

Response ID ANON-JABK-UV49-G

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Background

Please confirm you have read and understood this important background information.

Yes, I have read and understood the information on this page.

About you

1 What is your name?

Name:

2 What is your email address?

Email:

3 What is your organisation?

Organisation:

trades union congress

Section one: Measuring prices across the economy

1 Should ONS identify a main measure of price change across the economy?

No

Why? Please provide comments.:

Recognising the huge effort on the part of the statistical authorities, the present situation appears untenable. The TUC has a great deal of sympathy with the Royal Statistical Society's (RSS) argument for a return to first principles, and to the long-understood distinction that there should be separate measures for macroeconomic and household purposes.

The CPI was devised as a macroeconomic measure, and is not an adequate measure for the purposes of understanding household living standards (and hence for the uprating of various social expenditures to keep pace with the 'cost of living').

There have been criticisms of the RPI as the best means of providing such a measure, and the TUC has previously recognised them. However there is ongoing debate and uncertainty, and now wider concern about the ONS's previous critique of the RPI.

Dr Mark Courtney's arguments are persuasive and, as far as we gather, unanswered. In particular the argument around the 'formula effect' does not appear to be as cut and dried as the ONS, UKSA and Johnson Review have maintained. (Note also that the TUC's response to the October 2012 consultation also supported the ongoing use of the average of relatives/Carli method.) Courtney brings to bear other arguments that seem important – in particular the role of demand in arguments around substitution. We also note that Jill Leyland of the RSS stated that the formula issue was "still wide open" at the meeting of the user group on 13 July 2015. Housing is another critical issue, and initiatives to expand the CPI to include owner occupiers' housing have not fostered confidence in CPI-based measures. For many, mortgage interest payments remain the most intuitively-appealing approach.

On a practical level, the RPI is used for the majority of wage negotiations in both the private and public sector, as well wider contractual uses. Given the government has indicated that index-linked gilts will continue to use the RPI, it is implausible to expect any change when it comes to wage negotiations. We also note the government's approach to the CPI and RPI in the public finances is consistent only from the point of view of minimising the bottom line.

The TUC therefore considers that the least bad outcome would be to review the decision to downgrade the RPI, and for the ONS to go forward on the basis of both the RPI and CPI: the CPI for macroeconomic purposes and the RPI as an indicator of household inflation to be used for uprating benefits and tax thresholds etc.

Note that we are not fully persuaded by the RSS arguments for a new 'household inflation index' measure, which may serve only further to confuse. Were the RPI to be re-instated then it should be 'unfrozen', and coverage and methodology reviewed to keep it up to date across areas suggested by the RSS".

2 If you answered 'yes' to question 1a, then what should this measure be?

Other (please provide details).

Why? Please provide comments.:

The CPI was designed explicitly for macroeconomic purposes and comparability across EU countries; decisions around inclusion of housing (and other changes) should be a matter for relevant users.

If the RPI were to be revived, then decisions to 'freeze' it should be overturned, and again changes be a matter for relevant users.

3. Should its production be governed by legislation?

No

Why? Please provide comments.:

Not necessarily, but governance arrangements should be such that they inspire confidence in the user community.

Section two: Measuring consumer price inflation for different household types

4 Should ONS seek to measure changes in prices as experienced by different households?

Yes

Why? How often? Please provide comments.:

Bespoke measures such as pensioner indices, indices by income decile provide valuable information, though might not be necessary on a monthly basis (that said, we reject the Johnson Review recommendation that any household index be published only once a year). The measures should follow a macro or household approach according to purpose.

5 If yes, how should ONS seek to do so?

Via another means (please provide details)

Why? Please provide comments.:

Decisions on technical issues like this should depend on whether the index is for household or macroeconomic purposes. However, in general, a payments approach corresponds most closely to household experience of inflation. (Note that inclusion of interest payments on unsecured loans has not been considered.)

Section three: The RPI

6 Do you use the following indices? (Please select those that you use)

Tax and price Index, RPI pensioner indices, Component indices of the RPI, Any other RPI index

If yes, for what purposes? Please provide comments.:

To advise judgments about the cost of living, as well as specific analytical work, e.g. rail fares index is used to compare rail fare inflation with earnings (not least because RPI is used for price setting).

7 Do you agree that the following indices should be discontinued? (Please select those that you suggest should be discontinued)

RPIJ, RPIY

Why? Please provide comments.:

Additional measures should be governed by the household / macroeconomic distinction, e.g. pensioner indices on an RPI basis, 'Y' measures on a macroeconomic basis.

8 Do you have any views on what 'freezing' changes to the RPI should mean in practice?

Yes

Why? Please provide comments.:

Were the RPI to be re-instigated, this decision should be rejected.

Section four: Evolving consumer price statistics

9 Are the priorities identified by ONS in its forward work plan appropriate?

No

Why? Please provide comments.:

For the moment the priority should be decisions about the headline measure(s), and fostering public support for the decision.

10 Should ONS include council tax in the CPIH?

Not Answered

Why? Please provide comments.:

Again, it should depend on whether its inclusion was appropriate for a macroeconomic measure of inflation, and be a matter for the relevant user community.

Additional information

Do you have any further comments relevant to this consultation?

Do you have any further comments relevant to this consultation?:

n/a

User satisfaction

Overall, how satisfied were you with this online consultation service today?

Satisfied

Please tell us if there are any specific areas for improvement, or if you have any other comments.:

very straightforward, though I didn't have to stop and come back to it later.