Stay Nimble

UK Labour Market Briefing

Current Conditions and Forward Outlook
May 2026

Executive Summary

In our April 2026 briefing we described a market that was splitting. This month the split has deepened into dysfunction. Unemployment returned to 5.0% after April's brief dip, confirming what every analyst suspected: the drop was a blip. Vacancies fell to 705,000, their lowest since early 2021 and over 10% below pre-pandemic. The early estimate for April shows PAYE payrolled employment dropping by 100,000 in a single month, the largest monthly decline since these records began in 2014, outside the pandemic period. Real wage growth in the private sector has fallen below inflation. The Learning and Work Institute (L&W) describes a market that is "not in crisis, but also not delivering growth and opportunities."

The dysfunction runs deeper than the headline numbers suggest. Both under-employment and over-employment are rising simultaneously: a market that cannot match the needs of workers and employers. 1.35 million young people are not in employment or full-time education, a surge of 90,000 in a single quarter. Youth unemployment at 16.2% now exceeds its pandemic peak. Economic inactivity among young people not in full-time education is at its highest since ONS records began in 1992. The CIPD warns that unemployment could reach two million by year end.

The downside scenario we described in our April briefing is beginning to emerge. L&W and the CIPD argue that the Iran conflict is already contributing to inflationary pressures and employer caution, with real wages falling in the private sector. The Resolution Foundation warns that pay packets are on the brink of shrinking for the fourth time since the financial crisis. L&W frames the current data as potentially "the calm before the storm."

We are responding by continuing to scale infrastructure that is relational, persistent, and adaptable. Career Allies has reached 30 organisations with over 100 enrolments and 20 certified allies, with a published competency framework now available under Creative Commons and professional bodies engaging. Job Radar remains free for everyone. We are developing new infrastructure for connecting employers to talent as the traditional application-based hiring model visibly fails. In a dysfunctional market, infrastructure that fixes matching, not just preparation, is what the data demands.

Current position: May 2026

Headline indicators

Indicator	Current	Year ago
Unemployment rate	**5.0%**	~4.5%
Youth unemployment (16–24)	**16.2%**	14.2%
Payrolled employees (annual change)	**-104,000**	+ve growth
Vacancies	**705,000**	759,000
Regular pay growth (nominal)	**3.4%**	Higher
Real regular pay growth	**0.1%**	Higher
People wanting work per vacancy	**5.5**	4.6
Young people NEET / not in FT education	**1.35 million**	1.21 million
Employment rate (16–64)	**75.0%**	~75.5%

Sources: ONS Labour Market Overview, May 2026; ONS Vacancies and Jobs, May 2026; House of Commons Library, May 2026; IES comment, May 2026; Indeed Hiring Lab, May 2026; Learning and Work Institute, May 2026. Payrolled employees figure covers Mar 2025 to Mar 2026. Early estimate for April 2026 shows a decline of 210,000 (0.7%) on the year and 100,000 (0.3%) on the month.

What has changed since April

April's unemployment drop was a blip. The headline three-month unemployment rate was 5.0% (Jan–Mar 2026). Resolution Foundation's analysis of ONS single-month data suggests March alone was 5.5%, the highest since 2015. The direction is clear.

The payroll decline has accelerated sharply. The early estimate for April 2026 shows PAYE payrolled employment falling by 100,000 in a single month and 210,000 on the year, the largest monthly decline in PAYE payrolled employees since these records began in 2014, outside the pandemic period. The Institute for Employment Studies (IES) noted that early estimates suggest retail alone lost over 14,000 jobs. The quiet shrinking we described in our April briefing is no longer quiet.

Vacancies have fallen further. At 705,000, vacancies are at their lowest since early 2021, down 54,000 (7.1%) on the year and 83,000 (10.6%) below pre-pandemic.

Wholesale and retail saw the largest industry decrease. Businesses with 1 to 9 employees saw the largest decline by size band, down 19,000.

Real wages are about to go negative. Indeed Hiring Lab reports real regular pay growth of just 0.1%. IES noted that real pay growth in the private sector is below inflation and at its lowest since 2020. The Resolution Foundation warned that pay packets are on the brink of shrinking in real terms for the fourth time since the financial crisis.

The market is dysfunctional, not just weak. L&W identified a pattern that goes beyond cyclical weakness: both under-employment and over-employment are rising simultaneously. Workers who want more hours cannot get them. Workers who want fewer hours are also dissatisfied. This does not point to a labour market that is simply too loose. It points to one that cannot match the needs of workers and employers.

Sources: ONS Labour Market Overview, May 2026; ONS Vacancies and Jobs, May 2026; IES comment, May 2026; Indeed Hiring Lab, May 2026; Resolution Foundation, May 2026; Learning and Work Institute, May 2026.

Entry-level and youth labour market

Youth unemployment has risen to 16.2%, exceeding its pandemic peak of 15.2% and, according to Youth Employment UK's analysis of ONS data, reaching its highest level since 2015. There are 729,000 young people aged 16–24 who are unemployed, 110,000 more than a year ago. The proportion of young people not in full-time education who are economically inactive is the highest it has been since ONS records began in 1992.

The NEET figure has surged. Using ONS NEET statistics, L&W calculate that 1.35 million young people are not in employment or full-time education, up from 1.26 million in the previous quarter and 1.21 million a year ago. Youth Employment UK describe young people as "disengaging from the labour market at record rates," warning that the long-term damage of being NEET between 16 and 24 on lifetime earnings, health outcomes, and mental health may be felt for decades.

IES and L&W have both flagged that the Milburn Review of young people at work is due to report this month. Its findings, examining the root causes of rising youth inactivity, will be an important input into whether the policy response treats this as cyclical or structural. IES noted that with the youth unemployment rate nearly three times the overall rate, concerted government action is critical.

The Milburn Review interim report, published this week, described a "catastrophic system failure" in which the government spends £1 on employment support for every £25 spent on benefits for young people, with seven in ten health and disability benefit claimants still on benefits a decade later. The review confirms what the data in this briefing describes: the system is not structured to reach the people who need support most, nor to invest in the infrastructure that would prevent long-term welfare dependency. The full report, expected in summer 2026, will set out recommendations for reform.

Sources: House of Commons Library Youth Unemployment Statistics, May 2026; ONS Employment in the UK, May 2026; Learning and Work Institute, May 2026; IES comment, May 2026; Youth Employment UK, May 2026; Indeed Hiring Lab, May 2026; Milburn Review Interim Report, May 2026.

Structural pressures

L&W and the CIPD argue that the Iran conflict is already contributing to inflationary pressures and employer caution. L&W stated that the war is eroding real wages through rising fuel costs. The CIPD noted that continuing uncertainty in the Middle East has added to employers' reluctance to hire. The Resolution Foundation warned that the UK entered this period of instability in a weak position, with the labour market already fragile before the energy shock hit.

The CIPD's latest Labour Market Outlook finds that 58% of employers are prioritising cost management over growth. Employer confidence remains at its lowest on record outside the pandemic. One in five employers are planning redundancies in the next three months. Hiring intentions remain at historically low levels.

The structural cost pressures from employer National Insurance, the minimum wage increase, and the Employment Rights Act continue to compound. 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.

L&W calculate that 640,000 fewer people are in work than would be the case if the employment rate had stayed at its pre-pandemic level. This is not a gap that cyclical recovery alone will close.

Sources: Learning and Work Institute, May 2026; CIPD Labour Market Outlook and press release, May 2026; Resolution Foundation, May 2026; REC via People Management, May 2026.

Forward outlook

In our April briefing we set out three scenarios: stagnation, energy-driven contraction, and gradual recovery. The May data is resolving the uncertainty toward the downside. The payroll decline is accelerating. Vacancies are at their lowest since early 2021. Real wages are about to go negative in the private sector. The CIPD forecasts unemployment could reach 5.5% and two million by year end. L&W describes the current data as potentially the calm before the storm.

The base case is no longer stagnation. It is a continued, gradual deterioration through the second half of 2026, with the pace determined by how energy prices, inflation, and employer confidence interact. De-escalation, rate cuts, and recovery remain possible but require external conditions that are not in anyone's control.

Indeed framed the Bank of England's dilemma: inflationary pressures point toward tightening, but wage growth is decelerating and second-round effects are absent. The 2022 playbook does not apply. This means the monetary policy relief that might ease employer cost pressures is unlikely to arrive while inflation is being driven by energy, not by wages.

For the people we support, this means the conditions described across our previous briefings are not temporary. Extended job search timelines, higher rejection rates, withdrawn roles, intense competition for every available position: these are the operating environment for the foreseeable future. Infrastructure designed for this reality, rather than for a recovery that has not yet materialised, is what is needed.

Sources: CIPD Labour Market Outlook and press release, May 2026; Learning and Work Institute, May 2026; Indeed Hiring Lab, May 2026; Resolution Foundation, May 2026.

What we are seeing in current delivery

The conditions we have described across this series of briefings are now the operating environment. What has shifted in recent weeks is the profile of the people who need most support. Coaches are spending more time with people who have been searching for six months or longer, where the work is no longer about preparation but about sustaining someone through repeated rejection without losing them entirely.

The NEET surge of 90,000 in a single quarter shows what happens when that support is absent. People disengage, and once they do, the cost and difficulty of re-engaging them increases sharply. Our infrastructure is designed to prevent that. Platform access continues, Job Radar keeps running, coaching hours carry forward. The question we are tracking is not just how many people found work, but how many people who would otherwise have stopped looking are still in motion.

Sources: Stay Nimble internal delivery data and coaching observations, May 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, composable tools that adapt, and a growing movement of community-embedded career capability.

Career Allies: from pilot to movement

Career Allies has reached a significant milestone. Thirty organisations have now enrolled volunteers and team members, with over 100 people on the programme and more than 20 completing their CPD-accredited certification. The competency framework has been published under a Creative Commons licence, making it freely available for adoption. The Institute of Employability Professionals and the Career Development Institute are both engaging positively with the approach. An impact showcase on 9 June will present the evidence from the first phase of delivery.

This is no longer a pilot. It is becoming a movement: a growing community of people equipped with a professional framework for career conversations, embedded in the organisations where people already go for support. In a market where 1.35 million young people are not in employment or full-time education, where three in four of them are outside the benefits system, and where youth economic inactivity is at a record high, the question of how you reach people is becoming as important as what you do when you reach them. Career Allies addresses the reach problem that formal services cannot solve alone.

Infrastructure across partners

The Fusion21 Foundation project with Hyde and The Guinness Partnership is a working example of how this infrastructure operates across organisations. Three hundred residents across two major housing associations have access to coaching, Ask.Nim, and employability grants that address practical barriers to work, including transport, training, and childcare costs. This builds on five years of housing association partnerships and over £1.5 million in evidenced social value. Housing associations reach people at moments of transition. The infrastructure we provide means that support is available when those moments happen, not when a programme cycle happens to be running.

In the Cambridgeshire and Peterborough Combined Authority, Inspire 2 Ignite leads the youth engagement through the Trailblazer programme: 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.

Job Radar

Vacancies fell to 705,000 this month, with small businesses seeing the sharpest decline by size band, down 19,000. These are the employers whose roles rarely appear on major job boards. Job Radar continues to run free for everyone, monitoring employer career pages and specialist sources that most jobseekers would never find. In a market where the discovery problem is getting worse month on month, automated search is increasingly the difference between someone applying and someone assuming there is nothing out there.

Employer ability and equitable access

The traditional application-based hiring model is now visibly failing. Applications carried two things: substantive claims about capability, and implicit signals. Conscientiousness inferred from a neat CV, effort from a tailored cover letter, stability from no employment gaps. AI has broken the implicit signals, because the artefacts they were read from are now free to fabricate. Those signals were always partly unjust: a gap usually meant caring, health, or life, not risk. Polish was a class-and-culture marker, not a capability marker.

L&W describes a dysfunctional market that cannot match workers to employers. Part of the dysfunction sits in the matching mechanism itself. We are developing infrastructure that regenerates employer-useful signals from verified behaviour rather than polished documents, designed so that visibility to employers does not depend on ability to pay. The Kickstart evidence remains instructive: what happens after a 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.

Sources: Learning and Work Institute, May 2026; DWP / IFF Research, Kickstart Scheme: Process Evaluation, July 2023.

Building for volatility

L&W describes the current data as potentially the calm before the storm. If conditions deteriorate further through the second half of 2026, new tools and responses will be needed that we have not yet anticipated. Our composable agent architecture is designed for exactly this: the ability to build, test, and deploy new capabilities in days rather than months. Course Finder, the next tool in the pipeline, follows the same pattern as Job Radar and CV Helper.

Quality through fidelity

The Milburn Review found that the system spends £1 on employment support for every £25 on benefits. The fidelity question is whether that £1 is spent well. We are applying principles from the Individual Placement Support evidence base to guide

Ask.Nim's development: competitive employment focus, no gatekeeping, rapid engagement, ongoing support without arbitrary time limits. These are the design choices that determine whether limited resources produce lasting results.

Implications for employability investment

The measurement challenge

The CIPD forecasts unemployment could reach two million by year end. The Milburn Review describes a system spending 25 times more on sustaining welfare dependency than on helping people into work. In these conditions, outcome-based measurement tells you about the labour market, not about the quality of the intervention. Someone who would have converted in eight weeks two years ago may now take six months. Programmes with fixed reporting windows will undercount their actual impact.

The questions that matter are whether the infrastructure is in place, whether it is reaching the right people, whether it is operating at sufficient quality, and whether it is adapting. These are the questions that predict future outcomes.

Infrastructure outlasts the cycle

Labour markets are cyclical. When this one turns, the infrastructure built during this period, across 30 organisations with over 100 trained Career Allies, established coaching relationships, a published competency framework, and tools that have been operating continuously, will convert outcomes at a faster rate than any cold-start alternative. The Milburn Review's finding that the system spends almost nothing on employment support relative to benefits is an argument for investing in infrastructure now, not for waiting until conditions improve.

Reference: Key Data Points

Indicator	Data
Overall unemployment rate	5.0% (Jan–Mar 2026); single-month Mar at 5.5%
Youth unemployment rate (16–24)	16.2% (up from 14.2% year ago; exceeds pandemic peak)
Young people unemployed (16–24)	729,000 (up 110,000 on year)
Young people NEET / not in FT education	1.35 million (up 90,000 on quarter; L&W)
Youth economic inactivity (not in FT ed)	Highest since records began in 1992
Payrolled employment (annual, Mar)	-104,000 (0.3%)
Payrolled employment (early Apr estimate)	-210,000 (0.7%) on year; -100,000 on month
Vacancies	705,000 (down 54,000 / 7.1% on year); lowest since 2021
Vacancies vs pre-pandemic	-83,000 / -10.6%
People wanting work per vacancy	5.5 (up from 4.6 year ago; L&W)
People out of work wanting a job	3.9 million (L&W)
Regular pay growth (nominal)	3.4% (Indeed)
Real regular pay growth	0.1% (Indeed); private sector below inflation (IES)
Employment gap vs pre-pandemic rate	640,000 fewer in work (L&W)
Employment rate (16–64)	75.0%

Sources

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Prepared by Stay Nimble, May 2026.