/15 but whose combined earnings are above the LEL and who are not otherwise gaining a qualifying year for State Pension purposes.

This analysis provides a historic time-series from 1996-97 to help understand whether the number of individuals in this group has increased or decreased over time. The methodology has also been improved since the last publication in July 2014.

The main findings are:

- Numbers in this group are currently around 50,000 each year. This is slightly higher than in the previous decade when numbers were around 30,000-40,000.
- However, the main reason for this is a policy change in 2010 to reduce the age of the child at which childcare credits could be claimed: from below 16 to below 12.
- When controlling for this, the number of individuals who are in this group has remained fairly stable since 1996-97.
- Childcare credits mean that, since 2010, approximately 30% of individuals in this group who have not gained a qualifying year through work have gained a qualifying year through credits.

Detailed results

The analysis set out in the table below relates to the number of individuals the Department estimates have two or more jobs, each below the LEL (£111 a week in 2014/15) but whose combined earnings if aggregated would be above the LEL. This analysis is based on the Labour Force Survey and goes back to 1996-97 to see if there is a trend in the numbers in this group.

The analysis considers 4 situations:

- Total - The number in the group taking into account childcare credits for those looking after a child aged below 16 until 2009/10, and a child aged below 12 from 2010/11 onwards in line with policy
- The number in the group if childcare credits were available to those with a child aged below 16 in every year
- The number in the group if childcare credits were only available to those with a child aged below 12 in every year
- The number in this group if there were no childcare credits

A reduction in the scope of childcare credits would increase the number of individuals in this group as these credits mean some individuals who do not gain a qualifying year for the basic State Pension through work, gain one through credits.

The purpose of these breakdowns is to try to establish the relative importance of the policy change and labour market trends in the size of this group over time, as well as showing what proportion of those who would otherwise not gain a qualifying year, do so through the provision of credits.

The numbers below do not take into account that some individuals may gain a credit through another route, for instance those on Universal Credit will be eligible for a credit. It also doesn’t take account of those making Voluntary National Insurance Contributions.

Finally, some of those who do not gain a qualifying year in that particular year may gain enough qualifying years throughout their working life to receive a full new State Pension.

Table 1: Number of individuals with multiple jobs below the LEL with total earnings above the LEL

Numbers of individuals in this group:				
Year	Total*	If childcare credits available for child below 16	If childcare credits available for child below 12	If no childcare credits available
1996-97	**30,000**	30,000	50,000	80,000
1997-98	**40,000**	40,000	60,000	100,000
1998-99	**40,000**	40,000	60,000	100,000
1999-2000	**50,000**	50,000	60,000	100,000
2001-02	**30,000**	30,000	50,000	80,000
2002-03	**30,000**	30,000	50,000	70,000
2003-04	**40,000**	40,000	50,000	80,000
2004-05	**40,000**	40,000	50,000	70,000
2005-06	**30,000**	30,000	40,000	60,000
2006-07	**30,000**	30,000	40,000	60,000
2007-08	**30,000**	30,000	40,000	60,000
2008-09	**30,000**	30,000	40,000	60,000
2009-10	**30,000**	30,000	40,000	60,000
2010-11	**50,000**	40,000	50,000	70,000
2011-12	**60,000**	40,000	60,000	70,000
2012-13	**60,000**	50,000	60,000	80,000
2013-14	**50,000**	40,000	50,000	70,000

*In line with the policy: where childcare credits were available for those with a child aged below 16 up to 2009-10 and for those with a child aged below 12 from 2010-11 onwards.

Notes

Numbers rounded to the nearest 10,000

No data is available for 2000-01

Background

If an individual has earnings in any particular job which are less than the LEL those earnings do not count for contributory benefit purposes. If the individual earns less than £5,772 (52 x £111) they will not accrue a qualifying year towards the basic State Pension. Those who earn less than the LEL in two or more jobs similarly do not accrue a qualifying year towards the State Pension even if, when combined, their earnings are above the LEL. Nor do such individuals or their employers pay National Insurance contributions (NICs) if the combined earnings of these individuals reach the higher level of earnings at which NICs become payable (currently £153 per week). In other words, earnings below the LEL from separate jobs are not aggregated for National Insurance or pension purposes.

The Pensions Act 2014 was introduced to Parliament on 9th May 2013

The Department published analysis in July 2013 to cover the period April 2012 - March 2013 to provide an estimate of 50,000 individuals (40,000 women and 10,000 men) who were in this group.

Following debates in both Houses of Parliament the Minister for Pensions committed to updating this analysis and to carry out further analysis on the characteristics of individuals in this group as part of a commitment to building the evidence base on this issue.

In July 2014 the Department published updated analysis; suggesting around 40,000 individuals were in this group (30,000 women and 10,000 men).

This publication looks at a time-series of data from 1996/97 in order to try and establish what longer term trends there are in the size of this group.

Methodology

This analysis is based on data from the Labour Force Survey (LFS). This contains quarterly information from a representative sample of households in the UK. The LFS was chosen for its comparatively large sample size which allows us to analyse, with some precision, what is a relatively small section of the population.

Further detail on the methodology and limitations is provided in the July 2014 ad-hoc publication:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/331365/state-pension-coverage-lower-earnings-limit-multiple-jobs.pdf

Since then two methodological improvements have been made:

- Where no earnings for a second job have been captured the imputation methodology has been improved to ensure all relevant individuals are captured.
- A new income weighting variable is available on the LFS; this affects how the sample cases in the sample are scaled to the whole population.

The net effect of these changes is to slightly increase the numbers in this group: for instance in 2013/14 we previously estimated 40,000 individuals were in this group, we now estimate 50,000 individuals.

No data is provided for 2000/01 due to the availability of data within the Labour Force Survey.

Contact details

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