NIESR
Monthly Wage Tracker

Latest wage estimates suggest cost-of-living squeeze is tightening

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" Latest ONS estimates suggest wage rises are running at around 5.4 per cent, but with inflation running at over 6.0 per cent, it is clearly not enough to keep up with prices. This confirms that the cost-of-living squeeze is tightening in the UK. The latest Labour Force Survey suggest the labour market is still tight, with unemployment down to 3.8 per cent and the employment rate largely unchanged from the previous three-month period. The imbalance between labour demand and supply mean vacancies remain at record highs, putting upward pressure on wage growth."

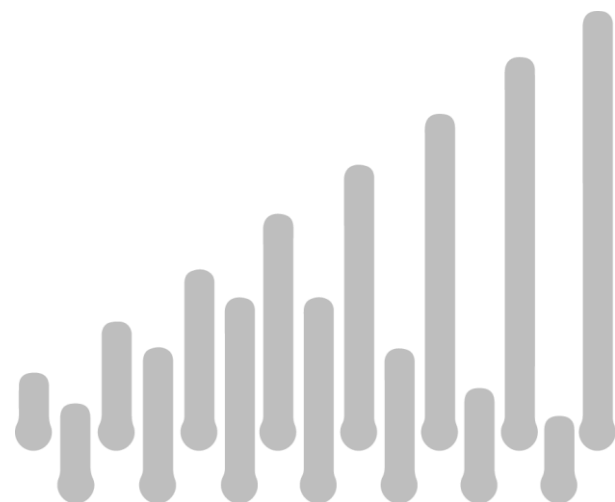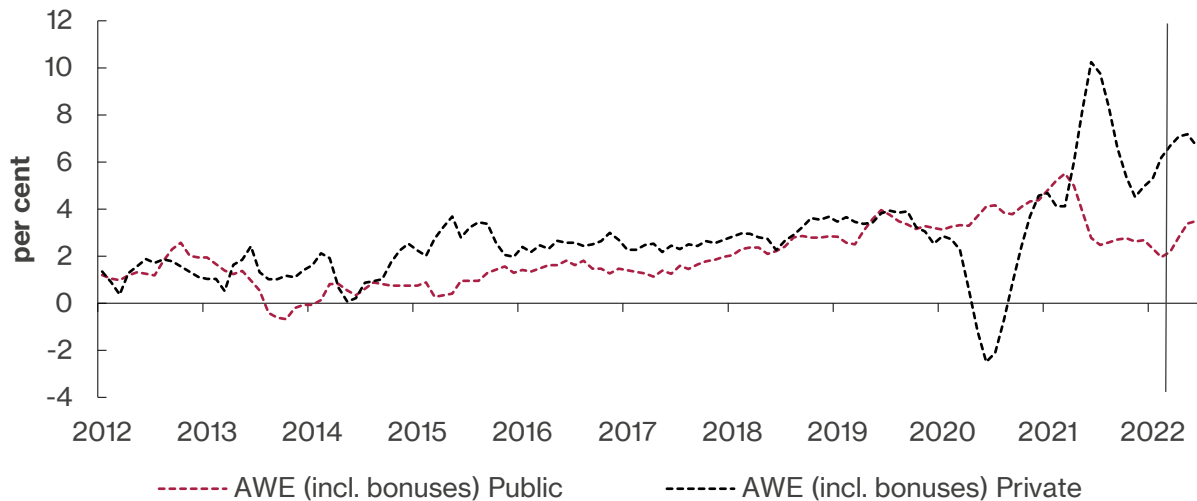**Dr Kemar Whyte**
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Figure 1 – Average weekly earnings in public and private sectors

Main Points

- Our wage tracker predicts that average weekly earnings growth will grow at 6.2 per cent in the second quarter of 2022, after increasing by 5.4 per cent in the three months to February.
- We forecast AWE for total pay in the private-sector to grow at 6.7 per cent in the second quarter of this year, with growth in regular pay expected to be largely unchanged.
- We continue to expect public-sector AWE growth to stabilise between 2 ½ and 3 per cent until the first quarter of 2022 and to reach around 3 ½ per cent going into the second quarter of the year.

Employment

The latest Labour Force survey (LFS) estimates suggest the labour market continues to recover, with the employment rate increasing on a quarterly basis and the unemployment rate decreasing. The employment rate was estimated at 75.5 per cent, largely unchanged from the previous 3-month period but 1.1 percentage points lower than the pre-pandemic period (December 2019 – February 2020). The unemployment rate decreased by 0.2 percentage points to 3.8 per cent. The economic inactivity has increased slightly on the quarter to 21.4 per cent.

Pay

The growth rate in average weekly earnings including bonuses (AWE) in Great Britain was 5.4 per cent in the three months to February 2022. In real terms, growth in total pay was 0.4 per cent in the three months to February 2022, according to latest ONS estimates. Strong bonus payments over the past six months underpin the positive real total pay growth.

Surge in starting salaries. The latest KPMG and REC report on Jobs suggests that the ongoing imbalance in the labour market meant there was a further surge in starting pay, with salaries for new permanent workers increasing at the fastest rate on record in March. The month of March also saw a further slowdown in hiring activity, with the latest survey data suggesting there were softer expansions in both permanent and temporary staff across the UK. Overall vacancies rose for a fourteenth consecutive month in March, though the quarterly growth rate in vacancies is slowing. The latest ONS estimates suggest that job vacancies rose to a new record of 1,288,000 in January 2022 to March 2022.

Private-sector regular AWE growth was 4.4 per cent in the 3 months to February 2022, and 6.2 per cent if we include bonuses. We forecast regular AWE growth to increase moderately to 4.7 per cent in the first quarter of 2022 thanks to better pay settlements. Including bonuses, AWE growth would be 6.7 per cent in the private sector.

Public-sector AWE growth declined from a peak of 5.6 per cent in the first quarter of 2021 to 2.4 per cent in the 3 months to February 2022. We forecast public-sector total pay growth to be stable between 2½ and 3 per cent in the first quarter of 2022. Our early forecast for the second quarter of this year is for public-sector total growth to be around 3.5 per cent.

Table 1: Summary table of earnings growth

	Average Weekly Earnings					
	Whole economy		Private sector		Public sector	
Latest weights	100		82		18	
	Regular	Total	Regular	Total	Regular	Total
Jan-21	533	568	523	566	577	578
Feb-21	535	567	525	564	579	583
Mar-21	536	568	526	563	579	582
Apr-21	540	572	531	571	579	581
May-21	540	575	532	574	579	582
Jun-21	541	577	533	577	579	581
Jul-21	542	579	534	580	578	580
Aug-21	544	582	536	583	579	582
Sep-21	546	584	537	583	581	584
Oct-21	548	586	540	586	583	586
Nov-21	550	590	541	590	585	587
Dec-21	553	600	545	602	586	589
Jan-22	556	596	547	598	588	589
Feb-22	556	598	549	600	595	591
Mar-22	559	607	551	608	597	601
Apr-22	562	609	553	610	599	603
May-22	563	610	555	612	596	600
Jun-22	565	612	558	615	598	602
% change 3 month average year on year						
Jan-21	4.2	4.8	4.0	4.7	4.7	4.8
Feb-21	4.4	4.4	4.0	4.1	5.2	5.2
Mar-21	4.6	4.3	4.2	4.1	5.5	5.5
Apr-21	5.7	5.7	5.7	6.0	4.8	5.0
May-21	6.7	7.4	7.2	8.2	3.7	3.9
Jun-21	7.4	8.8	8.4	10.2	2.8	2.8
Jul-21	6.8	8.3	7.8	9.8	2.5	2.5
Aug-21	6.0	7.3	6.8	8.3	2.7	2.6
Sep-21	5.0	6.0	5.5	6.6	2.6	2.7
Oct-21	4.3	5.0	4.7	5.4	2.6	2.8
Nov-21	3.9	4.2	4.1	4.5	2.6	2.6
Dec-21	3.7	4.5	4.0	5.0	2.7	2.7
Jan-22	3.9	4.8	4.1	5.3	2.4	2.3
Feb-22	4.0	5.4	4.4	6.2	2.4	2.0
Mar-22	4.2	5.7	4.7	6.7	2.6	2.2
Apr-22	4.1	6.3	4.5	7.1	3.1	2.8
May-22	4.2	6.5	4.5	7.2	3.2	3.4
Jun-22	4.2	6.2	4.4	6.7	3.2	3.5
% change month on same month of previous year						
Jan-21	4.3	4.2	3.8	4.0	5.5	5.3
Feb-21	4.5	3.8	4.2	3.7	5.7	5.8
Mar-21	5.1	4.8	4.8	4.6	5.3	5.4
Apr-21	7.6	8.5	8.4	9.8	3.6	3.8
May-21	7.4	8.9	8.6	10.4	2.3	2.5
Jun-21	7.1	8.9	8.3	10.5	2.5	2.1
Jul-21	5.9	7.2	6.6	8.4	2.8	2.8
Aug-21	5.0	5.8	5.5	6.2	2.7	2.8
Sep-21	4.2	4.8	4.5	5.2	2.3	2.5
Oct-21	3.8	4.3	4.2	4.6	2.8	3.0
Nov-21	3.6	3.5	3.6	3.7	2.6	2.4
Dec-21	3.8	5.8	4.0	6.5	2.6	2.6
Jan-22	4.3	4.9	4.6	5.7	1.9	1.9
Feb-22	3.9	5.5	4.6	6.4	2.8	1.4
Mar-22	4.4	6.8	4.8	8.0	3.1	3.3
Apr-22	4.0	6.4	4.2	6.8	3.4	3.8
May-22	4.2	6.1	4.4	6.7	2.9	3.1
Jun-22	4.4	6.1	4.6	6.5	3.2	3.6

Caveat

NIESR's Wage Tracker includes predictions for regular pay and bonus payments for the whole economy, as well as forecasts for private and public sector wages. The Wage Tracker exploits information from key macroeconomic indicators, including labour market trends, building also on information from monthly GDP nowcasts produced by NIESR's GDP Tracker and survey evidence, such as labour costs in the manufacturing and service sectors from the Bank of England Agents Scores. The wage models also capture the interaction between private and public pay, shown to be relevant in work done by NIESR.

To check how our methodology would work in real time we have produced judgement-free forecasts of earnings growth for the period between July 2010 and October 2018. For whole economy earnings, the root mean square error is 0.2 percentage points for the measure excluding bonuses and 0.4 percentage points for the measure including bonuses. So, on average, our projections are likely to have an error of 0.2/0.4 percentage points above or below the forecasts we publish. These numbers indicate the degree of uncertainty around the point forecasts produced by the models at each point in time. The errors are greater for the measure of earnings including bonuses because bonus payments, particularly in the private sector, are subject to short-term volatility. In practice, we add residuals reflecting our judgement so the error bands may be larger or smaller.

Forecast schedule

The NIESR Wage Tracker provides a rolling monthly forecast for earnings growth. The ONS produces an estimate of Average Weekly Earnings (AWE) for any particular quarter some 40 days after the end of the quarter. The NIESR Wage Tracker will publish AWE forecasts 5 months ahead of the ONS release for the reference quarter, updating that forecast four times before the official data is out, similar to the monthly GDP Tracker schedule.

Notes for editors: For further information please contact the NIESR Press Office: press@niesr.ac.uk or Luca Pieri on 020 7654 1954 / l.pieri@niesr.ac.uk

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