
Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE

Rt. Hon. Ed Miliband MP
House of Commons
LONDON
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24 March 2015

Dear Mr Miliband

STATISTICS ON LIVING STANDARDS

We were due to meet today to discuss the issues raised in your letter of 10 January about measures of UK living standards. I entirely understand the demands on your time at the moment, and I thought it would be useful if I set out some of the work that the UK Statistics Authority has done and is planning to do, both to improve understanding of users' needs for statistics about different aspects of living standards and to produce new statistical series:

- The Authority published *The Coherence and Accessibility of Official Statistics on Income and Earnings*¹ in February 2015. One of the principal recommendations is that there should be an annual summary or compendium drawing together a fuller picture from the range of income and earnings statistics already published. As the report itself notes, this recommendation aligns well with the findings of the Authority's *Review of UK Consumer Price Statistics*², led by Paul Johnson. The *Review* recommends that 'ONS should develop an annual analytical publication that produces inflation indices as experienced by a range of different household types'. The Authority will launch a consultation about this and other recommendations in the *Review* over the summer.
- Another recommendation of *Coherence and Accessibility* is that the National Statistician should seek to develop a swift response to the gap in official statistics about the income of the self-employed. I understand that ONS is planning research into what use it can make of estimates of self-employment income from existing household surveys, and of data from Her Majesty's Revenue and Customs (HMRC). In addition ONS will be considering whether estimates of total self-employment income reported in the Quarterly National Accounts (within household income) can be improved.

¹ <http://www.statisticsauthority.gov.uk/assessment/monitoring/monitoring-reviews/monitoring-review-1-2015---the-coherence-and-accessibility-of-official-statistics-on-income-and-earnings.pdf>

² <http://www.statisticsauthority.gov.uk/news/news-release---uk-consumer-price-statistics--a-review.pdf>

- ONS has introduced a series of reports and analyses illustrating different aspects of living standards, including a new quarterly release on Economic Well-Being (which includes analysis of real household final consumption expenditure, itself a useful additional indicator), analysis of real hourly earnings growth, and of Real Household Disposable Income. More detail is given on these outputs in the Annex to this letter.
- ONS is also undertaking work to improve the timeliness of its outputs, including its headline income distribution estimates currently published in *The Effects of Taxes & Benefits on Household Income*³, with the aim of bringing forward publication by up to 6 months compared with the current timetable. It is planned that the first of these publications will be based on household incomes for 2014/15.
- In order to provide more timely estimates than are possible directly from household surveys, work is also ongoing to consider the feasibility of provisional annual estimates of median income/distributional information based upon “now-casts”. Again more information is available in the Annex to this letter.

In summary, the Authority has undertaken or is planning a significant amount of work on the issue of income, earnings and living standards. The Authority will continue to develop and improve the statistics available to meet the needs of a broad range of users.

Yours sincerely



Sir Andrew Dilnot CBE

³ <http://www.ons.gov.uk/ons/rel/household-income/the-effects-of-taxes-and-benefits-on-household-income/2012-13/index.html>

ANNEX Recent and planned outputs from ONS

Additional analyses and articles

- ONS launched a new series of quarterly releases about Economic Well-being⁴ in December 2014, to accompany publication of the Quarterly National Accounts.
- On 4 March ONS published, as part of its monthly Economic Review⁵, an analysis of hourly earnings growth for employees in full-time employment in consecutive years (that is, average earnings growth rates for individuals as opposed to growth in average earnings).
- On 6 March ONS published an article⁶ showing the impact of excluding Non-Profit Institutions Serving Households (NPISH) from Gross Disposable Income (GDI) and Real Household Disposable Income (RHDI). RHDI is quarterly and includes wages and salaries along with estimates of income from self-employment. It also includes the impact of direct taxes and social security contributions along with benefits; the effects of prices and indirect taxes are captured through the deflator. RHDI does include some imputed components that differ from a 'cash' measure, and ONS is working to produce a cash measure of RHDI that is consistent with the OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth⁷.

More timely outputs

- In order to provide more timely estimates than are possible directly from household surveys, work is also ongoing to consider the feasibility of provisional annual estimates of median income/distributional information based upon "now-casts". ONS hopes to publish its initial results, along with the methodology, an assessment of quality, and proposals regarding the way forward in mid-2015. Assuming the results are positive and accepted by users, provisional estimates for 2014/15 could be available for publication by late Summer.
- Following on from this work, ONS will also examine the feasibility of producing "now-cast" information about the income distribution on a quarterly basis, which could potentially provide estimates of median income and other indicators within a few months of the end of each quarter.

⁴ http://www.ons.gov.uk/ons/dcp171778_390003.pdf

⁵ <http://www.ons.gov.uk/ons/rel/elmr/economic-review/march-2015/index.html>

⁶ <http://www.ons.gov.uk/ons/rel/naa1-rd/national-accounts-articles/measuring-household-only-real-disposable-income/rpt-measuring-real-household-disposable-income.html>

⁷ <http://www.oecd.org/statistics/icw-framework.htm>