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Coverage
United Kingdom
Theme
The Economy

About £3 billion growth in bonuses in 2006-07

Economic & Labour Market Review

Bonuses in the latest 'bonus season', from December 2006 to April 2007, were approximately £3 billion higher than in the same period the previous year, according to an article in the October *Economic & Labour Market Review*, published today by the Office for National Statistics.

The article, which draws on data from the Average Earnings Index (AEI), shows that the majority of large bonuses, which are mainly but not exclusively in the financial services sector, are paid in the period December to April each year. Looking at this period of 2006-07, excluding bonuses, the annual increase in the AEI would have remained fairly stable between 3.3 per cent and 3.6 per cent, but including bonuses it was considerably more volatile. In December it was 3.9 per cent, rising to 4.8 per cent in January and 5.4 per cent in February before falling back to 3.5 per cent in March and 3.1 per cent in April.

The article shows that the main contributions to changes in growth were larger bonuses in both January and February from firms that normally pay bonuses in that month; in general, effects from changes in the timing of bonuses were less dramatic than in previous years.

Other articles this month include:

Measuring societal wellbeing

This article considers what 'societal wellbeing' is and looks at the main emerging approaches to measuring it. Robert Kennedy is thought to be the originator of the saying that there is "more to life than GDP", but many of the things that he listed are hard to define and measure.

The article states some examples of how government bodies in the UK are trying to measure societal wellbeing. For example, a report for the Countryside Council for Wales calculates an index of sustainable economic development in Wales, while ONS has been publishing environmental accounts since 2002.

The article says that ONS regards measuring societal wellbeing as a priority analytical area, and is developing a plan for this in the light of user requirements.

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GDP(O) revisions analysis system: overview and indicative results

ONS has developed a new system for recording revisions to the output measure of GDP, which is the main indicator of short-term economic growth. This enables quicker and more reliable analysis of the causes of revision. It shows that the main causes of revision are:

- later survey data and forecasts being replaced by new data, which account for 33 per cent by size of revisions
- updates to seasonal adjustment (24 per cent), and
- one-off improvements to sources and methods (22 per cent)

Using administrative data for statistical purposes

This article sets out some thoughts on the use of administrative data for statistical purposes, from the point of view of a statistics provider. The article concludes that administrative sources, censuses and surveys each have their own strengths and weaknesses. The UK has traditionally relied more on surveys than many other countries, partly because of the lack of a comprehensive population register. However, with a growing focus on reducing compliance costs and increasing interest in local area information, ONS is reassessing the place of administrative data in the UK statistical system.

Measuring the quality of the producer price index

This article presents for the first time, ONS's estimates of standard errors for the month-on-month and 12-month growth rates of the output PPI. This work shows that for all manufacturing, the 12-month growth rate is six times the standard error, indicating that movements in output prices are real.

The treatment of pensions in the National Accounts

This article looks at the important principles and concepts that apply in the National Accounts with regard to pensions. It describes some of the key issues to bear in mind when considering the impact of pensions in the National Accounts.

BACKGROUND NOTES

1. *Economic & Labour Market Review* is available on the National Statistics website at: www.statistics.gov.uk/StatBase/Product.asp?vlnk=14692
2. **National Statistics** are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. © Crown copyright 2007.