

# NIESR

## Monthly Wage Tracker

### Wage growth not keeping up with inflation as real regular pay growth falls by a record amount

Kemar Whyte

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*“UK households are facing falls in what they can buy with their pay packages as the inflation surge continues. The latest ONS estimates indicate real regular pay has fallen by a record 2.8 per cent on the year, as inflation erodes a healthy nominal regular pay increase of 4.3 per cent. If bonuses are considered, the latest estimates indicate that average weekly earnings were 6.2 per cent higher in the three months to May than they were a year ago, equivalent to a cut in real wages of 0.9 per cent. Meanwhile, the estimates for public versus private sector pay growth suggest the latter was almost 5 times higher. Overall, whilst the employment figures provide some encouragement, the cost-of-living crisis is getting worse.”*

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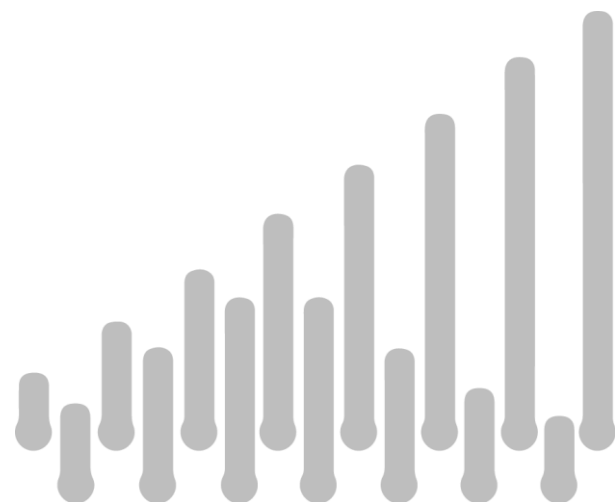
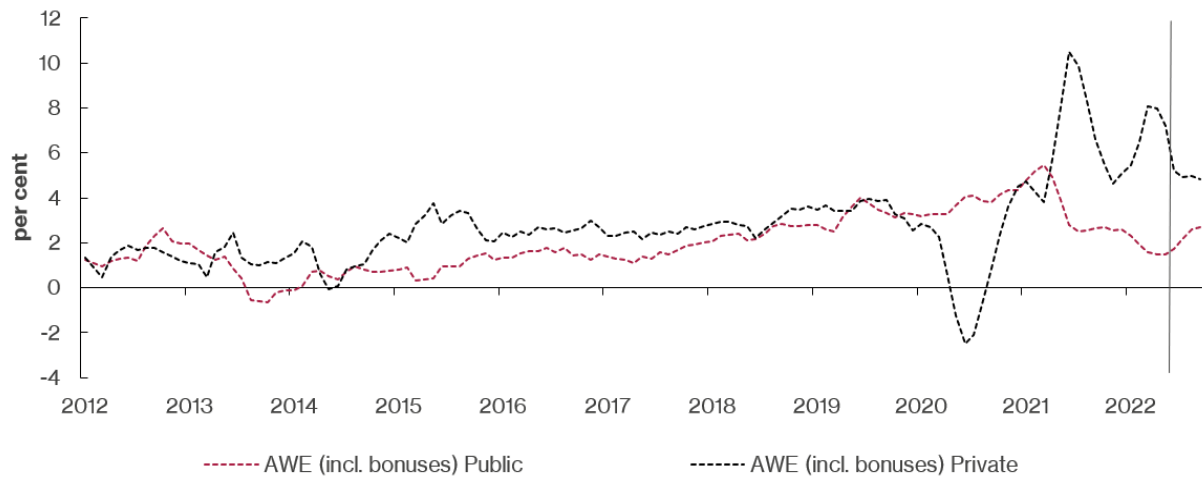


Figure 1 – Average weekly earnings in public and private sectors



## Main Points

- NIESR's wage tracker now predicts that average weekly earnings growth will grow at 4.6 per cent in the second quarter of 2022, after increasing by 7.0 per cent in the first quarter. Our early prediction for the third quarter is for average weekly earnings growth to maintain its current rate of around 4 ½ per cent.
- Total pay growth of 7.2 per cent in private sector was nearly five times the rate seen in the public sector.
- The unemployment rate has fallen again, and more people are in work. More generally, the labour market remains extremely tight with the number of vacancies just shy of 1.3 million across April to June 2022.
- Today's ONS estimates indicate that economic inactivity is easing, suggesting that the cost-of-living squeeze is beginning to force people back into the labour market.
- Real regular wages in the UK fell by 2.8%, a record fall.

## 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 increased by 0.4 percentage points on the quarter to 75.9 per cent but remains below pre-pandemic levels. The unemployment rate decreased by 0.1 percentage points on the quarter to 3.8 per cent. The economic inactivity rate has decreased marginally in March to May 2022 to 21.1 per cent.

## Pay

The growth rate in average weekly earnings including bonuses (AWE) in Great Britain was 6.2 per cent in the three months to May 2022. In real terms, total pay fell by 0.9 per cent in the three months to May 2022, according to latest ONS estimates. Strong bonus payments, particularly in the finance and business services sector and construction sector, partially offset the record fall in real regular pay.

**Pay pressures cool amid softest increase in vacancies since March 2021.** The latest [KPMG and REC report on Jobs](#) suggests the rate of starting salary inflation eased to its lowest rate in just under a year, but still remains well above the series average. The availability of staff continued to deteriorate at a rapid rate with the demand for candidates leading to further marked increases in starting salary. The latest ONS estimates suggest that job vacancies were 1,294,000 in April 2022 to June 2022, marginally higher than the previous quarter and an increase of 498,400 on pre-pandemic levels in January to March 2020.

Private-sector regular AWE growth was 5.0 per cent in the 3 months to May 2022, and 7.2 per cent if we include bonuses. We now forecast regular private-sector AWE growth to increase by 5.1 per cent in the second quarter of 2022. Including bonuses, the forecast for AWE growth would be 5.2 per cent in the private sector.

Public-sector total AWE growth declined from a peak of 5.4 per cent in the first quarter of 2021 to 1.5 per cent in the 3 months to May 2022. Our forecast for the second quarter of this year is for public-sector total growth to be around 1.7 per cent.

Table 1: Summary table of earnings growth

<b>Average Weekly Earnings</b>						
	<b>Whole economy</b>		<b>Private sector</b>		<b>Public sector</b>	
<i>Latest weights</i>	<i>100</i>		<i>82</i>		<i>18</i>	
	<b>Regular</b>	<b>Total</b>	<b>Regular</b>	<b>Total</b>	<b>Regular</b>	<b>Total</b>
Jan-21	533	570	523	568	577	578
Feb-21	535	568	525	565	579	583
Mar-21	536	559	527	555	578	581
Apr-21	540	574	531	573	579	581
May-21	540	578	531	577	579	583
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	600	549	602	588	589
Feb-22	557	601	550	604	589	590
Mar-22	559	614	553	618	589	590
Apr-22	562	602	556	606	589	590
May-22	565	601	560	603	590	591
Jun-22	567	606	562	608	592	594
Jul-22	569	606	564	608	594	595
Aug-22	572	608	566	610	596	598
Sep-22	574	610	568	612	597	599
<b>% change 3 month average year on year</b>						
Jan-21	4.2	4.9	4.0	4.7	4.7	4.8
Feb-21	4.4	4.5	4.1	4.3	5.2	5.1
Mar-21	4.6	3.9	4.3	3.8	5.5	5.4
Apr-21	5.7	5.4	5.8	5.7	4.9	4.9
May-21	6.6	7.2	7.2	8.0	3.7	3.9
Jun-21	7.3	9.1	8.4	10.5	2.7	2.8
Jul-21	6.8	8.5	7.8	9.8	2.4	2.5
Aug-21	6.0	7.2	6.8	8.3	2.6	2.6
Sep-21	5.0	5.9	5.5	6.6	2.6	2.7
Oct-21	4.3	4.9	4.7	5.5	2.7	2.7
Nov-21	3.8	4.2	4.1	4.6	2.6	2.5
Dec-21	3.7	4.6	3.9	5.1	2.7	2.6
Jan-22	3.8	4.9	4.2	5.5	2.4	2.3
Feb-22	4.1	5.6	4.6	6.5	2.1	1.9
Mar-22	4.2	7.0	4.9	8.1	1.8	1.6
Apr-22	4.2	6.8	4.8	8.0	1.7	1.5
May-22	4.3	6.2	5.0	7.2	1.8	1.5
Jun-22	4.5	4.6	5.1	5.2	2.0	1.7
Jul-22	4.8	4.5	5.4	4.9	2.3	2.1
Aug-22	5.0	4.7	5.5	5.0	2.6	2.6
Sep-22	5.1	4.6	5.7	4.8	2.8	2.7
<b>% change month on same month of previous year</b>						
Jan-21	4.2	4.5	3.8	4.4	5.5	5.3
Feb-21	4.5	4.1	4.2	3.9	5.6	5.7
Mar-21	5.1	3.2	4.8	3.1	5.3	5.4
Apr-21	7.5	9.0	8.4	10.2	3.7	3.7
May-21	7.3	9.5	8.5	10.9	2.2	2.7
Jun-21	7.1	8.8	8.2	10.5	2.3	2.1
Jul-21	5.9	7.2	6.7	8.2	2.8	2.8
Aug-21	5.0	5.7	5.5	6.3	2.8	2.8
Sep-21	4.1	4.7	4.5	5.3	2.3	2.3
Oct-21	3.9	4.3	4.1	4.7	2.9	2.9
Nov-21	3.5	3.6	3.7	3.8	2.6	2.4
Dec-21	3.7	5.8	3.9	6.6	2.6	2.5
Jan-22	4.3	5.2	5.0	6.0	1.8	1.9
Feb-22	4.2	5.8	4.8	6.8	1.8	1.3
Mar-22	4.3	9.9	4.9	11.5	1.8	1.5
Apr-22	4.0	4.9	4.7	5.7	1.6	1.6
May-22	4.6	3.9	5.3	4.5	1.9	1.4
Jun-22	4.9	5.0	5.4	5.4	2.3	2.3
Jul-22	5.0	4.6	5.5	4.9	2.7	2.8
Aug-22	5.1	4.5	5.6	4.6	2.8	2.7
Sep-22	5.1	4.5	5.8	5.0	2.8	2.7

## 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](mailto:press@niesr.ac.uk) or Luca Pieri on 020 7654 1954 / [l.pieri@niesr.ac.uk](mailto:l.pieri@niesr.ac.uk)

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