



October 2026

Unemployment falls while vacancies hit a new post-pandemic low

"The labour market remains challenging, with youth unemployment a particular concern and vacancy levels still subdued. However, there are reasons for cautious optimism, with potential signs of recovery offering hope for businesses and jobseekers alike."

"With the Autumn Budget approaching, employers need confidence to invest and grow. Working with a trusted recruitment partner can help businesses navigate uncertainty, access the right talent and make informed hiring decisions."

**Carmen Watson, Chairperson,
Pertemps Network Group**

In the quarter to August 2026, employment rose, unemployment and inactivity decreased, and regular wage growth held firm. The youth unemployment rate dropped below 16% but remained significantly higher than the headline adult rate. Meanwhile, vacancies fell to their lowest level in five years in the quarter to September.

This month's labour market data sends some encouraging signals, particularly around UK labour market participation, with more people moving into work. The big concern continues to be business hiring caution, which anecdotal employer feedback has linked to the rising risk and cost attached to recruitment, alongside broader economic uncertainty.

The UK employment rate (for people aged 16 to 64 years old) was estimated at 75.3% in the quarter to August 2026, which is up on the quarter and the year. The UK unemployment rate (for people aged 16 and over) was estimated at 4.7% over the same period, representing a fall on the quarter and the year.

The inactivity rate for people aged 16 to 64 was estimated at 20.9% in the three months to August 2026, which is down on the quarter and the year. Early estimates for the number of UK vacancies in the quarter to September 2026 predict a decrease of 21,000 (-2.9%) to 691,000. This is the first time that the total has been below 700,000 since February to April 2021.

Estimates for payrolled employees in the UK fell by 111,000 (-0.4%) between August 2025 and August 2026, but it

remained largely unchanged between July and August 2026, increasing by 1,000 (0.0%). This is based on administrative data from HM Revenue and Customs (HMRC). The early estimate of payrolled employees for September 2026 decreased by 66,000 (-0.2%) on the year, but remained largely unchanged between August and September 2026, increasing by 13,000 (0.0%) to 30.3 million. Figures for September 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 3.7% in the three months to August 2026, and annual growth in total earnings (including bonuses) was the same. 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 0.6% and 0.7%, respectively, across the same period.

At the Autumn Budget later this month, businesses will be looking to government to remove the barriers that are making it harder for them to grow, invest and hire. But there are also measures that government can take beyond the Budget which would help firms to invest in people and skills. This includes finding a more workable landing zone for guaranteed hours and reasonable notice provisions through tripartite dialogue.

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)

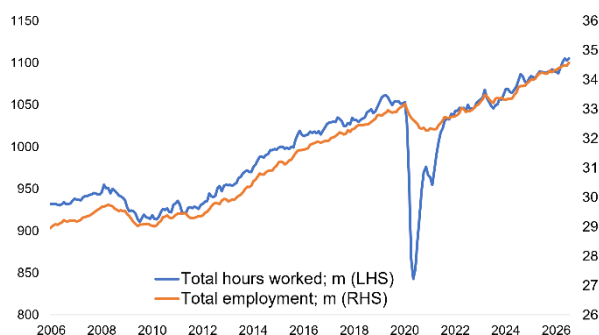


Source: ONS October 2026 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.3%	34,577	+102,000 (+0.3%)	+356,000 (+1.0%)
Unemployment** (ILO)	4.7%	1,712	-47,000 (-2.7%)	-26,000 (-1.5%)
Youth unemployment (16-24)	15.6%	715	-28,000 (-3.8%)	+54,000 (+8.2%)

Source: ONS October 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 October 2026 labour market statistics

In the quarter to August 2026, employment rose but vacancies fell even further

- In the three months to August 2026, employment levels were estimated at 34.58 million (rounded to two decimal places), meaning there were 356,000 more employed people when compared with the same point last year. The employment rate is up on the quarter and the year, sitting at 75.3%.
- Male employment levels rose on the quarter (+63,000) and the year (+234,000), sitting at 17.81 million. Female employment was estimated at 16.76 million in the quarter to August, also representing an increase on the quarter (+39,000) and, to a greater extent, the year (+123,000).
- In the quarter to August 2026, employment levels increased the most among 18 to 24-year-olds (+127,000) and 35 to 49-year-olds (+58,000). Other age groups saw employment levels fall, or remain broadly unchanged, across the same period.
- The largest yearly change in employment levels was recorded across people aged 35 to 49 (+209,000).
- In the quarter to August 2026, the number of employees working full-time (22.89 million) climbed on the quarter (+145,000) and, to a greater extent, the year (+348,000). The number of employees working part-time is estimated at 7.06 million, reflecting an increase on the quarter (+32,000) and a fall on the year (-34,000).
- Across the same period, the number of self-employed people working full-time (2.91 million) was broadly unchanged on the quarter (-7,000) and fell on the year (-33,000). Meanwhile, the number of self-employed working part-time (1.53 million) fell on the quarter (-93,000) but rose on the year (+67,000).
- In the three months to August 2026, there were an estimated 704,000 vacancies across the economy (excluding agriculture, forestry and fishing). This is broadly unchanged on the quarter (-6,000) and lower compared to the same period last year (-35,000). Provisional figures suggest that vacancy levels continued to fall (-21,000 to 691,000) in the quarter to September 2026.
- Provisional estimates for the quarter to September 2026 indicate that, excluding the total services sector, the human health and social work activities sector continued to report the most vacancies (122,000).
- Vacancy estimates decreased in 14 of the 18 industry sectors, compared with April to June 2026. The largest industry decrease was in construction (-7,000).
- Vacancy estimates decreased in 4 of the 5 employment size bands, compared with April to June 2026; the largest fall was for businesses with 1 to 9 employees (-21,000).
- There were an estimated 23,000 working days lost because of labour disputes across the UK in August 2026.

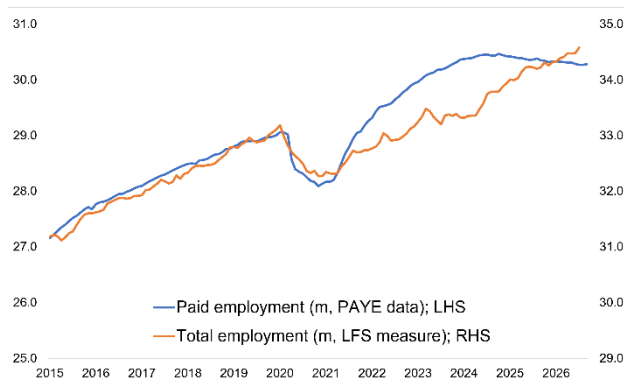
Headline and youth unemployment both fell

- There were an estimated 1.71 million people aged 16 and over who were unemployed in the quarter to August 2026, representing a decrease on the quarter (-47,000) and the year (-26,000). The unemployment rate is also down on the quarter and the year, sitting at 4.7%.
- In the quarter to August 2026, an estimated 715,000 16 to 24-year-olds were unemployed. Across the same period, the youth unemployment rate was 15.6%. There were 54,000 more unemployed 16 to 24-year-olds compared to the same time last year.
- Redundancy levels were estimated at 113,000 in the three months to August 2026. This is directly in line with levels recorded during the same period in 2025, and slightly up on the quarter (+5,000).
- There were an estimated 9.09 million economically inactive 16 to 64-year-olds in the quarter to August 2026. This is down on the quarter (-16,000) and the year (-22,000). The inactivity rate (20.9%) has also fallen on the quarter and the year from 21.0%.

Regular wage growth held steady

- Nominal annual regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) was estimated at 3.7% in the three months to August 2026 (the less volatile three-month rolling basis). This is slightly higher than the figure recorded in the three months to July (3.6%).
- In the quarter to August 2026, annual average regular pay growth stood at 3.0% in the private sector. This is the first increase in the quarterly figure in over a year.
- Across the same period, annual average regular pay growth was 6.3% in the public sector, directly in line with the figure for the three months to July 2026. The figure has shown some variation in recent months, which is largely due to pay award timings.
- After the public sector, the services sector continued to show the strongest annual average regular pay growth (3.9%) in the three months to August 2026.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) was 0.6% in the three months to August 2026, in line with recent months.
- Across the same period, the provisional estimate for real regular pay growth for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) was 0.3%.

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



Source: ONS October 2026 labour market statistics

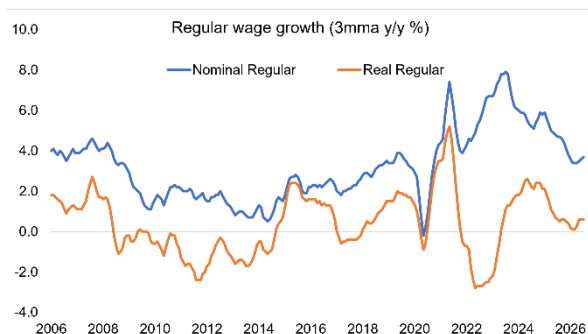
In the quarter to August 2026, employment changes across the UK were mixed...

- The region in England to have observed the biggest change in employment levels in the quarter to August 2026 was London (+58,000), followed by the South West (+41,000).
- Over the quarter, employment levels climbed in England (+113,000) and, to a lesser extent, in Wales (+14,000) and Northern Ireland (+6,000). Meanwhile, employment levels fell in Scotland (-31,000).
- In England, the largest yearly change in employment levels was recorded in the North West (+126,000) followed by Yorkshire and The Humber (+45,000). The West Midlands was the only region in England to have recorded a fall in employment levels in the year to August 2026 (-14,000).
- In the quarter to August, the South West had the highest employment rate (79.2%) while the North East recorded the lowest (70.5%).

... while unemployment levels fell in many areas by a modest amount

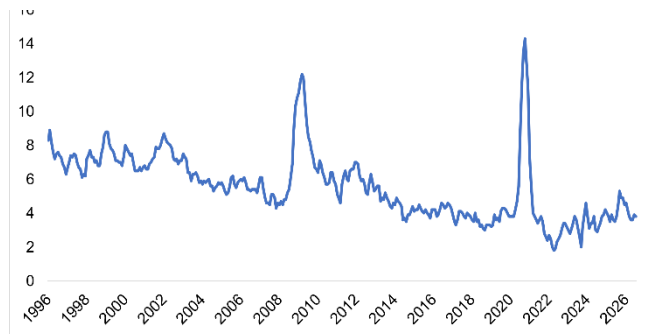
- Between June and August 2026, unemployment fell modestly in most regions in England. The exceptions to this were the West Midlands (+18,000), the South East (+11,000) and London (+10,000), where unemployment levels rose.
- In the three months to August 2026, unemployment levels fell in England (-23,000), Wales (-14,000) and Scotland (-13,000), and were broadly unchanged in Northern Ireland (+3,000).
- In England, the greatest yearly change in unemployment levels was recorded in the East of England (-32,000).
- In the quarter to August 2026, London continued to have the highest unemployment rate (6.6%), while the South West overtook the East of England as the region in England with the lowest unemployment rate (3.8% and 3.9%, respectively).

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



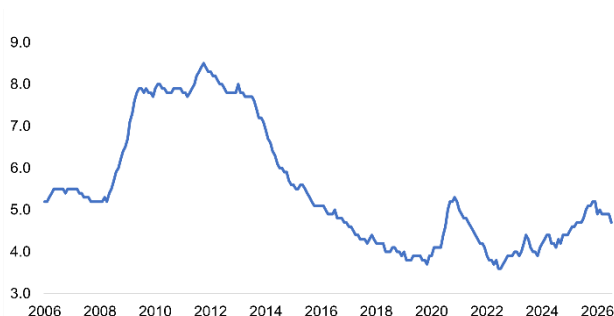
Source: ONS October 2026 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS October 2026 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS October 2026 labour market statistics

Working with a recruitment specialist to supply workers can improve your organisation's efficiency and productivity – and reduce costs.

The rhetoric that agencies cost more is not true, in many cases.

We've developed the Pertemps Iceberg Challenge to show that what you pay to direct employees is just the tip of the iceberg, with significant additional employment costs lurking out of sight. Working with an agency, there are no hidden costs.

Contact us at hello@pertemps.co.uk or **0808 164 1152** to take the Iceberg Challenge and see how Pertemps can start saving you money on your people costs.

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.

For further information about Pertemps Network Group, please contact:

Phoebe Hughes

PR and Communications Executive

T: 01676 525250

E: phoebe.hughes@pertemps.co.uk

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.

For further information or a copy in large text format, please contact:

Evie Matthews

Senior Policy Advisor

E: evie.matthews@cbi.org.uk

The next Labour Market Update will be published on 17th November.

Put your brand where business happens, with sponsorship opportunities from the CBI. Find out more about sponsorship here.

October 2026

© Copyright CBI 2026

The content August not be copied, distributed, reported or dealt with in whole or in part without prior consent of the CBI.

cbi.org.uk