
Director General for Regulation

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29 March 2018

Dear Jonathan

STATISTICS ON INCOME AND EARNINGS

Many thanks for providing your most recent updates (December 2017) against the recommendations of *OSR's February 2015 Review into the Coherence and Accessibility of Statistics on Income and Earnings*. A summary of this material, including our assessment of progress, is appended to this letter.

Our overall conclusion is that, while there have been some notable improvements in the availability of data on income and earnings, the fundamental aim of making these statistics considerably more coherent and accessible for users has not yet been achieved. We are encouraged to see increased evidence of cross-Departmental working and we have now distilled our outstanding areas for improvement into three key points we think still need to be addressed to improve the public value of these statistics:

- i. In the short term there remains a need to make the analyses that are available more accessible and web content better navigable; this is an issue across producers.
- ii. In the longer term there is a need to form a cross-producer strategy for coherently answering key questions about income and earnings drawing on all relevant sources e.g. are living standards going up or down? This will involve looking at the range of concepts being measured, strengths and weaknesses of different datasets and exploring what the overarching narrative should thus be for key questions.
- iii. Over time, there is a need to engage with users about statistical developments in the pipeline and under active development. An important example in the coming years is the intention to provide improved data on income from self-employment based on the 'Making Tax Digital' initiative, which users should be aware of and able to input to.

We are pleased that these issues are ones you recognised when we met to discuss progress at the end of February, and we look forward to the meeting we agreed to hold in late April to further consider how to address these issues. This will include the ONS Digital Publishing Team who can help explore options for improving web presentation of information.

Following that meeting we would **expect you to respond to this letter advising what steps you will be taking to address these outstanding issues** and these can form the basis of ongoing progress tracking against this review.

Given our interest in statistics in this area, you will be aware that we also recently carried out compliance checks of ONS's Annual Survey of Household Earnings (ASHE) and Average Weekly Earnings (AWE) statistics to check the extent to which both sets of statistics remain compliant with the Code of Practice. These short reviews found a range of good practice, for example in the use of charts and tables, in providing clear explanations of the different definitions of earnings, and in providing additional guidance documents to support the use of the statistics.

The reviews also reinforced the lack of coherence between the ASHE and AWE statistics that has been a major theme of the systemic review. They measure earnings in different ways and these differences are often not cross-referenced between the statistics, which can lead to misinterpretation by users. Inconsistent labelling of different types of outputs on the ONS website (for example, statistical bulletins, articles, guidance) further compounds the difficulties of users finding the statistics that are relevant to them. Our more detailed findings are shown in Annex B.

I am writing in the same terms to Tom Davies, DWP Acting Chief Statistician and Sean Whellams, HMRC Head of Profession for Statistics. I am also copying this letter to David Freeman, ONS Deputy Director of Labour Market and Households Division; Joanna Littlechild, DWP Head of Surveys; Peter Lumb, HMRC Head of Data Production Team, KAI Personal Taxes; and John Pullinger, the National Statistician.

Yours sincerely



Ed Humpherson

Director General for Regulation

Annex A – Assessment of progress against recommendations of the 2015 Coherence and Accessibility of Official Statistics on Income and Earnings Review – March 2018

Area for improvement	Progress reported	Office for Statistics Regulation comments
<p>Engaging with a range of stakeholders to develop solutions to address the timeliness of statistics on income from self-employment</p>	<p>In June 2016, DWP included new analysis of self-employed earnings in Family Resources Survey 2014/15. It also put these statistics into the wider context of other income components for total family income to add a new perspective to the public debate and make more use of the data available within the Family Resources Survey.</p>	<p>Addressed in part</p> <p>We welcome the introduction of this analysis. However, this was only included in Family Resources Survey 2014/15, and there are no plans to include it in any future release. DWP told us the analysis was provided to demonstrate the range of information that is available, but they believe that repeating it each year is unlikely to produce significantly different results, so may not add much value. DWP told us that if user demand was great enough they may consider including this as part of the annual release in the future. Users we spoke to had mixed views. They felt the analysis could be useful annually, but mostly if it contained more-detailed breakdowns– for example within self-employed income, showing dividend payments and investment income.</p>
	<p>ONS explored whether there were sources of data or information that it could collect or source that would address known gaps in HMRC data on the self-employed (both in terms of scope and timeliness). It commissioned some research by Deloitte and had discussions with other potential commercial partners, including exploring electronic payments data.</p> <p>ONS published a blog in August 2017 on the difficulties of measuring self-employed income. This highlighted the limitations of the current data sources and suggested possible options for further work. In this blog ONS said that it sees the best long term option as being to use data that will become available as part of the 'Making Tax Digital' programme.</p>	<p>Addressed in part</p> <p>The lack of availability of more-timely statistics on income from self-employment was one of the key issues highlighted to us by users in this study. It is clear that ONS has made some attempt to explore ways to improve the statistics in this area, but there has been no easy solution – and perhaps a lack of ambition on the part of ONS. Thus, users’ needs are still not being met at present, although there is a potential solution to these gaps in the data in the coming years.</p> <p>We welcome the transparency demonstrated through publication of the blog. We found some users were understanding of this position but others were</p>

	<p>In summer 2017, it was announced that 'Making Tax Digital' would be mandated from April 2019 for VAT obligations only. Businesses below the VAT threshold will not be required to use the system but may do so voluntarily. HMRC expects many of the businesses covered by 'Making Tax Digital' to take the opportunity to provide quarterly updates for other taxes too, but there will be no mandatory requirement to do so. In due course, this programme may allow HMRC to produce more up-to-date information on the self-employed. Once this information starts to become available, HMRC, in collaboration with other stakeholders, will investigate how best to make this information available on a timely basis. However, these data will not be available until 2021 at the earliest.</p>	<p>unaware of it and we strongly recommend that ONS signpost the blog, and other useful related documents more clearly. We are pleased to see ONS engaging with HMRC in this area, and would very much hope to see more prominence given to ONS's plans here and wider engagement with users in advance of the new data becoming available so that people are aware what will and will not be possible well in advance of 2021, when data may emerge.</p>
	<p>In February 2018, ONS published Trends in self-employment, an article looking at the characteristics, income and wealth of the self-employed based on data from the LFS, FRS and WAS between 2001 and 2016.</p>	<p>Addressed in part</p> <p>This is a welcome first attempt at bringing together available data from the three sources to create a coherent narrative and media coverage and comments on social media have welcomed the analysis and described it as useful. The difficulties of measuring the number and incomes and self-employed workers are recognised.</p> <p>We feel that the analysis could have been more coherent with more information on the key differences between the sources and what they each tell us about self-employment and what are their strengths and limitations. The analyses flip between the LFS and FRS; the report could have given more information on which data were used for which comparisons, and why. Some of the issues of interest to users e.g. the gender pay gap, and gig economy, are not covered and there is no mention of future plans for work in this area or invitation for users to engage. There is also no statement of the quality/robustness of the analysis.</p>

Improving accessibility to the wide range of statistics available and their underpinning data, and improving guidance on their strengths and limitations	<p>DWP has improved the format of the Family Resources Survey, Households Below Average Income, Pensioners' Incomes Series, and Income-related Benefits: Estimates of Take-up publications, focusing on more visual and accessible presentation of headline results. Alongside the headline results there is a set of tables in Excel and/or ODS format as appropriate.</p> <p>The releases are also accompanied by Background and Methodology notes, which include details of methodology, alternative sources of information, and information on the strengths and limitations of the results.</p> <p>Datasets for the Family Resources Survey, Households Below Average Income, and Pensioners' Incomes are available on the UK data Service.</p>	<p>Addressed in part</p> <p>These publications have been much improved in the period since our original report. However, in consulting users we did hear suggestions for additional improvements that could further increase their value. For example, DWP could make the HBAI publication more user-friendly, by including interactive charts, and more prominent, by making the results easier to find through search engines.</p>
	<p>DWP redesigned the main DWP statistics web page to create theme pages for all regular publications. 'Income and Living Standards' has been included as a theme, enabling visitors to easily browse all publications related to this subject area in one place. Each of the publications is briefly described under the theme heading, allowing visitors to decide which are the most relevant to them.</p>	<p>Addressed</p> <p>We welcome these improvements.</p>
	<p>In September 2017 ONS published an article examining and explaining the differences between ONS's two main sources of earnings statistics - the Annual Survey of Hours and Earnings (ASHE) and monthly Average Weekly Earnings (AWE).</p>	<p>Addressed in part</p> <p>We welcome the publication of this article (originally expected far earlier) and some users told us that they have found it very useful. However, we strongly recommend that ONS signpost this, and other useful and related documents, more clearly; it should be sufficiently prominent that a user not knowing it existed, but interested in the relevant statistics, would readily come across it. While some users found the explainer paper useful, others said that there remained more work to be done, to bring together an</p>

		overarching narrative on what we know about income and earnings based on all available sources and we are disappointed that this remains the case almost three years after our initial review reported.
	<p>In August 2016, ONS, in collaboration with DWP and HMRC, published a methodology document giving details about the different sources of income and earnings statistics and their strengths and weaknesses.</p> <p>ONS also told us that it was improving specific areas of the ONS website to improve accessibility for users:</p> <ul style="list-style-type: none"> i) The taxonomy below 'Personal and household finances' will be improved and the main taxonomy page will be updated to include key time series and indicators ii) The search function on the ONS website will route users to data/analysis from other departments when the search terms indicate those outputs would be more appropriate <p>ONS has now informed us that an investigation and update of the website taxonomy is part of the ONS roadmap and will be progressed when resources are available.</p>	<p>Addressed to a limited extent</p> <p>We welcome the publication of <i>Guide to sources of data on earnings and income</i>. However, this document is not easy to find on the ONS website and is not referenced from some of the relevant income and earnings statistical reports (e.g. the Labour Market Bulletin). It would be an easy win for this document to be more prominently available for users and a longer-term aim which ONS said in June 2016 was planned – would be to create a cross-Departmental web based hub for income and earnings statistics.</p> <p>We find it disappointing that these improvements have not been done to date, signalling that ONS does not attach sufficient importance to these statistics and recognise the urgency of making them readily available to a range of users.</p>
	ONS added new coherent microdata sets on Effects of Benefits and Taxes on Household Income covering all years for which data are available, including the latest period, improving their accessibility to researchers.	<p>Addressed</p> <p>We welcome this improvement.</p>
	ONS added data ONS's data explorer tool. This provided users with new ways to explore the UK's longest running and most detailed income data series and easily create custom tables and charts.	<p>Addressed</p> <p>The data explorer site has now been decommissioned and its replacement has not yet been put in place. Users we spoke to did not express any difficulties in accessing data as a result.</p>
	HMRC has been investigating the feasibility of publishing more timely information on employment using Real Time Information (RTI) PAYE data with an	<p>Addressed in part</p> <p>This is an important development to improve the</p>

	<p>original intention to publish experimental statistics in July 2017. In January 2018, they published the first experimental statistics using RTI PAYE data and launched a survey to seek user views. A steering group including HM Treasury, DWP and ONS representatives was established to advise on the development of the publication, and ONS and HMRC have been working together on how the RTI aggregates compare with ONS outputs.</p>	<p>timeliness of income and earnings statistics with the potential to include a range of labour market statistics such as taxable pay and the number of employees with paid employment each month and good work in cross-producer collaboration. It is disappointing that plans to publish were initially delayed due to other priorities but good that the work has now been published and to see the commitment to user engagement which we hope bears fruit.</p> <p>This first release focuses exclusively on regional comparisons, while in a blog post, David Freeman of ONS mentions that the data can also be used to compare earnings by age and gender – the gender analysis would have been relevant and timely to also include and we would like to see this developed in future analyses. We also think the title of the piece could be improved to enable lay users to recognise what it contains.</p>
	<p>DWP has moved the data that was previously available from the Tabulation Tool into the more modern and user-friendly tool Stat-Xplore. Stat-Xplore allows users to create their own tables and download them in different formats, such as .xlsx, .xls, .csv, .zip or .xml. It also enables users to apply filters and create new breakdowns, which can be saved and used again. Stat-Xplore also includes the ability to query data via an Open Data API which allows you to use the data in your own applications.</p> <p>DWP consulted with users to identify and prioritise which data should be moved across to Stat-Xplore.</p>	<p>Addressed</p> <p>This is a good development. Users indicated that the Stat-Xplore tool was an improvement on the Tabulation Tool.</p>
	<p>DWP has streamlined the processing of FRS, HBAI and PI data, which has improved the timeliness of the statistical outputs. All 3 National Statistics outputs from the 2015/16 edition onwards are now published within 12 months of the end of the reference period, which is around 3 months earlier than in previous</p>	<p>Addressed</p> <p>We welcome this improvement.</p>

	<p>years. They are also now available from the UK Data Service in a more timely fashion.</p>	
	<p>In March 2017, DWP published experimental statistics on income dynamics, which provide estimates of the likelihood of the same people being persistently in low income in at least 3 out of 4 years based on survey data from Understanding Society. It also looks at mobility across the income distribution. The updated statistical release, with additional analyses, was published in March 2018. DWP is actively seeking user feedback via a questionnaire (closes June 2018) and is expecting further work with the University of Essex to develop future analyses.</p>	<p>Addressed</p> <p>We welcome the publication of this paper, and hope that more longitudinal analysis of survey data will be produced in future.</p>
	<p>HMRC has included a new section in the Personal Incomes Statistics publication explaining that a time series of anonymised and non-disclosive Survey of Personal Incomes (SPI) data called the Public Use Tape (SPI PUT) is available at the UK Data Service. These data sets run annually for almost all years from 1995-96 to 2014-15. The 2015-16 file is expected to be added to the UK Data Service in April 2018 and the two missing years 2011-12 and 2012-13 will be added in summer 2018.</p>	<p>Addressed</p> <p>We welcome HMRC's plans to add the missing years' data to the archive. HMRC should continue to monitor user needs around access to microdata.</p>
	<p>HMRC has a detailed data catalogue. This was made available as part of HMRC's open data strategy.</p> <p>In addition, HMRC has published detailed information about the HMRC Datalab. The Datalab allows researchers to access anonymised HMRC data (including the SPI) in a government accredited secure environment to carry out high quality analysis. HMRC has also published information on which datasets are currently available.</p> <p>HMRC will continue to update this information as and when new datasets are made available via the HMRC Datalab.</p>	<p>Addressed</p>

	<p>Access to HMRC data is granted via the Commissioners for Revenue and Customs Act 2005. The HMRC Datalab is not able to legally grant access to its data without following the terms specified in the legislation. A lot of the proposals recommended in the report <i>Response to the ONS consultation on the Approved Researcher Scheme</i> are already in place, including acceptance of from international researchers (as long as they are affiliated, employed or studying at a UK university).</p>	
	<p>DWP has actively supported data sharing legislation to allow linking to create new datasets and implemented agreed processes for requests for data via the Administrative Data Research Network. This has included supplying detailed information on Jobseeker's Allowance claims to support an analysis of the impact of changing benefit rates on outcomes. It is also looking at further requests for data on various different extracts from their benefit systems. DWP is actively engaging with the 'themed partnerships' established by ADRN as part of its new approach.</p>	<p>Addressed to a limited extent</p> <p>This is an ongoing requirement.</p>
<p>Considering how best to provide users with more themed analyses in a way that remains current and sustainable</p>	<p>ONS told us it will create an income and earnings theme page on its website to enhance access to data and analysis. This was expected to be delivered by spring 2017.</p>	<p>Not addressed</p> <p>Such a 'hub' would really improve accessibility of income and earnings statistics and it is a real shame this has been deprioritised.</p>
	<p>In July 2016, ONS published the first set of annual experimental statistics of nowcasting estimates of household income and this was repeated in 2017. These statistics enable estimates of median equivalised disposable income and measures of income inequality to be published 6 months ahead of final estimates published in the annual article Household Disposable Income and Inequalities.</p>	<p>Addressed</p> <p>We welcomed this development.</p>
	<p>From September 2016, ONS has published AWE, bonus payment in GB as an annual statistical bulletin. These statistics were first produced in August 2015 as an article.</p>	<p>Addressed</p>

	<p>In September 2017, ONS published an article examining the distribution of earnings by nationality, disability, gender and graduate status, with a focus on low-paid jobs. It also includes some analysis of the impact of the National Living Wage. In January 2018 ONS published an article on factors affecting the gender pay gap based on data from ASHE.</p> <p>There have also been some new visual articles including one on public sector pay.</p> <p>(An article <i>Trends in self-employment</i> was also published in February 2018 looking at the characteristics, income and wealth of the self-employed; this is discussed in the section on income from self-employment above).</p>	<p>Addressed in part</p> <p>We welcome the publication of the September and January articles and users told us that they have found the September piece very useful. The gender pay gap article is well written and handles technical analysis well to try and make the findings accessible for users. It also describes data limitations appropriately.</p> <p>While ONS appears to be responding to the requests of users at a November 2015 ASHE event for information on underlying factors that affect the gender pay gap, we think it would be even better if they could also take on board the users' requests to pull together findings from various sources rather than report separately on the LFS and ASHE and not link to the visual articles. We were disappointed to see that the 'next steps' section in the gender pay gap article was a little light and did not propose such work to improve coherence.</p>
	<p>In December 2016, ONS published <i>Research Outputs on income from combined PAYE and Benefits data</i>, which provide estimates of personal income distributions at local authority level, calculated from a subset of personal level administrative data from DWP and HMRC. More-detailed data at Lower Layer Super Output Areas (LSOA level), using modelled administrative and survey-based income estimates, were expected by the end of 2017 and published in October 2017. ONS had expected to publish small area income estimates at the same time but that has been postponed until April 2018 due to quality concerns that required investigation</p>	<p>Addressed</p> <p>While these are not official statistics, the DG for Regulation published a letter to ONS in January 2017 recognising and welcoming the December 2016 output.</p>
	<p>ONS is transforming its collection of data and production of statistics on household income by developing an integrated survey and production system, also taking advantage of new technologies</p>	<p>These recent updates from ONS sound like positive developments and we encourage strong engagement with users over them.</p>

	<p>and data sources. This will provide greater coherence and opportunities for a thematic approach to analysis as well as increasing sample sizes for key variables leading to improved precision overall and at lower levels of geographies.</p> <p>As one example, integration and harmonisation of the designs of the Living Costs and Food Survey and the Survey on Living Conditions has taken place which will make available a larger sample size of households which will facilitate the production of joint household income and living conditions statistics from 2017-18. Further work will integrate the design of the Wealth and Assets Survey with other ONS surveys to improve the coherence and enable components of 3 surveys to be used together to produce more precise household finance statistics (post 2018-19). ONS has also been acquiring administrative data and is engaging with users on the development of a Household Financial Survey module to ensure it meets user requirements (this is a collaborative project with DWP).</p>	
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Annex B – Findings of compliance checks of ONS’s Annual Survey of Household Earnings and Average Weekly Earnings statistics

We have recently conducted a compliance check of the two main sets of statistics on earnings produced by ONS – those from the Annual Survey of Hours and Earnings (ASHE) and Average Weekly Earnings (AWE). This considered how well these statistics meet the three pillars which are the basis of National Statistics status – Trustworthiness, Quality and Value. Statistics from ASHE are published in the annual *ASHE* bulletin; AWE is included in the monthly *UK Labour Market* bulletin.

Most of our findings relate to Value. We found a range of good practice in the use of charts and tables, in providing clear explanations of the different definitions of earnings, and in providing additional guidance documents to support the use of the statistics. However, the compliance checks also reinforced the lack of coherence between the ASHE and AWE statistics that has been a major theme of the systemic review.

The two sources **measure earnings in different ways**, both of which provide useful information that serve users’ needs. However, these differences are often not cross-referenced between the different statistics, which can lead to confusion and misinterpretation by users. For example, as *ASHE* is produced annually, any monthly changes to earnings reported in *UK Labour Market* are not picked up until the next *ASHE* bulletin is published. This was the case for the recent decline in ‘earnings after inflation’ reported in *UK Labour Market* in May 2017; it was only picked up five months later in the October 2017 *ASHE* bulletin. No information is provided in either of these publications to explain these contradictory sets of statistics. We recommend including a reference in *ASHE* to the more up-to-date information in *UK Labour Market*, explaining the reasons why they may show contradictory data and trends.

Both *ASHE* and *UK Labour Market* provide clear explanations of the different definitions of earnings, such as differences in prices (including or excluding inflation) or working patterns (full-time or part-time). There are a number of useful guidance documents, including a guide to interpreting ASHE estimates¹, a quality and methodology information document on ASHE² and AWE³, a guide to sources of data on earnings⁴ and an overview of and comparison between ASHE and AWE⁵.

These guidance documents provide a wealth of information on how to use the statistics, and their strengths and limitations. However, they are located across different pages of the ONS website, and it is therefore difficult to easily access the full set of documents. Given that there is overlap in some of the content, we recommend reviewing and streamlining these documents, to aid users in finding the key information they need. It would also be useful to consider users’

¹<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/methodologies/guidetointerpretingannualsurveyofhoursandearningsasheestimates>

²<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/qmis/annualsurveyofhoursandearningslowpayandannualsurveyofhoursandearningspensionresultsqmi>

³<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/qmis/averageweeklyearningsaweqmi>

⁴<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/methodologies/aguidetosourcesofdataonearningsandincome>

⁵<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/anoverviewofandcomparisonbetweenannualsurveyofhoursandearningsasheandaverageweeklyearningsawe/2017-09-14>

needs for information about other sources of income data (e.g. DWP's Households Below Average Income series⁶).

Inconsistent labelling of different types of outputs on the ONS website (for example, statistical bulletins, articles, guidance) makes it difficult for users to find relevant documents. In particular, as well as labelling one-off pieces of analysis as 'articles', this category also seems to include some guidance documents (most of the guidance documents are labelled as 'methodology'), and regular releases, such as *Contracts that do not guarantee a minimum number of hours*⁷, which users may expect to be categorized as 'statistical bulletin'. The ONS website also has articles highlighted on the 'Earnings and working hours' web page that were published between 2013 and 2015, and are not always the latest releases. For example, this page shows *AWE, bonus payments in GB 2014/15*, when the 2017 publication is available in the statistical bulletin section.

With regard to **use of charts and tables**, the latest reports of *ASHE*⁸ and *UK Labour Market*⁹ provide a range of charts which are well annotated and are clear and easy to follow. However, the time series charts available on the 'Earnings and working hours' web page¹⁰ would benefit from clearer labelling; the highlighted chart is titled 'LMSB SA AWE total pay WE'. These acronyms are not explained, and therefore it is not clear what the chart represents.

On the basis of these findings, we will **consider which of ONS's income and earnings statistics should be subject to full re-assessment against the *Code of Practice for Statistics***.

⁶ <https://www.gov.uk/government/collections/households-below-average-income-hbai-->

⁷ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contracts-that-do-not-guarantee-a-minimum-number-of-hours/september-2017>

⁸ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2017provisionaland2016revisedresults>

⁹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/november2017#average-weekly-earnings>

¹⁰ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours>