

Sir Andrew Dilnot  
UKSA  
1 Drummond Gate  
London SW1V 2QQ

1 March 2015

Dear Sir Andrew,

I have been very interested to see the debate about earnings growth in recent months.

I attach a list of recent quotes from think tanks, media and political figures which I believe are not justified by the data published. It seems that a dangerous misunderstanding has been allowed to arise – and is now widely taken as gospel – that income growth for many workers is weaker, and the “cost of living crisis” greater, than it really is.

As far as I understand, the problem is thus:

- the monthly AWE figures are the most widely quoted in the media
- AWE is total pay divided by worker numbers
- it does not allow for a change in the composition of jobs
- there has been very strong growth in job numbers in recent years
- many of these jobs have been at the lower end of the pay scale
- so total pay divided by worker numbers has been very weak
- even though those in continuous employment (the very notable majority) have on average seen decent wage growth.

While the Bank of England and your ONS colleagues might be careful with their descriptions and not mislead, it is very easy for others to confuse the weakness in AWE (a macro-economic measure of earnings growth) with what is happening to individuals or households. Weak AWE might cause a range of problems such as weak tax receipts growth but does not mean that most individuals are suffering a cost of living crisis. Yet that leap has been made by many.

In extremis, stable or falling AWE could be consistent with everyone in continuous employment seeing a real wage increase and many thousands entering employment. Even if the new jobs are on low wages, that is a very different economic reality than the one often quoted of a 10% fall in living standards.

It does not look as if the question of earnings statistics has been raised with you:  
<http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence>

I also note the recent report your team produced on the matter:

<http://www.statisticsauthority.gov.uk/news/statement---the-coherence-and-accessibility-of-official-statistics-on-income-and-earnings.pdf>

I would not claim to have read that in full but it seems that you appreciate that all is not perfect but are not looking to tackle the interpretation problem with any urgency – despite the problem being clear.

It is unlikely that the misunderstanding in political and media circles is deliberate but I am sure you will agree that it is a misunderstanding that needs to be clarified.

I am particularly concerned that this widespread misinterpretation of the state of household incomes understates the economic well being of most people in the country. In the run-up to the election it would seem vital to take the opportunity to correct this.

Do you agree? Would you be able to let me know if you think each of the attached quotes is fair, and would it be possible to take the opportunity to correct the misinterpretation with the source where necessary?

I am a Conservative councillor in Westminster and a former parliamentary candidate, with a background in financial and economics journalism.

Yours sincerely,

Antonia Cox

Earnings – questionable quotes for UKSA

Belfast Telegraph, 20 February 2015

[www.belfasttelegraph.co.uk/news/uk/workers-pay-increases-remain-low-31007433.html](http://www.belfasttelegraph.co.uk/news/uk/workers-pay-increases-remain-low-31007433.html)

“Figures from the Office for National Statistics this week showed that average pay rises, including bonuses, have been running ahead of inflation for the past few months.”

This mistakenly thinks that AWE is “average pay rises”, confusing the macro AWE with personal wage rises.

ITEM club report quoted in Guardian, 23 February

[www.theguardian.com/business/2015/feb/23/uk-wages-to-rise-above-inflation-for-2015-study-shows](http://www.theguardian.com/business/2015/feb/23/uk-wages-to-rise-above-inflation-for-2015-study-shows)

“Martin Beck, senior economic advisor to the EY ITEM Club, said: “Real earnings have fallen by nearly 10% since 2008, but workers will finally see more money in their pockets this year.”

This would seem to be using AWE and RPI in the first phrase but then draws a link to individual workers in the second. And for that the ASHE figures for continuous employment would be better.

BBC quoting TUC, 16 February

[www.bbc.co.uk/news/uk-wales-31460796](http://www.bbc.co.uk/news/uk-wales-31460796)

“Average annual pay in Wales is still falling, down by more than £300 last year, the Wales TUC has claimed. It said research showed that since 2010 full-time employees had lost over £2,200 a year - more than £40 a week.”

It seems very unlikely that “employees had lost” – again the confusion is with aggregate economy earnings and individuals.

BBC WATO 12/2/15

[www.bbc.co.uk/programmes/b051vlpw](http://www.bbc.co.uk/programmes/b051vlpw)

“Wage rises have been low or frozen in recent years” Martha Kearney

AWE data transposed to individuals

“..... this year our take home pay adjusting for prices and tax will rise faster than at any time faster than a decade” Robert Peston

Mirror, 14 February

[www.mirror.co.uk/news/uk-news/pay-gap-scandal-chasm-between-5164400](http://www.mirror.co.uk/news/uk-news/pay-gap-scandal-chasm-between-5164400)

Headline “Pay gap scandal as chasm between rich fatcats and poor workers is laid bare”

“Figures show that since David Cameron became PM, most workers have seen their salary fall by 8.4% in real terms while fatcats have enjoyed a 26% pay rise ..... Figures show that during the four years of David Cameron’s - premiership top bosses’ pay has grown £700,000. For most people over the

same period inflation has eroded wages. They are £2,500 a year poorer in real terms.”

“Most workers” have not seen a fall of this scale

BBC, 30 January

[www.bbc.co.uk/news/business-31054668](http://www.bbc.co.uk/news/business-31054668)

Even the IFS has strayed into an area of misunderstanding and misinterpretation in its contribution to the Green Budget:

“Almost all groups have seen real wages fall since the recession,” said Jonathan Cribb of the IFS. The pay of young adults remains well below its pre-crisis level after particularly large falls between 2008 and 2011 .....

The IFS has chosen an odd measure of labour market composition – based on skills of the labour force not the jobs they are doing (in contrast to the way ONS and others do it).

Ed Balls speech on 19 January

[www.edballs.co.uk/blog/?p=5685](http://www.edballs.co.uk/blog/?p=5685)

“While growth has returned in many countries working people on middle and low incomes are still seeing wages stagnating. Here in Britain working people are now £1600 a year worse off since 2010.”

AWE data transposed to individuals?

Ed Balls article, 15 January

[www.edballs.co.uk/blog/?p=5677](http://www.edballs.co.uk/blog/?p=5677)

“The fact is the delayed return to growth in the UK – after the recovery was choked off in 2010 – has not been accompanied by the sustained rise in living standards for most people which the Conservatives promised.”

The ASHE continuous employment figures suggest that might not be the case.

Ed Balls conference speech, September 2014

[www.edballs.co.uk/blog/?p=5440](http://www.edballs.co.uk/blog/?p=5440)

“Because, while our economy is growing again, taxes are up, wages are down .....

No. AWE has been weak but individual wages are not down (in most cases or on average)

TUC, 10 February

[www.tuc.org.uk/economic-issues/britain-needs-pay-rise/average-wage-worth-%C2%A32500-less-year-cameron-became-pm-says-tuc](http://www.tuc.org.uk/economic-issues/britain-needs-pay-rise/average-wage-worth-%C2%A32500-less-year-cameron-became-pm-says-tuc)

“Since David Cameron became Prime Minister the average wage is worth £2,500 less a year, the worst fall in living standards since Queen Victoria was on the throne.”

Again the shift from AWE to an individual fall in living standards is misleading.