

UK Statistics Authority

Monitoring Review Outline

The Coherence and Accessibility of Official Statistics on Income and Earnings

Few issues are as important to so many people as the income they receive. And yet few issues are as complex to illustrate, using official statistics, in ways that are understandable.

Understanding trends in levels of income and earnings in society is an essential factor in understanding trends in living standards and being able to develop policy in an informed way. Parliament, the opposition and media all require good quality statistics on income and earnings to shed light on the direction in which living standards are moving.

The aim of this piece of work is to review the way in which official statistics about income and earnings, and their components, are presented. The particular focus will be on:

- Coherence – the extent to which official statistics drawn from different sources, and about different components of income, complement one another; also, whether there are any significant gaps in the statistical picture of income.
- Accessibility – the extent to which users and potential users of official statistics on income are able to find, and understand, the statistics; also whether related statistics are presented in ways that help the user to understand the interrelationships.

The focus of this piece of work is to identify ways in which the coherence and accessibility of official statistics about people's income might be enhanced in ways that meet users' needs. Meeting users' needs, in this respect, goes well beyond meeting their requirement for good quality statistics on income and earnings, but whether they have the full range of coherent statistics to carry out an in depth analysis of factors that affect trends in incomes, earnings and living standards over time and for different sectors of society.

Background

There are numerous sources of official statistics on income and earnings, and these are produced by different departments. These are derived from a variety of different data sources, including both administrative and survey data. The derived statistics are analysed and presented in different ways reflecting the data source and the purpose of the analysis.

To understand the coherence of official statistics on income, users need to understand some of the basic concepts involved, and the nature and structure of the different data sources underpinning the statistics.

Concepts

Two important concepts to understand are: firstly, the way individuals are grouped together for analytical purposes – this includes at a national or regional level, at an individual level, or at a household level; and secondly, how household information may be adjusted to reflect household composition.

At a national level, the Household Accounts within the UK National Accounts provide a very detailed analysis of total household income and expenditure on a consistent basis. From these accounts, further analyses, such as estimating households' savings, may be derived. This analysis draws on data from a number of sources, and links can be made between

sectors - for example income flows between industry to households, and household flows to and from government.

Income from an individual's perspective is important for other reasons, such as looking at the relationships between earnings and individual taxes paid and benefits received.

Income from a household perspective is important for understanding and addressing poverty where a household is a more meaningful unit for analysis. For example, to tackle child poverty, statistics on the number of children living in low income households are central to the policy.

For many analytical purposes, especially relating to poverty and low income households, the statistics are 'equivalised' to take into account the size and formation of the household so that households may be compared on a consistent basis.

Sources

There are a number of different and varied sources of income and earnings data. These include:

- Family Resources Survey (DWP) – this is an annual survey of households across the UK. As well as producing information on personal income, the FRS is also used to generate specific statistics on specific population groups such as pensioners and households below average income.
- Household Below Average Income (DWP) – the HBAI gives an insight into the standard of living of the household population of the UK. HBAI uses household disposable incomes, adjusted for household size and formation, before and after housing costs. Its particular focus is on the numbers of people in low-income households.
- Survey of Personal Incomes (HMRC) – the SPI is a sample survey based on information held by HMRC tax offices on people who could be liable to UK tax. It is carried out annually and covers the income assessable for tax in each tax year.
- Annual Survey of Hours and Earnings (ONS) – ASHE is the main source for information on the distribution of earnings for the UK. It also collects information on pension contributions.
- Living Costs and Food Survey (ONS) – the LCF is a continuous survey of the income and expenditure of UK households. LCF data is used to define the basket of goods used in the Retail Prices Index (RPI), the weighting of the Consumer Price Index (CPI) and also provides an important estimate of household expenditure for the UK National and Regional Accounts.
- The Effects of Taxes and Benefits on Household Income (ONS) - Based on an analysis of data from the Living Costs and Food Survey this annual series examines how taxes and benefits redistribute income between various households groups in the UK.
- Labour Force Survey (ONS) – The LFS is a survey of households living at private addresses in the UK. Its purpose is to provide information on the UK labour market which can then be used to develop, manage, evaluate and report on labour market policies. LFS earnings data on a UK basis are available for each quarter from Winter 1994/95.
- Average Weekly Earnings (AWE) – AWE measures the changes in average weekly earnings of employees and is published monthly in the Labour Market Statistics Release. The statistics are used to analyse both short-term pay and earnings growth. The AWE is based solely on the Monthly Wages and Salary Survey (MWSS); the AWE replaced the Average Earnings Index (AEI) as the lead measure of short-term earnings growth in January 2010.

- Pension Trends (ONS) – this is a compendium publication that brings together different sources of data that relate to pensions. It looks at both economic and social factors that influence changes in pension provision and pension income over time.
- Benefits data (DWP) – a wide range of benefits data from Department of Work and Pensions.
- National Accounts – Household Distribution of Income Accounts and Household Final Consumption Expenditure
- EU Statistics on Income and Living Conditions (EU-SILC) - the EU reference source for comparative statistics on income distribution and social inclusion at the European level providing annual cross-sectional and longitudinal data for 27 European Union countries, Croatia, Iceland, Norway, Switzerland and Turkey

Relevant aspects of the Code

The scope of the Review covers the following areas within the *Code of Practice for Official Statistics*¹:

- *Principle 1:* The production, management and dissemination of official statistics should meet the requirements of informed decision-making by government, public services, business, researchers and the public;
- *Principle 4:* Statistical methods should be consistent with scientific principles and internationally recognised best practices, and be fully documented. Quality should be monitored and assured taking account of internationally agreed practices; and
- *Principle 8:* Official statistics, accompanied by full and frank commentary, should be readily accessible to all users.

Process and Methods

The Authority's Monitoring and Assessment Team will review the way in which official statistics about income and earnings, and their components, are presented. A range of users will be consulted during the course of the review. The processes of the review will:

- Map out the range of official statistics on income and earnings, and note the different concepts and definitions underpinning the statistics.
- Produce an analysis of levels and trends in income statistics and attempt to explain the differences.
- Review the quality of sub-UK data on income, and whether this meets the needs of the devolved administrations and other users.
- Review the quality of the guidance available to users to establish whether it is sufficient.
- Consult users of income statistics and document their concerns and feed these back to producers.

Timetable

Work on this Monitoring Review will start in April 2014, and we plan to publish a final report in late 2014.

¹ <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>

Your views

We would welcome your views on any of the issues to be covered in this review. It would be helpful if we could receive your comments by **30 September 2014** if possible but late responses would still be welcome. Please send any comments to: assessment@statistics.gsi.gov.uk.