
Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE

BY EMAIL
Antonia Cox

24 March 2015

Dear Ms Cox

STATISTICS ABOUT GROWTH IN EARNINGS

Thank you for your letter of 1 March 2015 in relation to the recent debate about earnings growth, and for highlighting examples of statements on earnings growth.

There are two main sources of earnings statistics which relate to your query. ONS's Average Weekly Earnings (AWE) is an arithmetic mean, based on total pay divided by worker numbers from its survey sample; as such it includes compositional changes in the labour market. The Annual Survey of Hours and Earnings (ASHE), also produced by ONS, allows for a more detailed analysis of earnings, though it is less timely and less frequent than AWE. The analysis of the earnings of employees in continuous employment was given greater emphasis in the 2014 ASHE release (published in November 2014).

The average measures presented in AWE are, by definition, not representative of the earnings experience of particular individuals or households. Similarly, the median measures presented in ASHE relate only to the earnings at the centre of the distribution, regardless of any changes in other parts of the distribution. These measures do not typically represent the pay rise that most people in employment would actually experience during that period.

The profile of employee earnings and of employment in the UK is changing, as the size and composition of the population changes. Statistics on the distributions of earnings are important in developing a rounded picture of the labour market. Median earnings estimates have the virtue of offering an accepted measure of centrality in skewed distributions. A focus solely on changes in average measures, however, can be misleading, because they mask different experiences for different cohorts within society.

Several of the statements you refer to describe official statistics in ways that are rather more abbreviated and hence less precise than I expect to see in statistical releases.

In your letter you refer to the Authority's recent report on the *Coherence and Accessibility of Official Statistics on Income and Earnings*. In the report, we recognise that official statistics need to be presented in such a way that they better respond to user demand to help answer

questions about an increasingly complex and diverse society. One of the report's recommendations is that government statisticians should consider whether the statistical outputs they are producing are keeping pace with a changing society, including the effects of structural changes in the labour market. It also recommended that statisticians should better meet the strong user need for more themed analysis of income and earnings, possibly by the production of an annual compendium. We will be following up on the recommendations of this work in due course.

You may also be interested to know that ONS recently presented relevant analysis in its March 2015 Economic Review¹. The analysis examines the distribution of earnings growth among full-time employees, irrespective of whether they are in the same or a different job and presents a measure of the median growth rate of real hourly earnings.

Overall, I conclude that, given the range of important and interesting statistics in this area, it is especially important that users describe them precisely when drawing on them in public debate.

Yours sincerely

A handwritten signature in black ink that reads "Andrew Dilnot". The signature is written in a cursive style with a large initial 'A' and 'D'.

Sir Andrew Dilnot CBE

¹ <http://www.ons.gov.uk/ons/rel/elmr/economic-review/march-2015/art.html>