



May 2026

# Unemployment rate returns to 5% and vacancies fall to a post-pandemic low

*“This month’s data highlights that the UK labour market remains challenging for many businesses, with economic pressures and geopolitical uncertainty directly impacting firms’ ability to create jobs and invest in their workforce. However, there are encouraging signs of resilience across a number of sectors, where hiring demand remains steady. In a competitive and evolving market, working with a trusted recruitment partner is key to helping organisations access the skills and expertise needed to support sustainable growth.”*

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

In the quarter to March 2026, unemployment levels fell, but the unemployment rate (5.0%) is up on last month’s figure (4.9%). Employment and economic inactivity both rose, and vacancies declined even further. Regular wage growth also continued to slow, with real-term wage increases affected by recent inflationary pressures linked to the Middle East conflict. As such, UK labour market conditions remain challenging for many businesses, workers and people seeking work.

The UK employment rate (for people aged 16 to 64 years old) was estimated at 75.0% in the period between January 2026 and March 2026, which is slightly up on the quarter but unchanged on the year. The UK unemployment rate (for people aged 16 and over) was estimated at 5.0% in the quarter to March 2026, representing a decrease on the quarter but increase on the year.

The inactivity rate for people aged 16 to 64 years old was estimated at 20.9% in the three months to March 2026, meaning it is up on the quarter but down on the year. The provisional estimate for the number of vacancies in the UK economy in the quarter to April 2026 is 705,000, representing a decrease on the quarter (-28,000) and, to a greater extent, the year (-54,000). This is the lowest level of vacancies recorded since February to April 2021.

Estimates for payrolled employees in the UK fell by 104,000 (-0.3%) between March 2025 and March 2026, and decreased by 28,000 (-0.1%) between February and March 2026. The early estimate of payrolled employees for April 2026 decreased by 210,000 (-0.7%) on the year, and by 100,000 (-0.3%) on the month, to 30.2 million. Figures for

April 2026 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 March 2026, and annual growth in total earnings (including bonuses) was 4.1%. 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 0.1% and 0.8%, respectively, across the same period.

Despite promising signs of economic growth emerging in recent GDP figures, this month’s data indicates that UK labour market conditions continue to be challenging, and businesses remain cautious about hiring. Some new trends are also emerging, including vacancies and real-term wages falling further, alongside rising economic inactivity.

Fortunately, there are policy levers available to government which can help grow the economy and support more people into work. For example, working with businesses to find a more workable landing zone for the Employment Rights Act through current and expected consultations on secondary regulation. Unlocking apprenticeship opportunities will also require increases in apprenticeship funding bands to reflect the rising cost of delivery.

*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)

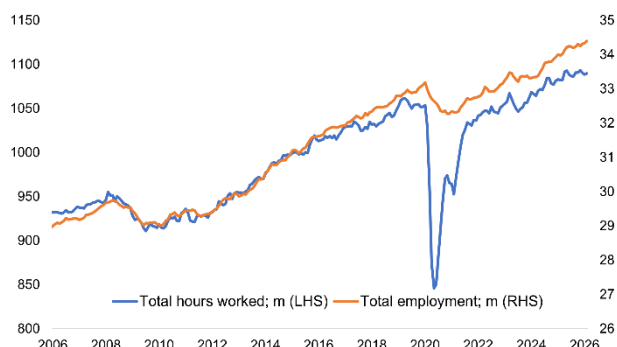


Source: ONS May 2026 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.0%	34,392	+148,000 (+0.4%)	+416,000 (+1.2%)
Unemployment** (ILO)	5.0%	1,806	-77,000 (-4.1%)	+192,000 (+11.9%)
Youth unemployment (16-24)	16.2%	729	-10,000 (-1.4%)	+109,000 (+17.6%)

Source: ONS May 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 May 2026 labour market statistics

**Employment levels rose in the quarter to March 2026 while vacancies fell even further**

- Estimated employment levels increased moderately in the three months to March 2026 (+148,000) to 34.4 million, and employment levels are higher compared to the same point last year (+416,000). The employment rate is slightly up on the quarter but unchanged on the year, sitting at 75.0%.
- Male employment levels are up on the quarter (+120,000) and the year (+175,000), sitting at 17.7 million. Female employment is estimated at 16.7 million, and has also increased on the quarter (+28,000) and, to a greater extent, the year (+242,000).
- In the quarter to March 2026, employment levels rose the most across people aged 65 and over (+74,000) and 35 to 49 (+71,000). 18 to 24-year-olds were the only age group to record a decrease in employment levels on the quarter (-79,000). People aged 65 and over also observed the largest increase in employment levels on the year (+185,000).
- The number of employees working full-time rose on the quarter (+52,000) and the year (+222,000), sitting at 22.6 million in the quarter to March 2026. The number of employees working part-time is estimated at 7.0 million, representing a decrease on the quarter (-105,000) but an increase on the year (+26,000).
- Across the same period, the number of self-employed people working full-time (3.0 million) increased on the quarter (+105,000) and, to a lesser extent, the year (+38,000). Meanwhile, the number of self-employed working part-time (1.6 million) is up on the quarter (+86,000) and the year (+134,000).
- In the three months to March 2026, there were an estimated 712,000 vacancies across the economy (excluding agriculture, forestry and fishing). This represents a fall on the quarter (-27,000) and the year (-63,000). Vacancy levels were estimated at 705,000 in the quarter to April 2026.
- Provisional estimates of vacancy levels in the quarter to April 2026 show that, excluding the total services sector, the human health and social work activities sector continued to report the most vacancies (126,000). Also in line with recent months, the wholesale and retail trade and repair of motor vehicles and motor cycles sector ranked second (84,000 vacancies).
- The financial and insurance activities sector had the most vacancies per 100 employee jobs (3.0) in provisional estimates for the quarter to April 2026, closely followed by the accommodation and food service activities sector and the water supply, sewerage, waste and remediation activities sector (both 2.8).
- There were an estimated 23,000 working days lost because of labour disputes across the UK in March 2026.

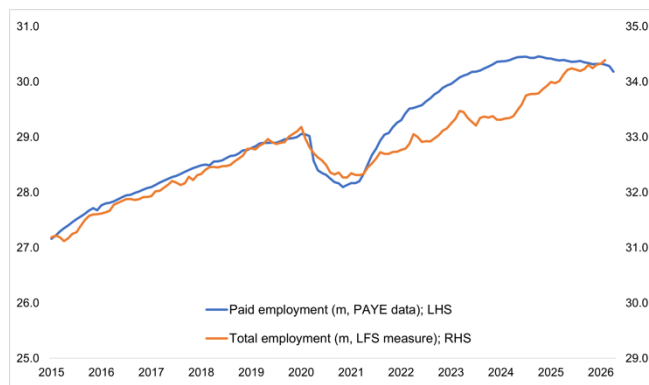
**Over the same period, unemployment decreased but economic inactivity increased**

- There was an estimated 1.81 million unemployed people aged 16 and over in the quarter to March 2026, reflecting a decrease on the quarter (-77,000). The unemployment rate is down on the quarter but up on the year, sitting at 5.0%. There are 192,000 more unemployed people compared to the same period a year ago.
- An estimated 729,000 16 to 24-year-olds were unemployed in the quarter to March 2026, which is slightly down on the quarter (-10,000) but up on the year (+109,000). The youth unemployment rate is now 16.2%.
- Redundancy levels were estimated at 126,000 in the three months to March 2026, highlighting a fall on the quarter (-19,000) but a slight increase on the year (+16,000). The redundancy rate is estimated at 4.2%.
- There were an estimated 9.1 million economically inactive 16 to 64-year-olds in the quarter to March 2026. This represents an increase on the quarter (+60,000) and fall on the year (-126,000). The inactivity rate is up on the quarter but down on the year, sitting at 20.9%.

**The recent uptick in inflation is putting pressure on real-term wage rises**

- 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 March 2026 (the less volatile three-month rolling basis).
- In the quarter to March 2026, nominal annual regular pay growth stood at 3.0% in the private sector, following a series of consecutive falls. Across the same period, nominal annual regular pay growth was 4.8% in the public sector.
- After the public sector, the wholesaling, retailing, hotels and restaurants sector showed the strongest regular annual growth rate (3.6%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) was 0.1% in the quarter to March 2026, which is slightly down on last month's figure (0.2%). Real regular pay growth for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) was -0.2%.
- Therefore, pay rises are increasingly falling below the rate of inflation. The drop in real-term earnings is due to a combination of regular wage growth slowing and CPI inflation rising to 3.3% in March. March's uptick in inflation was mostly driven by higher fuel pump prices, as global oil prices rose off the back of the Iran conflict.

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

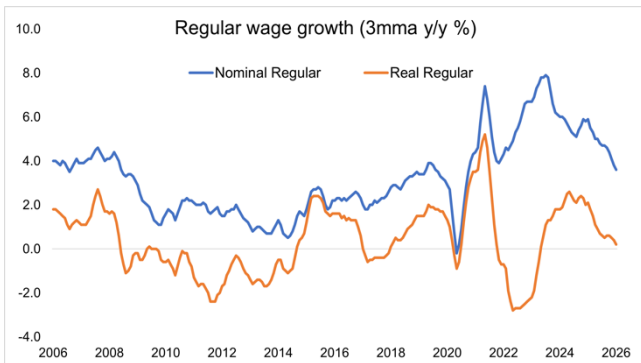


Source: ONS May 2026 labour market statistics

**In the quarter to March 2026, employment levels rose across many parts of the UK**

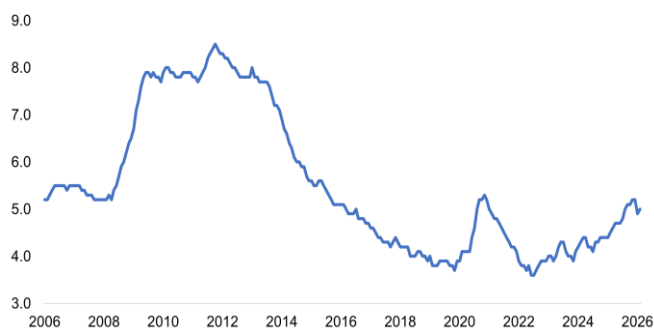
- In the three months to March 2026, employment levels increased the most in London (+53,000), followed by the North East (+49,000) and the South East (+35,000).
- Across England, there were two regions that recorded a drop in employment levels in the quarter to March 2026: the East of England (-6,000) and the East Midlands (-4,000).
- Over the quarter, employment levels rose in England (+170,000) and, to a lesser extent, Wales (+13,000). Scotland observed a drop in employment levels (-34,000). A figure was not published for Northern Ireland.
- In England, the largest yearly change in employment levels was recorded in South East and the North East (both +80,000). The South West was the only region in England to have observed a fall in employment levels on the year (-44,000).

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



Source: ONS May 2026 labour market statistics

**Exhibit 5** Unemployment rate (%)

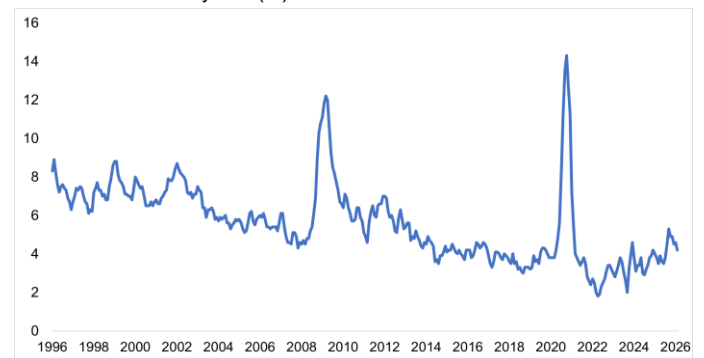


Source: ONS May 2026 labour market statistics

**During the same period, most regions and nations recorded a drop in unemployment**

- Between January 2026 and March 2026, most regions and nations recorded a fall in unemployment levels, but changes were moderate overall.
- The greatest decrease in unemployment was observed in the West Midlands (-22,000) and the East of England and North East (both -18,000).
- In the three months to March 2026, unemployment levels fell in England (-81,000) and Wales (-13,000), were broadly unchanged in Northern Ireland (-1,000), and rose in Scotland (+18,000).
- Most regions in England have higher unemployment levels compared to the same period last year. The main exceptions to this were the South East (-17,000) and the East of England (-12,000).

**Exhibit 6** Redundancy rate (%)



Source: ONS May 2026 labour market statistics



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The next Labour Market Update will be published on 18<sup>th</sup> June.

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