July 2026

UK labour market shows some signs of resilience, but hiring caution continues

> *"While employers continue to navigate a complex economic landscape, the UK labour market is showing some signs of resilience, with headline unemployment staying below 5% and vacancies stabilising in many sectors. This suggests that many organisations remain committed to recruitment and are focusing on strategic hiring where skills are most needed, while remaining measured in their longer-term workforce plans. It also indicates that hiring caution persists across many parts of the economy.*
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> *Businesses are continuing to adapt to changing costs, evolving regulation and shifting workforce expectations, demonstrating that investing in people remains central to sustainable growth. In an evolving market, working with a trusted recruitment partner can help employers access the talent they need, respond quickly to changing demands and build a workforce that's fit for the future."*
>
> **Carmen Watson, Chairperson, Pertemps Network Group**

In the quarter to May 2026, employment levels rose, unemployment and economic inactivity fell, vacancy levels showed signs of stabilising, and nominal regular wage growth remained at its lowest level in over five years. Concerningly high youth unemployment levels have also persisted.

Therefore, while there are signs of UK labour market resilience, unemployment is still higher than the same period a year ago. Moreover, job creation across many sectors has stayed subdued. This suggests that, despite many businesses remaining committed to recruitment, barriers to hiring persist, leaving many people who want to work struggling to find employment.

The UK employment rate (for people aged 16 to 64 years old) was estimated at 75.1% in the period between March 2026 and May 2026, which is slightly up on the quarter but down on the year. The UK unemployment rate (for people aged 16 and over) was estimated at 4.9% over the same period, representing a fall on the quarter and a rise on the year.

The inactivity rate for people aged 16 to 64-years-old was estimated at 20.9% in the three months to May 2026, reflecting a decrease on the quarter and year. Early estimates for the number of UK vacancies in the quarter to June 2026 suggest a decrease of 7,000 (-0.9%) to 712,000.

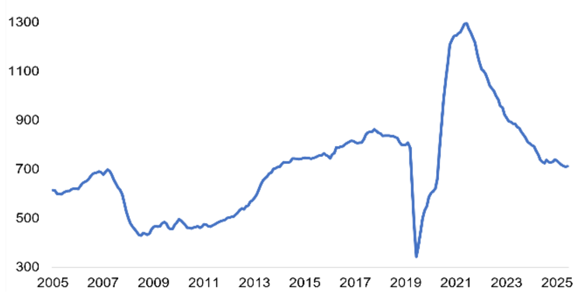
Estimates for payrolled employees in the UK fell by 85,000 (-0.3%) between May 2025 and May 2026. However, it was largely unchanged on the month, increasing by 3,000 (0.0%) between April and May 2026. This is based on administrative data from HM Revenue and Customs (HMRC). The early estimate of payrolled employees for June 2026 decreased by 71,000 (-0.2%) on the year, but was largely unchanged on the month, decreasing by 4,000 (0.0%) to 30.3 million. Figures for June should be treated as provisional estimates and are likely to be revised when more data is received next month.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 3.4% in the three months to May 2026, and annual growth in total earnings (including bonuses) was 4.3%. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)), for regular pay and total pay stood at 0.3% and 1.1%, respectively, across the same period.

A change in leadership presents a valuable opportunity for government to reflect on where labour market policy has been effective and where a different approach may be needed. This should include working closely with businesses to identify and address the unintended consequences attached to recent and upcoming policy decisions. For example, firms operating in England have raised concerns about the impact of Growth and Skills Levy reforms – including defunding and co-investment changes – on their ability to deliver apprenticeship opportunities.

Please note: Ongoing sampling and methodological issues with the ONS' Labour Force Survey means that figures should be interpreted with caution.

Exhibit 1 Vacancies (000s)

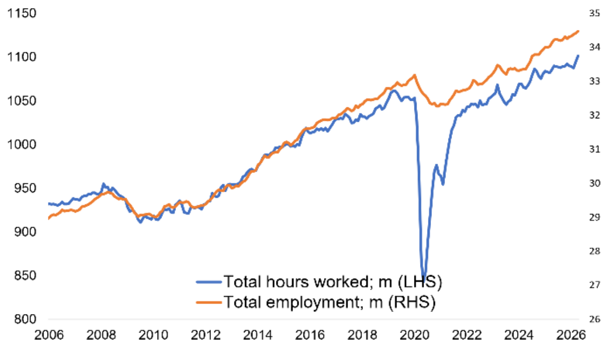


Source: ONS July 2026 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.1%	34,475	+148,000 (+0.4%)	+340,000 (+1.0%)
Unemployment** (ILO)	4.9%	1,760	-17,000 (-1.0%)	+81,000 (+4.8%)
Youth unemployment (16-24)	16.4%	743	+28,000 (+3.9%)	+112,000 (+17.7%)

Source: ONS July 2026 labour market statistics, *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked (millions)



Source: ONS July 2026 labour market statistics

Employment levels rose again while vacancy figures stayed steady across several sectors

- Estimated employment levels rose in the three months to May 2026 (+100,000) to 34.48 million, and there are 340,000 more employed people compared to the same point last year. The employment rate is slightly up on the quarter but down on the year, sitting at 75.1%.
- Male employment levels are up on the quarter (+151,000) and the year (+188,000), sitting at 17.75 million. Female employment is estimated at 16.72 million, broadly unchanged on the quarter (-3,000) but up on the year (+152,000).
- In the quarter to May 2026, employment level changes across age groups were fairly modest. Employment levels rose the most across people aged 65 and over (+57,000) and 25 to 34 (+43,000). 18 to 24-year-olds were the only age group to record a fall in employment levels on the quarter (-8,000). The largest yearly change in employment levels was recorded across people aged 65 and over (+171,000), followed by 35 to 49-year-olds (+120,000).
- The number of employees working full-time rose on the quarter (+155,000) and the year (+194,000) to May 2026, sitting at 22.74 million. The number of employees working part-time is estimated at 7.03 million, reflecting a decrease on the quarter (-40,000) but an increase on the year (+44,000).
- Across the same period, the number of self-employed people working full-time (2.90 million) fell on the quarter (-38,000) and the year (-51,000). Meanwhile, the number of self-employed working part-time (1.63 million) increased on the quarter (+81,000) and, to a greater extent, the year (+151,000).
- In the three months to May 2026, there were an estimated 710,000 vacancies across the economy (excluding agriculture, forestry and fishing). This represents a fall on the quarter (-15,000) and the year (-27,000). Provisional figures suggest that vacancy levels slightly recover (712,000) in the quarter to June 2026.
- Provisional estimates for the quarter to June 2026 indicate that, excluding the total services sector, the human health and social work activities sector continued to report the most vacancies (121,000).
- Estimated vacancy levels decreased in 10 of the 18 industry sectors. But the largest fall within an individual sector was modest (-4,000).
- There were 2.5 unemployed people per vacancy in the quarter to May 2026. This ratio has been the same since the quarter to September 2025.
- There were an estimated 26,000 working days lost because of labour disputes across the UK in May 2026.

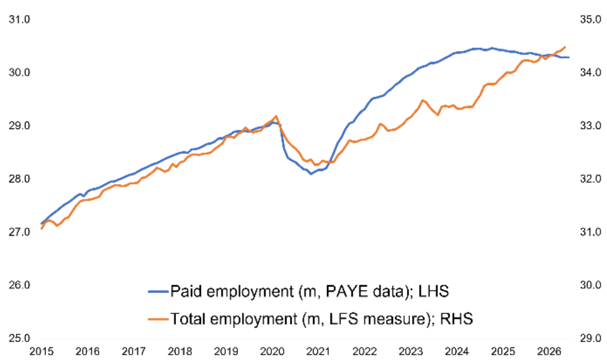
Headline unemployment fell slightly over the quarter, but youth unemployment remained concerningly high

- There were an estimated 1.76 million people aged 16 and over who were unemployed in the quarter to May 2026, representing a slight fall on the quarter (-17,000) but an increase on the year (+81,000). The unemployment rate is slightly down on the quarter but up on the year, sitting at 4.9%.
- In the quarter to May 2026, an estimated 743,000 16 to 24-year-olds were unemployed. Across the same period, the youth unemployment rate was 16.4%. There are 112,000 more unemployed 16 to 24-year-olds compared to the same time last year.
- Redundancy levels were estimated at 108,000 in the three months to May 2026, highlighting a fall on the quarter (-28,000) and, to a lesser extent, the year (-6,000).
- There were an estimated 9.11 million economically inactive 16 to 64-year-olds in the quarter to May 2026. This represents a slight fall on the quarter (-15,000) but a modest increase on the year (+25,000). The inactivity rate (20.9%) is down on the quarter and the year.

Nominal regular wage growth remained at its lowest level in over five years

- Nominal annual regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 3.4% in the three months to May 2026 (the less volatile three-month rolling basis) for the third consecutive period. The last time this figure was lower was in the quarter to October 2020 (2.8%).
- In the quarter to May 2026, nominal annual regular pay growth stood at 2.9% in the private sector.
- Across the same period, nominal annual regular pay growth was 5.5% in the public sector. The figure has shown some variation in recent months, which is largely due to pay award timings.
- After the public sector, the services sector showed the strongest regular annual growth rate (3.7%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) was 0.3%, which is slightly above last month's revised figure (0.1%).
- Real regular pay growth for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) was 0.4% and is slightly below last month's figure (0.5%).

Exhibit 3 PAYE real time data vs official employment data (millions)



Source: ONS July 2026 labour market statistics

In the quarter to May 2026, employment levels rose in most regions and nations…

- In the three months to May 2026, employment levels increased in all but two regions in England. In London and the East of England, employment levels fell (-57,000 and -1,000, respectively) over the quarter.
- The largest quarterly increase in employment was recorded in the North West (+52,000), followed by the South East (+26,000).
- Over the quarter, employment levels rose in England (+81,000) and, to a lesser extent, in Wales (+36,000), Scotland (+19,000) and Northern Ireland (+12,000).
- In England, the largest yearly change in employment levels was recorded in the North West (+118,000).
- In the quarter to May 2026, the South East had the highest employment rate (+78.2%) while the North East had the lowest (71.5%).

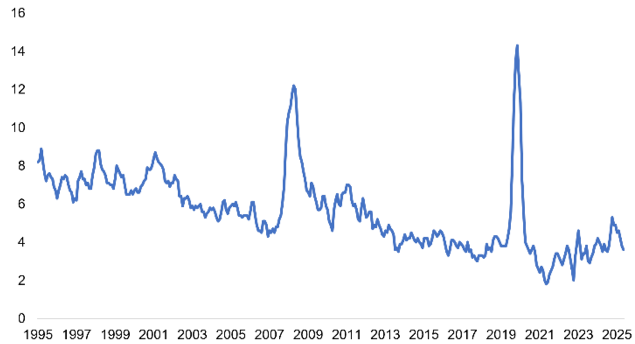
… but unemployment changes were more mixed

- The greatest fall in unemployment was again recorded in London (-34,000), followed by the West Midlands (-17,000).
- During the same period, the largest increase in unemployment was recorded in Yorkshire and the Humber (+10,000).
- In the three months to May 2026, unemployment levels fell in England (-34,000), rose in Scotland (+15,000) and were broadly unchanged in Wales (+5,000) and Northern Ireland (-3,000).
- In England, the greatest yearly change in unemployment levels was recorded in the East of England (-35,000).
- In the quarter to May 2026, London had the highest unemployment rate (6.5%), while the East of England had the lowest (3.9%).

Exhibit 4 Real regular pay and nominal regular pay growth (%)

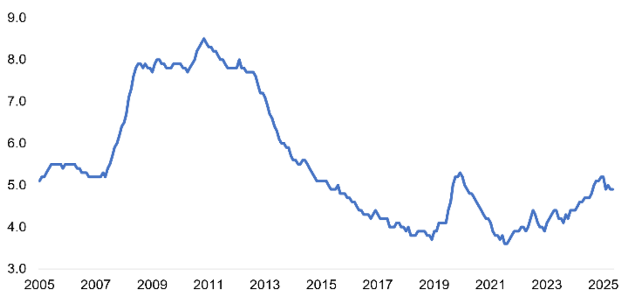
Source: ONS July 2026 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS July 2026 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS July 2026 labour market statistics

About the Sponsor

Pertemps Network Group, based in Meriden, West Midlands, is one of the UK's largest privately-owned recruitment agencies. It has a turnover of nearly £1bn and offers immediate and strategic solutions to clients across both the public and private sectors.

It is made up of two elements:

Pertemps Ltd – established in 1961 and with more than 100 offices nationwide, it operates across a multitude of sectors, supplying diverse roles. The company also specialises in business process outsourcing delivered using a wide range of solutions, such as Master Vendor and Recruitment Process Outsourcing.

Network Group – offering specialist recruitment solutions across specific sectors, including IT, legal, finance, healthcare, education, security, medical, construction, manufacturing and engineering.

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About the CBI

The CBI serves as the catalyst between industry and government to drive positive change, speaking for businesses of all sizes and sectors across the whole economy, in every UK region and nation, ensuring sustainable growth for the benefit of society. Our voice represents 170,000 businesses. This includes over 1,100 corporate members, plus nearly 150 trade associations. Our corporate members alone employ over 2.3 million private sector workers.

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The next Labour Market Update will be published on 18th August.

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