Earnings since the recession

Jonathan Cribb and Robert Joyce
Mean weekly earnings (RPIJ-deflated), indexed to 100 in 2008Q1

Source: Figure 2.3 of The IFS Green Budget: February 2015
Hourly wages have fallen less than weekly earnings

<table>
<thead>
<tr>
<th></th>
<th>Cumulative change</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2008 to 2014</td>
</tr>
<tr>
<td><strong>Weekly earnings (£)</strong></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>−7.4%</td>
</tr>
<tr>
<td>Median</td>
<td>−5.9%</td>
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<tr>
<td><strong>Hourly wages (£)</strong></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>−5.5%</td>
</tr>
<tr>
<td>Median</td>
<td>−4.7%</td>
</tr>
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Source: Table 2.3 of *The IFS Green Budget: February 2015*
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

Source: Table 2.1 of The IFS Green Budget: February 2015
Decomposition of growth in real mean hourly wages (LFS)

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<thead>
<tr>
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<tbody>
<tr>
<td>Actual change</td>
<td>1.1%</td>
<td>-0.4%</td>
<td>-0.6%</td>
</tr>
</tbody>
</table>

Source: Figure 2.5 of *The IFS Green Budget: February 2015*
Decomposition of growth in real mean hourly wages (LFS)

Source: Figure 2.5 of *The IFS Green Budget: February 2015*
Decomposition of growth in real mean hourly wages (LFS)

Source: Figure 2.5 of The IFS Green Budget: February 2015
Change in real median hourly wages by age group since 2008

Cumulative change in real median hourly wages from 2008 to 2014

- 22-29: -9.0%
- 30-39: -5.8%
- 40-49: -2.6%
- 50-59: -2.7%
- 60+: 0.2%

Source: Figure 2.11b of The IFS Green Budget: February 2015
Change in real median hourly wages by sex since 2008

Cumulative change in real median hourly wages from 2008 to 2014

- Men: -7.3%
- Women: -2.5%

Source: Figure 2.10 of *The IFS Green Budget: February 2015*
Changes to real hourly wages since 2008, by percentile point

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Cumulative change in real median hourly wages from 2008 to 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>10th</td>
<td>-3.3%</td>
</tr>
<tr>
<td>25th</td>
<td>-4.7%</td>
</tr>
<tr>
<td>50th</td>
<td>-4.7%</td>
</tr>
<tr>
<td>75th</td>
<td>-5.3%</td>
</tr>
<tr>
<td>90th</td>
<td>-6.4%</td>
</tr>
</tbody>
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Source: Figure 2.8b of The IFS Green Budget: February 2015
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*
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

- 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