

The RF EARNINGS OUTLOOK

Notes and sources

Indicator	Headline definition	Source(s)	Notes
<i>What's happened: The earnings breakdown</i>			
Indicator 1: Median employee earnings	Real median hourly earnings of employees	ONS, <i>Annual Survey of Hours and Earnings</i> (published) ONS, <i>Annual Survey of Hours and Earnings</i> (microdata) ONS, <i>Labour Force Survey</i>	<p>Linear interpolation between ASHE survey points. LFS data is used to project forward the trends observed in ASHE for the latest quarters. Annual rolling averages (centred around the date shown) are applied to the LFS data, which is represented by dotted lines on charts.</p> <p>Series are hourly earnings excluding overtime, CPI-adjusted to latest prices.</p> <p>The breakdown showing the earnings of those not in work a year previously is based on ASHE microdata, and isolates those who have been in their job for less than a year and were not in the ASHE sample in the previous year. These individuals are therefore assumed to be recently unemployed or economically inactive, although there will be other reasons for ASHE non-response. It is calculated via a slightly different process to that for the overall median to which we compare it (which is drawn from published ASHE data).</p> <p>The analysis covers all employees in the UK as a whole, apart from estimates for those not in work a year previously, which cover GB.</p>
Indicator 2: All worker earnings	An estimate of what real mean weekly earnings (as measured in the regular Average Weekly Earnings data) would be if the self-employed were captured as well as employees	ONS, <i>Average Weekly Earnings</i> DWP, <i>Family Resources Survey</i> ONS, <i>Labour Market Statistics</i>	<p>All worker earnings are estimated using the ratio (in the FRS) between the mean earnings of all workers and those of employees to adjust AWE total pay. For the latest months (for which FRS data is not available), we assume that average self-employed earnings have grown at the same rate as average employee earnings, and simply adjust our all worker figure to reflect changes in employee / self-employed workforce composition. This tentative estimate is represented by dotted lines on charts.</p> <p>Series are CPI-adjusted to latest prices.</p> <p>The breakdown showing the earnings of the self-employed compared to those of employees is based on FRS data only.</p> <p>The analysis of all worker earnings compared to employee earnings covers GB (although the FRS data and Labour Market Statistics data that feed into it are on a UK basis). The analysis of the earnings of the self-employed compared to those of employees covers the UK as a whole.</p> <p>For more information see: L Gardiner, <i>All accounted for: The case for an 'all worker' earnings measure</i>, Resolution Foundation, July 2014</p>
Indicator 3: Earnings decomposition	The impact of changes in the make-up of the workforce on annual growth in nominal average weekly earnings	ONS, <i>Labour Force Survey</i> ONS, <i>Average Weekly Earnings</i>	<p>To derive the overall compositional effect, and the relative impact of each factor within this (controlling for the overlap between each), we estimate a regression equation to determine the wage mark-up for various characteristics, using pooled LFS data and including a quarterly time dummy. We apply the estimated coefficients to the profile of employee characteristics each quarter. Finally, we compare the estimated compositional effects to actual pay growth in the LFS to derive the relative contribution of wage effects and compositional effects to overall pay growth. These estimates are applied to AWE in order to express the magnitude of impact in terms of our most regular official earnings statistics (apart from the factor breakdowns which remain in LFS terms).</p> <p>Series are three-month averages to the date shown, all in nominal terms.</p> <p>Factors with generally negligible impacts (sex, region and public / private sector) are excluded from factor breakdown charts.</p> <p>The analysis covers all employees aged 16+ in the UK as a whole (although the AWE data used to scale the results is on a GB basis).</p> <p>For more information see: L Gardiner & M Whittaker, <i>Why 2014 hasn't been the year of the pay rise: The impact of the changing make-up of the workforce on wages</i>, Resolution Foundation, November 2014</p>
Indicator 4: Pay rises	Median annual changes in real hourly pay (i.e. the 'typical pay change') for employees staying in work over a year	ONS, <i>Annual Survey of Hours and Earnings</i> (microdata) ONS, <i>Labour Force Survey</i>	<p>Employees remaining in work over a year include those who have been in the same job for more than a year ('job stayers') and those who have been in their job for less than a year but were present in the ASHE sample in the previous year ('job changers'). Job changers may have had a spell out of work between the two survey points.</p> <p>Linear interpolation between ASHE survey points. LFS data is used to project forward the trends observed in ASHE for the latest quarters. Annual rolling averages (centred around the date shown) are applied to the LFS data, which is represented by dotted lines on charts.</p> <p>Series are CPI-adjusted.</p> <p>The analysis covers all employees in GB (although the LFS data used to estimate trends for the latest quarters is on a UK basis).</p> <p>For more information see L Gardiner, <i>Who's been getting a pay rise?</i>, Resolution Foundation, March 2015</p>
Indicator 5: Earnings inequality	Hourly earnings inequality as captured by the ratio between earnings at the top and bottom (90:10) and the upper-middle and lower-middle (75:25)	ONS, <i>Annual Survey of Hours and Earnings</i> (published) ONS, <i>Labour Force Survey</i>	<p>Linear interpolation between ASHE survey points. LFS data is used to project forward the trends observed in ASHE for the latest quarters. Annual rolling averages (centred around the date shown) are applied to the LFS data, which is represented by dotted lines on charts. LFS-based projections are only derived for the 75:25 hourly earnings ratio as this is the only measure for which the historical relationship between ASHE and the LFS is sufficiently similar. Nonetheless, our LFS-based estimates are very tentative.</p> <p>Series are hourly earnings excluding overtime.</p> <p>The analysis covers all employees in the UK as a whole.</p>

What's round the corner: Pay pressures and slack

Indicator 6: Unemployment by duration	The unemployed and long-term (6 months+) unemployed as a proportion of the workforce	ONS, <i>Labour Market Statistics</i> ONS, <i>Labour Force Survey</i>	Series are seasonally-adjusted three-month averages to the date shown, apart from the regional breakdown on the long-term unemployment rate which is an annual rolling average to the date shown. The analysis covers those aged 16+ in the UK as a whole.
Indicator 7: Underemployment	Net desired hours of those in work and the unemployed, as a share of all working hours	ONS, <i>Labour Force Survey</i>	The underemployment index, developed by David Bell and David Blanchflower, provides a combined measure of excess capacity on the extensive (jobs) and intensive (hours) margins of the labour market. The numerator is the sum of all underemployed hours, minus the sum of all overemployed hours, plus the number of unemployed people multiplied by average working hours. The denominator is the sum of all hours worked. Headline data is a three-month average to the date shown, seasonally adjusted by regressing against quarterly dummies. Breakdowns are annual rolling averages to the date shown. The analysis covers those aged 16+ in the UK as a whole. For more information see: D Bell & D Blanchflower, 'Underemployment in the UK revisited', <i>National Institute Economic Review</i> No. 224, May 2013
Indicator 8: Job-to-job moves	Proportion of workers voluntarily moving from one job to another each quarter: those who have recently started a new job and report have resigned from the previous one	ONS, <i>Labour Force Survey</i>	The measure captures the proportion of workers who report having resigned three months ago and who have been in their current job for fewer than three months. Note that this is slightly different to the measure used by the ONS (which is based on longitudinal data and captures all job-to-job moves including those not triggered by a resignation). It is similar to the measure used by the Bank of England. Headline data is a three-month average to the date shown, seasonally adjusted by regressing against quarterly dummies. Breakdowns are annual rolling averages to the date shown. The analysis covers all workers aged 16+ in the UK as a whole.
Indicator 9: Migrant job entry	Proportion of new jobs filled by those born outside the UK	ONS, <i>Labour Force Survey</i>	The headline measure captures the proportion of workers who have been in their current job for fewer than three months who were born outside the UK. It will therefore capture some well-established or naturalised migrants entering work or moving jobs, as well as more recent arrivals. Series are annual rolling averages to the date shown. The analysis covers all workers aged 16+ in the UK as a whole.

What's in the pipeline: Longer-term labour market health and efficiency

Indicator 10: Workforce participation	Economically active (employed or unemployed) 18-69 year olds as a share of the 18-69 year old population ONS, <i>Labour Force Survey</i>	<p>The 'low-activity' groups breakdown uses the following definitions: the low qualified are those in the bottom third of the qualifications hierarchy in each quarter (18-59(women)/64(men) year olds only); single parents are those with dependent children only (including men); disability is defined according to the Disability Discrimination Act. Breaks in the series for disabled people reflect discontinuities due to changes in question wording or definitions.</p> <p>Series are annual rolling averages to the date shown.</p> <p>The analysis covers all workers aged 16-69 (unless otherwise specified) in the UK as a whole.</p>
Indicator 11: Labour productivity	Real output per hour worked ONS, <i>Labour Productivity</i> ONS, <i>Labour Market Statistics</i> ONS, <i>Second Estimate of GDP</i>	<p>The headline measure captures real output (chain volume measure of GVA at basic prices) per hour worked. The latest quarter of data is derived from estimated GDP and hours worked in the Labour Market Statistics when the Labour Productivity data has not been released yet.</p> <p>The region breakdown is derived by indexing regional output per hour work relative to UK output per hour worked (in nominal GVA terms) to annual data on the headline measure described above.</p> <p>Headline data is a seasonally adjusted three-month average to the date shown (the regional breakdown is annual averages).</p> <p>The analysis covers the UK as a whole.</p>
Indicator 12: Training intensity	Share of workers that have received 'off the job' training in the past four weeks ONS, <i>Labour Force Survey</i>	<p>'Off the job' training is isolated in the headline measure as it is judged to reflect a more substantial investment of time and resources in training activities than 'on the job' training, based on this definition from the LFS user guide: "'On the job' training means learning by example and practice while actually doing the job. Any training conducted in a classroom or training section, even if on the employers premises is not 'on the job' training."</p> <p>Series are annual rolling averages to the date shown.</p> <p>The analysis covers all workers (employees and self-employed) aged 16+ in the UK as a whole.</p>
Indicator 13: Graduates in non-graduate occupations	Share of employed 'established' (out of education for five years or more) graduates of higher education working in non-graduate roles ONS, <i>Labour Force Survey</i>	<p>'Established' graduates are isolated in the headline measure because they are more likely to have had the time to find their place in the labour market and settle onto their career path of choice. 'Graduates' are all those with National Qualifications Framework Level 4 qualifications, or above. Based on work by Elias and Purcell, non-graduates occupations are defined as those in which the associated tasks do not normally require the knowledge and skills developed through higher education to perform these tasks in a competent manner. Series based on different occupational coding systems (pre- and post-2011) show very similar trends and so are indexed together.</p> <p>Series are annual rolling averages to the date shown.</p> <p>The analysis covers all graduates aged 16+ in the UK as a whole.</p> <p>For more information see: P Elias & K Purcell, <i>Classifying graduate occupations for the knowledge society</i>, Institute for Employment Research, University of Warwick, Working Paper 5, February 2013</p>