

UK UNEMPLOYMENT RATE REACHES POST-PANDEMIC HIGH AND WAGE GROWTH CONTINUES TO SLOW

"As employers continue to navigate a challenging economic backdrop, the latest data suggests this is increasingly feeding through into more people struggling to find work. Unless barriers to job creation are addressed, it is unclear how government will meet their 80% employment target."

"Temporary hiring remains a key lever for flexibility, as firms balance caution with the need to secure critical skills. Working closely with a trusted recruitment partner can make all the difference in securing the right talent at the right time."

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

In the quarter to December 2025, unemployment and redundancy levels both rose, the employment rate fell slightly and strong private sector wage growth has continued to slow. Provisional estimates suggest that vacancies are struggling to grow, and inactivity levels decreased slightly, but remain stubbornly high. As such, the UK labour market picture is broadly unchanged from recent months, but there is a growing challenge of people wanting to work, being unable to find it.

The UK employment rate (for people aged 16 to 64 years old) was estimated at 75.0% in the period between October 2025 and December 2025, which is slightly down on the quarter, but unchanged on the year. The UK unemployment rate (for people aged 16 and over) was estimated at 5.2% in the quarter to December 2025, representing an increase on the quarter and the year. The last time the unemployment rate was 5.2% was in the quarter to January 2021.

The inactivity rate for people aged 16 to 64 years old was estimated at 20.8% in the three months to December 2025, which is slightly down on the quarter and, to a greater extent, the year. The provisional estimate for the number of vacancies in the UK economy in the three months to January 2026 is 726,000, which is broadly unchanged on the quarter (+2,000) but down on the year (-73,000).

Estimates for payrolled employees in the UK fell by 121,000 (-0.4%) between December 2024 and December 2025, and decreased by 6,000 (0.0%) between November 2025 and December 2025. The early estimate of payrolled employees for January 2026 decreased by 134,000 (-0.4%) on the year, and by 11,000 (0.0%) on the month, to 30.3 million. The January 2026 estimate should be treated as provisional and

is likely to be revised when more data is received next month.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 4.2% in the three months to December 2025, and annual growth in total earnings (including bonuses) was also 4.2%. 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 0.5%, respectively, across the same period.

This data release highlights that recent labour market challenges continued into the month after the Autumn Budget. Anecdotal business feedback has pointed to rising costs as an ongoing barrier that is stopping firms from making the investments key to driving sustainable, productivity-led growth. Without action to tackle this, these challenges will intensify in the months ahead.

It remains critical that government works with businesses to ensure the UK labour market is a strength, rather than strain, in the drive for growth. This means engaging employers to identify the potential unintended consequences associated with different policies. For example, preventing firms from being able to invest in workforce training by treating the Growth and Skills Levy as a tax to fund national skills initiatives.

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)

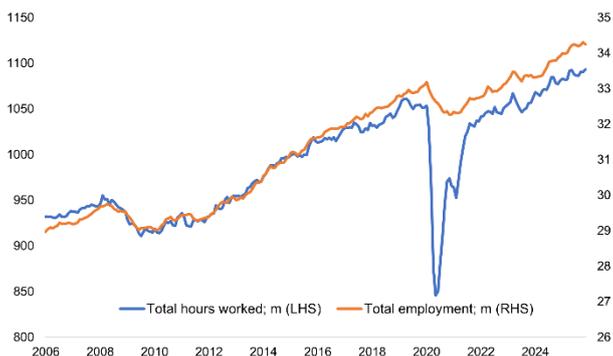


Source: ONS February 2026 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.0%	34,244	+52,000 (+0.2%)	+381,000 (+1.1%)
Unemployment** (ILO)	5.2%	1,883	+94,000 (+5.2%)	+331,000 (+21.3%)
Youth unemployment (16-24)	16.1%	739	+37,000 (+5.3%)	+98,000 (+15.3%)

Source: ONS February 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 February 2026 labour market statistics

The employment rate has dipped slightly, and vacancy levels continue their struggle to grow

- Estimated employment levels increased moderately in the three months to December 2025 (+52,000) to 34.2 million, and employment levels are higher than the figure recorded at the same point in 2024 (+381,000). The employment rate is slightly down on the quarter but unchanged on the year, sitting at 75.0%.
- Male employment levels are broadly unchanged on the quarter (+7,000) and up on the year (+52,000), sitting at 17.5 million. Female employment is estimated at 16.7 million, which represents an increase on the quarter (+45,000) and to a greater extent the year (+328,000).
- In the quarter to December 2025, employment level changes across age groups remained mixed. Employment levels rose the most across people aged 35 to 49 (+52,000) and 65 and over (+35,000). The largest quarterly decrease in employment was recorded across people aged 18 to 24 years old (-39,000). Employment levels rose the most across people aged 65 and over (+139,000) and 18 to 24 (+138,000) in the year to December 2025.
- The number of employees working full-time is marginally down on the quarter (-13,000) but up on the year (+165,000), sitting at 22.6 million in the quarter to December 2025. The number of employees working part-time is estimated at 7.1 million, which is an increase on the quarter (+68,000) and the year (+215,000).
- Across the same period, the number of self-employed people working full-time (2.9 million) fell on the quarter (-43,000) and the year (-75,000). Meanwhile, the number of self-employed working part-time (1.5 million) rose moderately on the quarter (+30,000) and the year (+63,000).
- In the three months to December 2025, there was an estimated 736,000 vacancies across the economy, which is slightly up on the quarter (+11,000) but down on the year (-67,000). There was an estimated 726,000 vacancies in the quarter to January 2026.
- Provisional estimates of vacancy levels in the quarter to January 2026 indicate that, excluding the total services sector, the human health and social work activities sector continued to report the most vacancies (122,000). Also in line with recent months, the wholesale and retail trade and repair of motor vehicles and motor cycles sector ranked second (95,000 vacancies).
- Provisional estimates for the quarter to January 2026 indicate that the accommodation and food service activities sector and the financial and insurance activities sector jointly had the most vacancies per 100 employee jobs (both 2.9).
- There were an estimated 118,000 working days lost because of labour disputes across the UK in December 2025, with over two-thirds of working days lost in the health and social work sector because of the doctors' strikes in England.

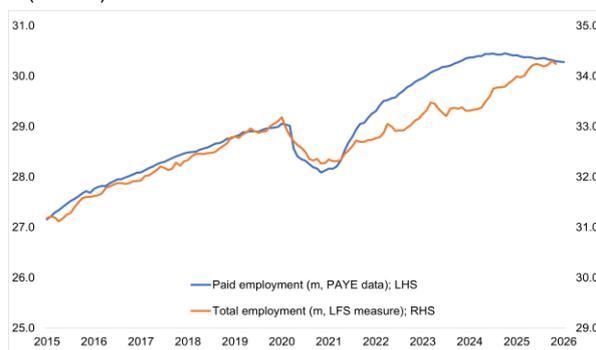
Unemployment rose once again, and redundancies are up on the quarter and the year

- In the quarter to December 2025, unemployment levels increased to 1.88 million (+94,000). The unemployment rate is up on the quarter and to a greater extent the year, sitting at 5.2%. There are 331,000 more unemployed people compared to the same period twelve months prior.
- The number of unemployed 16 to 24 year olds increased on the quarter to 739,000 (+37,000). The youth unemployment rate is now 16.1%.
- Redundancy levels were estimated at 145,000 in the three months to December 2025, representing an increase on the quarter (+11,000) and the year (+31,000). The redundancy rate is estimated at 4.9%, which is also up on the quarter and the year.
- There was an estimated 9.04 million economically inactive 16 to 64 year olds between October 2025 and December 2025. This represents a decrease on the quarter (-38,000) and to a greater extent the year (-241,000). The inactivity rate is also slightly down on the quarter and the year, sitting at 20.8%.
- In the quarter to December 2025, there was a small uptick in inactivity related to temporary sickness (+20,000). However, inactivity levels linked to temporary sickness (210,000) continue to be significantly lower than those linked to long-term sickness (2.78 million).

Slowing private sector wage growth has persisted

- Nominal annual regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 4.2% in the three months to December 2025 (the less volatile three-month rolling basis). This builds on a series of incremental falls recorded over the past year, and is noticeably lower the 5.9% recorded at the same point in 2024.
- In the quarter to December 2025, nominal annual regular pay growth stood at 3.4% in the private sector. Based on revised figures, this represents the twelfth consecutive fall. In the public sector, nominal annual regular pay growth was estimated at 7.2%.
- Across different sectors, nominal regular wage growth continues to be strongest in the public sector (excluding financial services) (7.2%), followed by the wholesaling, retailing, hotels and restaurants sector (5.1%). The lowest level of wage growth was again recorded in the finance and business services sector (2.0%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) was 0.5% in the quarter to December 2025, which is slightly down on last month's figure (0.6%). Real regular pay growth for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) was 0.3%, which is also down on the previous month's figure (0.5%).

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

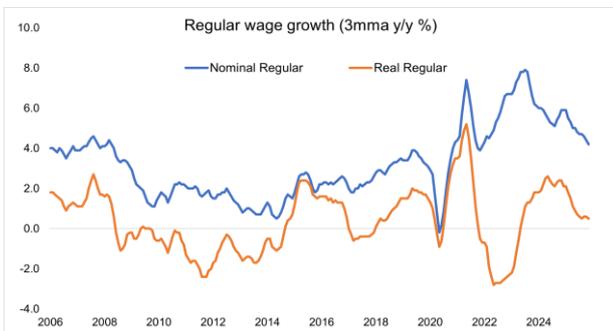


Source: ONS February 2026 labour market statistics

In the quarter to December 2025, employment level changes across the regions and nations were mixed...

- In the three months to December 2025, employment levels increased the most in the East of England (+40,000), closely followed by Yorkshire and the Humber (+39,000).
- Across the same period, the greatest employment drop was again recorded in London (-74,000).
- Over the quarter, employment levels were broadly unchanged in England (-7,000) and Northern Ireland (+7,000), but moderately up in Wales and Scotland (both +26,000).
- In England, the biggest yearly change in employment levels was recorded in the South East (+101,000), followed by the East of England (+71,000).

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



Source: ONS February 2026 labour market statistics

Exhibit 5 Unemployment rate (%)

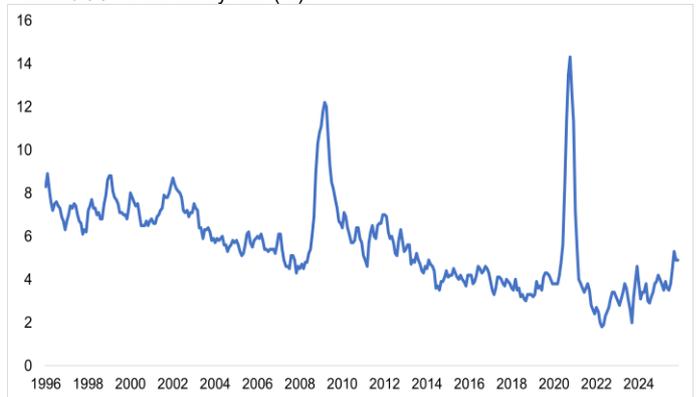


Source: ONS February 2026 labour market statistics

... As were changes in unemployment levels

- Between October 2025 and December 2025, unemployment changes varied across the regions and nations.
- The greatest increase in unemployment was recorded in London (+56,000), followed by the East Midlands (+19,000).
- Across the same period, only two regions in England recorded a decrease in unemployment: the East of England and South East (both -3,000).
- In the three months to December 2025, unemployment levels rose in England (+111,000), but were broadly unchanged in Scotland (+3,000) and Northern Ireland (-2,000). There was a modest decrease in unemployment observed in Wales (-18,000).
- Across the regions in England, unemployment levels rose in the year to December 2025. This is with the exception of the South West (-11,000), in line with last month's release.

Exhibit 6 Redundancy rate (%)



Source: ONS February 2026 labour market statistics



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About the Sponsor

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The next Labour Market Update will be published on 19th March.

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