

# Consultation: Periodic adjustments to MPs' salaries

October 2020

IPSA

# Consultation: periodic adjustments to MPs' salaries

## Summary

1. IPSA was established in 2010 as an independent authority with the power and statutory duty to set and regularly review MPs' salaries. We carried out an extensive review from 2012 to 2015 to examine from first principles the question of how MPs' salaries should be set. We conducted a targeted review following the 2017 election, as we are required by law to review MPs' remuneration in the first year of each Parliament. Following the General Election of 12 December 2019, we must similarly conduct a review of MPs' pay this year.
2. In doing so, we build on the foundations of previous, recent reviews. We do not re-open fundamental questions already settled. Our 2015 review set both an absolute amount for MPs' pay, and how that pay should be adjusted annually, by reference to an independent data series, published by the Office for National Statistics (ONS), which shows changes in the rate of earnings within the United Kingdom.
3. We consider that this approach, of using an external earnings benchmark to determine changes in MPs' pay, remains appropriate, consistent and fair. In this consultation we consider only the specific question of which earnings benchmark to use.
4. Since 2015, we have used one of the ONS series of Average Weekly Earnings statistics, the KAC9 series, which shows the change in public sector pay relative to the same three-month period the previous year, and applied this change to MPs' pay each year. Any statistical series we choose has strengths and limitations. We have considered the options available, but given the scale of future economic uncertainty arising from the coronavirus pandemic, we are inclined to continue using the KAC9 series linking MPs' pay to public sector earnings, for the remainder of this Parliament.
5. We will also consider in 2021 whether any changes are needed to MPs' pensions in the light of recent legal developments.

## How to respond

6. We encourage anyone who wishes to respond to use our quick and easy online survey. You can find it here:  
[https://www.smartsurvey.co.uk/s/Periodic\\_Adjustments\\_MPs\\_Pay\\_2020/](https://www.smartsurvey.co.uk/s/Periodic_Adjustments_MPs_Pay_2020/).
7. If that is not possible, please email your response to: [consultation@theipsa.org.uk](mailto:consultation@theipsa.org.uk). Please do not send us responses by post.
8. Please state in your response if you are an MP or member of MPs' staff, member of the public, academic or representing an organisation, such as a political party, staff association, think tank or campaign group.

9. We will summarise the responses we receive when we publish our decisions. In doing so, we may refer to individual respondents and the content of their responses. We will also publish a list of who responded. If you would like your response to be treated as confidential, please say so clearly in your response. We will not quote from confidential responses or attribute the views in them to any particular respondent. Whether your response is confidential or not, we will not publish your email address or any other contact details, in line with our compliance with data protection law and the General Data Protection Regulation (GDPR). For more information about what we do with personal data, please see our [privacy notice](#).
10. **Please send us your response by 11:59 pm on 6 November 2020.**

## Introduction

11. IPSA was established in 2010 as an independent authority with the statutory duty under section 4A of the Parliamentary Standards Act 2009 to set and review MPs' salaries in the first year of each parliament. We are required to consult before doing so, and to publish our decision at the end of the review and its reasons.
12. Between 2012 and 2015, we carried out a very extensive review with multiple consultations to examine from first principles the question of how MPs' salaries should be set. We examined the role of MPs and their duties, we considered the various comparators that had been used in the past with other public sector roles and updated them, we compared their pay with those of members of other parliaments domestically and internationally. We also considered the long-term trend in the growth of MPs' salaries relative to the growth in average earnings. In addition to expert input from academics and technical input from consultants, we engaged members of the public and received consultation responses from a wide range of individuals and organisations, both inside and unconnected to Parliament. As a result, we made changes to the overall structure of MPs' remuneration and determined an appropriate level of pay, alongside a mechanism for ensuring that it could be updated in the future in an objective and transparent way.
13. In 2016 we reviewed the additional salaries paid to those MPs who are select committee chairs or members of the Panel of Chairs (who chair standing committees and other parliamentary debates). Our next review in 2018 addressed specific issues relating to loss-of-office payments and various technical aspects of MPs' pensions. We also confirmed that we would continue the approach to determining MPs' salaries decided in 2015.<sup>1</sup>
14. For this review, we have drawn on the experience of those previous, recent reviews, and the duties we have in the legislation passed by Parliament. We have distilled the outcomes that our statutory responsibilities are intended to achieve, and have codified guiding principles, building on our earlier approach, to ensure our decisions are

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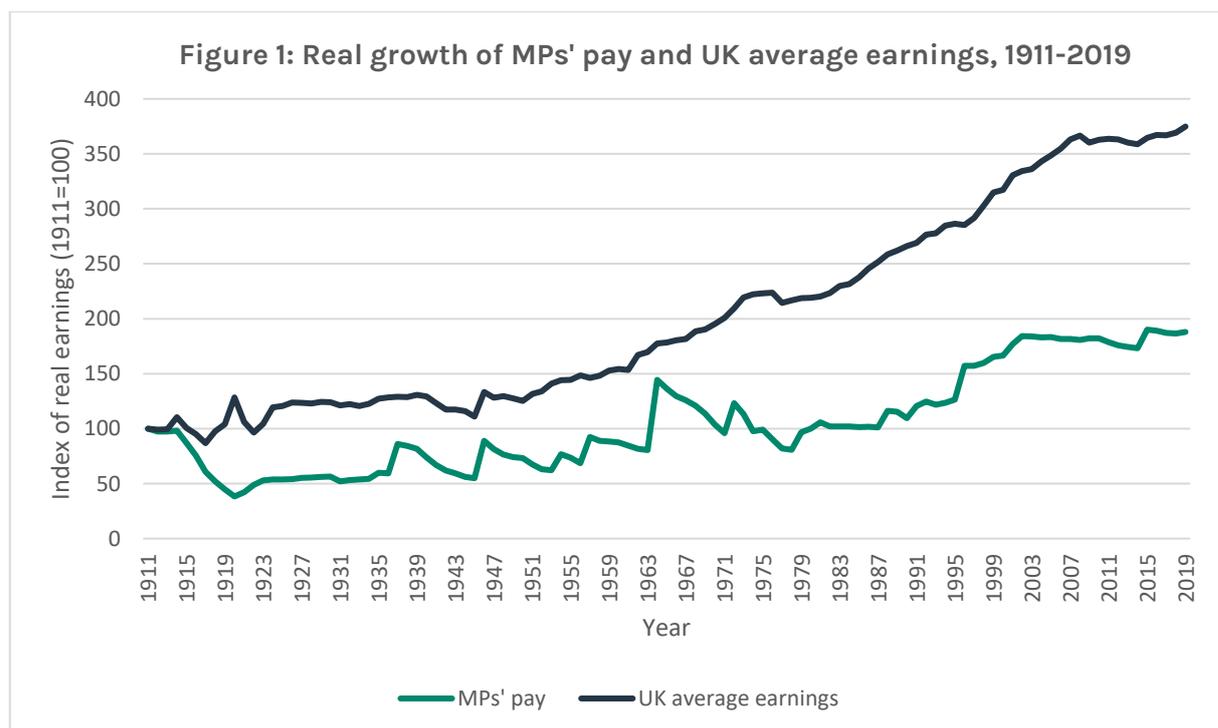
<sup>1</sup>Full details of our previous reviews of MPs' pay and pensions are available on our website, here: <https://www.theipsa.org.uk/publications/consultations/review-of-mps-pay-and-pensions/>

consistent with those outcomes. These outcomes and guiding principles are set out in **Annex 1, Table 1**.

15. Given the exhaustive work carried out previously, we have not identified a need to revisit the level of MPs' salaries. We also considered thoroughly at that time how best to apply changes to MPs' salaries and determined that an earnings benchmark was the most appropriate mechanism. We have not identified a need to revisit that decision. This review is focused only on which earnings benchmark to use.

## Background to the current arrangements

16. IPSA's 2012-2015 review considered MPs' overall remuneration package, including the level of salaries and how that should be updated, pensions, and other payments to departing MPs. The review considered a wide range of evidence, including historical and comparator data, which indicated that the level of MPs' salaries at the time was too low, given that multiple previous independent reviews had recommended a rise but these recommendations had not been implemented. This had meant that, as shown in **Figure 1**, growth in MPs' salaries had not kept pace with growth in average earnings.



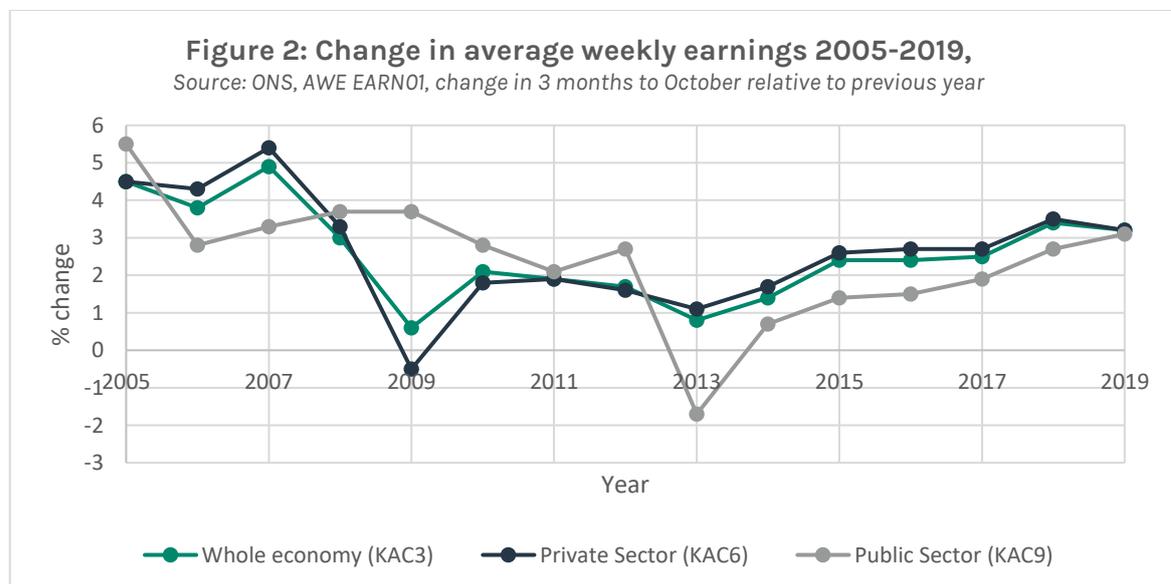
Source: pay data from House of Commons Library and IPSA; average earnings from "Measuring Worth" ([www.measuringworth.com](http://www.measuringworth.com)) which has devised a consistent time series, and GDP deflator series from Measuring Worth (1911-1954) and HM Treasury (1955-2019)

17. We then decided to make a one-off increase to MPs' salaries, to reduce payments made to MPs leaving Parliament and to reform pensions to make them more affordable.
18. We also concluded that it was right to use a transparent independent benchmark to update MPs' pay annually. We considered alternative benchmarks, including measures

of price inflation, and concluded that changes in earnings was the most appropriate mechanism to adjust MPs' pay, as this best reflected the experience of MPs' constituents and the salaries they were earning.

19. We consulted on using an ONS Average Weekly Earnings (AWE) series which is published monthly. This gives the seasonally-adjusted, three-month average (mean) of the percentage year-on-year change in average weekly earnings. This approach to benchmarking has the benefit of MPs' pay reflecting developments in the economy, rather than driving them.

20. IPSA was clear at the time that this approach was intended to last for a generation. Although it was anticipated that we might periodically review the technical indexation mechanism, the policy was not intended to be changed in the event that the index resulted in a significant fall in pay or an increase above the Government's pay policy. The objective was to avoid creating uncertainty and undermining the basis on which the considered approach was being taken. We concluded "there would be little sense in returning to the subject each year, with the political controversy that MPs' pay inevitably engenders. Therefore we are attracted to a form of indexation of MPs pay, whereby the salary tracks an economic indicator. This would become the norm, so that pay would increase - or decrease - in line with an objective economic measure. The politics would therefore be taken out of MPs' pay."<sup>2</sup> **Figure 2** shows that the approach we have chosen provides an effective mechanism for changes in the economy to be reflected, with a degree of time lag, in MPs' pay.



21. We then addressed the question of which earnings benchmark to use. In the context of austerity in public spending following the global financial crisis and recession in 2008, the government had announced a pay freeze in 2010 for most of the public sector, and a 1% cap for most public sector workers in 2011. The government then announced

<sup>2</sup><https://www.theipsa.org.uk/media/1414/mps-pay-and-pensions-a-new-package-july-2013-final.pdf>, para 82

in 2015 a 1% cap on public sector pay covering the four years up to 2019-20.<sup>3</sup> Having considered the alternatives, and in line with some of the consultation responses we received at the time, we concluded that it was most appropriate at that time to use the ONS AWE series KAC9, for MPs' pay. This gives the seasonally-adjusted, three-month average (mean) of the percentage year-on-year change in average weekly earnings for the public sector only. This was also consistent with decisions taken since the 1980s to index MPs' pay to that of senior civil servants,<sup>4</sup> and the 2008 review of parliamentary pay by Sir John Baker, which recommended linking MPs' pay increases each year to changes in the Public Sector Average Earnings Index.<sup>5</sup>

22. In 2015 we indicated that the choice of benchmark, as distinct from the underlying policy, might be reviewed periodically. This consultation therefore considers whether there is a case for changing the specific mechanism linking MPs' pay to earnings for the period ahead to better achieve the outcomes we seek.

## **Context for our review: the changing economy and the Covid-19 pandemic**

23. When we decided on the KAC9 benchmark in 2015 we considered the context at that time and how it was likely to evolve before our next review. In practice, the UK economy grew each year from 2015-2019, and average earnings grew steadily between 2015 and 2020, although at a higher rate in the private sector than in the public sector (to which MPs salaries were linked).<sup>6</sup>

24. The context in 2020 differs markedly due to the significant impact of the Covid-19 pandemic and the uncertainty it brings to the economy, and to how changes in the economy are reflected in the earnings data.

25. Some significant impacts of coronavirus on the labour market are already apparent. For example, ONS data showed that the number of actual hours worked between March and May 2020 fell by 175.3 million, or 16.7%, to 877.1 million hours compared to the period of March to May 2019. This is the largest annual decrease since estimates began in 1971.

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<sup>3</sup>HM Treasury, Summer Budget 2015, HC 264, July 2015, p28. See also House of Commons Library Briefing Paper Number CBP 8037, *Public Sector Pay*, 3 May 2018

<sup>4</sup> <https://www.theipsa.org.uk/media/1415/mps-pay-and-pensions-consultation-paper-oct2012.pdf>

<sup>5</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228704/7416.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/228704/7416.pdf)

<sup>6</sup>The AWE data include salaries and certain other payments but do not include the value of pension contributions or benefits, which can provide an important additional component of overall remuneration.

26. In June 2020, around 9.4 million jobs<sup>7</sup> were furloughed under the Government scheme which has paid 80% of salaries up to a specified limit from April.<sup>8</sup> Benefits under the furlough scheme are now reducing and it is due to close in October. ONS estimate that in the first half of July fewer than half of businesses had topped up the wages of furloughed employees.<sup>9</sup> This means that private sector earnings data for the period April to October are likely to be lower than if those furloughed had received their full 'notional' salary.
27. The public sector and private sector have been impacted differently by the pandemic. ONS Labour Force Survey data shows that while the number of people in private sector employment fell by around 500,000 in April-June 2020 compared with the previous quarter, the number of people in public sector employment rose by a little under 300,000 in the same period.<sup>10</sup>
28. Over the coming months, significant changes in the labour market are likely which may make it difficult to differentiate changes in wage rates for those in work from structural changes. Jobs may end in some sectors which have been particularly impacted by the pandemic, some of which have until now been included in the data because there was a segment of people reporting that they were in work, but actually working zero hours and not being paid.<sup>11</sup> For those still working some of the time in the private sector, the structure of government support available will change after the furlough scheme with the introduction of the Jobs Support Scheme.<sup>12</sup>
29. For the future, as the Bank of England's Monetary Policy Committee noted in August, there is an unusually high degree of uncertainty in forecasts for the economy generally and the labour market specifically, although they, along with other forecasters, expect unemployment to rise.

They also expect spare capacity in the economy to remain until the end of 2021.<sup>13</sup> If that were to materialise, it would suggest that there is unlikely to be pressure for significant private sector wage increases during that period. On 18 May 2020, the Cabinet Office published the delegated pay guidance which stated that departments are able to make average pay awards for civil servants who are not senior civil servants within the range

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<sup>7</sup>This could be fewer than 9.4 million people, because people can be furloughed from more than one job.

<sup>8</sup><https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-statistics-july-2020/coronavirus-job-retention-scheme-statistics-july-2020>

<sup>9</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/august2020#coronavirus-and-measuring-the-labour-market>

<sup>10</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentbyindustryemp13>

<sup>11</sup>ONS noted in July 2020 there were around 250,000 people away from work because of the pandemic and receiving no pay. See:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2020>

<sup>12</sup><https://www.gov.uk/government/speeches/chancellor-of-the-exchequer-rishi-sunak-on-the-winter-economy-plan>

<sup>13</sup><https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/august/monetary-policy-report-august-2020.pdf>

of 1.5 to 2.5 per cent, and on 21 July 2020 the Chancellor confirmed that public sector workers, are to receive above-inflation pay awards this year, ranging from 2% for judges, senior civil servants and the military up to 3.1% for teachers.<sup>14</sup> But there have been multiple reports suggesting that a period of public sector pay restraint is to be expected in the coming years.

30. The ONS has published information about how the preparation of official statistics is potentially impacted by the Covid-19 pandemic,<sup>15</sup> and we have used this information to consider whether the relevant statistical series would be available and robust given the difficulties of producing them during a period of lockdown and other constraints. To date the ONS has continued to publish monthly AWE figures on schedule, has adapted methodologies where necessary in line with International Labour Organization standards, and has committed to prioritising publication of key labour market statistics including AWE and ASHE throughout the pandemic. We are not currently aware of any difficulty which would mean that the relevant data series would not be available or sufficiently robust to be usable by IPSA for our purposes, but we will keep this under review.

## Our proposal

31. We have a statutory mandate to review MPs' salaries by December 2020. In doing so, we are conscious that there is almost unprecedented uncertainty in the economy, and the labour market specifically.
32. Our approach since 2015 of linking to average earnings has been effective at enabling MPs' pay to be updated on a transparent, consistent and objective basis, reflective of conditions elsewhere in the economy albeit with a time-lag. This approach was intended to last for a number of Parliaments.
33. We have considered the various mechanisms available to make the link to average earnings, which are summarized in Annex 2. In time, there may be a case for some technical adjustments to the mechanism we use. But given the current scale of uncertainty, we do not think it right to depart from the approach taken since 2015 at this time, when the effect of technical adjustments is hard to gauge, and given the strong case for IPSA maintaining a consistent and de-politicized MPs' pay policy.
34. Our proposal is therefore that we continue to use the ONS AWE KAC 9 series for the three-month period to October each year to update MPs' pay with effect from the following April. At the time of writing, the 2020 data point is unknown, although it is likely to exceed the rate of inflation. But if it is the case that public-sector pay in 2021-22 enters another period of restraint, the data points for those years and hence the changes to MPs salaries will reflect this. Growth in MPs' pay can therefore be expected

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<sup>14</sup>See <https://www.gov.uk/government/news/pay-rises-for-doctors-police-and-more-in-the-public-sector>

<sup>15</sup><https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/coronavirusandtheeffectsonuklabourmarketstatistics/2020-05-06>

to continue to reflect real growth in earnings for those in employment in the wider economy, albeit with a time lag.

35. We would use the same approach to update the pay of select committee chairs and members of the Panel of Chairs who, by virtue of their additional responsibilities in relation to those posts receive an additional salary.
36. IPSA may, of course, consider technical or other adjustments in the future should new information emerge that suggests a different approach might be appropriate in subsequent years.

#### Consultation Question 1

- Do you agree with our proposal to retain AWE KAC9 as the benchmark for updating MPs' pay? Please explain your answer.

### Further work on other aspects of MPs' remuneration

37. We will carry out some further work on targeted aspects of MPs' remuneration in 2021, in line with our principle that MPs' remuneration should be considered as an overall package.
38. In particular, we will need to determine whether any changes are needed to MPs' pension arrangements in the light of legal developments such as the McCloud and Sargeant cases.<sup>16</sup> These cases relate to reforms that were made to some other public service schemes in 2015, and found that the transitional arrangements put in place in those schemes when the basis for calculating pensions benefits changed constituted unfair discrimination. We also included transitional arrangements when we made changes to the MPs' pension scheme which took effect in 2015. We will therefore consider whether changes must be made to the MPs' pension scheme in the light of that judgment and, if so, what they should be. In doing so, we will take account of the Government's recent consultations on this issue,<sup>17</sup> and of our guiding principle that the overall remuneration MPs receive should be fair to them as well as to taxpayers. We will consider whether there are other issues relating to MPs' pensions which should be examined in future as part of the overall package of remuneration.
39. We may also conduct a limited review of the payments made to MPs on leaving Parliament, so we can learn any necessary lessons following the December 2019 General Election. In 2015, we replaced a payment known as the Resettlement Grant with

<sup>16</sup>Lord Chancellor and another v McCloud and others, Secretary of State for the Home Department v Sargeant and others [2018] EWCA Civ 2844

<sup>17</sup>See: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/900766/Public\\_Service\\_Pensions\\_Consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/900766/Public_Service_Pensions_Consultation.pdf) and [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/901337/judicial-pensions-proposed-response-to-McCloud.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901337/judicial-pensions-proposed-response-to-McCloud.pdf). Separately, the Government has indicated that the 'cost cap' mechanism introduced to ensure that pension costs are affordable and sustainable will be re-activated. This had been paused until the impact of the McCloud and Sargeant cases on valuations was known.

a Loss of Office Payment payable to MPs who stand for re-election to their seat and are not re-elected. The new arrangements were first operated following the June 2017 General Election, after which we consulted on and introduced a winding-up payment equivalent to two months' salary to support MPs in concluding their financial affairs after leaving Parliament. We will not carry out a further review of these payments in 2021, but we may wish to check whether there are any targeted adjustments to eligibility or other practical arrangements for these payments in the light of experience in the December 2019 General Election.

40. One of our guiding principles is that the structure and level of remuneration is fair for all MPs, given the diversity of MPs elected by voters. It is for the electorate to determine whom they elect to represent them in Parliament. But IPSA must judge whether the way we remunerate MPs could in any way prevent or inhibit certain parts of the population from standing for election or from carrying out their parliamentary duties where elected. IPSA already provides additional financial support to MPs with dependants, including children, and we provide all necessary funding for reasonable adjustments for MPs with disabilities. We will continue this important support to MPs and look to improve it further. In the meantime, we would be interested in views on any barriers to diversity which are specific to MPs' remuneration.

#### Consultation Question 2

- Are there any areas where you think the way we remunerate MPs may create barriers to diversity?

#### Consultation Question 3

- Are there any other areas in which we should consider adjustments to MPs' remuneration in future?

## Annex 1: Outcomes and guiding principles for our review of MPs' remuneration

1. During the review which concluded in 2015, we consulted on guiding principles for how we would make decisions about MPs' pay. We found these helpful in guiding our approach and explaining our thinking. For this review, we take a similar approach.
2. The outcomes we wish to achieve aim to capture the goals that underpin the Act of Parliament which created IPSA, and recognise explicitly that the office of MP is one which anyone not subject to a statutory disqualification is entitled to hold, if they are chosen by the electorate. Making this point explicit will help us to consider the equalities impact of our work and to reduce the possibility that there are any inadvertent barriers to diversity in the remuneration scheme we decide.
3. Taken together, these principles help us to ensure that our decisions are fair both to MPs, given the nature of the office they hold, and to the taxpayers who fund MPs' pay. We start with a strong presumption that this principle of fairness means all MPs should be paid the same, with additional payments made only to those who hold specified, additional parliamentary roles, such as chairs of select committees, which bring extra responsibilities.

**Table 1: Outcomes and guiding principles for IPSA's review of MPs' pay**

<b>Outcomes: what MPs' remuneration arrangements are designed to achieve</b>	
R1	The structure and level of MPs' overall reward:
R1A	<ul style="list-style-type: none"> <li>• enables MPs to fully and effectively carry out Parliamentary duties</li> </ul>
R1B	<ul style="list-style-type: none"> <li>• is fair for all MPs given the diversity of MPs who may be elected by voters</li> </ul>
R2	The determination and its implementation provide appropriate assurance that good value is obtained from public funds
<b>Guiding principles: criteria we apply to ensure the remuneration arrangements deliver the outcomes</b>	
P1	MPs should be fairly remunerated for the work they do and the total cost to the taxpayer should be affordable and fair
P2	MPs' overall remuneration should be considered as a whole package
P3	The package should have a clear rationale linked to the intended outcomes, and be cost-effective and efficient to administer
P4	The package should be sustainable in the medium term without the need for frequent, major changes
P5	As far as is practicable MPs' remuneration and reward should reflect the experience of other working citizens

## Annex 2: What earnings data benchmarks are available and how do they work?

1. The Office for National Statistics (ONS) publishes a range of official statistics on different aspects of the labour market, including average earnings. Among the official statistics they produce, those which meet the highest standards of quality and objectivity and comply with the Code of Practice for Statistics are accredited as 'National Statistics' by the Office for Statistics Regulation. Other labour market statistics (even where they are official statistics), which are new or innovative, may not meet these standards, and are likely to evolve or be discontinued.
2. There are two key series of National Statistics for earnings data: Average Weekly Earnings (AWE) and the Annual Survey of Hours and Earnings (ASHE).<sup>18</sup> Both are based on data collected from employers through surveys.
3. AWE is published monthly. ONS consider AWE to be its main series for short-term changes to earnings, and the 'preferred series for measuring rates of change due to its frequency'.<sup>19</sup> It was designed to provide an overall measure of changes in inflationary pressure due to employment to be used by the Bank of England in deciding interest rates. It is calculated using data on the salaries employers pay to staff in a particular period, divided by the number of staff employed, whether they work full-time or part-time, and including staff whose earnings may be affected by absence. Some breakdowns of the data are available, giving changes in earnings for the whole economy (KAC3), for the private sector only (KAC6) and for the public sector only (KAC9). Any revisions are published monthly.
4. ASHE is published annually in November in relation to April of that year. If revisions are needed, they are published the following year. Because the data is collected less frequently than for AWE, more detailed information is collected and published. For example, geographical breakdowns are available for the data which are not available for AWE. ONS describe ASHE as providing structural statistics on the level, distribution and make-up of earnings, and the 'preferred series for measuring levels of pay due to its granularity'.<sup>20</sup> Like AWE, data are collected for both full-time and part-time work. Unlike AWE, the data for full-time workers can be distinguished from those for part-time workers. Also unlike AWE, the data do not include those whose earnings may be affected by absence.

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<sup>18</sup>A third source of data, the Labour Force Survey, is also a National Statistic. However, the ONS note that its earnings data is less accurate than that in AWE or ASHE because it is based on recall rather than checked data. It says that LFS earnings data should be used when the information is not available from AWE or ASHE. See:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/labourforcesurvey/lfsqmi>, section 6, Coherence and comparability

<sup>19</sup>See <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/anoverviewofandcomparisonbetweenannualsurveyofhoursandearningsasheandaverageweeklyearningsawe/2017-09-14>, which also provides a fuller comparison of ASHE and AWE

<sup>20</sup>Ibid

5. A feature of both datasets is that, even if the wages paid to those in work do not change, changes in the level of employment or the number of hours worked by those in employment affect the data. The ONS has published examples which illustrate that, if there are fewer jobs, but the jobs are lost by those who were relatively low paid, the average of earnings will rise even if there is no increase in other workers' wages. By contrast, if the jobs are lost by those who were relatively highly paid, the average of earnings will fall. Another ONS example shows that, where the number of workers stays the same, but those workers are paid less in total because they reduce their working hours, average earnings will fall even if those who are working are still being paid at the same rate for the work they do.<sup>21</sup> The data can also change if the economy changes so that more jobs are in higher paying rather than in lower paying sectors, and vice versa. These are types of what ONS call 'compositional effects'.
6. ONS also publishes two sets of experimental statistics related to earnings. One is 'Real Time Information' (RTI), published jointly with Her Majesty's Revenue and Customs (HMRC), which is based on 'Pay as you earn' (PAYE) taxation data. This is produced monthly, more quickly than the AWE but with even fewer breakdowns. The other is the Index of Labour Costs per Hour (ILCH). This is produced quarterly and tracks changes in the average salary and other costs (such as national insurance and pension contributions) of labour per hour worked. It is compiled from the same survey used to prepare the AWE data, the Labour Force Survey and various other sources for the non-wage labour costs.
7. In addition to official statistics, there are commercial providers of pay information. These are often used particularly by private sector employers to benchmark pay awards against the median of pay awards in relevant sectors, and sometimes against other specific employers. This data will typically focus on the 'basic pay' award (as distinct, for example from performance-related pay, or bonuses), for particular groups of staff. It may differentiate, for example, between senior management and other staff. Because these data are focused on pay awards, the changes they show are less impacted by changes in the composition of the labour market, but coverage is dependent on individual employers disclosing their own awards, which may be dependent on subscribing to the provider's services. Access to the data may also be dependent on subscription to the provider's services.

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<sup>21</sup><https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/anoverviewofandcomparisonbetweenannualsurveyofhoursandearningsasheandaverageweeklyearningsawe/2017-09-14#annex-b-a-worked-example-demonstrating-compositional-effects>