

NIESR

Monthly Wage Tracker

Economic And Political Uncertainty Throws Caution Into The Labour Market

Paula Bejarano Carbo and Hailey Low

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“Average weekly earnings, including bonuses, grew by 6 per cent in the third quarter of this year; this figure remains outpaced by inflation as workers saw a 2.6 per cent fall in real total wages relative to this time last year. Worryingly, we observed the third consecutive month of a record disparity between average regular pay growth for the private and public sectors, as the former saw growth of 6.6 per cent while the latter only saw 2.2 per cent. We expect this disparity to continue growing through the fourth quarter of this year, undoubtedly causing further strain to many public sector workers struggling to cope with the cost-of-living crisis. Given the expected departmental spending cuts in the Chancellor’s upcoming Autumn Statement, this trend bodes poorly for public sector workers – who are increasingly resorting to industrial action to bargain for higher wages.”

Paula Bejarano Carbo
Associate Economist, NIESR

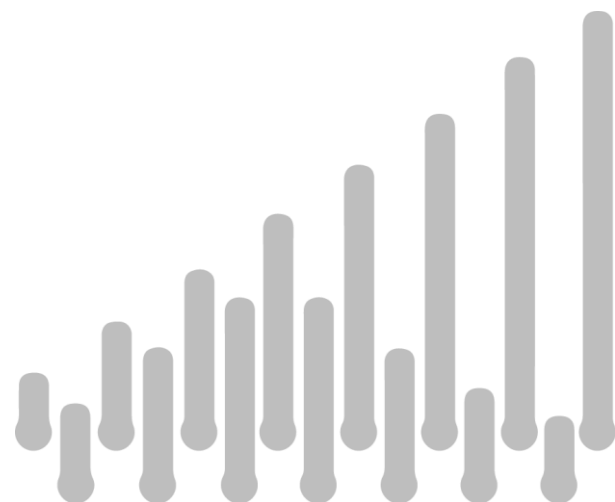
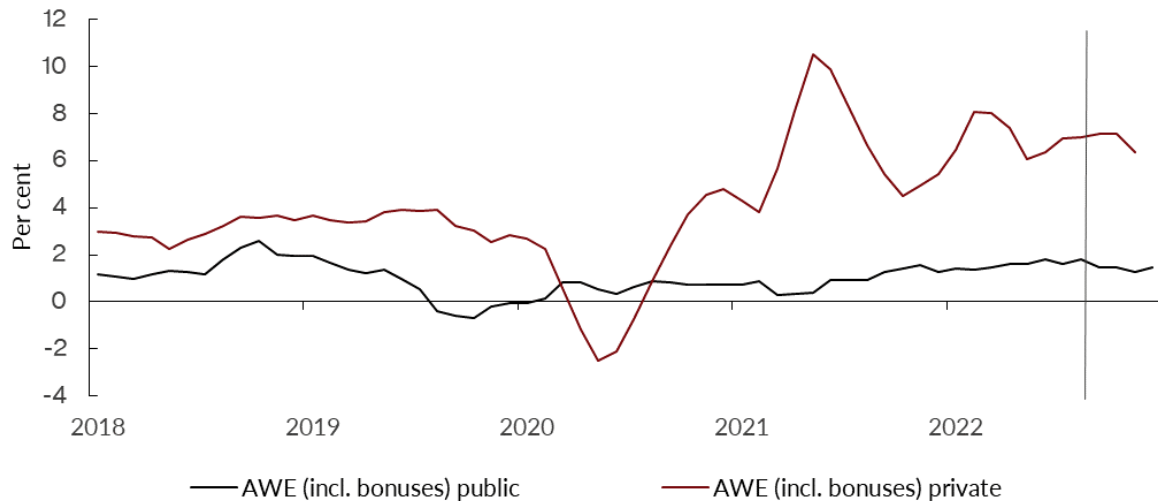


Figure 1 – Average weekly earnings in public and private sectors



Main Points

- The latest ONS estimates suggest the annual growth rate of average weekly earnings was 6.0 per cent in the third quarter of this year, marginally higher than our tracker predicted last month.
- Today's estimates also suggest that real regular pay in the UK fell by 2.7 per cent, lower than the 3.0 per cent record fall in the second quarter but remaining among the largest falls in growth since comparable records began in 2001.
- NIESR's wage tracker now predicts that average weekly earnings will grow at 5.6 per cent in the fourth quarter of this year, slowing in line with the expected labour market cooling.
- For the third consecutive month, the figures today show the largest disparity in public and private sector wages outside of the pandemic period, where private sector regular pay grew by 6.6 per cent while regular pay in the public sector grew by 2.2 per cent.
- In September, 205,000 working days were lost to strikes – this compares with 273,000 lost in the whole of 2018 (the last year for which we have data). While this pales into insignificance compared with the figure of 2.5 million days per month recorded during the 'winter of discontent' in 1979, it is nonetheless a clear signal that industrial action will make its mark on the UK economy in the coming months.

Employment

The latest [Labour Force survey \(LFS\)](#) estimates suggest the employment rate remained flat at 75.5 per cent in the third quarter of 2022 compared with the second quarter, remaining below pre-pandemic levels. The unemployment rate was estimated at 3.6 per cent, 0.2 percentage points lower than in the second quarter of 2022. The economic inactivity rate for people aged 16-64 was estimated at 21.6 per cent, an increase of 0.2 percentage points relative to the second quarter of this year.

Pay

The annual growth rate in average weekly earnings including bonuses (AWE) in Great Britain was 6.0 per cent in the third quarter of 2022. In real terms, total pay fell by 2.6 per cent in the three months to September 2022 relative to the three months to September 2021. As figure 2 below shows, workers in different sectors have felt this real squeeze asymmetrically.

Economic uncertainty feeds into the job market. The latest [KPMG and REC report on Jobs](#) suggests that the potential recession is impacting the job market, with the latest data signalling a slowdown in vacancies expansion in October, and also the weakest demand for staff since February 2021. This combination has dampened the overall growth of the labour market. The latest ONS estimates suggest that job vacancies were 1,225,000 in August 2022 to October 2022, representing a fall in vacancies of 3.6 per cent since the previous three-month period.

Private-sector regular AWE annual growth was 6.6 per cent in the third quarter of 2022, and 7.0 per cent if we include bonuses. We now forecast regular private sector AWE growth to be 6.7 per cent and total pay growth to be 6.3 per cent in the fourth quarter of 2022.

Public-sector total AWE annual growth has been on an increasing path since a low in the three months to April of this year of 1.4 per cent and was 2.3 per cent in the third quarter. Our forecast for the fourth quarter of this year is now for public-sector total earnings growth to reach 2.6 per cent.

Figure 2 – Real average weekly earnings in public and private sectors

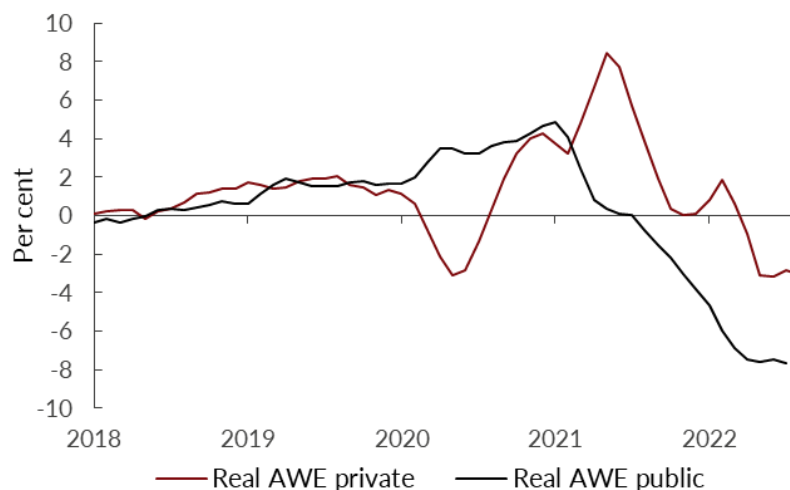


Table 1: Summary table of earnings growth

Average Weekly Earnings						
	Whole economy		Private sector		Public sector	
<i>Latest weights</i>	100		82		18	
	Regular	Total	Regular	Total	Regular	Total
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	604	556	607	589	590
May-22	567	605	562	607	590	591
Jun-22	569	612	564	617	590	594
Jul-22	572	614	568	619	591	594
Aug-22	575	618	571	624	593	597
Sep-22	578	621	574	626	593	597
Oct-22	580	623	576	628	595	600
Nov-22	582	625	578	630	597	602
Dec-22	584	627	580	632	600	605
% change 3 month average year on year						
Sep-21	5.0	6.1	5.5	6.7	2.7	2.8
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	4.9	4.2	5.4	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	1.5
Apr-22	4.2	6.9	4.8	8.0	1.8	1.4
May-22	4.5	6.4	5.1	7.4	1.8	1.5
Jun-22	4.8	5.2	5.4	6.1	1.8	1.7
Jul-22	5.2	5.5	5.9	6.3	2.0	1.9
Aug-22	5.5	6.0	6.2	7.0	2.1	2.4
Sep-22	5.7	6.1	6.6	7.0	2.2	2.3
Oct-22	5.8	6.2	6.7	7.1	2.2	2.4
Nov-22	5.9	6.2	6.8	7.1	2.1	2.4
Dec-22	5.8	5.6	6.7	6.3	2.2	2.6
% change month on same month of previous year						
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	5.3	5.0	6.0	1.9	1.9
Feb-22	4.1	5.8	4.8	6.9	1.7	1.2
Mar-22	4.3	9.8	4.9	11.4	1.9	1.5
Apr-22	4.1	5.0	4.7	5.9	1.7	1.5
May-22	5.0	4.3	5.6	5.0	1.9	1.4
Jun-22	5.2	6.3	5.8	7.3	1.9	2.2
Jul-22	5.5	5.9	6.4	6.7	2.1	2.2
Aug-22	5.7	6.0	6.5	6.8	2.4	2.6
Sep-22	5.9	6.3	6.9	7.4	2.1	2.2
Oct-22	5.9	6.3	6.7	7.2	2.1	2.4
Nov-22	5.9	6.0	6.9	6.8	2.1	2.6
Dec-22	5.7	4.6	6.5	5.0	2.3	2.6

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 3948 4488 / l.pieri@niesr.ac.uk

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