
- Average regular earnings grew by 4.7% in the year to June 2022, though bonuses for some pushed headline earnings growth up by 5.1%. With the Consumer Price Index rising by 9.4% in the year to June 2022, this means that real regular earnings have fallen over the year and are below pre-pandemic levels.
- In June, regular pay in real terms fell by 2.8%. The cost of living crisis is likely to deepen even further in the months ahead, with the Bank of England forecasting inflation to rise to 13% this year.
- Employers are hiring at record levels, but there are fewer potential workers for employers to recruit, with 527,000 over 50s leaving the labour market since the pandemic started.
- There are 2.39 million people economically inactive due to long-term sickness or disability, up 9.3% in the last year.
- 1.9 million people either started work or changed jobs in the three months to June 2022, a slight fall on the previous quarter but still historically high.
- The proportion of people moving from out-of-work to in work remains relatively flat (though at high levels in absolute terms), with only 6% of economically inactive people moving into work in the last quarter little changed on previous years.
- Employment rates for disabled people have increased marginally but remain 29 percentage points below that for non-disabled people.
- Employment rates for people from ethnic minorities increased by one percentage point in the same time, while employment rates for white people fell by 0.3 percentage points, meaning that the employment rate gap narrowed.
- Employment rates are now higher in the North East, Yorkshire and the Humber, the West Midlands, London than pre-pandemic levels, but remain lower in other regions and countries, apart from Scotland where employment rates are approximately the same as they were in 2019.


- 47% of employers have hard-to-fill vacancies. These are most common in education (56%), transport and storage (55%), and the voluntary sector (53%).
- Recruitment intentions are above pre-pandemic levels. 72% of employers surveyed indicated that they plan to recruit in the next three months. Recruitment intentions remain highest in the public sector (84%), followed by the voluntary sector (71%) and the private sector (70%).
- The top response planned by employers to recruitment and retention difficulties is to upskill existing staff (41%), followed by advertising more jobs as being flexible (35%). Raising wages comes in third at 29%.
- Only 13% of employers are planning to make redundancies in the three months to September 2022. This is further evidence that, in a tight labour market, employers are focusing on keeping their existing staff as much as recruiting new ones.
- Of those employers planning a pay review, an increase in pay is the most popular option at 35%. However, 38% think it is hard to tell, and 20% do not know. Six per cent expect a pay freeze and only 1% expect a decrease.
- The median expected basic pay increase stands at 3% in total, as it has for the last three quarters. Expected pay awards in the private sector have risen to a median of 4% – this is the highest of any sector dating back to 2012. The figure stands at 3% for the voluntary sector and the public sector remains at 2% this quarter.
The average basic pay award covered in this analysis is only one pay component. Many people will also benefit from incremental progression, bonuses, or a pay bump when switching jobs. For this reason, growth in median earnings is likely to be higher than this metric suggests.

Recommendations for employers and people practitioners
- Focus on the existing workforce. Offer training to upskill or reskill staff to fill skills gaps and to help support employee engagement and retention.
- Consider using internal secondments, both as a means of providing development opportunities and as a way of redeploying the workforce to the greatest areas of need.
- Take time to review the employee value proposition to ensure the benefits of working for an organisation are relevant for employees or prospective employees and that these are clearly communicated. This could include career development opportunities, flexible working and ESG (Environmental, Social and Governance) initiatives.
- Be flexible in developing or revising reward packages. Pay rises are not the only option. Particularly at this time, consider benefits that may help to alleviate living costs, such as health and wellbeing support.

- 22 million people claimed some combination of DWP benefits in February 2022, of whom 30% claimed more than one benefit.
- The number of people receiving the State Pension rose by 1.1% to 12.5 million
- Employment and Support Allowance fell by 6.6% to 1.7 million claimants
- Income Support fell to 190,000 claimants
- Jobseeker’s Allowance fell by 59% to 110,000 claimants
- Housing Benefit (HB) fell to 2.6 million claimants
- Universal Credit (UC) has been replacing some older style Working Age benefits. There were 5.6 million UC claimants in June 2022.
- The average (mean) weekly payment for people receiving a State Pension in February 2022 was £159.81, an increase of £4.73 since February 2021.
- The New State Pension (nSP) mean weekly payment was £168.40 (including any Protected Payments). Under the pre-2016 system the mean amount was £157.63 per week.
- The introduction of nSP has evened out some of the gap between the average weekly payments for men and women, as women tend to get more under the new rules than under the pre-2016 rules. However, due to earlier timetabled increases in women’s State Pension Age fewer women have joined the nSP than men.
- There were 1.4 million people receiving Pension Credit (PC), representing a total of 1.6 million beneficiaries including partners.
- In May 2022, there were 2.6 million recipients of HB, a decrease of 250,000 on the last year. There were 1.1 million Pension Age and 1.5 million Working Age recipients. The number of Working Age recipients will continue to fall due UC.
- By comparison, 3.0 million households had a housing element as part of their UC assessment, of which 2.8 million were in payment.
- 78% of HB recipients (2.0 million) were tenants in the Social Rented Sector and 22% were in the Private Rented Sector (580,000).
- Average HB awards in the private rented sector have gone up by £2.74 in the year to May 2022. The average weekly award for private rented claims was £134.72 at May 2022. This compares to £109.39 for the social rented sector.
- As of May 2022, 14% (210,000) of Working Age HB recipients had a reduction to their weekly award amount due to the Removal of Spare Room Subsidy scheme (‘Bedroom Tax’). This is where tenants in social housing whose accommodation is deemed to be larger than they need may lose part of their HB award. The average reduction amount was £16.70.
• There were 3.8 million people claiming either PIP or DLA under DWP policy ownership at February 2022, an increase of 210,000 during the last year.
• Since 2013, working age adults have been moving from DLA to PIP. This has led to an increase in the number of people claiming PIP and a decrease in the number of people claiming DLA over time.
• In February 2022, there were 1.5 million Attendance Allowance (AA) claimants, an increase of 24,000 from February 2021. 1.4 million claimants were receiving a payment and 110,000 (7%) were entitled to the benefit but not receiving payment.
• The total number of people claiming Carer’s Allowance (CA) in February 2022 was 1.3 million, 1.5% higher than in February 2021.
• Of the total number claiming Carer’s Allowance, 30% (390,000) were entitled to the benefit but do not receive payments.

UK Government: Benefit sanctions statistics to April 2022
• Prior to legislation changes made on 30 March 2020, 2.51% of UC full service claimants subject to conditionality at the point where the sanction was applied had a deduction taken from their UC full service award as a result of a sanction. In May 2022, this proportion was 5.93%. This:
  • is up by 2.04 percentage points from February 2022
  • is up by 5.78 percentage points in the latest 12 months
  • shows the UC sanction rate is continuing to increase above pre-pandemic levels when compared to the 11 months preceding the COVID-19 pandemic
• In the latest quarter, adverse sanction decisions on UC full service have increased. In March 2022, they reached a peak of 59,000, which is the highest across the whole time series
• Over the course of the roll-out of UC (live and full service), the balance of individuals in conditionality regimes subject to sanction as a proportion of the caseload has changed
• In May 2022, 33.3% of UC claimants were in the conditionality regimes that could be subject to sanction (this includes claimants in the “searching for work”, “planning for work”, “preparing for work” or “unknown” conditionality regimes).
• This proportion was 44.7% in March 2020, before increasing temporarily to 50.0% in April 2020, coinciding with an increase to the UC caseload during the coronavirus (COVID-19) pandemic, before gradually decreasing to 33.3% in May 2022.
• May 2022 has the lowest percentage of claimants in conditionality regimes subject to sanction when compared to the time series from the 11 months preceding the COVID-19 pandemic
• Although the proportion of claimants in conditionality regimes that could be subject to sanction is decreasing, and is at its lowest since April 2019, the increase in the rate reflects the substantial rise in the number of UC full service adverse sanction decisions.

Trend data diagram via DWP below:

Education levels have risen over time, in the UK and internationally. The share of students achieving at least five good GCSEs or equivalent increased from under 40% in the early 1990s to a high of 82% in 2012, while the share of the working-age population with a degree has more than doubled since 2000 – from just under 20% in 2000 to just over 40% in 2020.

The biggest predictors of educational disadvantage relate to people, not places. Attainment gaps between the government’s new ‘Education Investment Areas’ and the rest of the country are only around a quarter as large as the gaps by eligibility for free school meals. A 16-year-old’s family income is more than four times as strong a predictor of GCSE attainment as their local authority of residence.

Inequalities by family background emerge well before school starts. Just 57% of English pupils eligible for free school meals reached a good level of development at the end of Reception in 2019, compared with 74% of their better-off peers. These inequalities persist throughout primary school.

Children from disadvantaged backgrounds also make slower progress through secondary school. Fewer than half of disadvantaged children reach expected levels of attainment at the end of primary school, versus nearly 70% of their better-off peers. And of those who do achieve at the expected level, just 40% of disadvantaged pupils go on to earn good GCSEs in English and maths versus 60% of the better-off students.

The relationship between family background and attainment is not limited to the poorest pupils: at every step up the family income distribution, educational performance improves.

While just over 10% of young people in middle-earning families (and fewer than 5% of those in the poorest families) earned at least one A or A* grade at GCSE, over a third of pupils from the richest tenth of families earned at least one top grade.

Ten years after GCSEs, over 70% of those who went to private school have graduated from university compared with just under half of those from the richest fifth of families at state schools and fewer than 20% of those from the poorest fifth of families.

Educational inequalities translate into large future earnings differences. By the age of 40, the average UK employee with a degree earns twice as much as someone qualified to GCSE level or below.

In part this reflects very slow earnings growth for the low-educated: the most common annual salary for 45- to 50-year-olds with at most GCSEs is between £15,000 and £20,000, which is exactly the same as for 25- to 30-year-olds with these qualifications.

Adults in the UK are almost half as likely as German adults, and a quarter as likely as American adults, to start an advanced vocational qualification. This contributes to a ‘missing middle’ of advanced vocational qualifications, sandwiched between large numbers of people with degrees and large numbers with low qualifications.

The lack of clear paths, and large funding cuts in recent years, have hampered adult education. Spending on adult education in 2019–20 was nearly two-thirds lower in real terms than in 2003–04 and about 50% lower than in 2009–10. This fall was mainly driven by the removal of public funding from low-level classroom-based courses, which has made it more difficult for adults with few existing qualifications to access educational opportunities.

Migration Observatory: How is the End of Free Movement Affecting the Low-wage Labour Force in the UK?

The post-Brexit immigration system liberalised access to the UK labour market for non-EU citizens but introduced visa requirements for EU citizens who had previously been able to work in any job. As a result, low-wage occupations that used to rely heavily on EU workers are now ineligible for work visas, with some limited exceptions for social care and seasonal workers.

Evidence available so far suggests that immigration policy is one of multiple factors contributing to labour shortages.

High vacancies and low unemployment have been a feature of post-pandemic labour markets, including in several other countries that have not changed their immigration policies.
Recruitment difficulties in some low-wage industries have resulted in part from longer-term problems with unattractive pay or working conditions.

The end of free movement appears to have exacerbated these existing problems employers have faced.

Substantial job losses during the pandemic—combined with other longer-term factors such as the decline in the value of the pound and the political and legal uncertainty related to Brexit—coincided with a sharp fall in net migration of EU citizens.

Long-term immigration of EU citizens in the six years before March 2020 averaged between 230,000 and 430,000. These figures do not include between one and two hundred thousand short-term EU citizens coming for work-related reasons in a typical year before Brexit and the pandemic.

Relatively few EU citizens used the new immigration system in the first year of its operation. The 43,000 EU citizens who received visas for work, family, study or other purposes in 2021 (excluding visitors and ‘frontier workers’ who do not live in the UK) made up only 5% of visas granted that year. Those who did move to the UK were strongly concentrated in London.

The overall decline in the employment of EU workers was primarily driven by two industries: hospitality, which saw a net decline of just over 98,000 EU citizen jobs in the two years to June 2021, and administrative and support services (a category that includes a range of mostly low-wage service positions such as building cleaning and maintenance, as well as some agency work), where the same figure fell by just under 64,000.

Employers who relied heavily on EU workers before 2021 will not have been able to switch to hiring non-EU workers from overseas instead, because the immigration system does not permit them to.

There is evidence of a shift towards non-EU recruits in some industries that can access the immigration system relatively easily, such as seasonal agricultural work and health. But several occupations that are eligible for skilled work visas, such as construction, have seen relatively low take-up—perhaps because of the administrative costs and difficulty adjusting to a new system.

Early figures have not shown any evidence that tight labour markets—whether due to lower EU migration or other factors—have increased wage growth in low-wage jobs.

Also unclear is how long any wage effects of immigration would last even if they do start to emerge. In theory, increased wages are expected to encourage employers to reduce the number of people they employ, either by turning to alternatives, such as automation; or by passing on costs to consumers via higher prices.

Some employers have sought to compensate for a lower number of EU workers by diversifying their workforce, although the scale of these activities is difficult to assess.

Specific strategies included employing prisoners who were released on temporary licence (e.g., in warehousing jobs); and working with DWP to get the long-term unemployed into the sector or—in the care sector—looking for ways of employing asylum seekers.