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Earnings and settlements

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Contents

1	EXECUTIVE SUMMARY	5
2	INTRODUCTION	8
3	WHAT DOES THE AWE MEASURE	9
4	WHAT DO IDS PAY SETTLEMENTS MEASURE?	10
5	ECONOMIC OVERVIEW AND REGULATORY CONTEXT.....	11
5.1	AWE AND IDS PAY SETTLEMENTS.....	11
5.2	COMPARING AWE WITH ASHE	13
5.1	STRONGER EARNINGS GROWTH FOR THOSE IN CONTINUOUS EMPLOYMENT	15
5.2	LABOUR MARKET OUTFLOWS AND INFLOWS	18
5.3	FINANCE AND RETAIL SECTORS	19
5.4	INCREASE IN TEMPORARY WORKERS.....	21
6	COMPOSITIONAL CHANGES	24
6.1	CHANGES IN EMPLOYMENT BY INDUSTRY – SHIFT TO LOWER-PAYING SECTORS	24
6.2	SHIFT TO PART-TIME WORKING.....	26
6.3	MEN AND WOMEN, FULL AND PART-TIME.....	26
6.4	CHANGES IN HOURS WORKED	30
6.5	LABOUR FORCE SURVEY - CHANGES IN ACTUAL NUMBER OF JOBS	30
6.6	IMPACT BY AGE	33
6.7	HOURS WORKED, IMPACT BY AGE	35
6.8	IMPACT OF BONUS PAY (FINDINGS FROM ASHE AND MWSS)	38
7	CONCLUSIONS.....	41

Graphs

Graph 1: Settlements, earnings and inflation	8
Graph 2: IDS median pay settlements vs. AWE regular pay, 2001-2013	12
Graph 3: AWE, ASHE and pay settlements compared, 2006 to 2013.....	13
Graph 4: Annual change in full-time gross weekly earnings	15
Graph 5: IDS median pay settlement levels and AWE regular pay, Apr 2008 to Apr 2013, finance sectors	19
Graph 6: IDS median pay settlement levels and AWE regular pay, Apr 2008 to Apr 2013, retail sectors	20
Graph 7: Number of permanent and non-permanent jobs in finance sectors, 2008-2013.....	21
Graph 8: Numbers of permanent and non-permanent jobs in retail sectors, 2008-2013	22
Graph 9: Employment levels, men and women, 2008 to 2013	27
Graph 10: % change in number of full-time jobs by age in retail and finance, 2008-2013.....	33
Graph 11: % change in number of part-time jobs by age, retail and finance, 2008-2013.....	34
Graph 12: Changes in median actual hours worked including overtime in full-time jobs, retail sectors	35
Graph 13: Changes in median actual hours worked including overtime in full-time jobs, finance sectors	35
Graph 14: Changes in median actual hours worked in part-time jobs, retail sectors.....	36
Graph 15: Changes in median actual hours worked, part-time jobs, finance sectors	37
Graph 16: AWE regular pay and bonuses, seasonally adjusted, 3-month average, finance sectors, year-on-year change, 2007-13	38
Graph 17: Bonus as % of regular pay, April.....	39
Graph 18: Bonus as % of regular pay, selected months, 2011	40
Graph 19: Bonus as % of regular pay, selected months, 2013.....	40

Tables

Table 1 Temporary workers as a % of all employees.....	23
Table 2 Industries that have increased/decreased by 10% or more and account for at least 1% of employees in 2013.....	25
Table 3 Growth in the proportion of part-time employees of 2 percentile points or more by sector	26
Table 4 Changes in employment men and women, full- and part-time.....	28
Table 5 Most populous private sector industries for female employees.....	29
Table 6 Average basic pay in the food and beverage industry 2013.....	30
Table 7 Percentage change in actual hours worked and numbers employed, 2008 to 2013 .	31
Table 8 Percentage change in median hours and employees on second quarter in previous year	31

1 Executive summary

- This report examines the relationship between basic pay settlements and the main official measure of earnings growth, the Average Weekly Earnings (AWE) series. We look in particular at how and why, since the recession, the relationship between the two has changed, from one where the measure of earnings growth was traditionally ahead of basic pay awards, to one where the former has generally lagged behind the latter
- While both sets of figures are an indication of pay growth, in fact they measure different things. The AWE involves the Office for National Statistics (ONS) collecting (or estimating) the wage bill figures for some 9,000 organisations every month, and dividing these by the number of employees in each organisation
- As such, the AWE is affected by changes in the size or the composition of the workforces in organisations and industrial sectors, as well as by changes in the amount of money paid out in earnings. For example, shifts in employment from lower- to higher-paying industries, or vice versa, can affect the figures, and within industries, changes in the proportions of employees working part-time or full-time can also have an impact, as can changes in the number of hours worked including overtime
- Bonuses have a major effect too, and the AWE distinguishes between 'regular pay', ie earnings excluding bonuses, and 'total pay', which includes bonuses
- By contrast, pay settlements are the headline increases to basic pay under the annual pay reviews at a sample of organisations across the economy. The figures are produced mainly for the purpose of allowing companies make decisions on their own pay reviews. Bonuses or other payments, are not included in the calculation. The focus is generally on the median, rather than the mean, since it is less influenced by very low or very high awards
- Settlements do not include the extra elements of pay such as incremental progression, bonuses and lump sums that traditionally led to earnings growth being generally higher than basic pay awards. But neither are they subject to the workforce composition changes that can affect the AWE
- In examining the change in the relationship between the two measures, post-recession, a number of developments in the structure of the workforce appear to be having an effect on the AWE figures, producing earnings growth that, for the whole

economy, has frequently been below the level of the measure of basic pay settlements

- In particular, there has been a shift in employment from higher- to lower-paying sectors since 2008. For example, the number of jobs in parts of finance with above-average earnings, has fallen. By contrast, employment in food and beverage services, where earnings are below-average, has grown
- Since 2008 there has been a general shift from full-time to part-time work. This change has particularly affected men who are now employed in a larger proportion of part-time jobs. In both the retail and finance sectors, men aged 16 to 24 have seen the largest fall in full-time work but also significant increases in hours worked in part-time jobs. This may point towards 'under-employment', whereby workers would like to do more hours if they could, and is also likely to have had a downward impact on the earnings figures in the AWE
- We also examined another measure of earnings growth, from the Annual Survey of Hours and Earnings (ASHE), to see what light it could shed on trends in the AWE. ASHE and AWE were in line during the recession, but have diverged slightly recently
- Importantly, it is possible to derive two measures of earnings growth from ASHE: one for all employees, and the other for the roughly four-fifths of the workforce who remained in the same job between one year's survey and the next ('continuous employment')
- The figure for the latter is generally higher than for all employees. It has also recently been higher than the figures for basic pay settlements. This appears to be due, on the positive side, to progression pay and other elements of earnings producing a favourable outcome for those in continuous employment
- But what effect are those that are changing jobs (or are otherwise 'discontinuous' in respect of successive surveys) having on the difference between the all-employee figure and that for those in continuous employment? Most employees change jobs for a pay increase, and while the most recent figures show that some experienced reductions in pay, this is a very small group and is likely to have only had a marginal effect
- Instead, the main downward pressure on the most recent all-employee figure is the result of a comparison between those who are only in the 2012 ASHE survey with

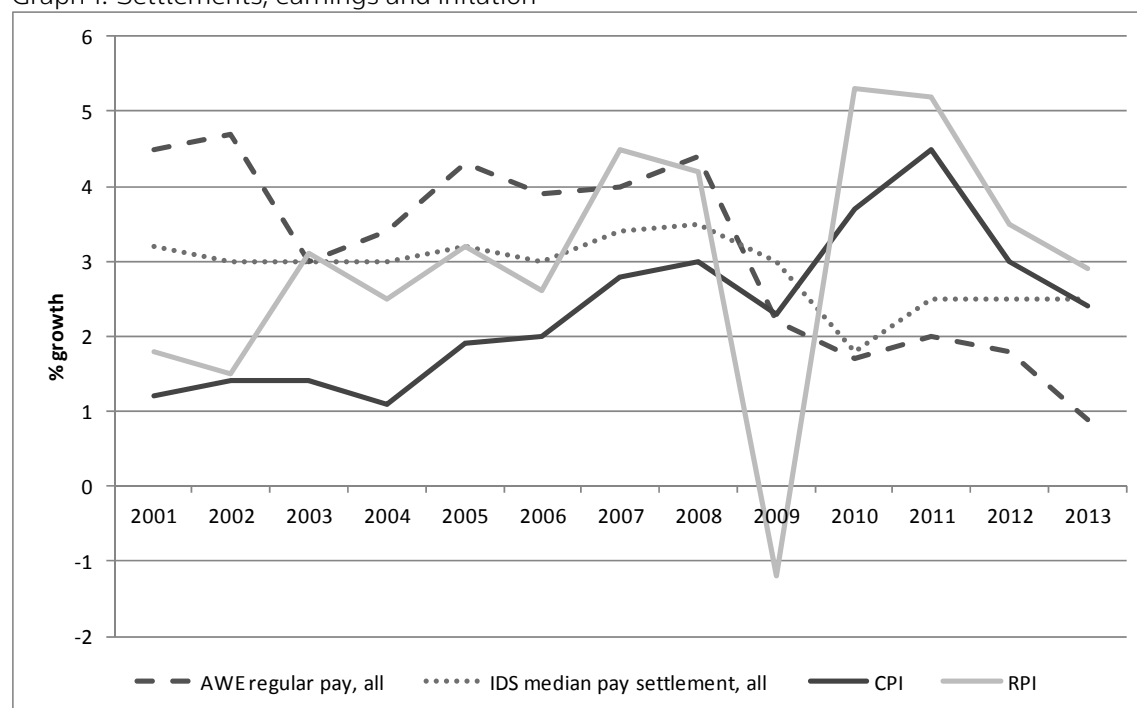
those who are only in the 2013 survey. Overall these account for between 20 and 25% of those included in the all-employee calculation. Those only in the 2013 survey had a mean hourly wage that was around 3.9% less than those who only appeared in 2012. Part of this is explained by some higher earners retiring and being replaced by younger lower-paid new entrants, but it is also the case that a comparison based on those in the 30 to 49 age group shows a similar pattern. This may be connected to some of the shifts from lower-paying to higher-paying industries explored earlier.

2 Introduction

In 2010 Average Weekly Earnings (AWE) figures began to rise more slowly than pay settlement data, as collected by IDS. This is the first time that this has occurred for a sustained period since the 1970s and IDS have been commissioned by the TUC to investigate why this might be happening now. In summary, we are seeking to explain why Average Weekly Earnings are increasing at a lower rate than pay settlements.

One important aspect of the question is that the indices are measuring two different things: basic uplifts to pay on the one hand, based on data provided by employers to IDS as part of our ongoing monitoring of the labour market, and average weekly earnings across organisations monitored by ONS, on the other. But, as Graph 1: below shows, since 2010 the relationship between the two indices has changed, with settlements now running at a higher rate than average earnings. However, settlements are still running below their pre-recession trend. After an overview and explanation of the two indices, we will look more closely at the AWE data to identify potential primary explanations behind the reversing of the usual relationship between AWE and settlements.

Graph 1: Settlements, earnings and inflation



Source: IDS

3 What does the AWE measure

The Average Weekly Earnings (AWE) index, as produced by the Office of National Statistics (ONS), is, according to the ONS's definition, 'an indicator of short-term earnings growth providing monthly estimates of the level of average weekly earnings per employee.'¹ The 'headline rates' are generally the changes in the seasonally adjusted AWE, either including or excluding bonus payments, comparing the latest three months with the same three months in previous years on a rolling monthly basis. The index is a key economic indicator and is 'used by the Bank of England and HM Treasury to measure the inflationary pressure emanating from the labour market'². The AWE is published monthly and is based on employers' responses to the Monthly Wages and Salaries Survey (MWSS). The survey is issued to around 9,000 businesses each month and covers around 14 million employees. Importantly, because of the way AWE data is collected and analysed (roughly speaking, it is the total wage bill of an organisation, divided by the number of employees within that organisation), it is less a measure of average employee earnings and more an assessment of changes in the 'lump' of earnings across the whole economy, and major industries within this. Therefore the figures can be affected by changes in the composition of an industry's or organisation's workforce, an important point that will be dealt with more fully in section (see section 6 below).

¹ <http://www.ons.gov.uk/ons/rel/awe/average-weekly-earnings/index.html>

² <http://www.ons.gov.uk/ons/guide-method/method-quality/quality/quality-information/labour-market/quality-and-methodology-information-for-average-weekly-earnings--awe-.pdf>

4 What do IDS pay settlements measure?

IDS has been monitoring employee pay settlements in the UK since 1966. IDS pay settlement data is used by many hundreds of employers as a guide to setting pay. Pay settlement data is provided to IDS by employers and currently covers over 9 million employees. The settlement data consists of a percentage increase that employers have informed us is applied to the basic salaries of specific employee groups within their organisation. The data is generally analysed in 3-month rolling periods and each analysis provides an overview of the current state of earnings growth in the UK economy.

The percentage figure recorded for each settlement is the increase to basic pay, and bonuses or other payments are not included in the calculation. Where the percentage increase varies for different groups of employees (where increases are based on performance, for example) within an organisation, the figure used is the average where this is known, or the increase received by the greatest number of employees, and sometimes the paybill effect of the review. The latest analysis of the figures, for example, published in *IDS Pay Report 1124*, shows that the whole economy median increase is running at 2.5% for the three months to March 2014.

Another important difference between the two measures is that pay reviews are annual events, so each case appears only once in the series for each year. By contrast, the contribution made by each case in the AWE/MWSS data is monitored monthly by the ONS, and may change monthly. Therefore the effect of annual pay reviews on the AWE data is difficult to quantify. Finally, the sample sizes for settlements are much smaller than for the MWSS, and do not generally cover small businesses. By contrast the MWSS data contains estimates for companies with less than 20 staff, based on returns to the Annual Survey of Hours and Earnings in 2009.

5 Economic overview and regulatory context

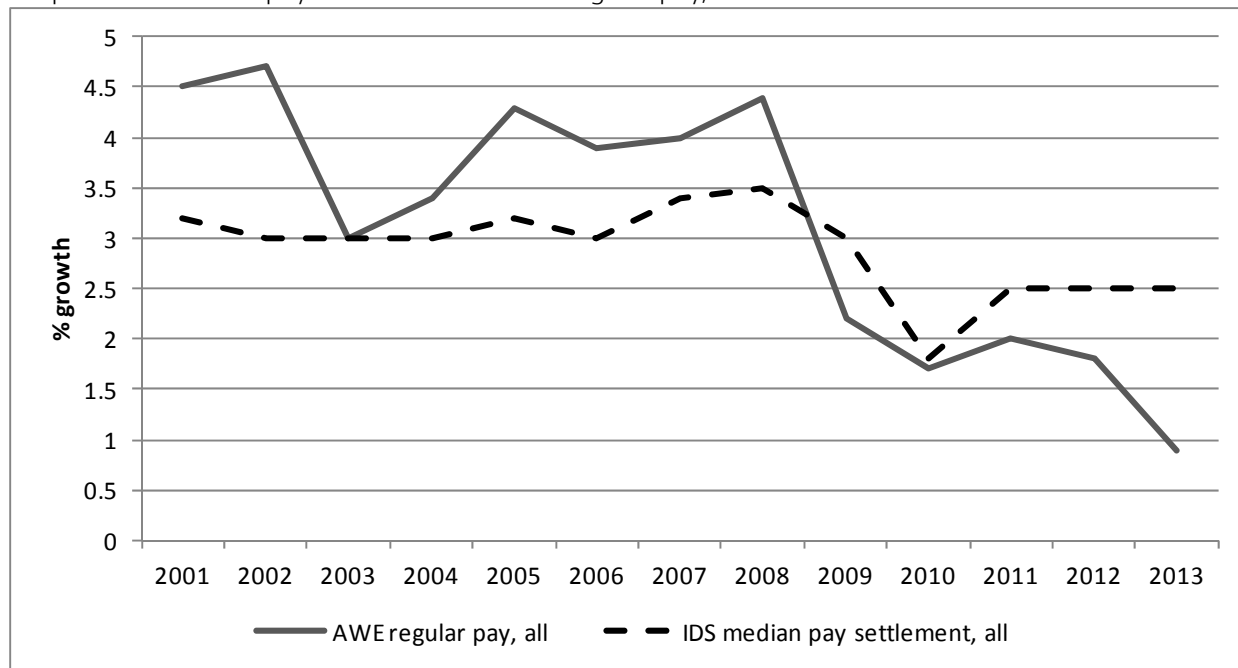
Before the recession, the AWE figures were generally higher than settlement figures. This was the traditional relationship, pertaining to the AWE's predecessor, the Average Earnings Index, as well, and was assumed to be because AWE data represents an attempt to measure the impact of changes in *earnings*, as opposed to just basic pay. Earnings include other elements such as bonuses, overtime, progression, and promotion etc. In a non-recessionary period, these generally contribute to higher earnings growth than basic pay growth, a phenomenon often referred to as 'pay drift'. Since 2010, however, the relationship between basic pay and earnings has switched and could be characterised as 'negative drift'.

Our study of the latest trends indicates that the interpretation of AWE data calls for a number of factors to be taken into consideration, factors that are specific to broader economic trends over the course of the recession and their impact on employment.

5.1 AWE and IDS pay settlements

Graph 2: shows that the turning point in the usual relationship between the AWE (regular pay) series and median pay settlement levels occurred in 2009 when AWE grew by an annual rate of 2.2% in the 3-months to April 2009 (down from 4.4% in April 2008) while the median pay settlement level was 3% in the 12-months to April 2009. Pay settlements fell subsequently during the rest of 2009 and 2010, with the time lag partly based on the timing of pay reviews. While the AWE data continued to decline, settlements recovered somewhat, to a median level of 2 per cent, but still short of pre-recession levels. This is partly connected to the fact that larger companies generally returned to making pay awards once the worst of the recession was over.

Graph 2: IDS median pay settlements vs. AWE regular pay, 2001-2013



Source: IDS

5.2 Comparing AWE with ASHE

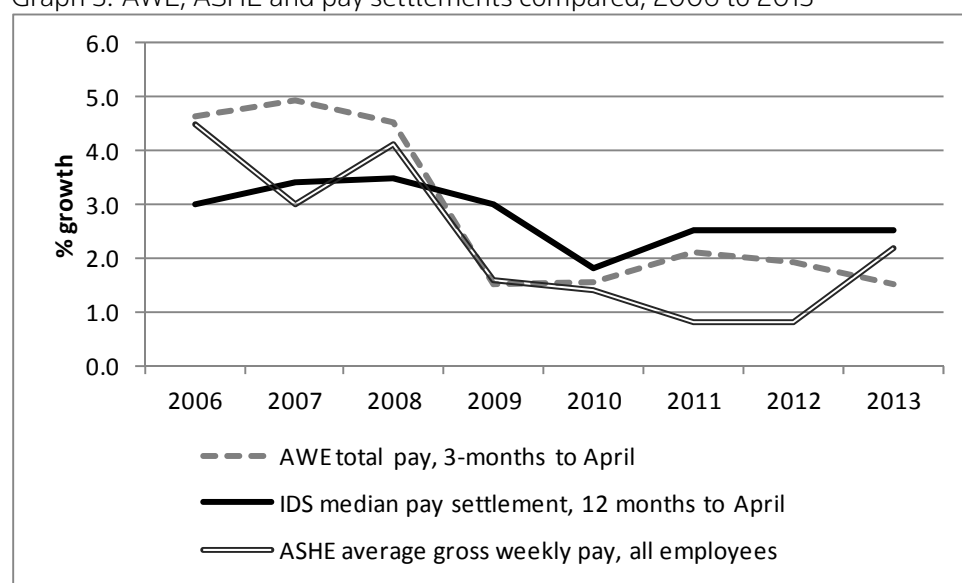
Since 2009, the average weekly earnings (AWE) series has shown weak levels of growth. Total earnings (including bonuses) growth on the AWE measure has been below 2% for much of 2012 and 2013, and regular earnings growth (excluding bonuses) reached a record low of 0.8% at times during 2013.

However other indicators have also shown weak pay growth. We have already indicated how AWE compares to basic pay settlements as measured by IDS. But another measure of earnings growth – the Annual Survey of Hours and Earnings (ASHE) – exhibits a broadly similar trend to that shown by AWE.

The ASHE survey is conducted every year by the Office for National Statistics. It represents a snapshot of working hours and earnings for the standard occupational classifications, across the various standard industrial classifications. It is based on a 1% sample of employee jobs, taken from HMRC’s PAYE records, with the data on hours and earnings obtained directly from employers. It does not include data on employees who are absent due to sickness or lay-offs, and it does not include the self-employed or unemployed.

Graph 3: below compares AWE total pay growth with IDS pay settlements on the one hand, and the growth in average gross weekly for all employees as shown by ASHE, for each year between 2006 and 2013. Both AWE and ASHE were ahead of median pay settlements prior to the economic crisis, and behind settlements during and after the recession. AWE and ASHE produced broadly similar outcomes in 2008, 2009 and 2010, only diverging in 2011 and 2012, when ASHE was lower than AWE, and in 2013, when ASHE was greater than AWE.

Graph 3: AWE, ASHE and pay settlements compared, 2006 to 2013



Source: IDS

The fact that the AWE measure has been generally close to the all-employees measure of average gross weekly earnings in ASHE suggests that similar effects are exerting an influence on both measures. However the recent divergences point to a number of possible explanations, all of which require further research.

Where ASHE has been lower than AWE recently (in 2011 and 2012), this may be due to the following:

- Variations arising from the treatment of bonuses in each measure, with ASHE less effective at picking up the effect of this element of pay, due to the survey's timing;
- There is more monthly volatility in the AWE than in the old AEI series, when firms had to be in the survey for two consecutive months to qualify for inclusion. This is not the case with the AWE;
- Compositional effects, including moves from high- to low-paying industries and vice versa, and perhaps also a pick-up in temporary employment in 2011. ASHE appears to be more sensitive to these, whereas the adjustments in weights in the MWSS data takes place only at the two-digit level;
- There may also be an effect from small firms in the ASHE data for 2011, but this requires further investigation.

In 2013, when ASHE was higher than the AWE, the potential factors could involve the following:

- Lower starting salaries being introduced by some employers at a time of growing employment;
- Increases in employment among the over-50s, which could have placed downward pressure on the AWE as older workers are more likely to reduce their hours, and perhaps move to lower-paying jobs;
- Growth in self-employment in areas such as cleaning and hotels, which would not be picked up by ASHE, though this requires investigation in respect of the impact on earnings.

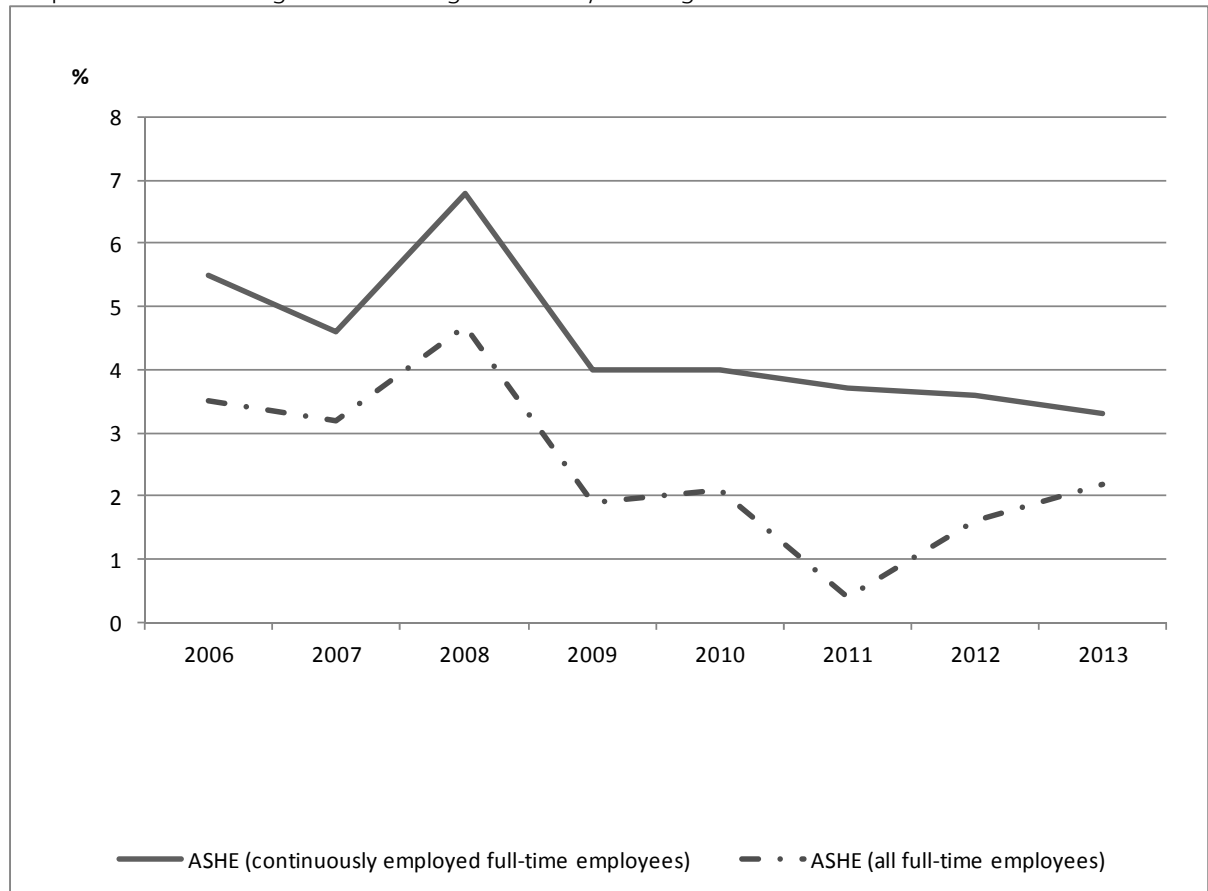
5.1 Stronger earnings growth for those in continuous employment

Two of the potential factors involved in the divergence between the two measures in 2013 relate to employees who have changed their jobs. Importantly, it is possible to derive an additional measure of earnings growth from ASHE, for employees who have remained in the same job for over 12 months, ie ‘continuous’ employment. These represent the bulk of employees, ranging between 80 and 90 per cent of the sample in any given year.

Comparing earnings growth figures for those who remained in the same job for more than 12 months, with those for all employees – which includes employees who changed jobs – allows us to impute an effect from the minority of employees who have changed jobs in the same reference period (‘discontinuous’ employment).

As a partial explanation, the ONS recently published the results of its analysis covering full-time employees. Graph 4: below compares earnings growth from ASHE for all full-time employees, with earnings growth for those in continuous employment, in each year between 2006 and 2013. It shows that in every year, the figure for continuous employment is greater than that for all full-time employees, and since 2010 it has been significantly higher.

Graph 4: Annual change in full-time gross weekly earnings



Source: ONS

So it looks like the effect of including those who have changed jobs is to lower the all-full-time employee figure relative to that for those who have remained in the same job. The ASHE figures suggest that at a broad level there could be a bimodal picture of pay growth, with the bulk of employees, those who have been in the same job for more than 12 months, receiving annual earnings increases roughly in line with the cost of living as a result of a combination of general pay increases and progression pay.

The earnings' growth figures involved, when compared with basic pay settlements, indicate a degree of 'positive pay drift' similar to the relationship between earnings and settlements that pertained prior to the recession. Overtime is likely to have played a much smaller role in this recently, since hours worked were not increasing for most of this period, while ASHE does not adequately capture the effect of bonuses, due to the timing of the survey.

However, once those **without** continuous employment are included, the earnings increases look much more like those of the AWE series. So how can we explain this? Importantly, the all-employee figures still show earnings growth, though this has been comparatively weak – below 2% – since the recession, and only recovered above the 2% mark in 2013.

At our request, the ONS carried out some additional analysis covering both full and part-time employees. Looking at the latest ASHE figures, for 2013, the all-employee growth rate consists of three groups: those in continuous employment and who remain in the same job; those who are in both the 2012 and 2013 surveys but have changed job; and those individuals who are in only the 2012 or 2013 survey. The latter group may be people who have left employment following the 2012 survey, or different people who entered employment and were in the 2013 survey (although it is important to note some people may not be in one of the surveys because the contributor failed to respond).

The growth rates for both those in continuous employment and those on the survey in both years but have changed job are above the all-employee figure. The downward pressure on the all-employee figure is the result of a comparison between those who are only in 2012 with those who are only in 2013. Overall they account for between 20-25% of those included in the all-employee calculation. Those only in 2013 had a mean hourly wage that was around 3.9% less than for those in 2012. Part of this is explained by some higher earners retiring and being replaced by younger lower-paid new entrants. Limiting the comparison to just those aged 30 to 49, to exclude lower-paid young workers, still shows a negative comparison so the other part of the explanation is that those who were only in the 2013 survey earned lower wages in comparison to those only in the 2012 survey. One explanation here is some shifts in employment from higher to lower-paying industries and into lower-paid jobs.

Since the all-employee figures for ASHE are broadly similar to the total pay figures under the AWE, this portion of the workforce may be having a role in producing relatively weak growth in the AWE figures as well. However because it is not possible to track individuals in AWE, in the same way as in ASHE, it is difficult to disentangle this from other effects, such as those arising from the changing composition of the workforce between and within industries.

Additionally for the group in the ASHE survey for two consecutive years and have changed jobs, the majority experience an hourly wage increase of over 5%. However, the proportion of employees in this bracket has fallen slightly, from just below 60% in 2007, to just above 50% in 2013. Between a fifth and a quarter of those changing jobs saw wages differ between -5% and +5%, while just above a quarter (and approaching a third in 2010) experienced a reduction in their wages of more than 5%. This latter group is likely to have had a negative effect, though marginal, since they only represent around 1% of the overall sample.

5.2 Labour market outflows and inflows

Work carried out by the ONS showed that between 2002 and 2013 sales assistants and retail cashiers were the jobs within which most people either left or entered the labour market. Elementary personal service occupations, such as bar staff, waiters/waitresses, hospital and hotel porters, had the second highest number of people either entering or leaving in each year over the same period. Sales assistants and retail cashiers and caring personal service occupations have a large number of people working within them (1.3 million and 1.9 million respectively) compared to some other occupations, which may explain why there is more movement in and out of them.³

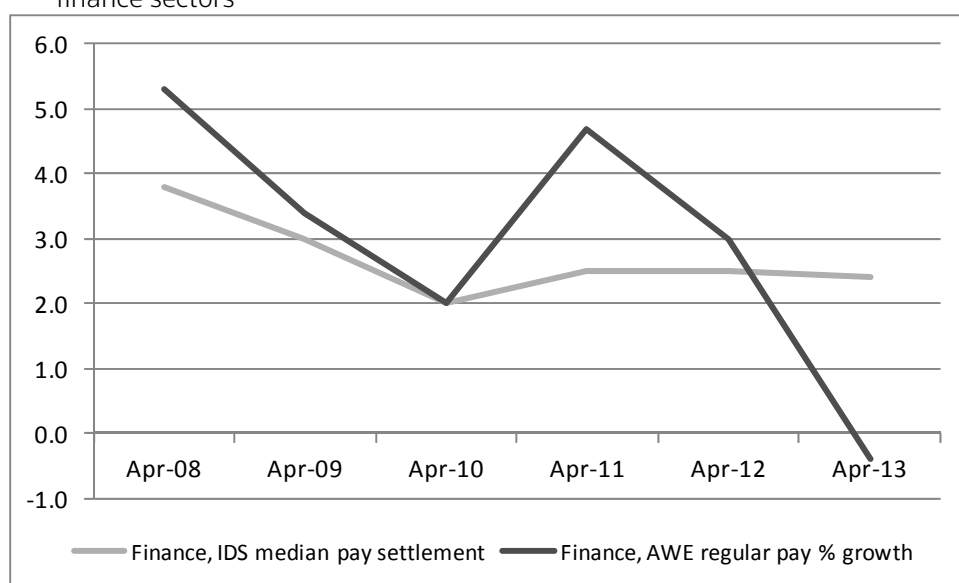
By itself, this change does not explain the weakness exhibited by the AWE figures. However the extent of 'churn' in jobs at these lower-paid ends of the labour market (for example, a higher proportion of employees on lower starting rates of pay) may be having an effect on the series especially if this is set alongside the previous insights gained from ASHE.

³ 'Full Report: Moving between Unemployment and Employment', ONS, November 2013

5.3 Finance and retail sectors

In order to explain the change in the usual pattern between IDS median pay settlement levels and the AWE series we examine changes in depth in the AWE regular pay series for the finance and business services and the wholesale, retail, hotels and restaurants sectors, the two largest industries in terms of weighting by jobs. Finance and business services makes up 20% of the sample of all jobs across the whole economy and wholesaling, retailing, hotels and restaurants makes up 23% of the overall weighting.

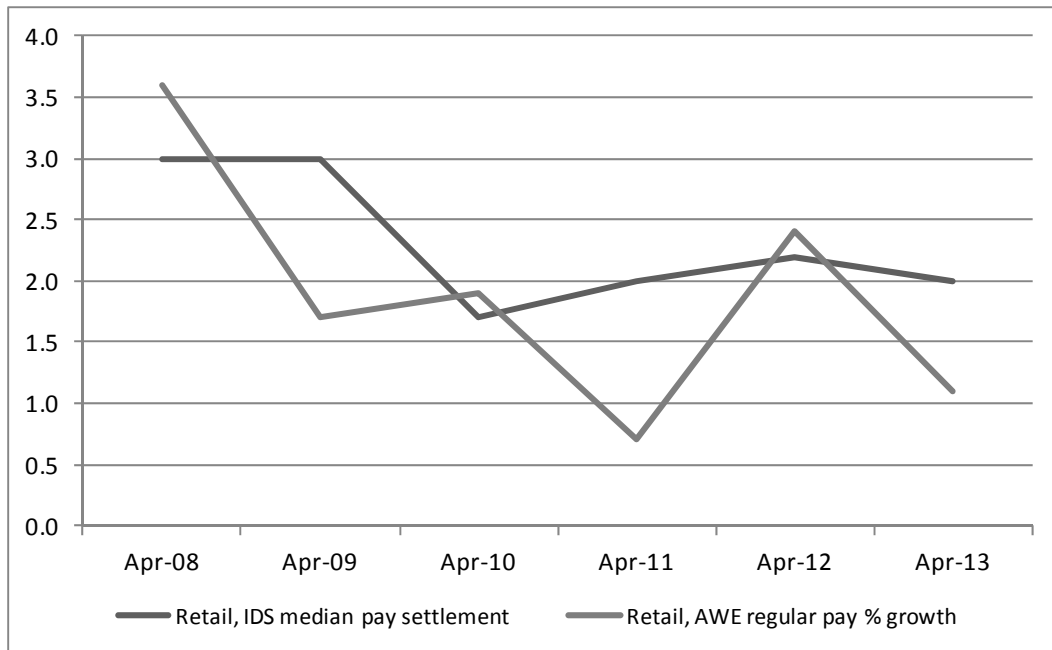
Graph 5: IDS median pay settlement levels and AWE regular pay, Apr 2008 to Apr 2013, finance sectors ⁴



Source: IDS

⁴ In this report IDS retail sectors in the plural stands for retail, wholesale, hotels and fast food, SIC2007 Sections G & I, IDS finance sectors in the plural stands for financial services, business services, & professional services, SIC2007 Sections K-N.

Graph 6: IDS median pay settlement levels and AWE regular pay, Apr 2008 to Apr 2013, retail sectors ⁵



Source: IDS

Graph 5: shows that regular pay in the finance and business services sector and wholesaling, retail, hotels and restaurants began to show an irregular pattern during the second half of 2010 as the rate of growth in regular pay for the finance sector increased sharply, while in retail it fell. In the finance sector, the rate of regular pay growth recovered to pre-recession levels, while in retail it continued to fall significantly until around the end of 2011. From mid-2012 regular pay growth in finance began to fall and continued to do so, falling into negative figures in the three months to February 2013, and has remained negative since. However, Graph 6: shows regular pay growth in the retail sector began to rise throughout 2012, declining slightly for a brief period at the beginning of 2013, before rising again and maintaining a 2 percentage point gap with pay growth in the finance sector throughout 2013. (Some of this recent change in retail is likely to be due to increased hours being worked as economic demand picked up, while employment in the sector has not generally increased.)

In contrast, pay settlement levels for the two sectors show a patterns of a sharp fall followed by modest recovery and stability. In the finance sector the fall comes between 2008 and 2010 followed by recovery in 2011 and holding steady thereafter at around 2.5%. The fall in retail comes later, and is sharper, followed by a more modest recovery to around the 2% level for the subsequent years.

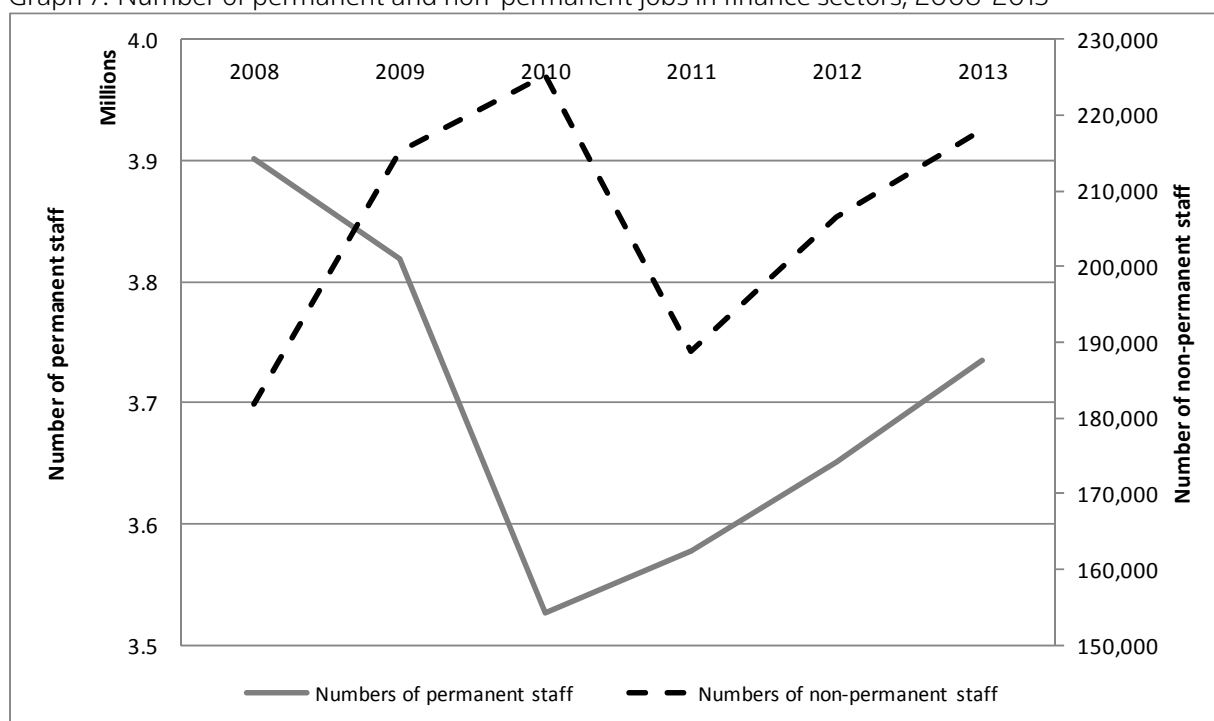
⁵ In this report IDS retail sectors in the plural stands for retail, wholesale, hotels and fast food, SIC2007 Sections G & I, IDS finance sectors in the plural stands for financial services, business services, & professional services, SIC2007 Sections K-N.

5.4 Increase in temporary workers

According to figures from the ONS the number of temporary employees has increased quite strongly over the year to March 2014 (by 5.0%), although just 1.6 million in total. These employees could help to hold down average pay at companies that employ them, or indeed in the temporary agency sector (in the AWE, these mainly show up in SIC 2007 Section N – Administration & support service activities).

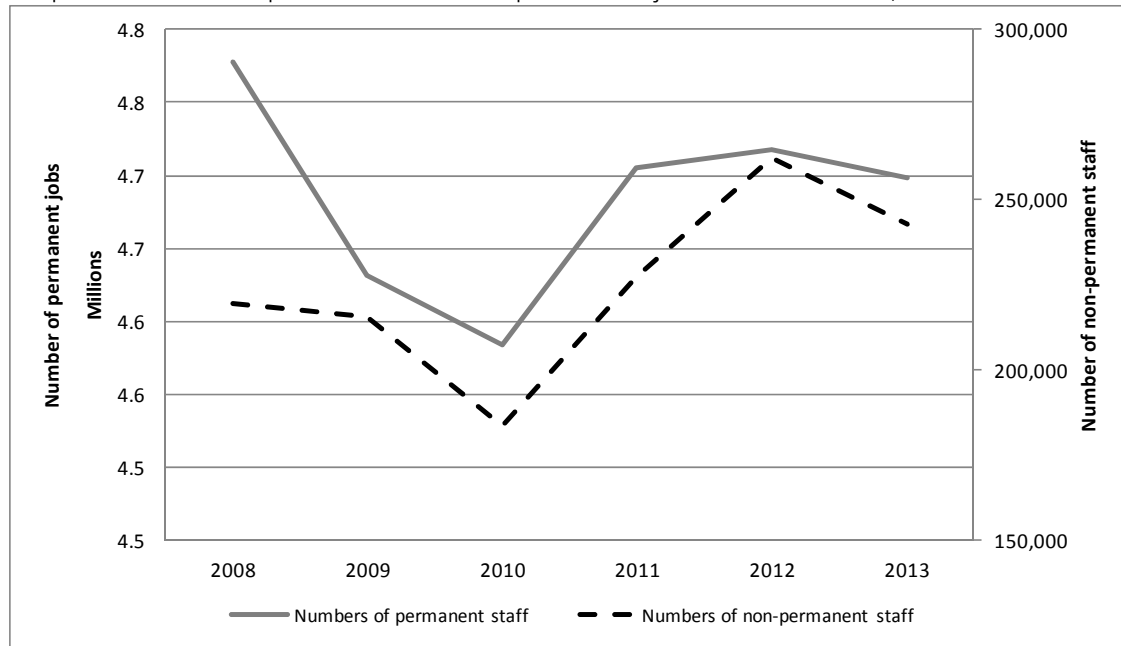
Graph 7: and 0 below show the number of permanent and non-permanent jobs in the finance and retail sectors between 2008 and 2013. Those jobs not classified as permanent are either 'working for an employment agency', 'casual type of work', 'seasonal work', 'contract for fixed period or fixed task' or 'not permanent in some other way'.

Graph 7: Number of permanent and non-permanent jobs in finance sectors, 2008-2013



Source: IDS/LFS

Graph 8: Numbers of permanent and non-permanent jobs in retail sectors, 2008-2013



Source: IDS/LFS

Table 1 provides the figures behind Graph 7: and 0, showing the changes in the numbers of temporary workers as a proportion of all employees. Although the increase in the proportion of temporary workers in the finance sectors in 2010 is consistent with the continuing fall in earnings as measured by the AWE, the pick-up in temporary working in 2012 and 2013 is not consistent with the lower earnings growth seen in the sector for these years. A similar picture arises for the retail sectors. The decline in temporary working in 2010 is broadly consistent with the slight upturn in earnings growth in the sectors but is inconsistent with the pattern of earnings growth thereafter.

Table 1 Temporary workers as a % of all employees

Year	Finance sectors	Retail sectors
2008	4.7	4.6
2009	5.6	4.7
2010	6.4	4.0
2011	5.3	4.8
2012	5.7	5.6
2013	5.8	5.2

Source: LFS/IDS

In conclusion, for the finance and retail sectors there appears to be little correlation between changes in the incidence of temporary working and the pattern of earnings growth in the two sectors.

6 Compositional changes

6.1 Changes in employment by industry – shift to lower-paying sectors

Table 2 shows that there has been a shift from higher to lower-paying sectors and industries since the onset of the recession in 2008. Analysis conducted by the TUC in 2013 showed that much of the job creation since 2010 has taken place in industries where the average wage is less than £7.95 an hour, particularly in the retail and residential care sectors⁶. Employment in the financial services industry (SIC 64), which has above-average earnings, fell by a fifth between 2008 and 2013. In contrast, the food and beverage service industries grew by a quarter over the same period but average earnings are less than half the all-employee mean of £476.20 a week.

Other low-paying industries seeing strong employment growth include social care, facilities management and leisure. This is partly offset by the growth in the higher-paying head office and management consultancy sector but the numbers employed in the latter are significantly less than in other industries. However, the much larger human health activities sector also registered an increase in employment.

Because the AWE is so susceptible to changes in workforce composition, the ONS also publishes 'decomposition tables', which attempt to account for the effects of workforce changes on the AWE figures. In some months these effects are significant. For example, in January 2014 the wage contribution to AWE was 2.1% but the employment contribution was -0.5%, producing total weekly earnings growth of 1.6%. In this part of the paper, we look in more detail at some of the compositional changes which are affecting the AWE figures.

⁶ <http://www.tuc.org.uk/economic-issues/labour-market/four-five-jobs-created-june-2010-have-been-low-paid-industries> and <http://touchstoneblog.org.uk/2013/07/the-uks-low-pay-recovery/>.

Table 2 Industries that have increased/decreased by 10% or more and account for at least 1% of employees in 2013

Industry	SIC Division	Number of employee 2008 ('000s)	Number of employees 2013 ('000s)	Change in numbers 2008-2013 %	Average basic 2013 £pw
Warehousing and support activities for transportation	52	256	315	23.1	553.4
Food and beverage service activities	56	756	942	24.6	224.0
Activities of head offices; management consultancy activities	70	241	285	18.3	716.6
Services to buildings and landscape activities	81	315	406	28.9	265.0
Human health activities	86	2,063	2,353	14.1	503.4
Residential care activities	87	507	689	35.9	297.4
Social work activities without accommodation	88	462	617	33.6	317.7
Sports activities and amusement and recreation activities	93	223	264	18.4	319.0
All Manufacturing		2,740	2,395	-12.6	528.6
Manufacture of fabricated metal products, except machinery and equipment	25	301	263	-12.6	476.5
Construction of buildings	41	289	258	-10.7	626.4
Specialised construction activities	43	578	400	-30.8	497.8
Financial service activities, except insurance and pension funding	64	690	551	-20.1	873.7

Source: ASHE/IDS

6.2 Shift to part-time working

In the period since the onset of the recession in 2008 there has been a shift from full to part-time working. Table 3 shows those sectors which have seen growth of two percentile points or more in the proportion of employees working part-time. There have been no sectors which have recorded increases in the proportion of employees working full-time, which could offset the impact of the increase in part-time working.⁷

Food and beverage service activities – the fast food industries – have seen a growth of four percentile points in part-time working over the five years to April 2013. In contrast, the wholesale and retail sectors saw a cumulative change over the period of just 0.2 percentile points. Similarly, the finance sectors saw very little cumulative change (-0.2), although there have been significant year-on-year movements between full and part-time working in this sector.

Interestingly, significant shifts to part-time working are also seen in the leisure and the large administrative and support service sectors, which includes employment agencies.

Table 3 Growth in the proportion of part-time employees of 2 percentile points or more by sector

	SIC07 Section/ division	No. of jobs 2013 ('000s)	% part- time	Percentile change in p/t jobs since 2008
Food and beverage service activities	56	942	54.9	4.0
Legal and accounting activities	69	481	21.8	2.3
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	N	1,405	34.4	3.8
Employment activities	78	529	33.5	3.4
Public administration and defense; compulsory social security	84	1,258	17.2	2.3
Social work activities without accommodation	88	617	45.5	2.9
ARTS, ENTERTAINMENT AND RECREATION	R	472	44.1	5.6
Activities of membership organisations	94	197	38.6	5.2
Other personal service activities	96	179	41.3	7.3

Source: ASHE/IDS

Note: figures in capitals denote SIC Sections, while those in lower case are SIC Divisions.

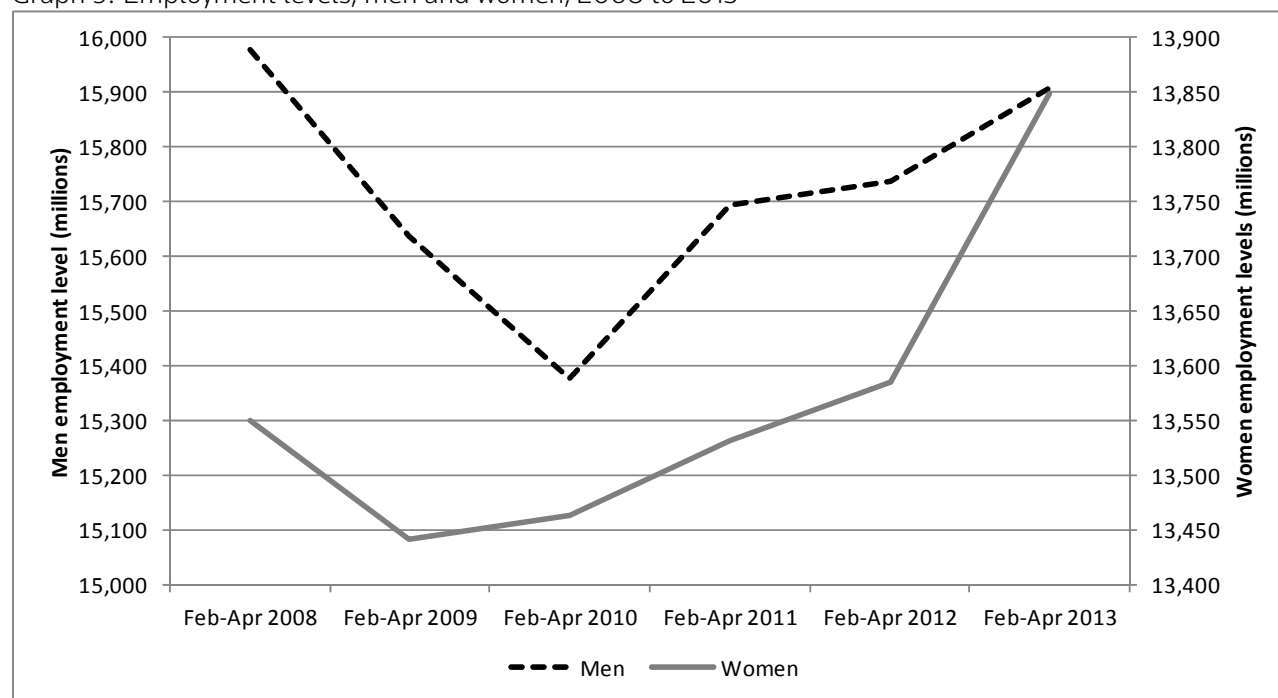
6.3 Men and women, full and part-time

Between 2008 and 2013 the employment rate fell from 72.9% (3-months to April 2008) to 71.5% (3-months to April 2013). The employment rate for men fell over the same period much more significantly than it did for women, falling from 79% in April 2008 to 76.3% in April 2013. The employment rate among women in April 2008 was 67% and in April 2013 it

⁷ The analysis is based on figures published by ASHE in 2008 and 2013. Only those SIC Sections or Divisions which have statistically reliable estimates of part-time working are included.

had fallen slightly to 66.7%. Women's employment reached a high of 67.1% in the three-months to May 2008. The employment rate among women has now surpassed this peak reaching a rate of 67.7% in the three months to March 2014. Graph 9: shows how, despite a fall in rate of employment, the actual number or level of women in employment has risen overall between 2008 to 2013 from 13.55 million to 13.85 million, equivalent to an increase of 2.2%. Meanwhile, the level of male employment has fallen slightly from 15.98 in 2008 to 15.91 in 2013, a decrease of 0.4%.

Graph 9: Employment levels, men and women, 2008 to 2013



Source: LFS/IDS

According to the Labour Force Survey in 2008 there were 25.4 million employee jobs in the labour market. Of these, men were employed in 51% of jobs and women in 49% of jobs. The full-time:part-time ratio overall was 75:25. Since 2008, the number of jobs has declined by 0.62%. This has equated to a 1.1% rise in female jobs as a proportion of all jobs and a 1.1% fall in male jobs (Table 4).

Between 2008 and 2013 there has been a fall in the proportion of full-time jobs overall, and a rise in part-time jobs (for both men and women). Men are now in employed in a larger proportion of part-time jobs; these have grown by over 15%. While for women, the fall in the proportion of full-time jobs and rise in part-time jobs has been less significant.

Table 4 Changes in employment men and women, full- and part-time

Gender	2008 Numbers (% of total)	2013 Numbers (% of total)	% change in proportion of total jobs
All	25,403,128 (100.0)	25,251,406 (100.0)	
Male (%)	13,032,198 (51.3)	12,814,577 (50.7)	-1.1
Female, %	12,370,930 (48.7)	12,436,829 (49.3)	1.2
Full-time, %	18,948,116 (74.6)	18,488,026 (73.2)	-1.8
Part-time, %	6,455,012 (25.4)	6,763,380 (26.8)	5.5
	2008 Numbers (% of gender total)	2013 Numbers (% of gender total)	
Male full-time, %	11,665,613 (89.5)	11,260,202 (87.9)	-1.8
Male part-time, %	1,366,585 (10.5)	1,554,375 (12.1)	15.7
Female full-time, %	7,282,503 (58.9)	7,227,824 (58.1)	-1.3
Female part-time, %	5,088,427 (41.1)	5,209,005 (41.9)	1.9

Source: LFS/IDS

Table 5 sets out the shift from full-time to part-time working for both men and women in the 10 most populous industries for women workers over a five-year period from 2008 to 2013. In five of the 10 industries there has been a decrease in the proportion of women working full-time and an increase in part-time jobs. The food and beverage industry expanded significantly since 2008 with an additional 186,000 jobs. This is the second-largest increase in jobs by industry across the whole economy. However, jobs for women, as a proportion of the total for this industry, decreased from 55% in 2008 to 52% in 2013 while the proportion of women working part-time increased from 61% in 2008 to 66% in 2013.

Table 5 Most populous private sector industries for female employees

Industry (SIC Div)	Change in total number of employees since 2008 (number)	Number of female employees 2013 (number)	% emp. female 2008	% emp. female 2013	% female full-time 2008	% of female full-time 2013	% female part-time 2008	% female part-time 2013
Wholesale trade, except of motor vehicles and motorcycles (46)	27	308	31	31	75	76	25	24
Retail trade, except of motor vehicles and motorcycles (47)	-204	1,254	61	59	40	38	60	62
Food and beverage service activities (56)	186	493	55	52	39	34	61	66
Financial service activities, except insurance and pension funding (64)	-139	271	51	49	75	75	25	25
Legal and accounting activities (69)	30	295	64	61	73	71	27	29
Public administration and defence; compulsory social security (84)	-110	596	46	47	74	71	26	29
Education (85)	-273	2,626	70	68	52	52	48	48
Human health activities (86)	290	1,814	79	77	60	59	41	41
Residential care activities (87)	182	542	80	79	57	57	43	43
Social work activities without accommodation (88)	155	476	77	77	52	50	48	50

Source: ASHE/IDS

Table 6 shows the average basic weekly pay in the food and beverage industry by gender. The much lower figures for part-time workers, both men and women, clearly indicate that the move to part-time jobs in the sector will have had an impact on average earnings. In fact, any shift to part-time working among men will tend to have a larger impact as the gender differential is higher among full-time employees in the industry.

Table 6 Average basic pay in the food and beverage industry 2013

	Men £pw	Women £pw
Full-time	380.8	335.4
Part-time	114.9	107.1

Source: ASHE

6.4 Changes in hours worked

As well as a shift from full-time to part-time work in the food and beverage sector, there has also been a decrease in basic paid hours worked in full-time jobs but an increase in paid hours worked in part-time jobs. For men working full-time in the industry, for example, paid hours worked have fallen from an average of 41.5 hours in 2008 to 41.2 hours in 2013 (-0.7%), while paid hours worked for part-time jobs have increased over the same period from an average of 16.5 in 2008 to 17.2 in 2013 (+4.2%). For women, paid hours worked in full-time jobs have remained the same between 2008 and 2013 (39.4 hours), but hours worked in part-time jobs have increased from 16 to 16.3 hours, an increase of 1.9%.

Looking at ASHE, the average weekly pay excluding overtime for all employees in the food and beverage industry has risen by 1.7% between 2008 and 2013, significantly behind the 12.7% for part-time, the 4.2% growth for full-time employees in the industry, and the 6.9% growth for all employees across the whole economy.

In this industry, the increase in part-time working has produced a significant downward pressure on the earnings growth figure for all employees.

This supports the proposition that the shift from full- to part-time working and the change in hours worked by both full-time and part-time employees has had an impact on the AWE data.

6.5 Labour Force Survey - changes in actual number of jobs

Finance and business services on the one hand and wholesaling, retailing, hotels and restaurants on the other are the two largest sectors of the UK economy, accounting for 20% and 23% of all jobs respectively, in the AWE sample. Table 7 below shows the percentage change in the actual number of full-time and part-jobs and the change in median actual hours worked including overtime in both the retail and finance sectors between 2008 and

2013. There is a clear trend for a fall in women working full-time in both the finance and retail sectors which was partly offset by a growth part-time working in the finance sector. There is a clear trend for more men working part-time in both sectors and an increase in part-time hours worked.

Table 7 Percentage change in actual hours worked and numbers employed, 2008 to 2013

	Full-time				Part-time			
	Male		Female		Male		Female	
AWE sectors (SIC Sections)	Median hours %	E/ees %	Median hours %	E/ees %	Median hours %	E/ees %	Median hours %	E/ees %
Retail (G&I)	2.2	0.0	3.7	-6.8	21.2	11.0	0.0	-1.1
Finance (K-N)	1.2	11.5	2.5	-6.7	7.2	27.6	0.0	6.2

Source LFS/IDS

Table 8 shows that women working were disproportionately affected by job losses in both the retail and finance sectors during and just after the recession. The figures show there has been a steady increase in the number of men working part-time, particularly over the year to the second quarter of 2012.

The growth in the proportion of part-time working seen in the ASHE data (6.2) arises from job losses disproportionately affecting full-time employees in retail and wholesale while the jobs growth in the food and beverage sector has disproportionately been among part-time employees.

Table 8 Percentage change in median hours and employees on second quarter in previous year

		Full-time				Part-time			
		Male		Female		Male		Female	
		Median hours %	Employees %	Median hours %	Employees %	Median hours %	Employees %	Median hours %	Employees %
2009	Retail	-2.3	-2.6	-1.2	-7.1	9.1	4.5	0.0	-3.6
	Finance	0.0	0.0	0.0	-8.1	-13.4	19.9	-6.3	5.3
2010	Retail	1.2	2.4	0.0	-1.7	0.0	4.6	-10.0	0.4
	Finance	1.2	0.7	0.0	-0.7	0.0	-5.6	2.2	0.1
2011	Retail	1.1	0.1	0.0	5.0	11.1	-2.6	11.1	1.1
	Finance	-2.3	5.5	0.0	-3.0	0.0	-2.4	0.0	-6.2
2012	Retail	0.0	-1.8	0.0	-1.5	0.0	11.9	0.0	1.8
	Finance	2.4	1.3	0.0	6.4	-4.8	18.8	4.3	2.9
2013	Retail	1.1	2.0	5.0	-1.2	0.0	-6.8	0.0	-0.8
	Finance	-1.2	3.6	2.5	-1.0	30.0	-2.7	-2.1	4.3

Source: LFS/IDS

In the 12 months to the second quarter of 2011 we saw a recovery in AWE in the finance sector (to pre-recession growth levels), and this may have been a result of an increase in male full-time jobs (+11.5%) and a decline in the number of women working full-time in the industry (-6.7%).

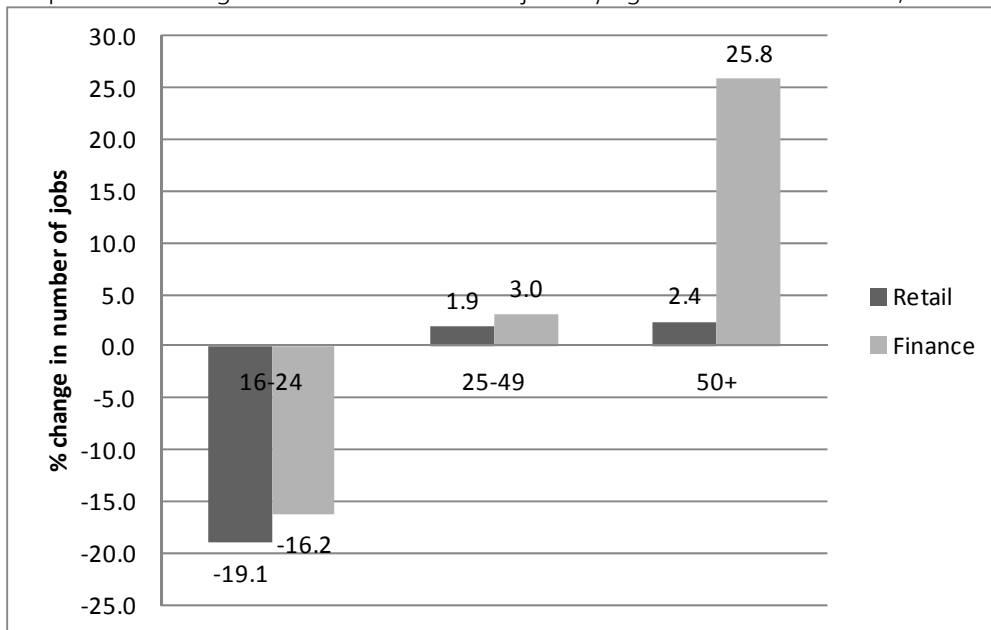
A fall in women working full-time and an increase in part-time working for men in the finance sector appear to tally with a fall in regular pay in the AWE in both finance and retail during 2009 to the second quarter of 2010. An increase in men working full-time in the finance sectors is broadly consistent with a rise in regular pay during 2010/11.

6.6 Impact by age

The graphs below provide an overview of what has happened to the change in the number of jobs across both the retail and finance sectors, according to different age categories, between 2008 and 2013.

Graph 10: below shows that among full-time workers younger workers have lost out most in the finance and retail sectors while older workers have gained more jobs in the finance sector.

Graph 10: % change in number of full-time jobs by age in retail and finance, 2008-2013

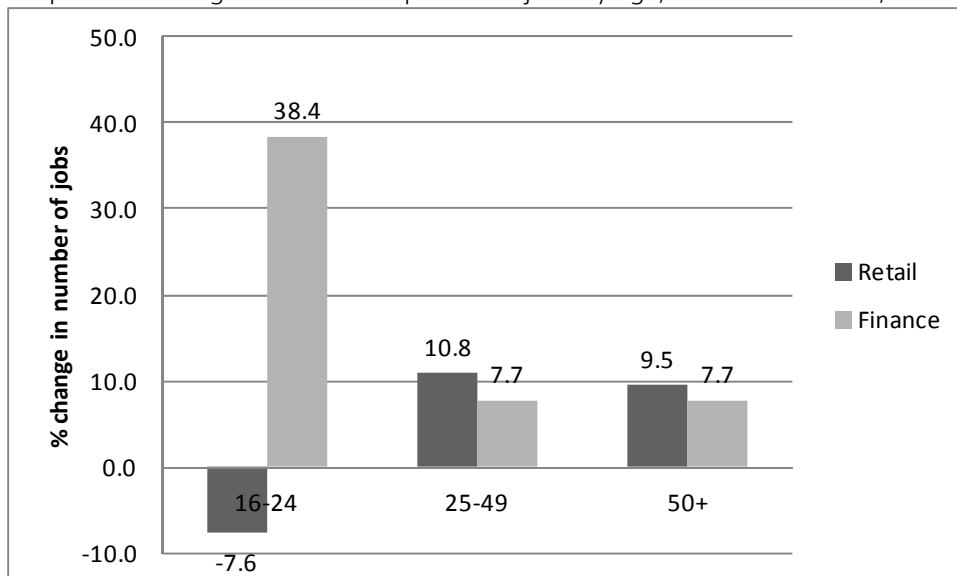


Source: LFS/IDS.

Graph 11: shows there has been a significant shift from full-time to part-time working for the 16-24 year old age group since 2008. In finance, where this age group only makes up around 12% of the workforce, the effect on earnings is likely to be small. However, in the retail sector, where younger workers make up around a third of the workforce, a large fall in full-time work is likely to have had a more significant downward effect on the earnings picture.

There has also been a small growth in part-time working across all other age groups in both the finance and retail sectors since 2008. There have been smaller changes in the shifts between full-time and part-time work for the other age categories in the finance and retail sectors. For those aged 25 to 49, these changes, combined with the smaller impact of job losses (particularly for full-time workers) means the impact on earnings may not be as significant.

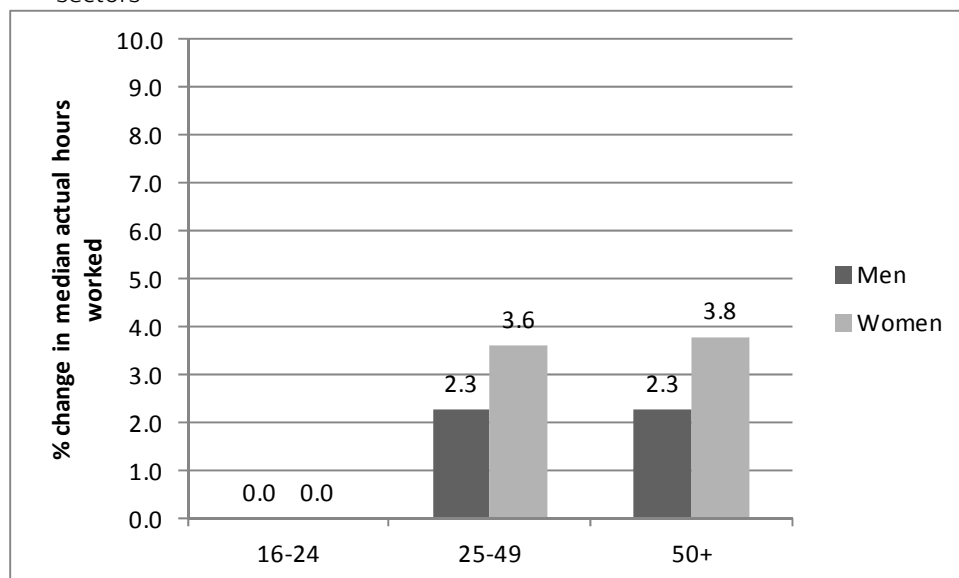
Graph 11: % change in number of part-time jobs by age, retail and finance, 2008-2013



Source: LFS/IDS

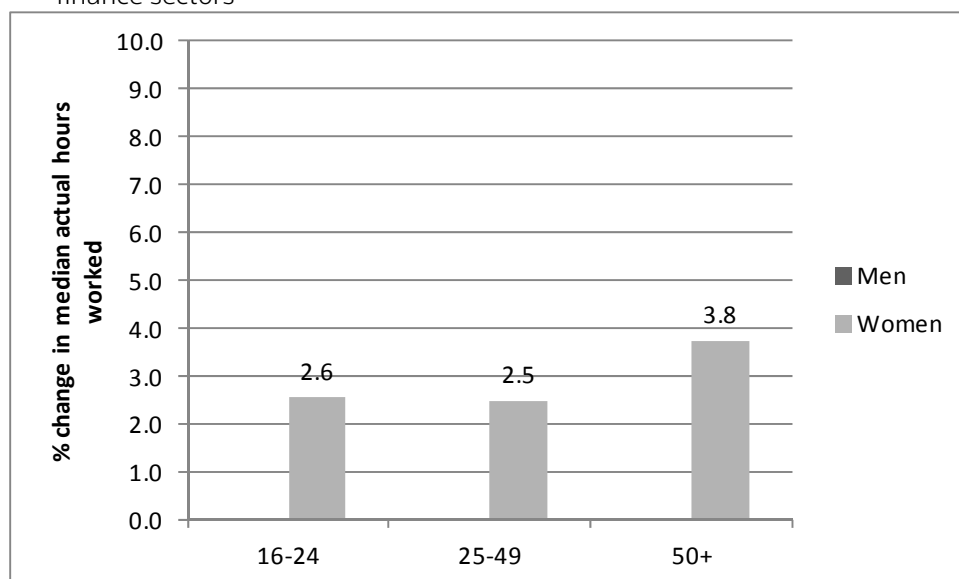
6.7 Hours worked, impact by age

Graph 12: Changes in median actual hours worked including overtime in full-time jobs, retail sectors



Source: LFS/IDS

Graph 13: Changes in median actual hours worked including overtime in full-time jobs, finance sectors



Source: LFS/IDS

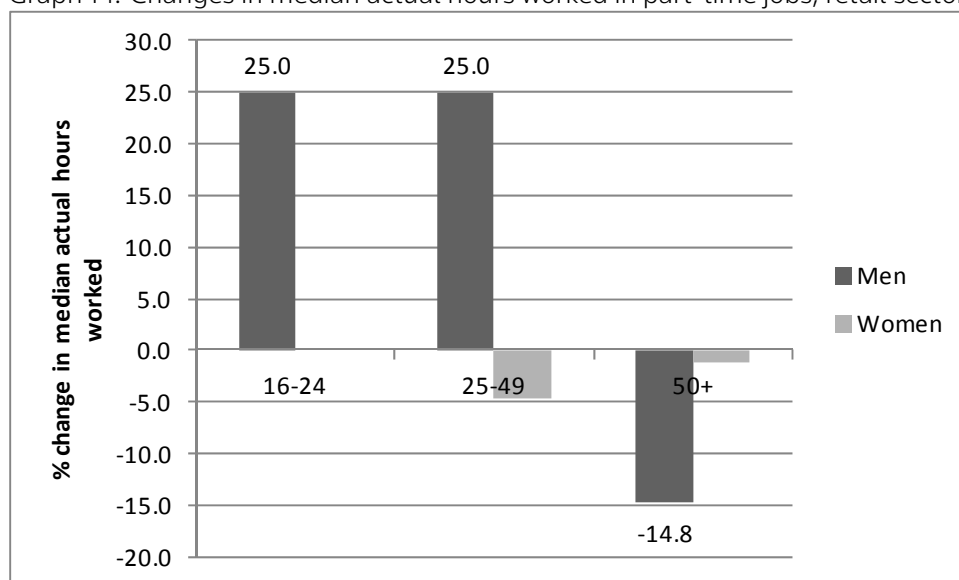
An increase in part-time hours in a context of falling full-time employment would generally lead to a reduction in hours worked overall.

Graphs 12 and 13 show there has not been any major changes to median actual hours worked in full-time jobs across the finance and retail sectors between 2008 and 2013. There have only been slight increases in hours worked for 25 to 49 year olds and for those aged 50 and over.

The following graphs (graphs 14 and 15) show how there has been a significant increase in actual median hours worked in part-time jobs by men aged 16 to 24 in both the retail and finance sectors. These findings on hours, along with a fall in the number of full-time jobs in the retail and finance sectors perhaps point toward some underemployment of male workers in this age group.

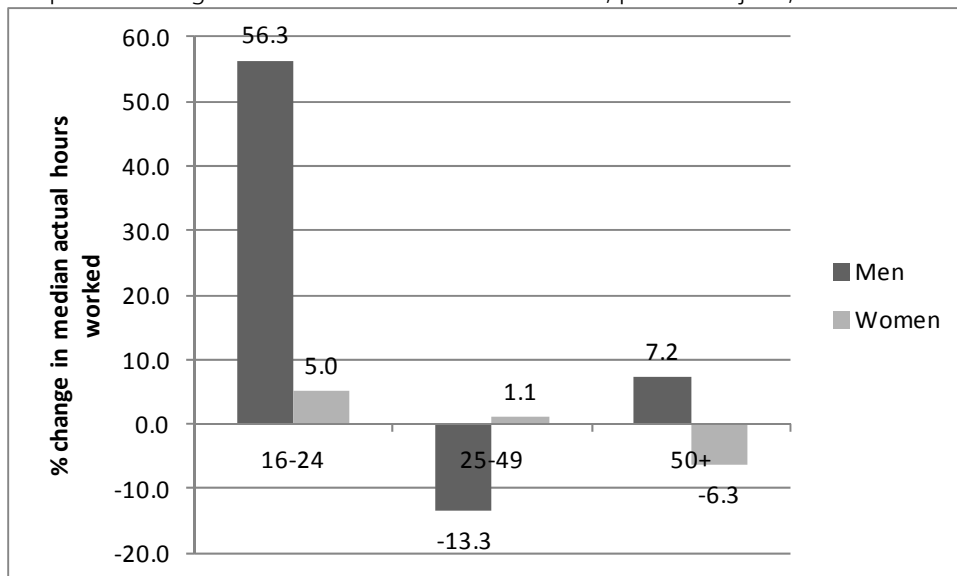
The picture on hours worked is slightly mixed for workers aged 50 and over. There has been a slight increase in hours worked in full-time jobs among women across both the retail and finance sectors since 2008. There has also been an increase in both full-time and part-time jobs for people aged 50 and over and this may have contributed to a drag in earnings although it is difficult to say how far a shift has taken place from high-paid to low-paid work for this age group.

Graph 14: Changes in median actual hours worked in part-time jobs, retail sectors



Source:LFS/ IDS

Graph 15: Changes in median actual hours worked, part-time jobs, finance sectors



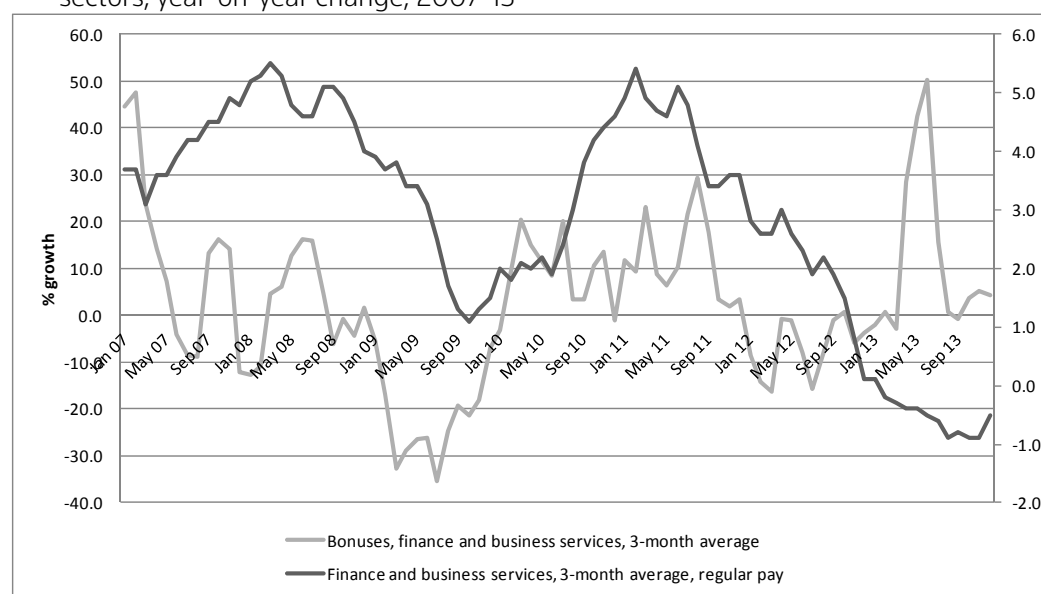
Source: LFS/IDS

6.8 Impact of bonus pay (findings from ASHE and MWSS)

Graph 16: shows that between October 2010 and July 2011 there is a series of spikes in the AWE regular pay for the finance sectors. These may in part be explained by the increase in full-time jobs for men and the fall in women’s employment both full- and part-time seen in the second quarter of 2011.

However, these spikes, and earlier ones in 2008, in the regular pay measure could possibly be viewed as offsetting a decline in bonuses in the same time periods. Both regular and bonus pay growth slowed considerably during 2009 with regular pay recovering more strongly than bonuses during the second half of 2010 and 2011. They both then went back into decline during 2012. The shift from full- to part-time jobs for men during 2012, accompanied by a pick up in full-time working for women, will have contributed to the slowdown in regular pay growth, which has continued into 2013.

Graph 16: AWE regular pay and bonuses, seasonally adjusted, 3-month average, finance sectors, year-on-year change, 2007-13⁸

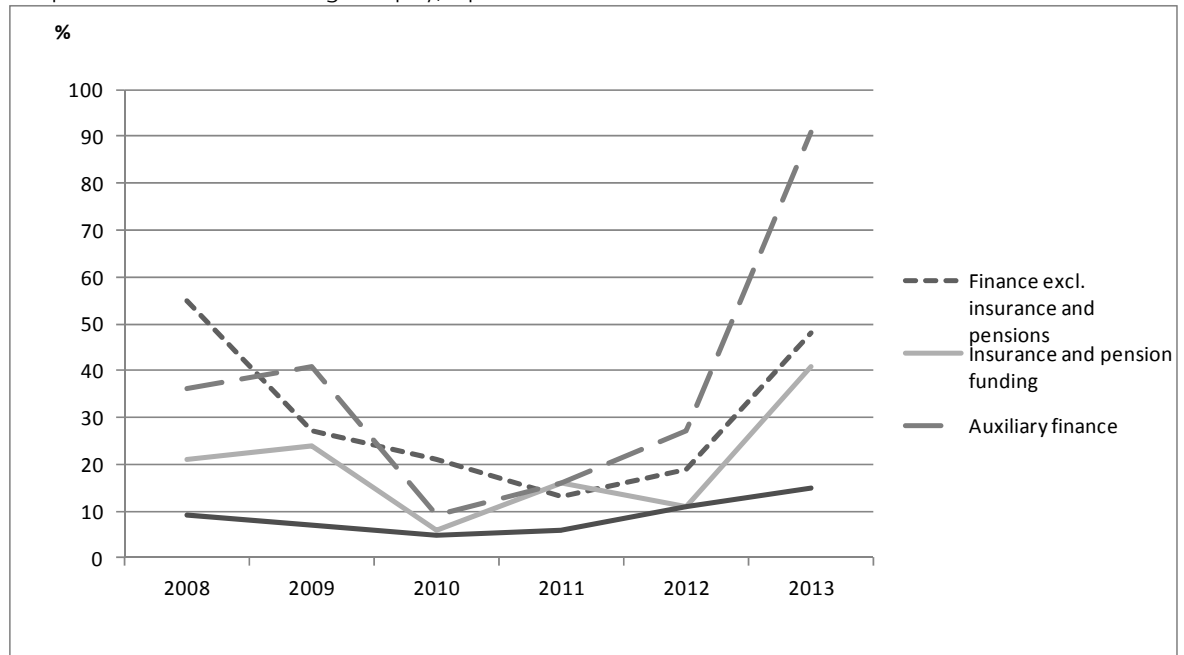


Source: IDS

Graph 17: clearly shows bonus payments increasing significantly as a proportion of regular pay in April 2013. This is in part accounted for by a shift in bonus payments from March, but not entirely. Graph 18: and Graph 19: show that bonus payments in March 2013 were only a little down from 2011, for example.

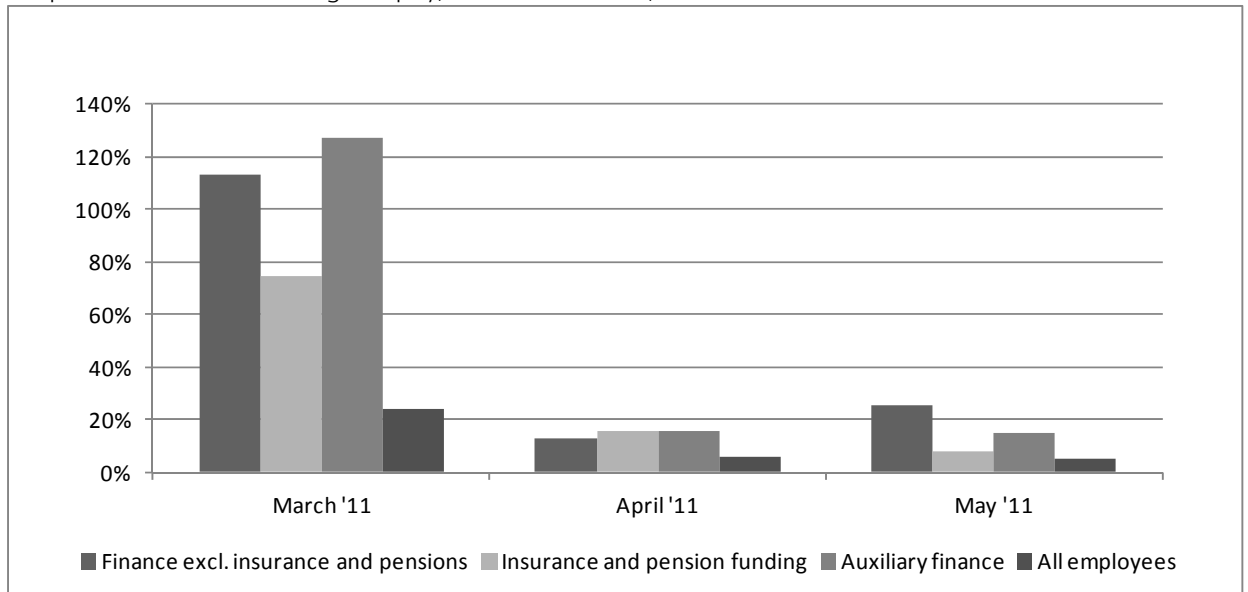
⁸ Left hand axis bonuses, right-hand axis regular pay.

Graph 17: Bonus as % of regular pay, April



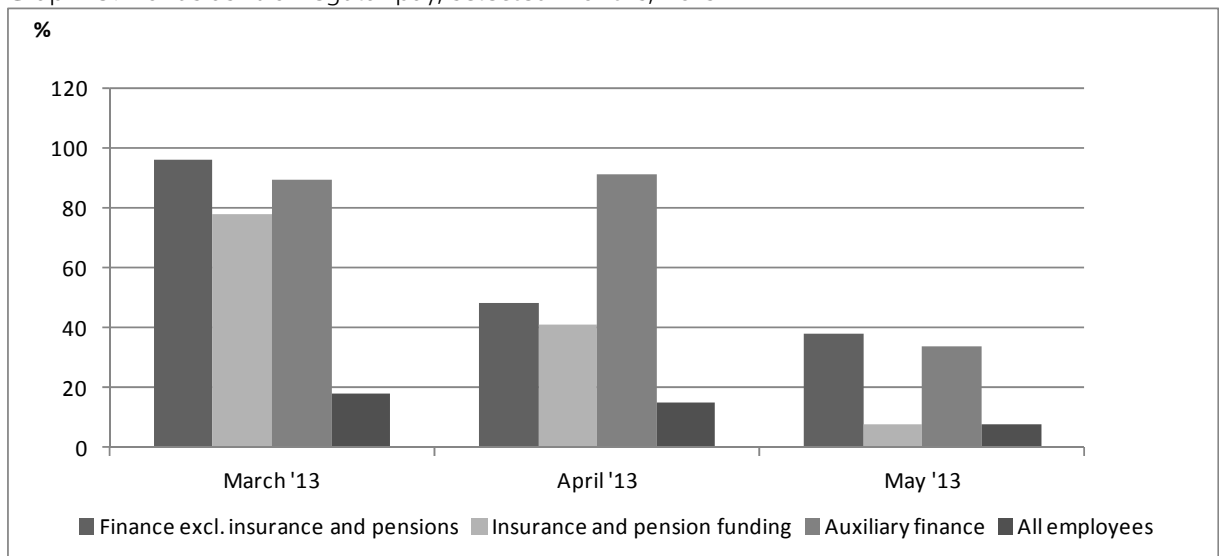
Source: IDS

Graph 18: Bonus as % of regular pay, selected months, 2011



Source: IDS

Graph 19: Bonus as % of regular pay, selected months, 2013



Source: IDS

7 Conclusions

For much of the period since the post-Second World War, we have seen earnings outstrip both the recognised measure of inflation – the Retail Prices Index – and the general level of annual pay increases either negotiated or awarded by companies. The generally accepted reason for this was the wage drift associated with increasing productivity and rising levels of skills in the workforce.

Since the onset of the recession in 2008, the growth in earnings has slowed to the point where in 2010 they slipped below the median pay settlement level and fell significantly below inflation. There are two main official measures of earnings – AWE and ASHE – which vary in a number of respects in how each measure earnings but nonetheless broadly paint the same picture, of low earnings growth, when viewed over a number of years. Understanding the reasons for this change in the relationship between earnings, inflation and pay settlements is important to policy makers across the spectrum.

Through an examination of the published ASHE figures together with results derived from the Labour Force Survey, we have been able to establish that since 2008 there have been significant changes in the composition of the workforce which are consistent with earnings growth being lower than it would otherwise have been. These changes have not all taken place at the same time nor have they been evenly spread over the years in question.

The principal drivers that have contributed to low earnings growth are:

- Growth in employment in lower-paying sectors such as care, fast food, facilities management and leisure
- Growth in the proportion of employees working part-time, often in the same lower-paying service industries
- Growth in the proportion of men working part-time
- Changes in employment for 16 to 24 year olds, particularly among male workers with a shift from full-time to part-time work. This has occurred alongside a significant increase in actual hours worked including overtime in part-time jobs.

The impact of these changes in the workforce will be reflected in the differences in earnings growth between those in continuous employment and those who have been part of the growth in part-time working in lower paying sectors either as they re-enter work after a period of unemployment or enter the jobs market for the first time. However, as the detailed

analysis of the retail sectors shows there appears to be other factors at work as well, which will require further investigation.