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**Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE**

Frances O'Grady  
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24 March 2015

Dear Ms O'Grady

**ANALYSIS OF EARNINGS OF THOSE IN CONTINUOUS EMPLOYMENT**

Thank you for your letter of 12 March setting out the TUC's concerns about recent public discussion on earnings for those in continuous employment, following ONS analysis presented in the latest Annual Survey of Hours and Earnings (ASHE) release (published in November 2014) and the analysis presented in the latest ONS Economic Review, published in March 2015.

As you will be aware, there are different ways to summarise changes in earnings over time. One measure, for example, is the change in the median level of earnings between two periods. This type of measure relates only to the earnings at the centre of the earnings distribution, regardless of any changes in other parts of the distribution. It does not typically represent the pay rise that most people in employment would actually experience during that period. Another measure of changes in earnings is the median of the change in each individual's earnings, for a particular population, between two periods.

ONS's ASHE publication presents several measures of the growth in median levels of earnings, for different cohorts of the UK workforce. One of the measures presented in the November 2014 ASHE publication is the growth in median level of *weekly* earnings between April 2013 and April 2014 for full-time employees continuously employed in the same job, estimated as 4.1%. Subsequent analysis published by ONS indicates that approximately 84% of full-time employees in the sample used for ASHE were classed as being in continuous employment, between 2013 and 2014. Employees are defined as in continuous employment if they have been in the same job for at least 12 months. It is important to note that this statistic is a measure of the growth in median earnings for a particular cohort of the UK workforce - it only relates to full-time employees who have not changed jobs over the course of the year. And, as described in the previous paragraph, this type of measure relates only to the earnings at the centre of the earnings distribution.

ONS's Economic Review published in March 2015 presents analysis examining the distribution of earnings growth among full-time employees, irrespective of whether they are in the same or a different job. The analysis presents a measure of the median growth rate of real *hourly* earnings between 2013 and 2014, reported initially as 0.3% and corrected subsequently to 0.6%<sup>1</sup>. This was calculated by matching individuals observed in full-time employment between these periods. After accounting for inflation, a measure of the median growth rate of nominal hourly earnings was estimated as 2.3%. An Annex to this letter presents a briefing by ONS summarising the statistical similarities and differences between the two estimates. In summary, both measures are valid, but need to be considered carefully by users in the context of the question they want to answer.

It is clear that understanding the different uses of these measures is important, and could affect users' interpretation of and reference to the statistics presented in ONS's November 2014 publication of ASHE. In your letter, you refer to one such use in the 2014 Autumn Statement, published by HM Treasury. I agree that the passage you highlight does not make the precise interpretation of the 4.1% figure particularly clear. However, I note that the title of the chart you highlight from these materials – Chart 1.5 – correctly identifies the measure HM Treasury are using. More broadly, I conclude that, given the range of important and interesting statistics in this area, it is especially important that users describe them precisely.

I am copying this letter to Sir Dave Ramsden at HM Treasury.

Yours sincerely

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

**Sir Andrew Dilnot CBE**

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

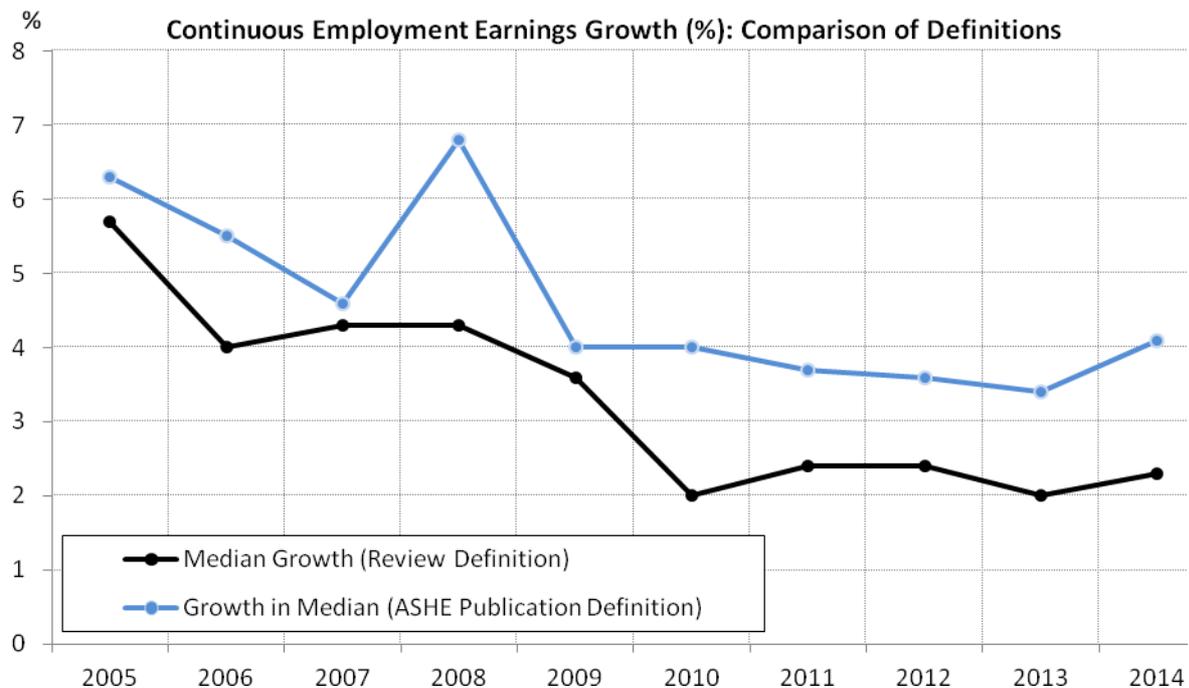
## ANNEX Summary of differences in methods and measurements of earnings growth

The differences in coverage and analytical approach are summarised in the table below:

	ASHE release (November 2014)	Economic Review (March 2015)
<b>Nominal growth</b>	4.1%	2.3%
<b>Real growth</b>	2.3%	0.6%
<b>Period</b>	April 2013 to April 2014	April 2013 to April 2014
<b>Measure</b>	Growth of median earnings	Median earnings growth rate
<b>Frequency</b>	Weekly earnings	Hourly earnings
<b>Coverage</b>	All employees in same job	Employees observed both periods – both those in same job and those who have changed jobs
<b>Coverage – status</b>	Full-time	Full-time

The 4.1% figure is the growth of the median for full-time employees *in the same job*; the 2.3% figure is the median growth rate for *all* full-time employees. As a consequence, the material presented in the ONS Economic Review, initially published in March 2015, is not a revision. It is simply a different analytical statistic calculated.

The chart below highlights the profile of the two different measures of earnings growth since 2005. As the chart shows, the two concepts do not record the same value over the period for which data are available, and the growth in the median measure is higher throughout.



**Source:** ONS analysis of the ONS Economic Review (March 2015) and the Annual Survey of Hours and Earnings (ASHE, November 2014)