



Institute for Fiscal Studies

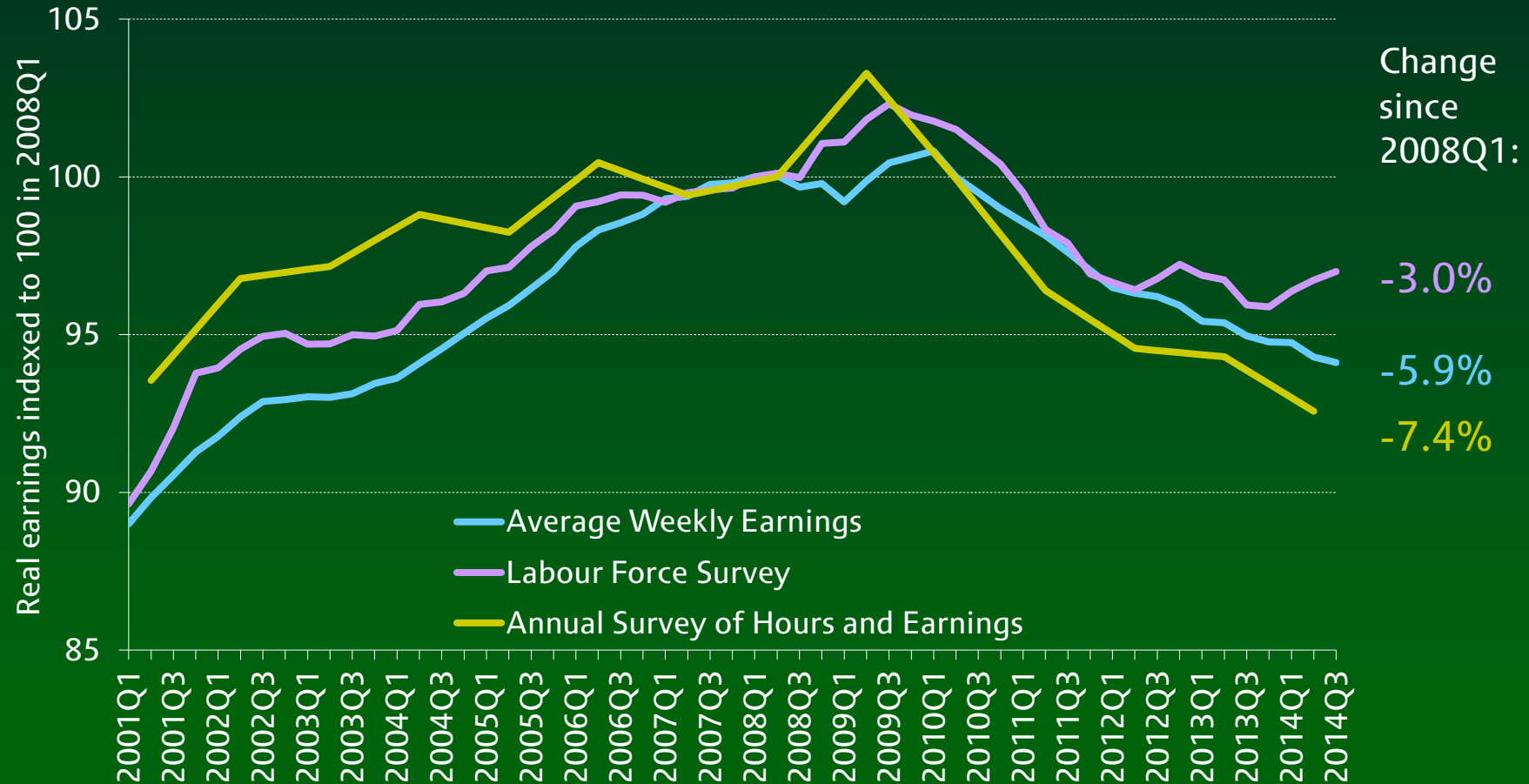


Earnings since the recession

Jonathan Cribb



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%

Average hours of work have fallen

- Sharp rise in part-time work
 - 23.5% of workers in 2007, 27.4% in 2012 and 27.0% in 2014
- The proportion of part-time workers who work part-time because they cannot get more hours is almost double its pre-crisis level
 - 9.9% in 2007, 18.1% in 2014
- Although the (working-age) employment rate has returned to its pre-crisis level (73.0%)...
- ...the proportion of the population who are in-work and working at least as many hours as they want was
 - 67.7% in 2007, 63.8% in 2012 and 65.7% in 2014

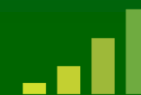
Changing characteristics of the workforce

- 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

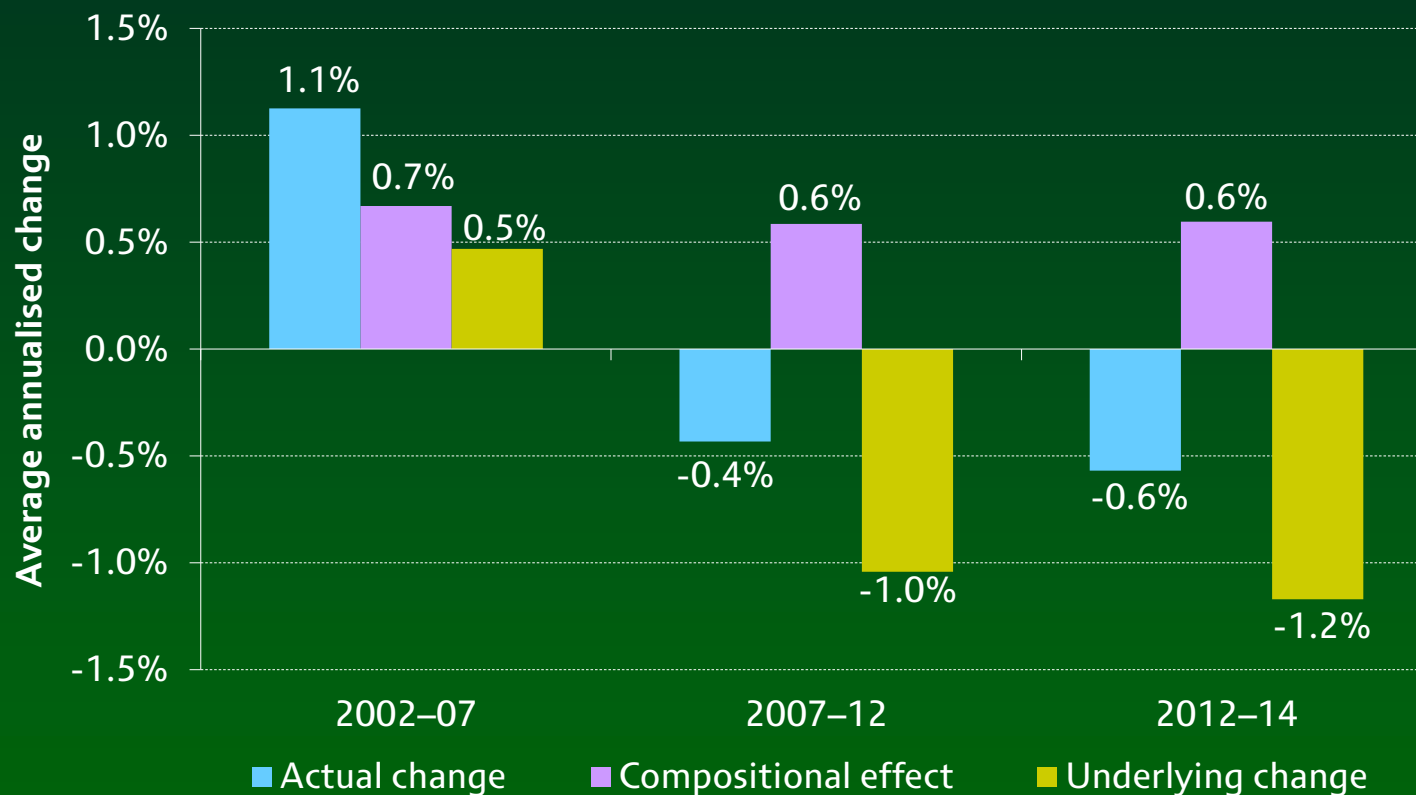
Decomposition of growth in real mean hourly wages (LFS)



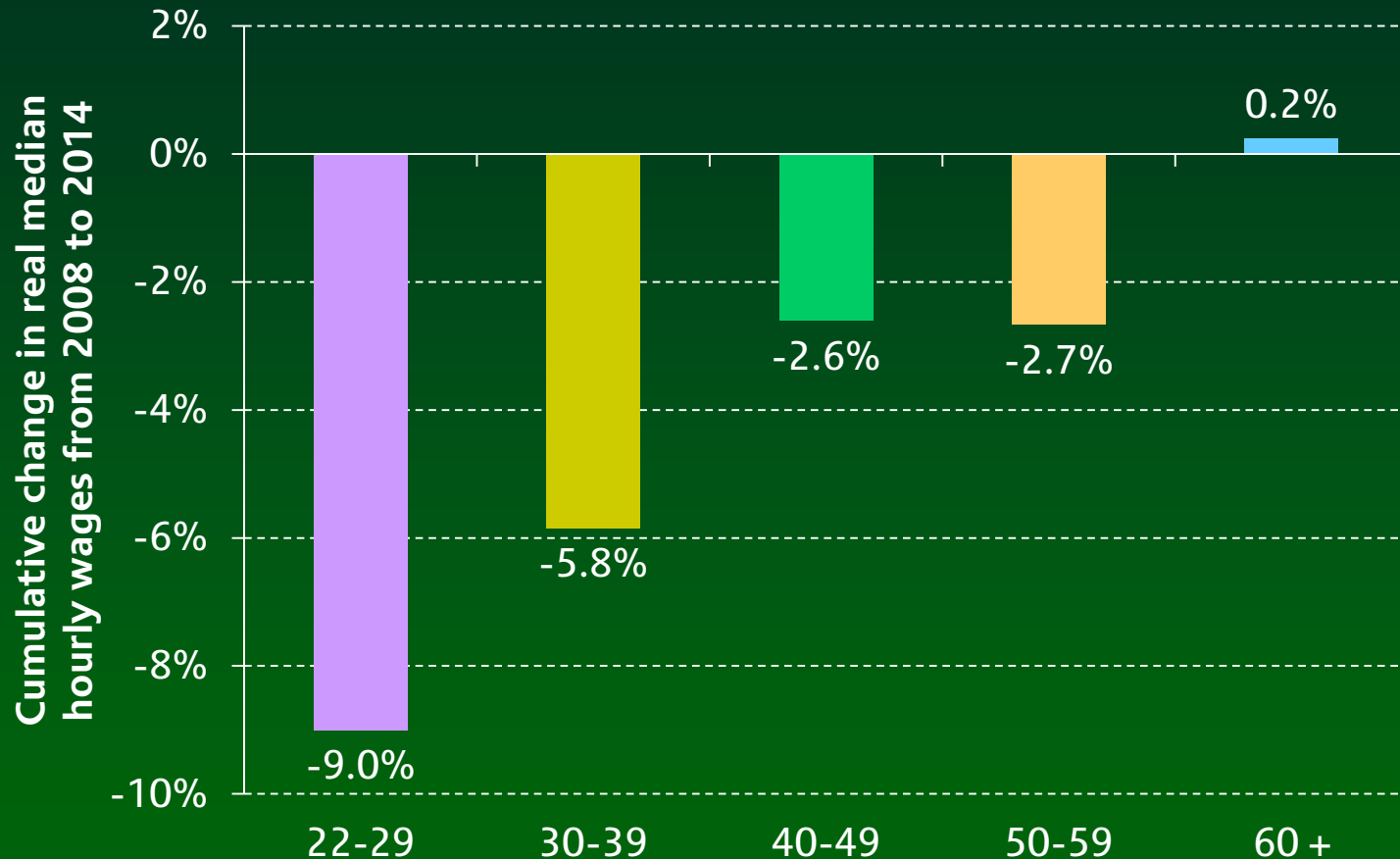
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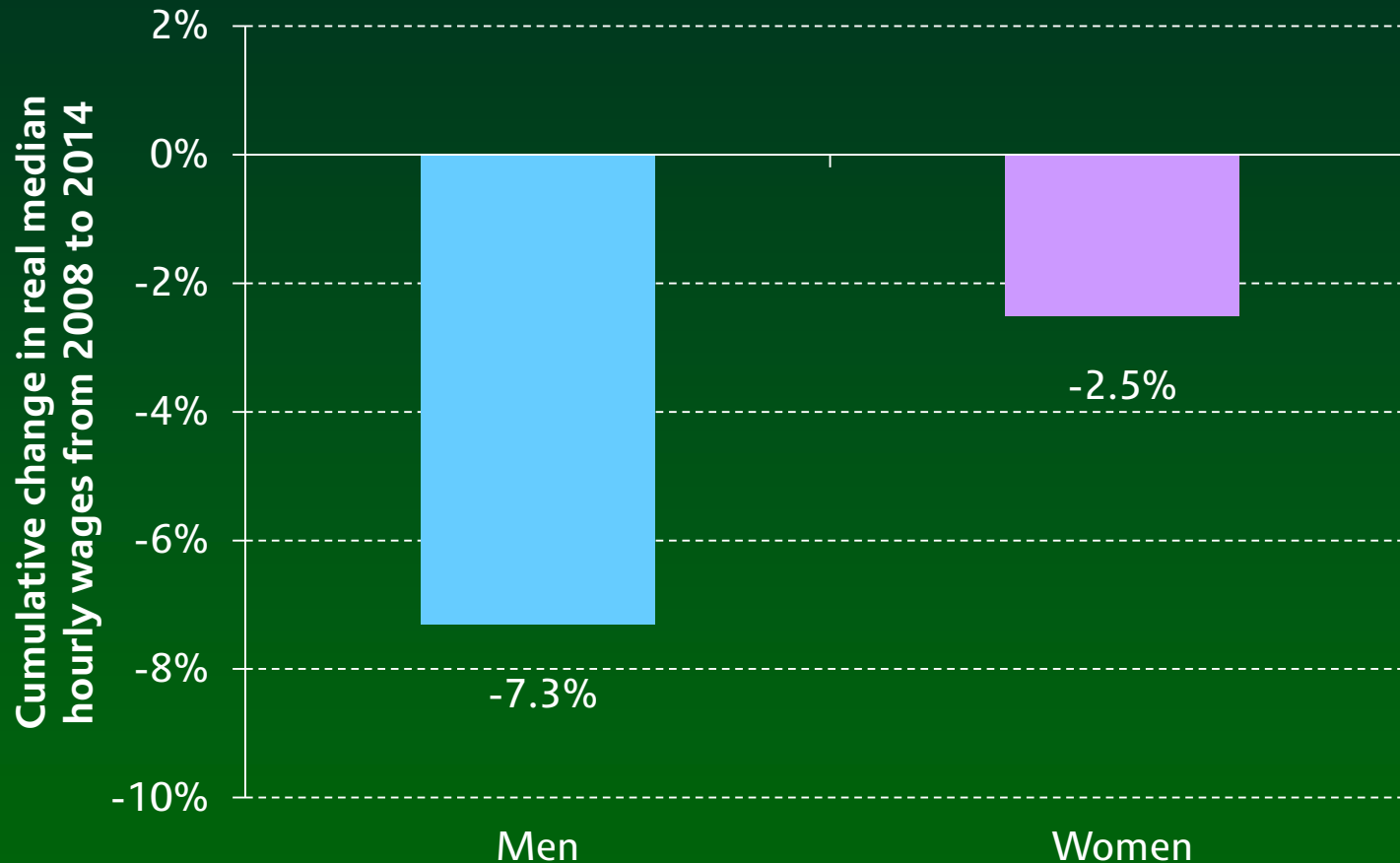
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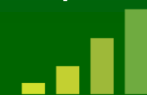
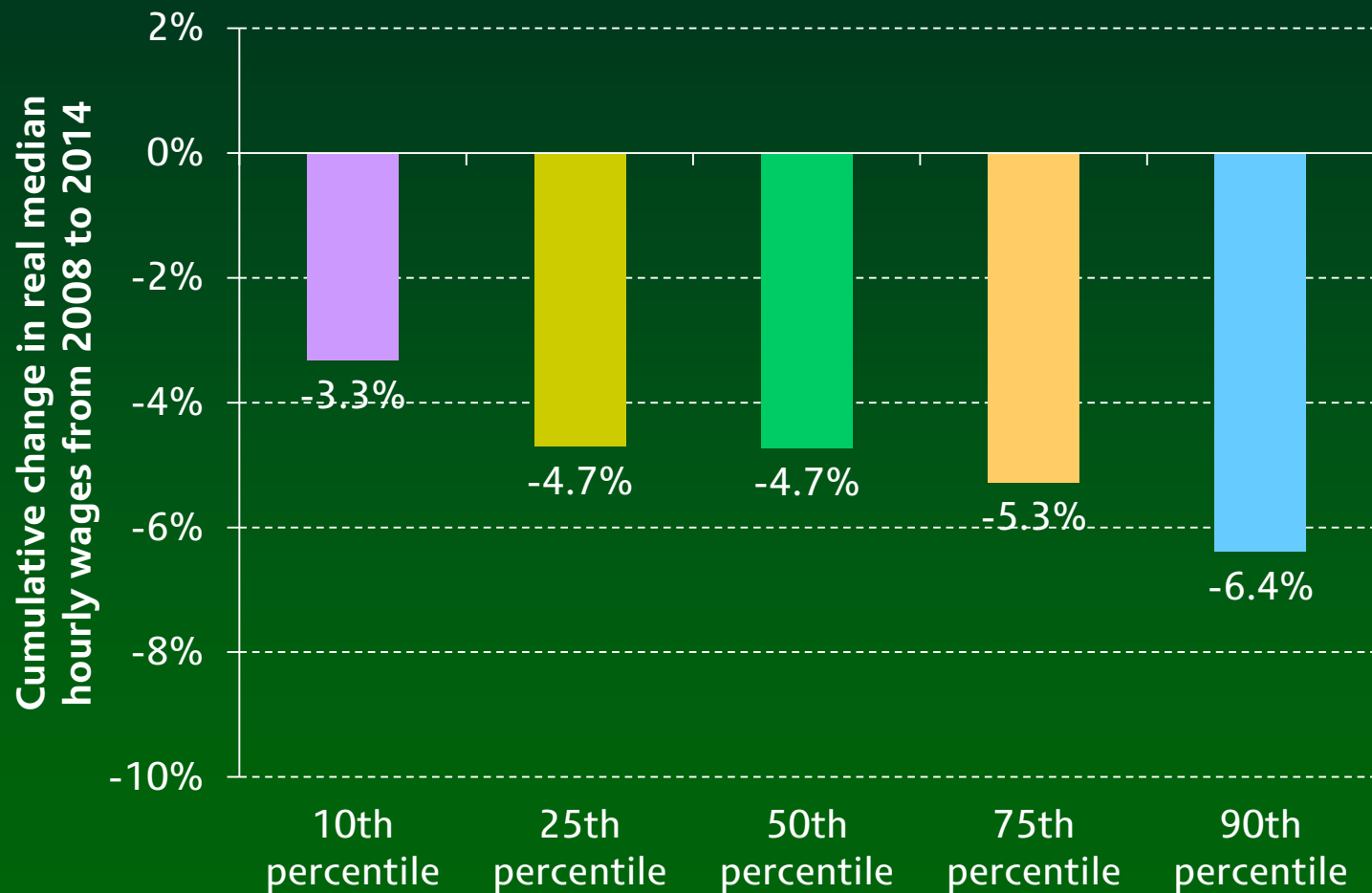
Change in real median hourly wages by age group since 2008



Change in real median hourly wages by sex since 2008



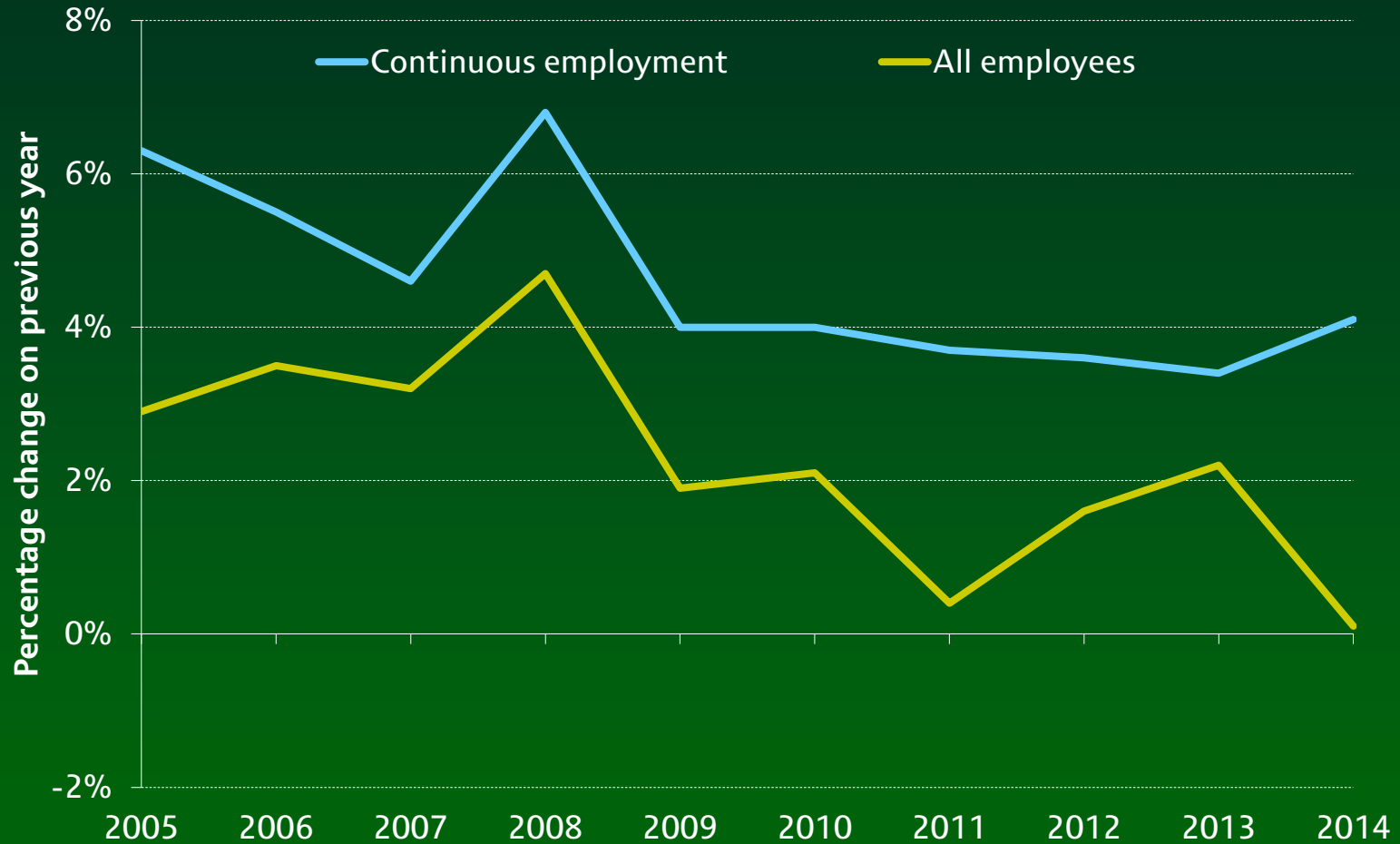
Changes to real hourly wages since 2008, by percentile point



Earnings growth for employees in the same job as last year

- This measure compares the earnings of a fixed group of individuals in two consecutive years
- Picks up the effect of pay progression as they age; therefore (by construction) builds in an important compositional change
- Also a select group (i.e. more highly educated) who are more likely to see faster earnings growth as they age
- This measure has always been higher than overall earnings growth
 - 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

Prospects for future earnings growth

- Sept-Nov 2014: mean earnings growth of 1.7% compared to same three months a year before
 - 2.1% growth in the private sector
 - 1.6% RPIJ inflation and 1.2% CPI inflation
- Rapid fall in inflation (1.0% RPIJ inflation, 0.5% CPI in Dec 2014)
- OBR forecasts suggest continued real earnings growth in 2015-16 and beyond
- In the long run, a return to labour productivity growth will be crucial to seeing real rises in earnings