

Sir Andrew Dilnot
Chair
UK Statistics Authority
1 Drummond Gate
London
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January 10, 2015

Dear Sir Andrew,

I am writing to ask you to consider introducing a new measure of UK living standards.

As you know, there are a range of issues with the way that we currently measure living standards, which mean that the information available to policy makers is not giving a full and up-to-date picture of the living standards of families across the country.

Of particular concern is:

- Current measures of wages miss out on the earnings of the self-employed, who make up an increasing proportion of the labour force.
- As the review of consumer price indices by Paul Johnson that you published this week concluded that “there is an unhelpful proliferation of price indices in the UK at present” and no clear agreement on how best to measure the impact of prices at different levels of the income distribution.
- Several of the existing measures of incomes are significantly lagged, with the most recent family resources survey showing data from 2012/13. Moreover, the measure of incomes published in the national accounts included the incomes of, for example, sports clubs and religious institutions.

Policy makers too often fail to understand and respond to changes in living standards and so we now need a better measure. My view is that key criteria used when developing this should include:

- *Timely*: a new indicator should be produced at least quarterly, based on data not older than six months. This should allow for discussion on the progress of living standards to reflect what people are actually experiencing.
- *Comprehensive*: a new indicator should reflect people’s real experience of the economy, including the impact of wages, prices and taxes and benefits on their incomes.
- *Meaningful*: a new indicator should show the experience of people across the range of the income distribution, and pick up how changes in wages or prices vary for those at the top, middle and bottom.

A future Labour government would use this indicator as the key measure by which we would expect our success to be measured, and I would ask the OBR to forecast this alongside measures of GDP.

We would be grateful if you could consider this issue, and the prospects for a new indicator, swiftly so that future governments can be fully held to account.

Yours sincerely

Ed Miliband