Stay Nimble

UK Labour Market Briefing

Current Conditions and Forward Outlook

April 2026

Executive Summary

The UK labour market is splitting. Unemployment fell to 4.9% in the latest quarter, a surprise reversal of the recent upward trend. But vacancies dropped to 711,000; their lowest level since 2021. Payrolled employment continues to decline. Real wages are rising at just 0.2%, barely keeping pace with living costs. The headline numbers are pulling in different directions, but the underlying reality for people trying to find work has not improved.

The split runs along several lines. Public sector employment is growing while the private sector sheds jobs, particularly in retail and hospitality. Workers in existing roles are staying put while outsiders compete for fewer openings. The unemployment rate fell, but economic inactivity rose. Fewer people are actively looking, which may reflect discouragement rather than improvement. Underneath the published statistics, organisations are quietly shrinking through natural attrition: people leaving and not being replaced. No redundancy announcements, no headlines, just a steady removal of opportunities that never get advertised.

The forward outlook is uncertain. The base case is continued stagnation through 2026. The downside risk, driven by the Iran conflict, rising energy prices, and downgraded growth forecasts from the OECD, IMF and EY ITEM Club, is that inflation erodes consumer spending further and pushes the private sector into active contraction. Recovery requires de-escalation in the Gulf and restored employer confidence, neither of which is in anyone's control.

We are continuing to scale the infrastructure that makes career support persistent, relational, and adaptable. Career Allies is now across 24 organisations in Kingston with 69 enrolments and the first certified allies complete. Job Radar remains free for everyone. We are developing the employer ability concept with partners. And we are investing in composable agent architecture so that new tools can be built quickly as conditions change. In a market where the range of plausible outcomes is widening, infrastructure that adapts across scenarios is the only design that makes sense.

Current position: April 2026

Headline indicators

Indicator	Current	Year ago
Unemployment rate	**4.9%**	~4.4%
Youth unemployment (16–24)	**15.8%**	14.6%
Payrolled employees (annual change)	**-87,000**	+ve growth
Vacancies	**711,000**	776,000
Regular pay growth (nominal)	**3.6%**	Higher
Real regular pay growth	**0.2%**	Higher
People wanting work per vacancy	**5.4**	4.5
Employment rate (16–64)	**75.0%**	75.1%

Sources: ONS Labour Market Overview, April 2026; ONS Vacancies and Jobs, April 2026; ONS Employment in the UK, April 2026; IES comment, April 2026; Learning and Work Institute, April 2026. Payrolled employees figure uses the LFS-comparable period (Dec 2025–Feb 2026). Early estimate for March 2026 shows the annual decline narrowing to -65,000.

What has changed since March

Unemployment fell, but the market did not improve. The drop from 5.2% to 4.9% attracted attention, but every major analyst described it as misleading. The Learning and Work Institute called the market "basically flat." IES said it "remains weak overall." The unemployment decline was offset by a rise in economic inactivity to 21.0%, with fewer people actively searching for work. The number of people out of work and wanting a job (combining unemployed and economically inactive) remains at 5.4 per vacancy, up from 4.5 a year ago.

Vacancies broke below the floor. After holding broadly flat since March 2025, vacancies dropped to 711,000, down 29,000 on the quarter and 65,000 on the year. This is the lowest level since February to April 2021 and nearly 10% below pre-pandemic. The ONS noted this is the first quarterly decline outside the margin of error since the flat period began.

The two-sector economy is becoming visible. Public sector regular pay grew at 5.2% while private sector pay grew at 3.2%, barely matching inflation at 3.2%. Health and social work saw the largest increase in employees over the year. Retail and hospitality saw the largest reductions. The jobs growing are in the public sector.

The jobs disappearing are in the sectors that have historically provided first steps into employment.

Real wages are effectively frozen. IES noted real regular pay growth of just 0.2%. The Resolution Foundation warned that with inflation forecast to head toward 4% as energy prices rise, workers could soon see their pay packets shrinking again in real terms.

Sources: ONS Labour Market Overview, April 2026; IES comment, April 2026; Learning and Work Institute, April 2026; Resolution Foundation, April 2026; FE News analysis, April 2026.

The quiet shrinking

Redundancy notifications remain modest. There are no mass layoffs. But payrolled employment has declined month after month. 6,000 here, 11,000 there, 65,000 over the year. The mechanism is not cuts but attrition: someone leaves and is not replaced. A team of twelve becomes eleven. Then ten. No HR1 form is filed, no consultation period triggered, no headline written. Just a budget decision not to backfill.

This matters because it is invisible to the people affected. They never see the role that was not advertised. They experience a market where nothing seems to be out there, without understanding why. And it changes the character of the contraction: this is not a crisis with a recognisable shape. It is a slow, quiet withdrawal of demand that the standard labour market metrics struggle to capture.

Sources: ONS PAYE RTI data, April 2026; Stay Nimble delivery observations.

Entry-level and youth labour market

Youth unemployment edged down slightly to 15.8% but remains close to its decade high. The more concerning development is that long-term youth unemployment is hardening. The number of young people unemployed for six months or more rose by 67,000 over the past year. This is a leading indicator of structural scarring: once someone has been out of work for six months, the probability of finding work drops sharply.

The Learning and Work Institute reports 1.31 million young people not in employment or full-time education, up 63,000 over the year. Three in four of these young people are not on unemployment-related benefits, which means the primary government channels for reaching them do not apply. IES analysis found that graduate positions fell by 33% in 2025, reaching their lowest level since 2018.

The Resolution Foundation is hosted a major event on 28 April presenting new research on Britain's NEETs challenge, examining structural issues in education and benefits alongside cyclical labour market conditions. The question of whether these are temporary or permanent features of the youth labour market is becoming central to how policy and investment should respond.

Sources: ONS Employment in the UK, April 2026; Learning and Work Institute, April 2026; IES graduate employment analysis, March 2026; Resolution Foundation, April 2026.

Structural pressures

The structural factors suppressing employer demand have not eased. Employer National Insurance at 15%, the April 2026 minimum wage increase, frozen income tax thresholds, and the Employment Rights Act changes, including the Fair Work Agency launched on 7 April, continue to raise the cost and complexity of hiring. The REC characterised the environment as one of "global uncertainty and an increasingly heavy regulatory agenda that is increasing the cost of creating jobs."

These changes carry real costs. But the regulatory direction is toward better work, not just more work, and the long-term case for higher employment standards does not disappear because the short-term costs are visible in a weak market.

The Iran conflict has moved from a forward risk to an active factor. L&W noted that "the Iran war continues to contribute to inflationary pressures for employees and employers alike." Energy prices are spiking, the OECD, IMF and EY ITEM Club have all downgraded UK growth forecasts, and the Bank of England is unlikely to cut rates while inflation expectations are rising. The REC noted that interest rate cuts are "unlikely amid ongoing tensions in the Gulf."

The Work Foundation's response to the April data summarised the position: many UK workers and jobseekers are poorly placed to withstand renewed global economic instability.

Sources: REC response to ONS, April 2026; Learning and Work Institute, April 2026; Work Foundation, April 2026; Resolution Foundation Q1 2026 Labour Market Outlook, April 2026.

Forward outlook: three scenarios

The range of plausible outcomes over the next six to nine months has widened. Rather than projecting a single path, we set out three scenarios and what each would mean for people seeking work and for the organisations investing in their support.

Base case: continued stagnation. Unemployment hovers around 5%. Vacancies remain flat or drift lower. Real wages stay effectively frozen. The quiet shrinking continues. Employers neither cut nor hire. Workers stay put. The market generates insufficient churn for outsiders to find a way in. This is what most forecasters predicted before the Iran situation changed the outlook, and it remains the most likely path if energy prices stabilise at elevated but manageable levels.

Downside: energy-driven contraction. If the Gulf conflict escalates and energy prices spike further, inflation could run ahead of wages for the second time in four years. Consumer spending would contract in the sectors already shedding jobs (retail, hospitality, leisure). The quiet shrinking would accelerate. Youth long-term unemployment, already hardening, would risk becoming structural. The Resolution Foundation has warned that workers could soon find their pay packets shrinking again in real terms, though the weaker labour market makes a wage-price spiral less likely than in 2022.

Upside: stabilisation and gradual recovery. This requires de-escalation in the Gulf, resumption of Bank of England rate cuts, and a recovery in employer confidence. If these conditions materialise, the infrastructure built during this period (trained Career Allies, established coaching relationships, platform tools that have been operating continuously) would be positioned to convert outcomes faster than any cold-start alternative. The OBR's pre-Iran forecast expected unemployment to begin falling from early 2027. Whether that timeline still holds depends on how the external environment develops.

In all three scenarios, the people we support face the hardest part of the market. In stagnation, they compete for limited openings. In contraction, even fewer. In recovery, they need to be ready to move fast when opportunities appear. Infrastructure that persists across all three is the only design that works when you genuinely do not know which path materialises.

Sources: Bank of England Monetary Policy Report, November 2025; OBR Economic and Fiscal Outlook, November 2025; Resolution Foundation, April 2026; Learning and Work Institute, April 2026; OECD/IMF forecasts cited by L&W, April 2026.

What we are seeing in current delivery

The conditions described in our February and March briefings have become the operating environment rather than a temporary deterioration. People are taking longer to convert from job search to offer. Application volumes required before receiving any response have increased. Employers continue to withdraw roles mid-process. Competition for every position is more intense.

What has shifted is that engagement is holding. People on our programmes are still actively searching, still using Job Radar, still booking coaching sessions. The infrastructure is absorbing the extended timeline. This matters because the alternative, visible in the 67,000 increase in long-term youth unemployment, is disengagement. Every person who stays in motion through a bad market is a person who converts faster when conditions improve. Every person who drops out becomes exponentially harder and more expensive to re-engage later.

The same quality of support, applied to equally capable people, is producing slower results because the external environment has not improved. But the value of the infrastructure in this market is measured partly in outcomes achieved and partly in outcomes preserved: people who remain engaged, developing, and ready to convert rather than joining the growing cohort of long-term unemployed.

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

How we are responding

Our response is an infrastructure model designed for a volatile and uncertain labour market: relational engagement through partners, persistent support through coaching and the platform, and composable tools that can adapt as conditions change.

Relational engagement through partners

Access to a platform is not the same as engagement with career support. Our Trailblazer partnerships are structured with relational engagement at the front and infrastructure behind it. In the Cambridgeshire and Peterborough Combined Authority, Inspire to Ignite leads the youth engagement work: finding young people who are disengaged, building trust, brokering work experience, and being there to debrief afterwards. Stay Nimble runs alongside, 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.

Career Allies

Twenty-four organisations in Kingston have enrolled volunteers and team members, with 63 people on the programme and the first cohort completing their CPD-certified learning. In a market where 1.31 million young people are not in employment or full-time education and three in four are outside the benefits system, embedding career conversation capability into the places where people already are is part of how you reach them.

Job Radar

Available free to everyone. In a market where vacancies are at their lowest since 2021 and many of the best opportunities are on employer career pages and specialist boards that jobseekers would never find through generic aggregators, automating discovery keeps people active and applying when they would otherwise disengage.

Employer ability

Employability interventions overwhelmingly focus on making individuals more attractive to employers. Employer ability asks the mirror question: what would make it easier for employers to hire well? Every recruitment process generates relationships with people who are not hired. Currently those relationships are largely discarded. The candidate gets a rejection (or silence) and both sides start from scratch. AI-generated applications have made early screening less reliable, and employers are defaulting to credentials and familiar pipelines because they lack the infrastructure to do anything differently.

The Kickstart evidence is illustrative: only 31% of leavers at seven months were in paid employment with their Kickstart employer. The lesson applies beyond subsidised schemes. What happens after any recruitment process determines whether the outcome is temporary or lasting.

We are working with partners on coaching that supports people through and beyond recruitment processes, maintaining relationships so that “no” becomes “not yet,” and bringing demand-side intelligence into our coaching so preparation is grounded in what employers actually need. This is not job brokerage. It is recognising that our effectiveness on the individual side depends on understanding the demand side.

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

Building for volatility

We are investing in composable agent architecture that allows new capabilities to be built and deployed quickly. The same underlying pattern powers Job Radar, CV

Helper, and shortly, Course Finder. In conditions where the range of outcomes is widening, the ability to respond in days rather than months is a deliberate design choice.

Quality through fidelity

We are applying principles drawn from the Individual Placement and Support evidence base to guide Ask.Nim's development: a focus on competitive employment, no gatekeeping of eligibility, rapid engagement, ongoing support without arbitrary time limits, and individual preferences driving the process. This fidelity framework ensures that as Ask.Nim becomes more capable, it becomes more capable in the right direction.

Implications for employability investment

The measurement challenge

When the market was tight, outcome-based measurement worked tolerably well because people converted quickly enough for results to land within reporting windows. That is no longer true. In a market with 5.4 people wanting work per vacancy, where vacancies are at a five-year low and youth long-term unemployment is hardening, the time between being well-supported and achieving a measurable employment outcome has extended materially. Outcome metrics increasingly reflect the labour market rather than the quality of the intervention.

This does not mean outcomes do not matter. It means they need to be understood alongside the conditions in which they are being pursued. The question is not only "how many people got jobs?" but also "is the infrastructure in place, is it reaching the right people, is it operating at sufficient quality, and is it adapting as conditions change?" These are the questions that predict whether outcomes will convert when conditions eventually allow, which every historical cycle suggests they will.

Infrastructure outlasts the cycle

Labour markets are cyclical. The current stagnation will reverse. When it does, the infrastructure built during this period (trained Career Allies, established coaching relationships, platform access that persists, composable tools that adapt) will be positioned to convert outcomes at a faster rate than any cold-start alternative. Investment made now is not lost if employment outcomes are slower than expected. It is stored in infrastructure that compounds when conditions improve. The alternative (defunding during the downturn and rebuilding during recovery) is the pattern that has repeated for decades, and it is why the UK keeps reconstructing the same capabilities from scratch every cycle.

Reference: Key Data Points

Indicator	Data
Overall unemployment rate	4.9% (Dec 2025–Feb 2026), down from 5.2%
Youth unemployment rate (16–24)	15.8% (up from 14.6% year ago)
Long-term youth unemployment (6mo+)	Up 67,000 on year
Young people NEET/not in FT education	1.31 million (L&W measure)
Total unemployed (annual change)	+206,000
Payrolled employment (annual change)	-87,000 (LFS-comparable); early Mar estimate -65,000
Vacancies	711,000 (down 65,000 / 8.3% on year); lowest since 2021
Vacancies vs pre-pandemic	-78,000 / -9.9%
People wanting work per vacancy	5.4 (up from 4.5 year ago; L&W measure)
Regular pay growth (nominal)	3.6% (public 5.2%, private 3.2%)
Real regular pay growth	0.2% (IES)
CPI inflation (Feb 2026)	3.2%
Economic inactivity rate (16–64)	21.0% (up from 20.8%)
Employment rate (16–64)	75.0% (down from 75.1% year ago)

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