

# **Age-related pay since 1999**

*A report by  
Incomes Data Services  
for the Low Pay Commission*

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**IDS**

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## Key findings

- Age-related pay is not widespread, particularly for over 18s. Even in the minority of companies that do have age-related pay, it is often just for the lowest-paid job in the company, the minimum or recruitment rate that is not in widespread use, or just for new recruits in the first few months of employment.
- There are two trends in age-related pay, in opposite directions. Firstly, a move to increase the age at which adult rates are paid to 22, to offset the cost of NMW increase, common in the fast food sector. And secondly, a longer-term trend to reduce the age at which adult rates are paid down to 18, common in the retail sector.
- In our sample of 31 employers with age-related pay between 1999 and 2004, eight employers raised the age at which adult rates were paid, including one which later reversed the policy. Six employers lowered the age at which adult rates were paid.
- Every case of raising the age for adult rates was part of a move to offset the cost of meeting the NMW.
- Typically, employees aged 22 and over received the increase necessary to take them to the new NMW while younger employees received lower increases or a pay freeze.
- Often employers did not know why decisions had been made, generally due to a lack of memory. The evidence on the impact of raising age thresholds was particularly limited, with employers reluctant to give opinions.
- The reasons for lowering the age for adult rates were varied: age-related pay was unfair/anomalous; to make pay more competitive; as part of a general review of the pay system; to reward staff more effectively; as part of a general trend in the industry.
- Lowering the age threshold in each case meant high pay increases for young workers as they were moved up to the rates paid for older workers.
- The cost of these increases varied. In one case it was reported that few employees were on the youth rates. In other cases, increases of 3½ to 18 per cent were given to young workers.
- Employers were slightly more forthcoming on the impact lowering the age threshold, with some evidence of a positive effect on staff retention.