Stay Nimble

UK Labour Market Briefing

Current Conditions and Forward Outlook

March 2026

Executive Summary

The UK labour market has stopped deteriorating and started stalling. Unemployment remains at 5.2%. Vacancies have flattened at a level 9% below pre-pandemic. Payrolled employment is still declining year-on-year, though the rate of decline has moderated. Regular pay growth has fallen to 3.8%, its lowest level in more than five years. Youth unemployment remains at 16%. Almost one million young people are not in education, employment or training.

The central labour market question identified in our February briefing has not changed. It remains a demand-side constraint: whether there are enough jobs. What has changed is the character of the problem. In February we described contraction. Now we are describing stagnation at a weak level. The ONS Director of Economic Statistics characterised conditions as “little changed.” The Learning and Work Institute describes a “pretty flat” market, with 5.4 people out of work and wanting a job for every vacancy, up from 4.4 a year ago.

For the people we support, stagnation is not relief. It means the conditions described in our February briefing (longer conversion times, more rejection, roles withdrawn mid-process, larger candidate pools) have become the new baseline rather than a temporary deterioration. The forward indicators offer limited grounds for expecting improvement before 2027.

We are responding not by waiting for conditions to improve but by scaling the infrastructure that makes career support persistent, relational, and adaptable to a volatile environment. Career Allies is now live across 22 organisations in Kingston with 61 enrolments and the first certified allies completing their certification. Job Radar is available free to everyone. We are working with partners on employer ability: making it easier for employers to hire, not just making individuals more employable. And we are investing in composable agent architecture so that new tools can be built quickly as conditions change, rather than designing fixed programmes against assumptions that may be out of date before delivery begins.

This briefing updates the data from February, identifies what has shifted, and sets out how our approach is evolving in response.

Current position: March 2026

Headline indicators

Indicator	Current	Year ago
Unemployment rate	**5.2%**	~4.4%
Youth unemployment (16–24)	**16.0%**	14.5%
Payrolled employees (annual change)	**-109,000**	+ve growth
Vacancies	**721,000**	797,000
Regular pay growth	**3.8%**	Higher
NEET (16–24)	**957,000**	987,000
Job postings vs pre-pandemic	**~-27%**	~-19%

Sources: ONS Labour Market Overview, March 2026; ONS Vacancies and Jobs, March 2026; ONS Employment in the UK, March 2026; House of Commons Library, March 2026; ONS Young People NEET, February 2026; Indeed Hiring Lab, February 2026. NB: Payrolled employees figure uses the LFS-comparable period (Nov 2025–Jan 2026). The early estimate for February 2026 shows the annual decline narrowing further to -49,000.

What has changed since February

The rate of payrolled employment decline has moderated significantly. The February briefing reported a decline of 184,000 payrolled employees over the year. The March release, covering a slightly later period, reports a decline of 109,000 on the LFS-comparable basis, and the early estimate for February 2026 narrows the annual decline further to 49,000. This is the clearest positive signal in the data, though it remains negative year-on-year.

Regular pay growth has fallen sharply. At 3.8%, regular pay growth is at its lowest rate in more than five years. The ONS Director of Economic Statistics noted that pay growth in both private and public sectors continues to ease. This brings wage growth closer to the level the Bank of England considers consistent with its 2% inflation target, but it also reflects genuine weakness in labour demand.

Vacancies have continued to drift lower. Vacancies fell to 721,000, down 76,000 (9.5%) on the year. The ONS describes vacancies as having remained broadly flat since March to May 2025, with the quarterly change within the survey's confidence interval. Construction saw the largest year-on-year percentage fall at 40.4%, with declines across 15 of the 18 industry sectors.

The competition for available roles has intensified. The Learning and Work Institute reports that there are now 5.4 people out of work and wanting a job for every vacancy, compared with 4.4 a year ago. This is a broader measure than the unemployment-to-vacancy ratio alone, capturing those who are economically inactive but want to work.

The headline unemployment rate is unchanged at 5.2%. The rate has not risen further, but nor has it improved. The quarterly increase in unemployment was largely driven by 18–24 year olds, and all age groups saw annual increases.

Sources: ONS Labour Market Overview, March 2026; ONS Employment in the UK, March 2026; ONS Vacancies and Jobs, March 2026; Learning and Work Institute Labour Market Briefing, March 2026; FE News analysis, March 2026.

Entry-level and youth labour market

The youth labour market picture has barely changed since February, which is itself the problem. Youth unemployment remains at 16%, the highest rate in more than a decade. There are 732,000 young people aged 16–24 who are unemployed, 99,000 more than the previous year. The NEET total has risen to 957,000, up from 946,000 in the previous quarter, approaching one million.

The Learning and Work Institute's framing is useful: 1.25 million young people are not in employment or full-time education. Three in four of these young people are not on unemployment-related benefits. This means that while the government has just expanded the Youth Guarantee [1] to cover 21–24 year olds (the demographic with the highest NEET rates), it remains heavily reliant on a benefits system that most of this group falls outside of.

The KPMG and REC UK Report on Jobs for March 2026 shows permanent placements have now declined for 41 consecutive months. Indeed's Hiring Lab reports that low-wage job postings in the UK are trending weaker than high-wage ones, in contrast to peer economies including France and Germany. This disproportionately affects young people, for whom lower-paid and entry-level roles are the primary route into employment.

Alongside the age expansion, the government has responded with other targeted demand-side measures: backing the expanded Jobs Guarantee with over 35,000 subsidised posts, introducing a £2,000 bonus for SMEs hiring young apprentices, and extending foundation apprenticeships into hospitality and retail from April 2026. These are the right instincts. The question is whether they produce lasting trajectories or temporary placements.

Sources: House of Commons Library Youth Unemployment Statistics, March 2026; ONS Young People NEET, February 2026; Learning and Work Institute, March 2026; KPMG/REC UK Report on Jobs, March 2026 (via CareerMetrics); Indeed Hiring Lab, February 2026; FE News analysis, March 2026.

1] The Youth Guarantee is the government's overarching policy framework committing to connect young people with education, training, or employment support. The Jobs Guarantee is a specific, funded intervention sitting within this framework, which provides six-month fully subsidised job placements for young people who have been long-term unemployed.

Structural pressures on employer demand

The structural factors described in our February briefing remain in force and have, if anything, become more entrenched. Employer National Insurance at 15% from April 2025, with the threshold lowered to £5,000, continues to suppress hiring at the lower end of the pay scale. The April 2026 minimum wage increase adds further cost pressure. Frozen income tax thresholds continue to reduce household disposable income, constraining consumer demand in the sectors that employ the most entry-level workers.

The “low hiring, low firing” pattern described by Indeed remains the dominant dynamic. Redundancy notifications are modest, so there is no imminent spike in job losses. But employers are not creating new roles either. The KPMG/REC data showing 41 consecutive months of declining permanent placements underlines how sustained this pattern has become.

New risks have emerged. Rising energy prices linked to geopolitical instability in the Gulf are adding to cost pressures and dampening expectations of near-term monetary policy relief. The REC noted in its March response that “the rising cost of employment slowed the rate of recovery” and warned that the situation in Iran “darkens the global outlook.”

Sources: ICAEW National Insurance analysis; Indeed Hiring Lab, February 2026; KPMG/REC UK Report on Jobs, March 2026; REC response to ONS, March 2026; FE News analysis, March 2026.

Forward outlook

The consensus among forecasters has not materially shifted since February. The Bank of England, OBR, British Chambers of Commerce, and CIPD all expect unemployment to remain elevated through 2026, with limited improvement expected before 2027 at the earliest. GDP growth forecasts remain in the 1.2–1.4% range for 2026.

The NIESR/CfM survey of academic economists in February 2026 is instructive. Nearly half the panel identified government policies as a very important driver of the rise in youth NEETs and youth unemployment. The panel was split on whether rising unemployment reflects a cyclical downturn or a structural increase in the long-run unemployment rate, with no panellist placing the long-run rate below 4.25%. If the structural interpretation is correct, the conditions we are operating in may not fully reverse even when cyclical conditions improve.

Since the March ONS data was collected, the conflict between the United States/Israel and Iran has added a further layer of uncertainty. The immediate UK labour market impacts are unclear, but the REC noted in its March response that the Gulf crisis “increases uncertainty again” and that spiking energy prices are “adding to cost pressures while dashing hopes of near-term monetary policy relief.” For employers already cautious about hiring, geopolitical instability reinforces the case for waiting rather than committing to new roles. The effect may be felt less in headline unemployment figures and more in the continued suppression of vacancy creation and employer confidence that has characterised this market for over three years.

The implication for anyone investing in employability outcomes is that planning assumptions should not rely on a return to the tight labour market conditions of 2022–2023. The environment for the foreseeable future is one of elevated unemployment, constrained vacancies, and intense competition for available roles.

Sources: Bank of England Monetary Policy Report, November 2025; OBR Economic and Fiscal Outlook, November 2025; BCC Forecast, December 2025; CIPD Labour Market Outlook, January 2026; NIESR/CfM Survey, February 2026.

What we are seeing in current delivery

The delivery observations from our February briefing remain accurate. People are taking longer to convert from job search to offer. The volume of applications required before receiving any response has increased. Employers continue to withdraw roles at late stages of the recruitment process. Competition for every available position is more intense.

What has shifted is that these conditions have become normalised rather than worsening. Our coaches are no longer describing a deterioration; they are describing a new baseline. The extended timelines, the higher rejection rates, the ghosting; these are now the standard operating environment for anyone searching for work. This normalisation is significant because it affects how we design support. We are not helping people through a temporary difficult period. We are equipping them for a sustained environment where the ratio of effort to reward is fundamentally different from what it was two years ago.

The coaching response has adapted accordingly. More time is being spent on sustained motivation and resilience over longer job search periods. The platform infrastructure (ongoing access to Ask.Nim, coaching hours that carry forward, Job Radar running continuously) is absorbing the extended timeline. But the implication remains: the same quality of support, applied to equally capable people, is producing slower results because the external environment has not improved.

Sources: Stay Nimble internal delivery data and coaching observations, March 2026.

How we are responding

The conditions described above require an approach that is relational, persistent, and adaptable. Not a set of features, but an infrastructure model designed for a volatile and uncertain labour market. The response is built on a simple insight: in a market that is not generating enough positive signals, the support infrastructure needs to hold the relationship, maintain forward motion, and adapt as conditions change.

Relational engagement through partners

The most important lesson from our delivery is that what makes the difference is a trusted person who builds a relationship, understands someone's circumstances, and connects them to the right support at the right time.

This is why our Trailblazer partnerships are structured with relational engagement at the front and infrastructure behind it. In the Cambridgeshire and Peterborough Combined Authority, Inspire 2 Ignite leads the youth engagement work: finding young people who are disengaged, building trust, brokering work experience with employers, helping design those experiences so they are meaningful, and being there to debrief afterwards. Stay Nimble runs alongside that experience, providing coaching, Ask.Nim, and platform access that persists after the funded programme ends. The young person gets both: the relationship that brings them in, and the infrastructure that keeps them supported.

This model is materially different from providing someone with access to a platform and expecting self-directed engagement. It reflects what we know about how people actually navigate career transitions, particularly when the labour market is not rewarding their efforts.

Career Allies: embedding capability into communities

Career Allies continues to scale in Kingston. Twenty-two organisations have now enrolled volunteers and team members, with 61 people on the programme and the first cohort completing their CPD-certified training. These are frontline workers in libraries, council services, and community organisations who now have a professional framework for the career conversations they were already having informally.

In a market where the Learning and Work Institute identifies 1.25 million young people not in employment or full-time education, and three in four of them are outside the benefits system, the question of how you reach people becomes critical. Career Allies is part of the answer: embedding career conversation capability into the places and relationships where people already are, rather than waiting for them to find their way to formal services.

Job Radar: universal access to intelligent job search

Job Radar is currently available free to everyone. In a market where vacancies are 9% below pre-pandemic levels and job postings continue to gradually decline, the discovery problem is acute. Many of the best opportunities are on individual employer career pages, specialist industry boards, or with niche recruiters that a jobseeker would never discover through generic aggregators. Job Radar automates that discovery, running weekly searches and emailing curated matches with direct links. Making this free and universal reflects our view that this capability should not be gated by programme eligibility or funding.

Employer ability: the other side of the equation

Employability interventions overwhelmingly focus on making individuals more attractive to employers (better CVs, stronger interview skills, more qualifications). But in a market with 5.4 people wanting work for every vacancy, the constraint is not only whether people are ready for jobs. It is also whether employers are equipped to hire well. Employer ability (the capacity and willingness to hire effectively, particularly from non-traditional pipelines) is the missing half of the equation and often neglected.

Every time an employer hires, they generate relationships with people they do not hire. Currently, those relationships are almost always discarded. The candidate receives a rejection (or, increasingly, silence) and both sides start from scratch next time. This is true at every scale: from large employers rejecting hundreds of apprenticeship applicants per campaign, to a hiring manager interviewing four people for a single role and losing contact with the three who were not selected. In each case, assessment has happened. Both sides have invested time. Signal has been generated about capability, cultural fit, and potential. And then it disappears.

This problem is compounding. AI-generated applications have made early screening less reliable, as employers find it harder to distinguish genuine capability from polished noise. Employers are defaulting to credentials and familiar pipelines not because they prefer to, but because they lack the infrastructure to do anything differently. The people most affected are exactly who employability programmes are designed to support: career changers, returners, people with non-traditional backgrounds whose capability does not show up through conventional screening.

The government's expansion of hiring incentives for young people is a recognition that the constraint is partly on the demand side. But the Kickstart evidence is instructive. The DWP's own process evaluation found that only 31% of Kickstart leavers at seven months were in paid employment with their Kickstart employer, declining to 27% at ten months. Meanwhile, the quantitative impact assessment found a positive return of £3.15 for every £1 spent at five years when all perspectives are combined. The lesson is not that subsidised placements are ineffective. The evidence suggests they work. The lesson is that what happens after a recruitment process, any recruitment process, determines whether the outcome is temporary or lasting. Kickstart had no persistent support layer. When the placement ended, the relationship ended.

We are working with partners on what it means to address employer ability practically, not through policy changes but through infrastructure. This means coaching that supports people through and beyond recruitment processes, so that a rejection becomes a step in a journey rather than an ending. It means exploring how to maintain relationships between employers and candidates so that a “no” today can become a “not yet”, particularly in a fast-changing skills environment where what an employer needs in six months may be different from what they passed on today. And it means maintaining the demand-side intelligence into our product experience so that the preparation we provide is grounded in what employers are looking for. The closer our coaching is to real employer need, the shorter the distance between someone being ready and someone being in a real conversation. That is the fidelity principle at work: rapid engagement with genuine opportunities, not extended preparation disconnected from the market.

Sources: Learning and Work Institute, March 2026; DWP / IFF Research, Kickstart Scheme: Process Evaluation, July 2023; DWP, Kickstart Scheme: A Quantitative Impact Assessment, October 2024.

Building for volatility: composable infrastructure

The macro environment is uncertain. Energy prices are rising. Geopolitical risks are increasing. The Employment Rights Act introduces new regulatory obligations for employers. The forward outlook is unclear. In this environment, designing fixed programmes against current conditions is inherently risky. A programme designed in 2025 for delivery in 2026 may be solving last year’s problem.

We are investing in composable agent architecture that allows new capabilities to be built and deployed quickly. The same underlying pattern powers Job Radar. When conditions change and new needs emerge, we can build and deploy a response in days rather than months. This is a deliberate design choice: infrastructure that stays nimble in conditions that do not stay still.

Implications for employability investment

Programmatic delivery is structurally mismatched to volatile conditions

The fundamental challenge for employability programmes in this environment is that they are designed against assumptions about labour market conditions that may not hold. A programme with a fixed cohort size, a fixed set of activities, a fixed reporting period, and a fixed end date assumes a stable enough environment to make those design decisions meaningful. When the environment is volatile and uncertain, that stability does not exist.

What we are observing is that outcome timelines are extending beyond programme reporting periods. Someone who might have converted within eight weeks in 2024 may now take sixteen or more. Programmes with fixed measurement windows will undercount their actual impact. The sectors that have historically provided first steps into employment (retail, hospitality) continue to shed payroll positions. The people who need support are increasingly outside the benefits system and therefore invisible to the programmes designed to reach them.

The alternative is infrastructure that persists across programme cycles, adapts to changing conditions, and maintains the relationship with people regardless of whether they are currently within a funded intervention. This is what we are building, and what we believe funders should be investing in.

Investment in preparation retains its value

In a contracting market, there is a risk of concluding that employability support is less effective. The opposite is true. When competition for roles is more intense, the quality of someone's preparation (their ability to articulate their value, their confidence after coaching, their access to opportunities others miss) becomes more differentiating, not less. The people who are best supported will still be the ones who get the jobs that do exist. The question is how many jobs exist, and that is a macroeconomic variable, not a programme design variable.

Infrastructure outlasts the cycle

Labour markets are cyclical. The current stagnation will eventually reverse. When it does, the infrastructure built during this period (trained community career allies, established venue relationships, platform access that persists, coaching networks, composable tools that can adapt) will be positioned to convert outcomes at a faster rate. Investment made now is not lost if employment outcomes are slower than expected; it is stored in infrastructure that compounds when conditions improve.

Reference: Key Data Points

Indicator	Data
Overall unemployment rate	5.2% (Nov 2025–Jan 2026)
Youth unemployment rate (16–24)	16.0%, highest in more than a decade
Young people unemployed (16–24)	732,000 (up 99,000 on year)
Young people NEET (16–24)	957,000 (Oct–Dec 2025)
Payrolled employment (annual change)	-109,000 (LFS-comparable); early Feb estimate -49,000
Vacancies	721,000 (down 76,000 / 9.5% on year)
Vacancies vs pre-pandemic	-74,000 / -9.3%
People wanting work per vacancy	5.4 (up from 4.4 a year ago; L&W measure)
Job postings vs pre-pandemic	~-27% (Indeed; UK only major economy below baseline)
Regular pay growth	3.8% (lowest in more than five years)
Permanent placement decline	41 consecutive months (KPMG/REC)
Construction vacancies (annual change)	-40.4%
Employer NI rate (from April 2025)	15% (up from 13.8%); threshold lowered to £5,000
London unemployment rate	7.9% (12-year high)

Sources

1. Office for National Statistics. Labour Market Overview, UK: March 2026. Published 19 March 2026.

2. Office for National Statistics. Vacancies and Jobs in the UK: March 2026. Published 19 March 2026.

3. Office for National Statistics. Employment in the UK: March 2026. Published 19 March 2026.

4. Office for National Statistics. Young People Not in Education, Employment or Training (NEET), UK: February 2026. Published 26 February 2026.

5. House of Commons Library. UK Labour Market Statistics (Research Briefing CBP-9366). Updated March 2026.

6. House of Commons Library. Youth Unemployment Statistics (Research Briefing SN05871). Updated March 2026.

7. Learning and Work Institute. Labour Market Briefing: March 2026.

8. Learning and Work Institute. Labour Market Stats Response, March 2026.

9. Indeed Hiring Lab. February 2026 UK Labour Market Update: Weakness Continues After Sluggish Start to the Year. 23 February 2026.

10. Indeed Hiring Lab. January 2026 UK Labour Market Update: Waning Wage Growth. 2 February 2026.

11. Indeed Hiring Lab. 2026 UK Jobs and Hiring Trends Report. December 2025.

12. KPMG and REC. UK Report on Jobs, March 2026.

13. REC. Response to ONS Labour Market Figures, March 2026.

14. FE News. ONS Labour Market Data March 2026: Pay Growth Hits Five-Year Low. 19 March 2026.

15. NIESR. February 2026 CfM-NIESR Survey: UK Unemployment.

16. Office for Budget Responsibility. Economic and Fiscal Outlook. November 2025.

17. Bank of England. Monetary Policy Report. November 2025.

18. British Chambers of Commerce. Post-Budget Forecast. December 2025.

19. CIPD / James Cockett. 2026 Labour Market Trends. January 2026.

20. DWP / IFF Research. Kickstart Scheme: Process Evaluation. July 2023.

21. DWP. Kickstart Scheme: A Quantitative Impact Assessment. October 2024.

22. National Audit Office. Employment Support: The Kickstart Scheme.

23. Employment Hero. UK Wage Growth Falls, Youth Unemployment Five-Year High. March 2026.

Prepared by Stay Nimble, March 2026.