

# Institute for Fiscal Studies

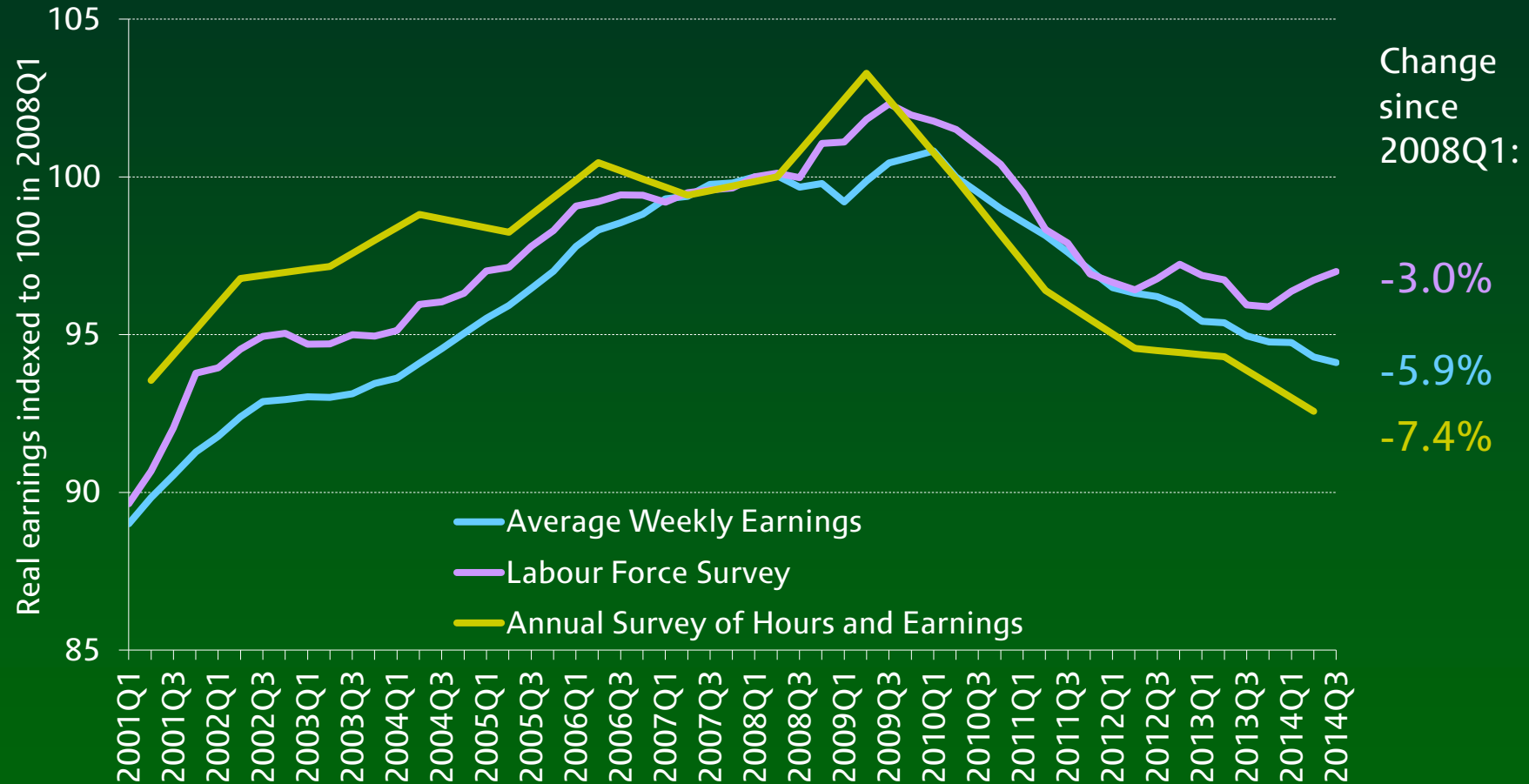


## Earnings since the recession

Jonathan Cribb and Robert Joyce



# Mean weekly earnings (RPIJ-deflated), indexed to 100 in 2008Q1



# Hourly wages have fallen less than weekly earnings

	<i>Cumulative change</i>
	2008 to 2014
<i>Weekly earnings (£)</i>	
Mean	-7.4%
Median	-5.9%
<i>Hourly wages (£)</i>	
Mean	-5.5%
Median	-4.7%

# Part-time work and 'under-employment'

- Sharp rise in part-time work followed by small fall
  - 23.5% of workers in 2007, 27.4% in 2012 and 27.0% in 2014
- Proportion of part-time workers who work part-time because they report cannot get more hours still almost double pre-crisis level
  - 9.9% in 2007, 18.1% in 2014
- Although (working-age) employment rate back to its pre-crisis level (73.0%)...
- ... proportion in-work and reporting working at least as many hours as they want was
  - 67.7% in 2007, 63.8% in 2012 and 65.7% in 2014

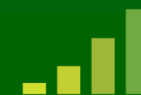
# Changing characteristics of the workforce

- Increase in proportion of workers in “high skilled” occupations
  - From 42.5% of workers in 2007 to 44.0% in 2014
  - Some evidence this trend has stopped since 2013
- Rise in proportion of older workers
  - Proportion who are 60 and over rose from 7.5% to 9.1% from 2007 to 2014
- Large rise in fraction of workers who have a Higher Education qualification from 33.7% in 2007 to 42.6% in 2014
  - Fall of proportion without GCSEs from 20.0% to 12.9% over same period

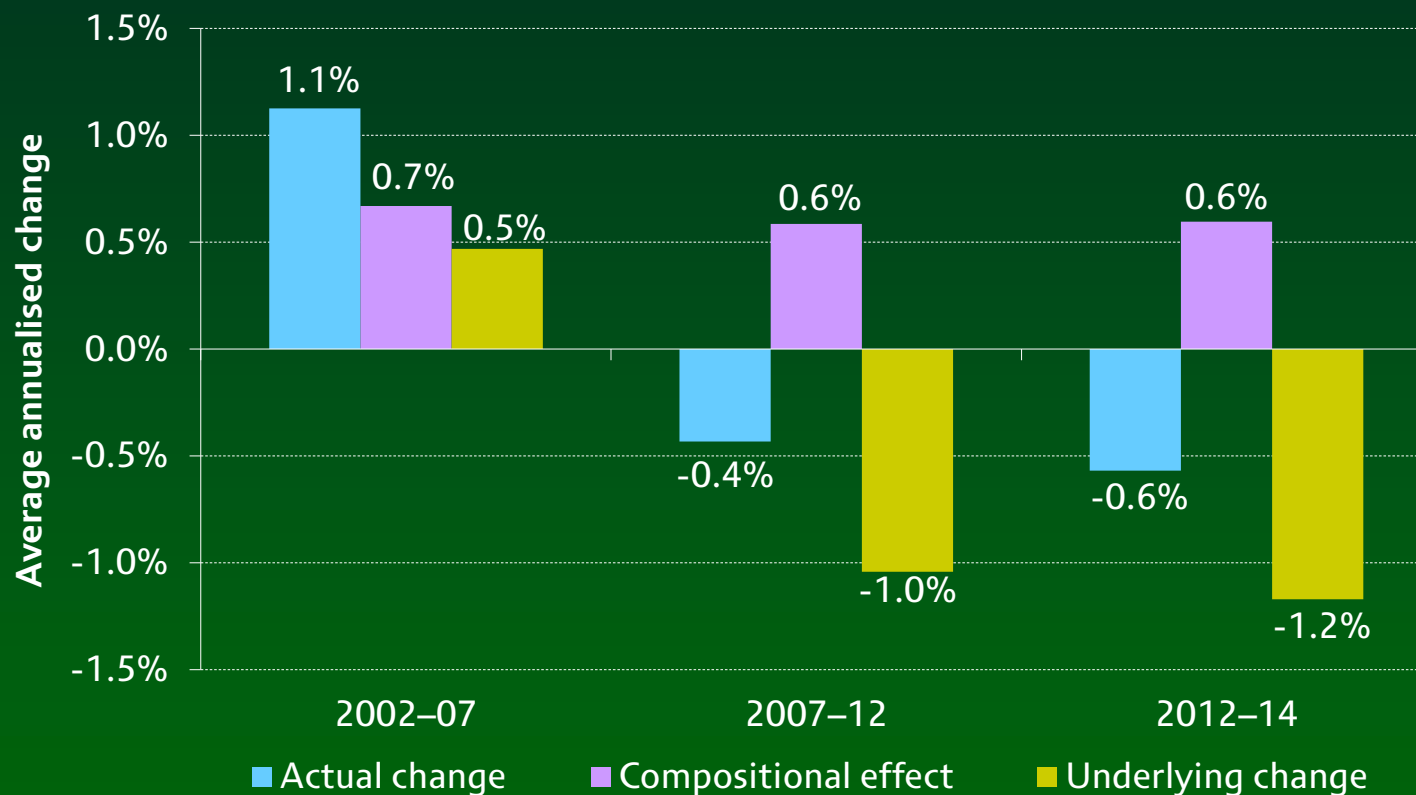
# Decomposition of growth in real mean hourly wages (LFS)



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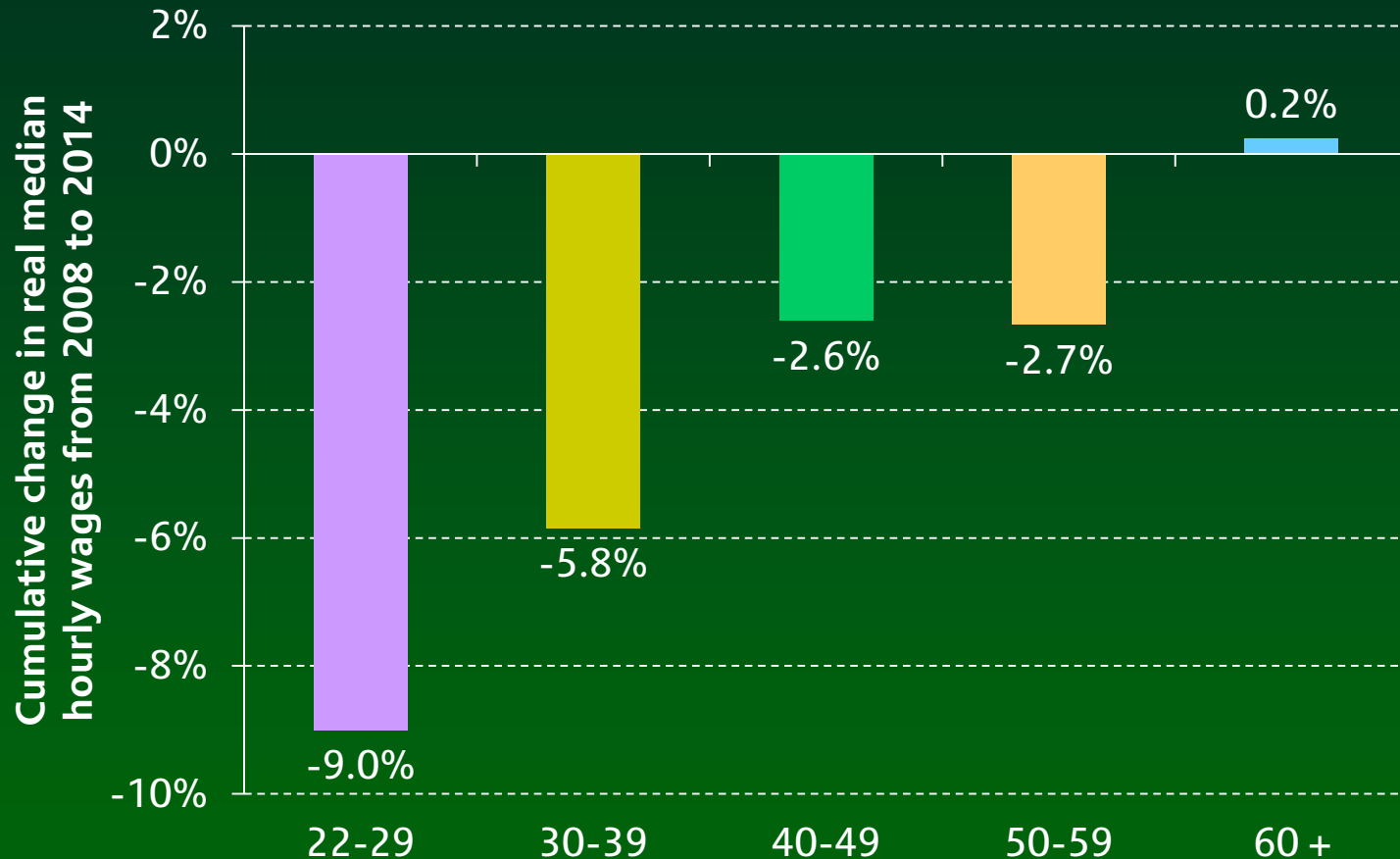


# Decomposition of growth in real mean hourly wages (LFS)

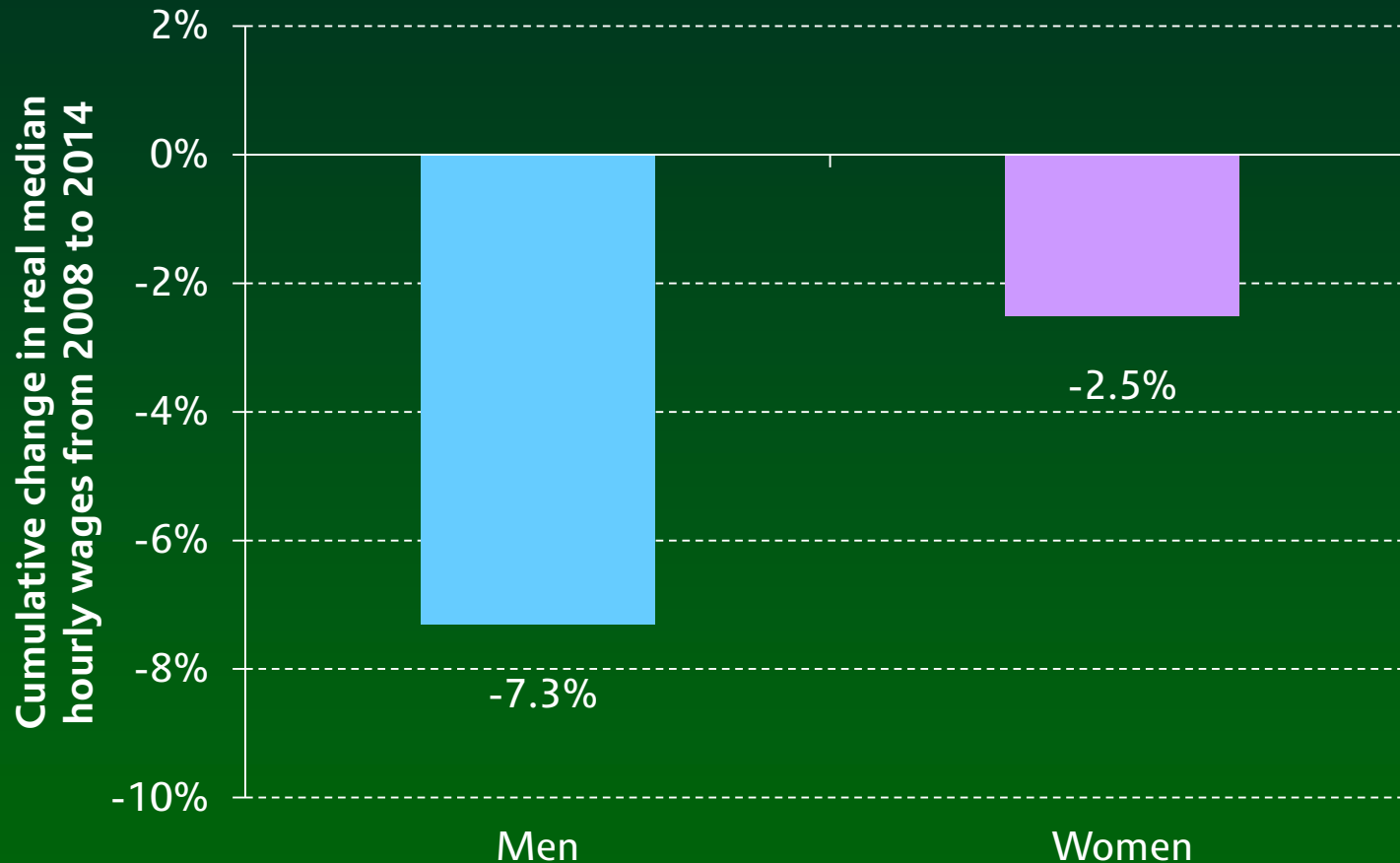




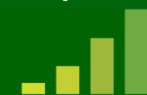
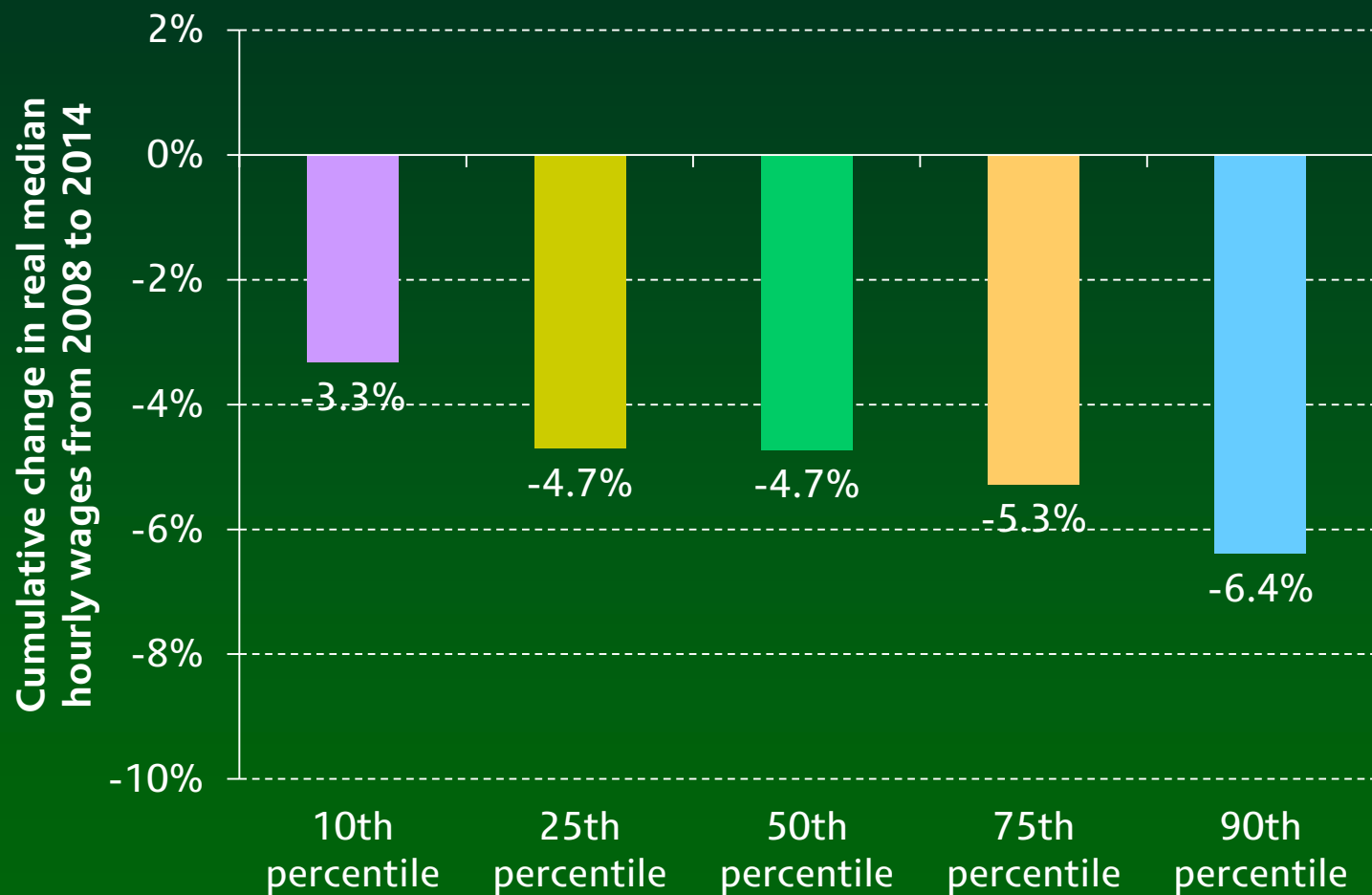
# Change in real median hourly wages by age group since 2008



# Change in real median hourly wages by sex since 2008



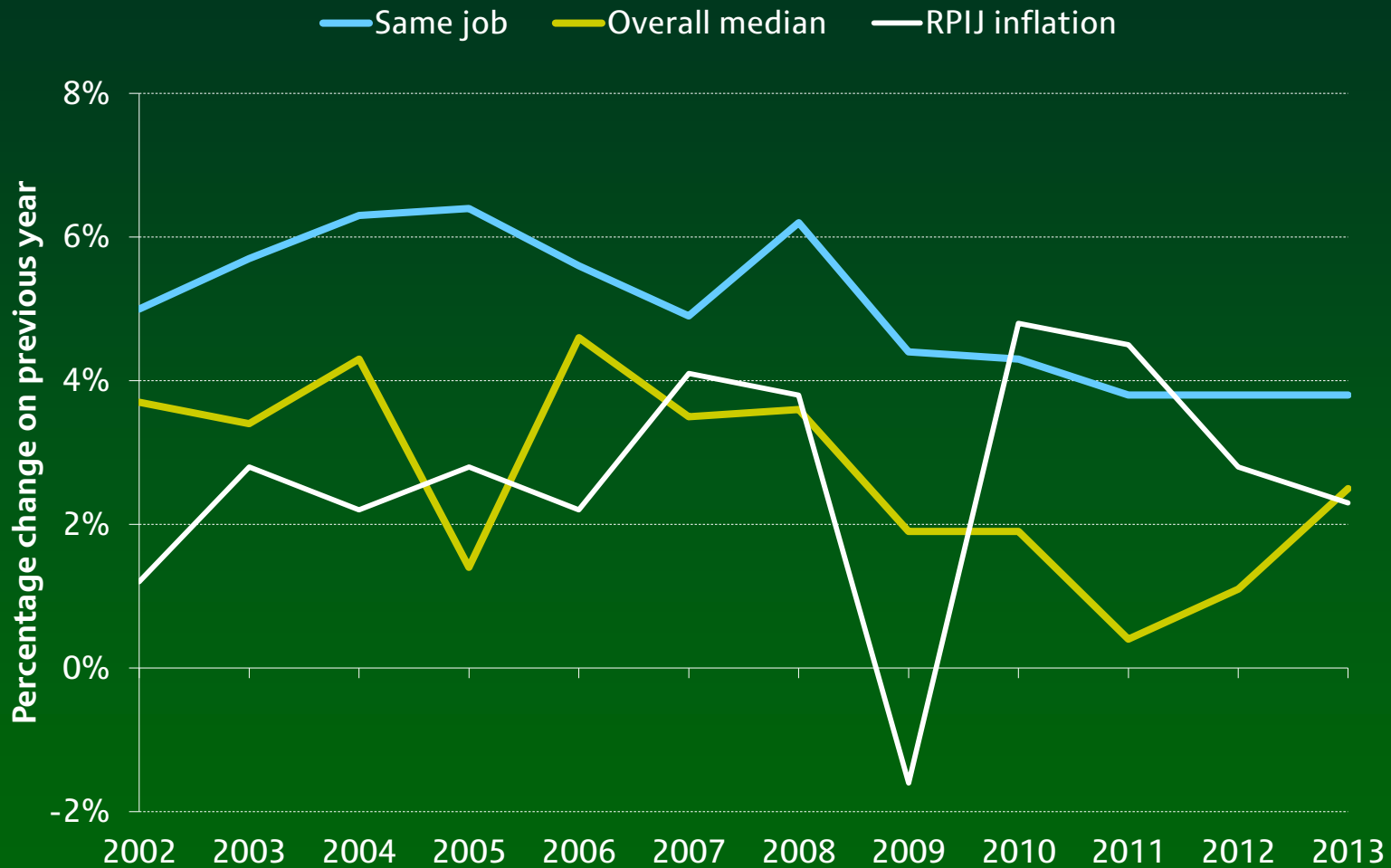
# Changes to real hourly wages since 2008, by percentile point



# Earnings growth for employees in same job as last year

- This measure compares the earnings of a fixed group of individuals in two consecutive years – completely different concept
- Picks up the effect of pay progression as they age; therefore builds in compositional change: 1 year more in age/experience/tenure
  - also a select group (e.g. more highly educated) who are more likely to see fast earnings growth as they age

# Nominal growth in median weekly earnings for employees in same job as last year

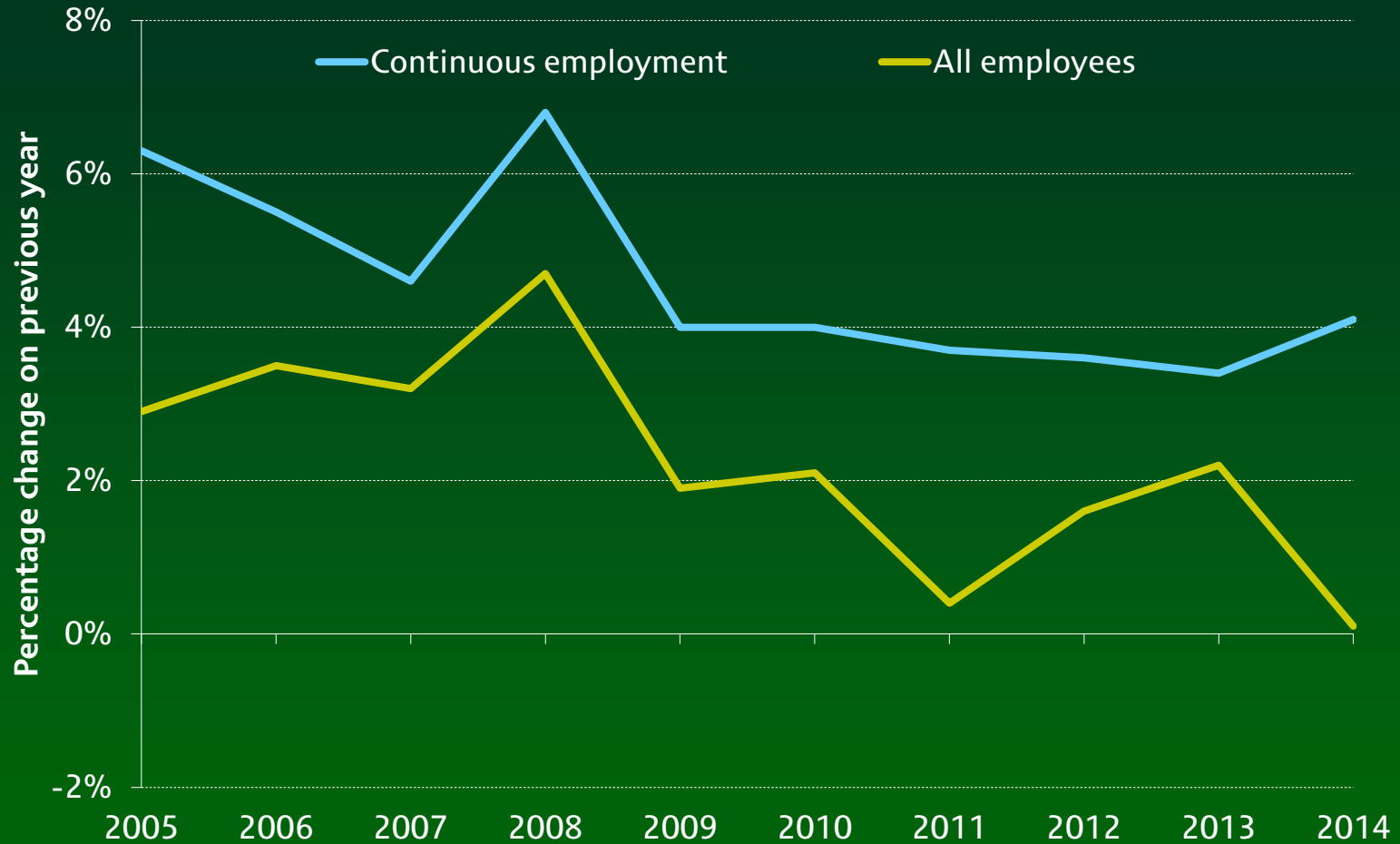


Source: Figure 2.13 of *The IFS Green Budget: February 2015*

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  - also a select group (e.g. more highly educated) who are more likely to see fast earnings growth as they age
- This measure of earnings growth has always been higher
  - Little evidence that the degree to which it is more favourable has changed

# Nominal growth in median weekly earnings for full-time employees in continuous employment in the same job (ONS)



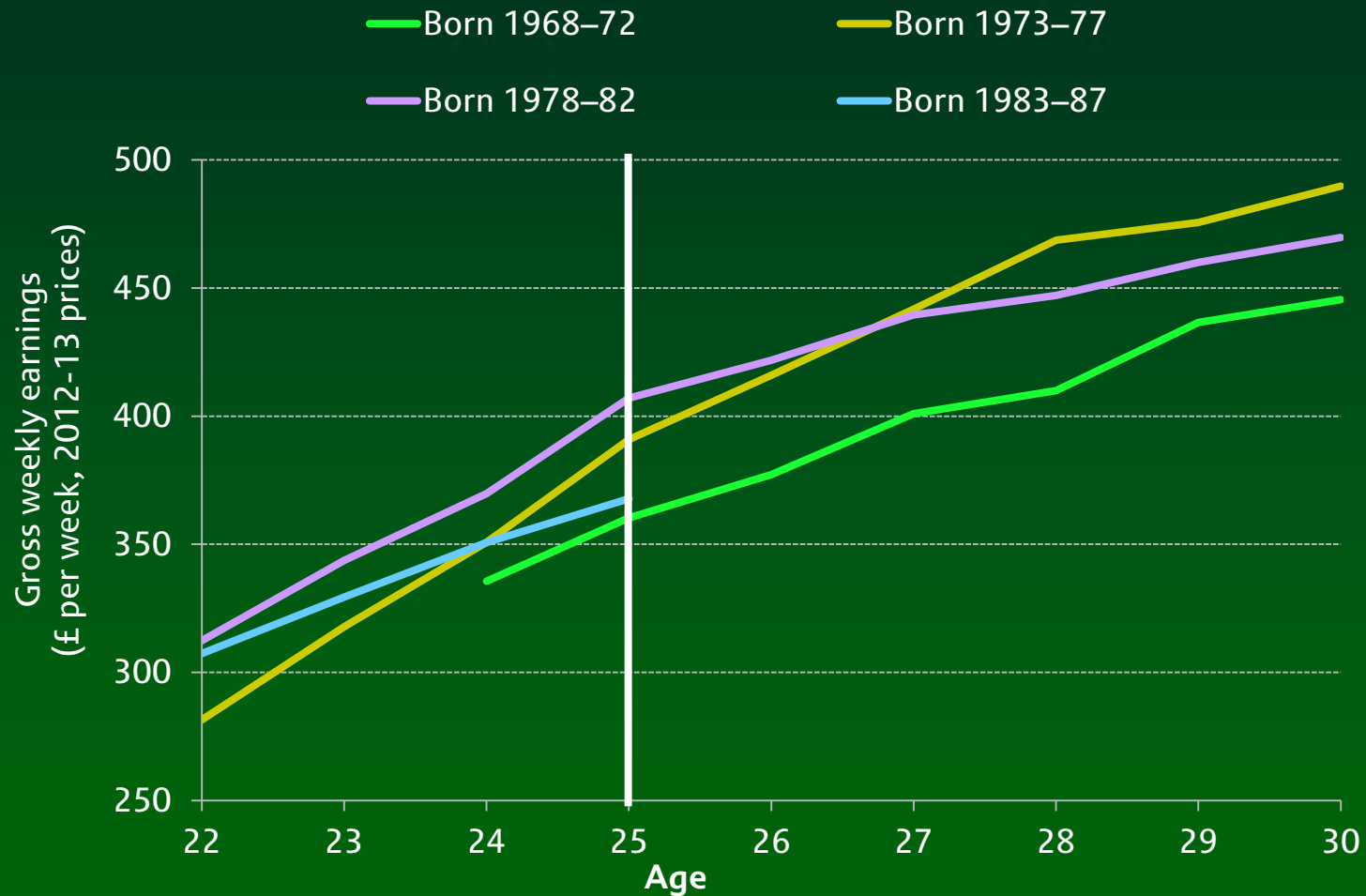
Note: RPIJ inflation is measured in April of each year using ONS series KVR8.  
Source: Figure 2 of Office for National Statistics, 'Annual Survey of Hours and Earnings, 2014 provisional results', 2014

# Earnings growth for employees in same job as last year (as defined by ONS)

- This measure compares the earnings of a fixed group of individuals in two consecutive years – completely different concept
- Picks up the effect of pay progression as they age; therefore builds in compositional change: 1 year more in age/experience/tenure
  - also a select group (e.g. more highly educated) who are more likely to see fast earnings growth as they age
- This measure of earnings growth has always been higher
  - Little evidence that the degree to which it is more favourable has changed
- But it is a reminder of something interesting...



# Falls in earnings levels don't imply falls for individuals as they age

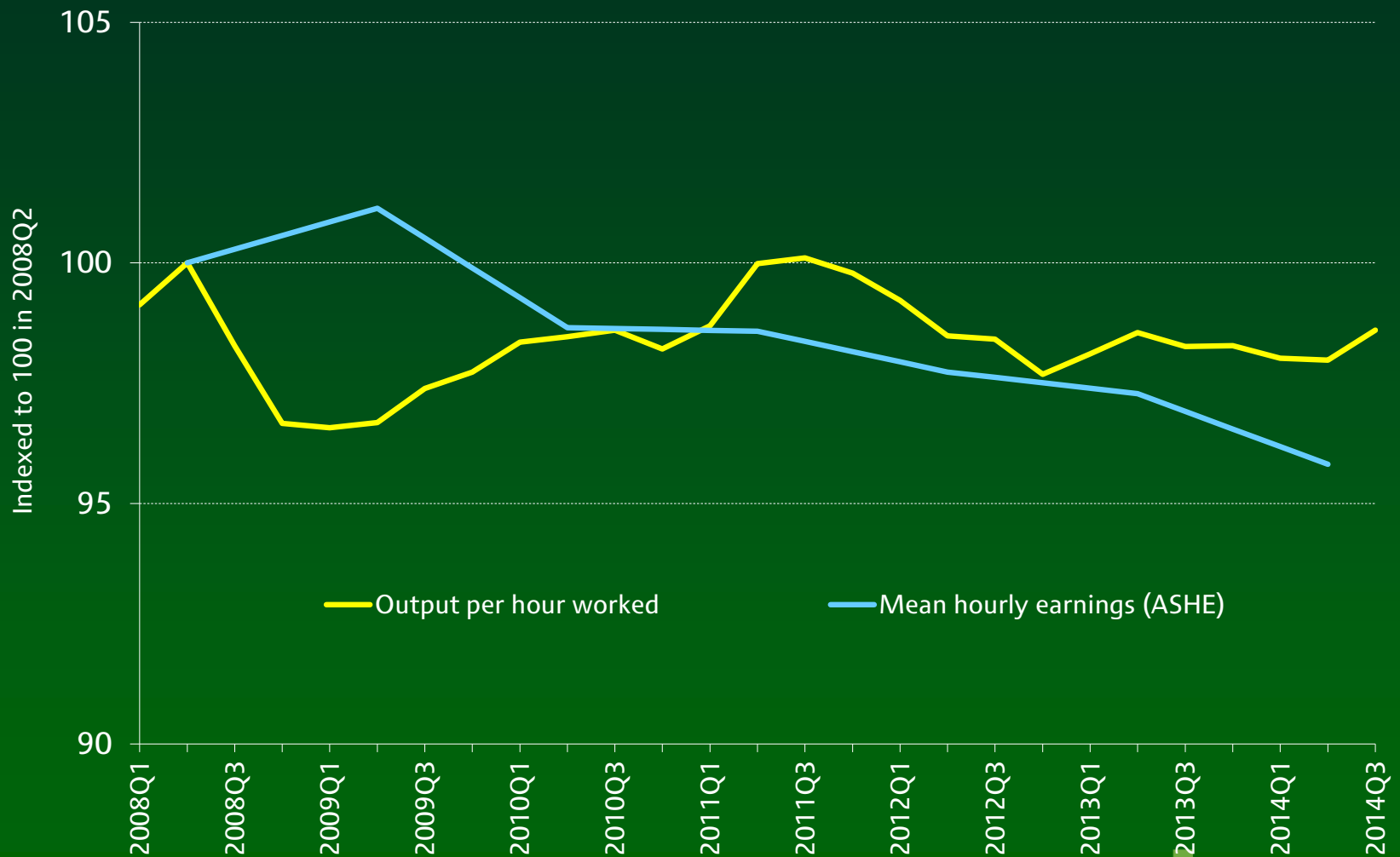


Source: Figure 5.10 of *Living Standards, Poverty and Inequality: 2014*

# Final remarks

- Things clearly looking better. Sept-Nov 2014: AWE shows growth of 1.7% compared to same three months a year before
  - 2.1% in the private sector
  - 1.6%/1.2% RPIJ/CPI inflation over same period (and falling since then)
- Productivity still key in the long run

# Productivity and (GDP-deflated) hourly pay



Source: Figure 2.7 of *The IFS Green Budget: February 2015*