



Explanatory note on Take-home pay analysis spreadsheet

- The raw data is extracted from the Annual Survey of Hours and Earnings (ASHE) micro data for 2012 and 2013 (provisional) and is rounded to the nearest 10 pence for data disclosure reasons. For more information on ASHE, see: <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2013-provisional-results/index.html>
- The data used is the distribution of gross weekly pay of employees over 16, including employees whose pay had been affected by absence in the period and including employees on non-adult rates of pay¹. Also, employees with zero hourly pay were excluded.
- The top and bottom percentiles are not included because year-on-year changes in individual percentiles at the extremes of the distribution can be highly variable, and we did not want these to drive average results for this analysis.
- 'Take-home pay' for each percentile in each year is calculated. This involves deducting income tax and employee National Insurance Contributions (NICs) using tax information available at the links below. This is consistent with the methodology employed by the OECD in its 'Taxing Wages' publication. The analysis assumes that all primary employee NICs are paid at the main contribution rate or additional contribution rate (if applicable) i.e. employees at each percentile are not 'contracted out' of the second state pension. Gross weekly earnings are converted to annual values by multiplying by (365/7).
<http://www.hmrc.gov.uk/statistics/tax-structure/table-a1.pdf>
<http://www.hmrc.gov.uk/statistics/tax-structure/table-a2.pdf>
<http://www.hmrc.gov.uk/statistics/tax-structure/table-a4.pdf>
- The proportional difference in take-home pay for each percentile between 2012 and 2013 is calculated.
- The mean average percentage change for each decile group (excluding the top and bottom percentile) is calculated and represented in a chart with the annual change in CPI inflation between April 2012 and April 2013.

¹ In the ONS' publication of ASHE, results of gross weekly pay exclude these individuals.