

# Average Weekly Earnings

*Office for National  
Statistics*

# Average Weekly Earnings

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### **About the UK Statistics Authority**

The UK Statistics Authority is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. It was established on 1 April 2008 by the *Statistics and Registration Service Act 2007*.

The Authority's overall objective is to promote and safeguard the production and publication of official statistics that serve the public good. It is also required to promote and safeguard the quality and comprehensiveness of official statistics, and good practice in relation to official statistics.

The Statistics Authority has two main functions:

1. oversight of the Office for National Statistics (ONS) – the executive office of the Authority;
2. independent scrutiny (monitoring and assessment) of all official statistics produced in the UK.

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## **ASSESSMENT AND DESIGNATION**

Under the provisions of the Statistics and Registration Service Act 2007, the UK Statistics Authority has a statutory function to assess sets of statistics against the Code of Practice for Official Statistics, with a view to determining whether it is appropriate for the statistics to be designated, or to retain their designation, as National Statistics.

Designation as National Statistics means that the statistics are deemed to be compliant with the Code of Practice. Whilst the Code is wide-ranging, designation may be broadly interpreted to mean that the statistics meet identified user needs; are produced, managed and disseminated to high standards; and are well explained.

Assessment reports will not normally comment further, for example on the validity of the statistics as a social or economic measure; though reports may point to such questions if the Authority believes that further research would be desirable.

Designation as National Statistics will sometimes be granted in cases where some changes still need to be made to meet fully the requirements of the Code, on condition that steps are taken by the producer body, within a stated timeframe, to address the weaknesses. This is to avoid public confusion and does not reduce the obligation to comply with the Code.

Designation is granted on the basis of the information provided to the Statistics Authority, primarily by the organisation that produces the statistics. The information includes a range of factual evidence and also assurances by senior statisticians in the producer organisation. The views of users are also sought. Should further information come to light subsequently which changes the Authority's analysis, the Assessment report may be withdrawn and revised as necessary.

Once designated as National Statistics, it is a statutory requirement on the producer organisation to ensure that the set of statistics continues to be produced in compliance with the Code of Practice.

# 1 Introduction

1.1 This is one of a series of reports prepared under the provisions of the *Statistics and Registration Service Act 2007*<sup>1</sup>. The Act requires all statistics currently designated as National Statistics to be assessed against the Code of Practice for Official Statistics<sup>2</sup>. The Act also allows Ministers or the National Statistician to request an assessment of other official statistics in order for them to gain National Statistics status. This report is in response to such a request. The report covers *Average Weekly Earnings (AWE)*<sup>3</sup>, produced by the Office for National Statistics.

1.2 AWE is a measure of short-term average earnings based on the Monthly Wages and Salaries Survey. It is currently an *experimental statistics* series. Another ONS series, the *Average Earnings Index (AEI)*, is the current preferred National Statistics series on earnings. AWE was developed as an improved measure of average earnings to replace AEI. In 2008 a Steering Group was set up to guide the final development of the series in response to a technical review. Statistics on short-term average earnings are a high-profile indicator of demand in the labour market.

1.3 The remainder of this report is structured as follows:

**Section 2 Summary of findings**, highlighting the main strengths and weaknesses in relation to the Code of Practice. This summary includes the UK Statistics Authority's decision in relation to designation as National Statistics.

**Section 3 Subject of the assessment**, an overview of the statistics and their history.

**Section 4 The Assessment team's detailed assessment**, providing more details about the assessment of compliance against each principle and protocol of the Code of Practice.

**Annex 1 Suggestions for improvement**

**Annex 2 Summary of the assessment process and users' views.**

1.4 This report was prepared by the Authority's Assessment team, and approved by the Board of the Statistics Authority on the advice of the Head of Assessment.

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<sup>1</sup> [http://www.opsi.gov.uk/Acts/acts2007/pga/ukpga\\_20070018\\_en.pdf](http://www.opsi.gov.uk/Acts/acts2007/pga/ukpga_20070018_en.pdf)

<sup>2</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf>

<sup>3</sup> <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14015>

## **2 Summary of findings**

### **2.1 Decision concerning designation as National Statistics**

- 2.1.1 The Statistics Authority has determined that *Average Weekly Earnings* can be designated as a new National Statistics product, subject to the implementation of the enhancements listed at section 2.4 below and reporting them to the Authority by April 2010.
- 2.1.2 Designation as National Statistics means that the statistics are deemed to be compliant with the Code of Practice, and thus that they meet identified user needs; are produced, managed and disseminated to high standards; and are well explained.
- 2.1.3 Designation also signifies that, subject to any caveats in this report, the Statistics Authority judges that the statistics are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest.

### **2.2 Summary of strengths and weaknesses**

- 2.2.1 The AWE experimental statistics have been the subject of considerable development over the last decade. The statistics team in ONS has involved the key users in this development, and kept other users informed. The material available on ONS's website covers all the relevant methods, technical and quality information. Users who responded regarding this assessment praised the ONS team responsible for the statistics.
- 2.2.2 The designation of AWE as a National Statistics product will allow ONS to withdraw the AEI, after a period of dual-running. ONS will need to ensure that all users are made aware of the impending change.

### **2.3 Detailed recommendations**

- 2.3.1 The Assessment team recognises that the designation of *experimental statistics* places a requirement for future actions on the producers. For AWE, the Assessment team has identified actions that it considers essential to enable their designation as National Statistics, and these are listed in section 2.4. Other suggestions, which would improve the statistics and the service provided to users but which are not central to their designation, are listed at annex 1.

## **2.4 Designation as National Statistics**

**Requirement 1** Publicise the date that AWE will replace AEI as early and as clearly as possible (para 4.7)

**Requirement 2** Ensure that AWE is published with commentary, analysis and supporting information that meets user needs and is at least of equal standard to that currently published alongside AEI (para 4.20)

### 3 Subject of the assessment

- 3.1 There are two main measures of short-term average earnings. The long-established AEI is the current preferred National Statistic, and is published monthly as part of the Labour Market Statistical Bulletin<sup>4</sup> (LMSB). AWE was first released as an *experimental statistics*<sup>5</sup> series in 2005, and is currently published on the internet one week after the release of LMSB. AWE was developed as an outcome of the Turnbull-King review, which said that ONS should ‘investigate the production of an index which reflects more closely movements in true average earnings’.
- 3.2 Both AEI and AWE use the same data source, the Monthly Wages and Salaries Survey (MWSS). The difference is in the way they calculate average earnings. The AEI is a measure of the *growth* in average earnings, presented as an index, whereas AWE is a measure of the *level* of average earnings, presented as pounds and pence. Detailed methodological differences between the two measures are well explained elsewhere<sup>6</sup>. AWE is disaggregated by industry sector, and figures are available including and excluding bonuses and arrears. Additional analysis has also been provided since April 2006 showing the contribution caused by changes in earnings against the contribution caused by changes in employment composition, and the effects of seasonal adjustment. The analysis also provides a disaggregation by public sector sections.
- 3.3 The annual cost of the MWSS in the most recent financial year is in the region of £725,000. This includes all the staff time up to the point of publication (but not including the work of the team that produces the Labour Market Statistics Bulletin). The additional cost for producing AWE from MWSS data has been absorbed by the AWE team as an efficiency saving.
- 3.4 In February 2008, the National Statistician, in consultation with the Permanent Secretary to HM Treasury and the Governor of the Bank of England, commissioned Martin Weale, Director of the National Institute of Economic and Social Research and a former member of the Statistics Commission, to undertake a technical review (the Weale Review) of the methods used to produce AWE. The resulting report<sup>7</sup> recognised that AWE was in principle a better measure of short term changes in earnings than AEI, but made eight recommendations for further work. ONS set up a Steering Group to implement the recommendations, and has since completed a programme of work to address them. ONS has published the outcome of this work<sup>8</sup>.
- 3.5 Statistics on short-term average earnings are a high-profile indicator of supply and demand in the labour market. They are used by the Bank of England and

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<sup>4</sup> <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>

<sup>5</sup> Experimental statistics are new official statistics undergoing evaluation. They are published in order to involve users and stakeholders in their development and as a means to build in quality at an early stage.

<sup>6</sup> [http://www.statistics.gov.uk/elmr/09\\_07/downloads/ELMR09\\_07Duff.pdf](http://www.statistics.gov.uk/elmr/09_07/downloads/ELMR09_07Duff.pdf),  
[http://www.statistics.gov.uk/about/methodology\\_by\\_theme/labour.asp](http://www.statistics.gov.uk/about/methodology_by_theme/labour.asp)

<sup>7</sup> [http://www.statistics.gov.uk/downloads/theme\\_labour/Wealefinalreport.pdf](http://www.statistics.gov.uk/downloads/theme_labour/Wealefinalreport.pdf)

<sup>8</sup> <http://www.statistics.gov.uk/pdfdir/awe0909.pdf>

HM Treasury to make timely policy decisions as part of their roles in managing the economy. The Bank of England considers the outputs each month as part of the economic assessment prepared by Bank officials for the Monetary Policy Committee. The statistics are used extensively by employers, trade unions and trade associations for wage negotiations and by some businesses for contract price escalation, and so are of fundamental importance, particularly at a time of financial instability. The statistics are also used to monitor the economy as a whole and the performance of particular sectors.

## 4 Detailed assessment

### Principle 1: Meeting user needs

**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.**

- 4.1 ONS has engaged regularly with the two key users of these statistics: the Bank of England and HM Treasury. There has been formal contact with these users through quarterly Labour Market Liaison meetings, as well as informal meetings. An AWE Steering Group was set up in 2008 to implement the recommendations of the Weale Review and is attended by representatives from the Bank and HM Treasury. The Assessment team considers that the needs of these users have been central to the development of AWE, and that these needs have been sufficiently taken into account.
- 4.2 A wider government user base is engaged via the Labour Market Statistics Topic Group. This group involves a range of interested government departments, and the development of earnings statistics has been a regular agenda item.
- 4.3 Users from outside government have been engaged through a formal user survey. This was carried out in 2009 as part of the Triennial Review<sup>9</sup> of the Monthly Wages and Salary Survey (MWSS), the data source underpinning the AWE. A summary of the findings was included in the Triennial Review report. The AWE team has also given presentations to the National Institute of Economic and Social Research, and to the Business Statistics User Group. Users who responded regarding this assessment exercise were almost wholly satisfied with the level of ONS's engagement.

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<sup>9</sup> <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=13549>

## Principle 2: Impartiality and objectivity

### Official statistics, and information about statistical processes, should be managed impartially and objectively.

- 4.4 The *experimental* estimates from AWE are published on the web as tables only, with no commentary. There are supporting documents which are presented impartially and objectively. The LMSB publication includes earnings information from the current National Statistics earnings measure, the AEI. ONS plans to use the LMSB as the vehicle for releasing AWE figures following designation as National Statistics. AWE will replace the AEI, which will be discontinued after a period of dual running. The Assessment team notes that AEI is presented impartially and objectively, and has been assured by ONS that the same arrangements for presentation will be maintained when it replaces AEI. The presentation of the statistics is discussed further under Principle 8.
- 4.5 The statistics are available on the internet without charge to the user. ONS has a clear pricing policy for supplementary statistical services.
- 4.6 Revisions are made one month after initial publication, usually as a result of late returns to the MWSS. Seasonally adjusted estimates are also subject to revision a year after release or as a result of seasonal adjustment reviews. A revisions policy is published which explains this, and the nature and extent of revisions are explained at the same time as they are released.
- 4.7 The planned changeover from AEI to AWE has already been announced to users through the LMSB publication, the ONS website and ONS News Releases. The exact date for the changeover has yet to be fixed, as it is dependent on the outcome of this assessment. As part of the designation as National Statistics, ONS should publicise the date that AWE will replace AEI as early and as clearly as possible<sup>10</sup> (Requirement 1).

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<sup>10</sup> In relation to Principle 2 Practice 4 of the Code of Practice

### **Principle 3: Integrity**

**At all stages in the production, management and dissemination of official statistics, the public interest should prevail over organisational, political or personal interests.**

- 4.8 No incidents of political pressure, abuse of trust or complaints relating to professional integrity, quality or standards were reported to or identified by the Assessment team.

## Principle 4: Sound methods and assured quality

**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.**

- 4.9 The development of AWE is the outcome of a substantial work programme to improve earnings statistics. The Weale Review set out eight recommendations for improvements to AWE, and ONS set up a Steering Group to implement these recommendations. At the last meeting of the Steering Group, progress against each recommendation was presented to the Bank and HM Treasury. Articles have been published explaining progress at various stages of the development, for example in *Labour Market Trends*<sup>11</sup>, and ONS has published details of the final methodology, including how the recommendations of the Weale Review have been implemented<sup>12</sup>. The Assessment team regards this as a good example of the continuous development of a statistical series.
- 4.10 AWE will replace AEI, which will be discontinued after a period of parallel running. AWE is already backdated to 2001, but the statisticians in ONS told us that they recognise the need for a period of parallel running and have consulted the key users on this issue. Both HM Treasury and the Bank have expressed a preference for a 12-month parallel run. ONS statisticians told us that these user views will be balanced against other operational concerns, including the introduction of the new Standard Industrial Classification (SIC) codes in 2010.

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<sup>11</sup> [http://www.statistics.gov.uk/articles/labour\\_market\\_trends/AWE\\_Aug05.pdf](http://www.statistics.gov.uk/articles/labour_market_trends/AWE_Aug05.pdf)

<sup>12</sup> <http://www.statistics.gov.uk/pdfdir/awe0909.pdf>

## **Principle 5: Confidentiality**

**Private information about individual persons (including bodies corporate) compiled in the production of official statistics is confidential, and should be used for statistical purposes only.**

- 4.11 ONS has assured us that it takes all necessary steps to protect the confidentiality of the data it collects. Standard ONS data security procedures are used to handle the data. No data are released or disseminated which would disclose individual data from businesses. The planned publication of total bonus estimates involves some disclosure risk as there are some periods where there are only one or two significant bonus payers. However, standard ONS policies on statistical disclosure control will be followed, and where figures risk disclosing the identity of responding businesses, they will not be published.
- 4.12 Individual data are held in ONS's Virtual Microdata Laboratory and are available to researchers under strictly controlled conditions.
- 4.13 ONS provided the Assessment team with internal and external documents explaining how confidentiality is assured. The documentation was limited and not readily accessible. We suggest ONS reviews and updates its published confidentiality documents to ensure that the relevant material is accessible.

## Principle 6: Proportionate burden

**The cost burden on data suppliers should not be excessive and should be assessed relative to the benefits arising from the use of the statistics.**

- 4.14 The collection of this information is covered by the Statistics of Trade Act 1947. Estimates of the total respondent burden for the MWSS are reported annually in the *ONS Simplification Plan*<sup>13</sup>. In addition, a voluntary survey was conducted as part of the Triennial Review of the MWSS, to determine the costs to respondents in more detail. This Review concluded that the survey should continue in its current form.
- 4.15 The costs to businesses are minimised via the use of efficient sample design and data collection tools. The smallest businesses are excluded from the survey. Only the largest businesses are completely enumerated, with decreasing proportions selected for medium sized businesses. The questionnaire makes it clear that informed estimates are acceptable if there is difficulty getting the exact information, a standard approach for business survey data collection.

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<sup>13</sup> <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14683>

## **Principle 7: Resources**

**The resources made available for statistical activities should be sufficient to meet the requirements of this Code and should be used efficiently and effectively.**

- 4.16 The MWSS and the production of AWE appear to be sufficiently resourced. Extra funds were allocated to the AWE project to help implement the requirements of the Weale Review.
- 4.17 Appropriate systems are in place to monitor expenditure; ONS has a business plan, and internal service level agreements are in place between the data collection division and the analysis division.
- 4.18 A centralised recruitment process ensures that appropriately skilled people are employed in the production process. Appropriate competency frameworks are in place and staff are supported in developing their skills.
- 4.19 The same statistics team produce AEI and AWE, but ONS publish AWE a week after the AEI to allow sufficient resource to be focussed on the lead series. With the designation of AWE, this position will be reversed, and AEI will be published a week after AWE during the parallel run.

## Principle 8: Frankness and accessibility

**Official statistics, accompanied by full and frank commentary, should be readily accessible to all users.**

- 4.20 As mentioned under Principle 2, the current *experimental* release of AWE is presented as tables only, with no commentary. ONS plans to release AWE in the LMSB, to replace AEI. AEI is currently published with useful commentary and background information on methods. It is presented using tables and graphs that enhance clarity, and information is provided on quality and reliability. As part of the designation as National Statistics, ONS should ensure that AWE is published with commentary, analysis and supporting information that meets user needs and is at least of equal standard to that currently published alongside AEI<sup>14</sup> (Requirement 2). The Assessment team recognises that this is ONS's intention, and that ONS is currently talking to users about the format and content of outputs.
- 4.21 AWE is currently released on the internet as Microsoft Excel spreadsheets. This encourages analysis and re-use. The product page contains useful background information on methods and quality; however it is difficult to access this page from the ONS homepage. We suggest ONS ensures that users' views on accessibility feed into the overall ONS website development work.

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<sup>14</sup> In relation to Principle 8 Practices 1 and 2, and Principle 2 Practice 2

## **Protocol 1: User engagement**

**Effective user engagement is fundamental both to trust in statistics and securing maximum public value. This Protocol draws together the relevant practices set out elsewhere in the Code and expands on the requirements in relation to consultation.**

4.22 The requirements for this protocol are covered elsewhere in this report.

## **Protocol 2: Release practices**

**Statistical reports should be released into the public domain in an orderly manner that promotes public confidence and gives equal access to all, subject to relevant legislation.**

- 4.23 As outlined under Principle 7, AWE statistics are currently published one week after AEI. After the changeover, AWE will take the place of AEI in the LMSB, and AEI will be published separately one week after for the period of parallel running. The timetable for the LMSB release is based on user needs for timely statistics.
- 4.24 AWE estimates are currently provided on a pre-release basis to one member of staff in ONS for the purposes of advance briefing. When AWE moves to the LMSB, the pre-release list for LMSB will apply. This list is published on the ONS website. ONS is currently reviewing all its pre-release access lists.

### **Protocol 3: The use of administrative sources for statistical purposes**

**Administrative sources should be fully exploited for statistical purposes, subject to adherence to appropriate safeguards.**

4.25 The use of administrative sources was considered during the Triennial Review of the MWSS. Her Majesty's Revenue and Customs' (HMRC) income tax system is a possible alternative administrative source of pay information. However, these systems are currently unable to produce an estimate of aggregate wages and salaries at the enterprise level, nor information on arrears of pay and bonuses, and so do not meet the current user need for information on short-term earnings. We suggest that ONS works with HMRC to explore the extent to which tax data might meet some of the user need for information on earnings, and what opportunities exist for developing this potential source.

## **Annex 1: Suggestions for improvement**

A1.1 This annex includes some suggestions for improvement to AWE, in the interest of the public good. These are not formally required for designation, but the Assessment team considers that their implementation will improve public confidence in the production, management and dissemination of official statistics.

- |                     |                                                                                                                                                                                                    |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Suggestion 1</b> | Review and update published confidentiality documents to ensure that the relevant material is accessible (para 4.13)                                                                               |
| <b>Suggestion 2</b> | Ensure that users' views on accessibility feed into the overall ONS website development work (para 4.21)                                                                                           |
| <b>Suggestion 3</b> | Work with HMRC to explore the extent to which tax data might meet some of the user need for information on earnings, and what opportunities exist for developing this potential source (para 4.25) |

## **Annex 2: Summary of assessment process and users' views**

A2.1 This assessment was conducted from August to October 2009.

A2.2 The Assessment team met representatives of ONS at an initial meeting in August 2009. Some background information was provided ONS during August, and Written Evidence for Assessment was provided on 27 August. The Assessment team met with Martin Weale on 3 September, and subsequently met with ONS on 15 September to confirm and clarify the written evidence provided.

### **Summary of users contacted, and issues raised**

A2.3 The Assessment team received 11 responses from the user consultation. The respondents were grouped as follows:

UK government departments	6
International statistical organisations	1
Media	1
Financial services	1
Commercial	2

A2.4 Overall, the users who responded were satisfied with the statistics and with the engagement with ONS. There was some dissatisfaction with accessibility and commentary. This is discussed further under Principle 2 and Principle 8. Some users also had specific requests for publication of more detailed information, but there were no common emerging themes.

### **Key documents/links provided**

Written Evidence for Assessment document

<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14015>

