

Information about personal income and the wages and salaries paid to employees is used for many purposes including economic analysis, social research, policy formation and evaluation, and research by employer and employee associations. The ABS publishes a variety of information on these topics, drawing on administrative and survey data sources.

Estimates from a given source may differ from estimates from other sources as a result of differences in scope, coverage and methodology. This article explores some of the earnings statistics produced by the ABS.

## Defining Income and Earnings

Figure 1 below summarises the conceptual framework for statistical measures of employee remuneration in Australia (in the context of the broader concept of labour costs). Concepts of 'Wages and salaries', 'Employee income', 'Compensation of Employees' and 'Labour costs' all include and extend upon the concept of 'Earnings'.

### Earnings

Earnings are the pre-tax amount paid to employees for work done or time worked (including paid leave). In concept, earnings include 'payments-in-kind'; the value of 'non-cash' goods or services provided to employees. However, in practice they are not included in ABS collections, with the exception of goods and services obtained through salary sacrifice arrangements.

The exclusion of payments-in-kind (non-salary-sacrifice) from earnings is largely due to practical considerations, as data about payments-in-kind is not always readily available from employer payrolls, and because the contribution of wages and salaries in-kind to total employee earnings are relatively insignificant.

### Employee income

The concept 'employee income' is broadly comparable with the 'compensation of employees' component of the framework (Figure 1). It refers to an employee's total remuneration, whether in cash or in kind, received as a return to labour from an employer or from a person's own incorporated business. In addition to earnings, it includes non-cash benefits- free or subsidised goods and services from an employer such as the use of motor vehicles and subsidised housing; payments-in-kind; employers' social (e.g. superannuation); and severance and termination pay.

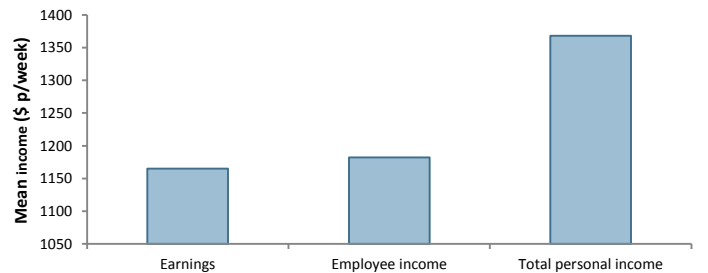
### Labour costs

'Labour costs' are the cost to the employer in the employment of labour, including all cash and in-kind payments of wage and salaries to employees; all social contributions by employers in respect of their employees; and all other costs borne by employers in the employment of labour that are not related to employee compensation.

### Total personal income

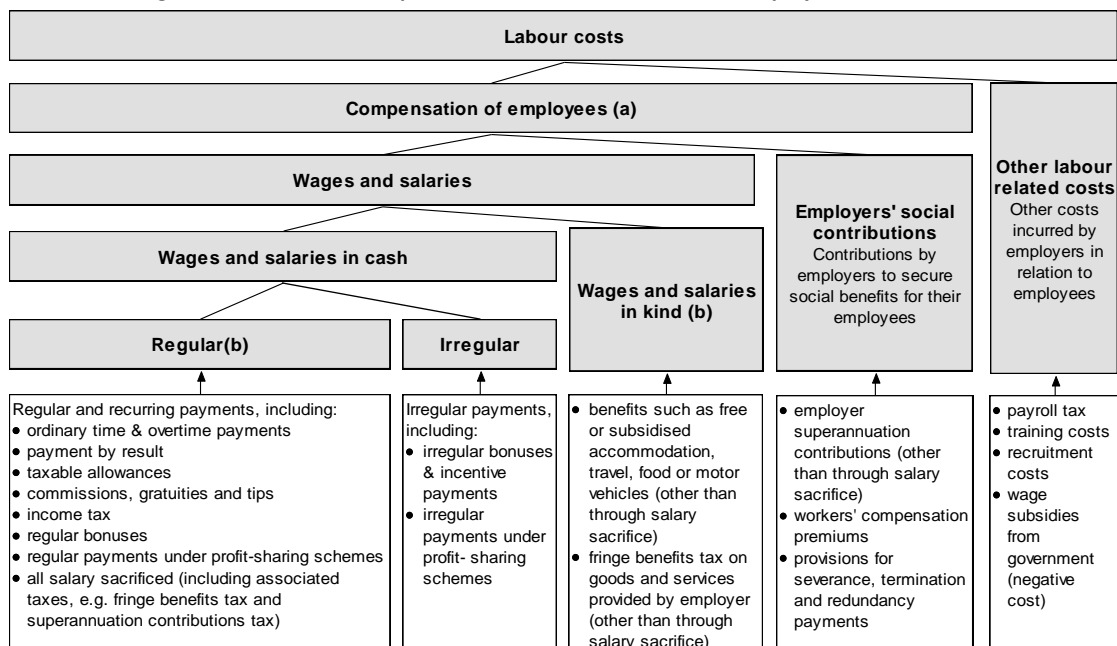
The broader concept of 'total personal income' includes other monetary receipts, such as government pensions and benefits; investment income; profit or loss from an unincorporated business; and private transfers (such as superannuation, child support etc.).

Graph 1: Mean Earnings, Employee income and Total personal income, Persons, 2015-16



Source: Survey of Income and Housing, 2015-16

Figure 1: Australian Conceptual Framework for Measures of Employee Remuneration



(a) The concept 'employee income' is broadly comparable with compensation of employees.

(b) Conceptually, earnings comprise regular wages and salaries in cash and regular wages and salaries in kind.

## ABS Income and Earnings data sources

The ABS produces earnings statistics, as well as earnings related measures, from a range of sources (see Table 2). Household and employer surveys which are used by the ABS to collect earnings statistics have different strengths and limitations.

It is important to be aware of these differences when analysing the data.

### Household Surveys

Household surveys provide:

- earnings by socio-demographic characteristics;
- earnings by a range of employment characteristics, such as paid leave entitlements; and
- greater geographic information about place of usual residence including Statistical Area level 4 under the Australian Statistical Geography Standard.

However, limitations of household surveys data include:

- earnings are less robust, with reliance on respondents' accurate recall of (pre-tax) earnings;
- some respondents report on behalf of others in the household which can affect the quality of data reported;
- fewer and less robust information about business characteristics; and
- components of earnings estimates not available.

### Employer Surveys

Employer surveys provide:

- more accurately reported earnings as data are obtained from employers' payrolls;
- components of earnings collected separately (i.e. ordinary time and overtime earnings); and
- consistent business characteristics (such as industry and business size), as this information is maintained on the ABS Business Register.

However limitations of employer surveys data include:

- limited socio-demographic characteristics of employees;
- limited information about characteristics of employment; and
- only state/territory geographic information about place of work available.

### Administrative data

While large administrative datasets allow for rich analysis of income for small areas, consideration needs to be given to the scope and collection method of the data source. For example the Australian Tax Office (ATO) Personal Income Tax dataset covers all individuals who submit an individual income tax return, and therefore may exclude people with incomes below the tax threshold. The ABS is working to explore administrative data through the Linked Employer – Employee Database (LEED).

Table 2: ABS data sources for earnings, employment income and total personal income

	Designed to measure	Frequency/ Type of data source	Benefits	Primary publication
<b>Average Weekly Earnings</b>	The level of average weekly earnings of employees.	Biannual business survey.	Time series data available (including seasonally adjusted and trend estimates).	Average Weekly Earnings, Australia (cat. no. 6302.0).
<b>Census</b>	Total personal income collected in ranges. Household and family income imputed from personal income.	Population census conducted every 5 years.	Data available for small geographic areas.	Data available from ABS website (TableBuilder).
<b>Characteristics of Employment</b>	Earnings and the distribution of weekly earnings.	Annual household survey, conducted in August.	Detailed socio-demographic information and labour force statistics. Distributional data available.	Characteristics of Employment, Australia (cat. no. 6333.0)
<b>Economic Activity Survey</b>	Income, expenses, industry value added, operating profit before tax, capital expenditure, employment and wages and salaries.	Annual business survey combined with ATO administrative data (business activity statement).	Time series data available, cross classified by industry divisions and subdivisions.	Australian Industry (cat. no. 8155.0)
<b>Employee Earnings and Jobs</b>	Experimental employee earnings estimates using administrative data.	First publication using data from an experimental linked employer-employee database (LEED).	Demonstrates the feasibility linking employer and employee information to inform labour supply and labour demand and to provide a high quality job count.	Information Paper: Construction of Experimental Statistics on Employee Earnings and Jobs from Administrative Data, Australia (cat. no. 6311.0)
<b>Estimates of Personal Income for Small Areas</b>	Regional estimates of employment and total income for persons who lodge a tax forms, using data sourced from the Australian Tax Office (ATO)	Annual analysis of ATO administrative data (personal income tax).	Data for small areas, down to Local Government Area level.	Estimates of Personal Income for Small Areas, 2011-15 (cat. no. 6524.0.55.002)
<b>National Accounts</b>	Compensation of employees, a very broad concept of employee remuneration.	Quarterly compilation based primarily on quarterly business surveys.	Broad measure of remuneration (includes, for example, annual bonuses and payment in kind).	Australian National Accounts: National Income, Expenditure and Product (cat. no. 5206.0).
<b>Quarterly Business Indicators Survey</b>	Revenue, profits, inventory and wages paid by private sector businesses.	Quarterly business survey.	Time series data available.	Business Indicators, Australia (cat. no. 5676.0).
<b>Survey of Employee Earnings and Hours</b>	Composition and distribution of earnings (weekly and hourly) of employees, hours paid for, and whether their pay is set by award, collective agreement or individual arrangement.	Biennial business survey with payroll employee component.	Data cross-classified by employer and some employee characteristics. Distributional data available.	Employee Earnings and Hours, Australia (cat. no. 6306.0).
<b>Survey of Employment and Earnings</b>	Public sector employee earnings paid by level of Government	Annual business survey.	Public sector estimates, by level of government.	Employment and Earnings, Public Sector, Australia (cat. no. 6248.0.55.002).
<b>Survey of Income and Housing</b>	A breakdown of household income, including wages and salaries.	Two-yearly household survey.	Distributional data on the broader context of household income and components available (including labour income) cross-classified by several employee characteristics.	Household Income and Income Distribution, Australia (cat. no. 6523.0).
<b>Survey of Major Labour Costs</b>	Total earnings as well as other labour costs borne by businesses, for example payroll tax.	Irregular (currently run every 6 years) business survey.	Earnings data in the broader context of labour costs. Data per employee also available.	Labour Costs, Australia (cat.no. 6348.0).
<b>Wage Price Index</b>	Changes in the price of wages and salaries resulting from market pressures.	Quarterly business survey.	Estimate of pure wage inflation removing the effect of composition.	Wage Price Index, Australia (cat. no. 6345.0).

For more information see *Labour Statistics: Concepts, Sources and Methods, Feb 2018* (cat. no. 6102.0.55.001).

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