CIPD

LABOUR MARKET

OUTLOOK

VIEWS FROM EMPLOYERS

Summer 2026

The CIPD has been championing better work and working lives for over 100 years. It helps organisations thrive by focusing on their people, supporting our economies and societies. It's the professional body for HR, L&D, OD and all people professionals – experts in people, work and change. With over 160,000 members globally – and a growing community using its research, insights and learning – it gives trusted advice and offers independent thought leadership. It's a leading voice in the call for good work that creates value for everyone.

Report

Labour Market Outlook

Summer 2026

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1 Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* (LMO) provides an early indication of future changes to the labour market around recruitment, redundancy and pay intentions. The findings are based on a representative survey of more than 2,000 employers.

As Prime Minister Andy Burnham takes office, his task is not an easy one. Our data this quarter shows that employer confidence remains fragile. Our net employment balance has not recovered since falling to record lows in spring last year. The prime minister has recognised that one of the immediate priorities for kickstarting good growth is addressing the poor employment prospects for young people. The introduction of apprenticeship bursaries of up to £4,500 for young people in Universal Credit households is a welcome step, but he could go further and introduce an Apprenticeship Guarantee for all 16–24-year-olds. Based on CIPD evidence, this is something most employers support.

We believe he should also consider revisiting the National Insurance changes introduced in April 2025 and reverse the reduction in the secondary threshold, restoring it to £9,100. This would encourage employers to increase the number of part-time roles through which many young people get their first job after education.

Also in the pipeline are wide-ranging reforms to zero-hours and low-hours contracts, which are set to come into force next year. This quarter we find that most affected employers believe these reforms will increase administration and compliance work, increasing both HR and management time. They are also seen as difficult to implement, particularly among small and medium-sized enterprises (SMEs) and public sector employers.

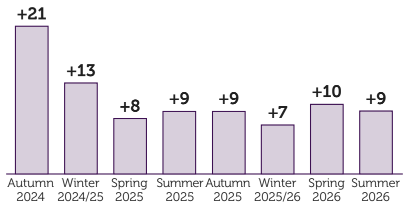
James Cockett, CIPD Senior Labour Market Economist

A third of affected employers plan to use more self-employed/atypical workers and increase the number of redundancies due to these reforms. These findings underline the need to ensure that the reforms are practical for employers to implement and do not inadvertently reduce employment opportunities.

Our pay indicators once again remain stable, with many employers having already decided on their pay awards for this year. However, if inflation does increase later this year, as forecast, real earnings could fall. Read on for our latest labour market data and analysis on employers' recruitment, redundancy and pay intentions this summer.

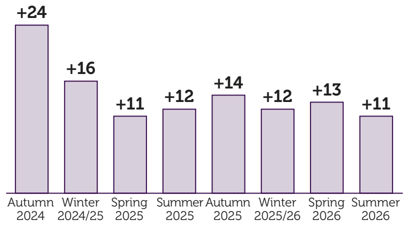
2 Key points

- The net employment balance – the difference between employers expecting there will be an increase in staffing levels and those expecting there will be a decrease in the next three months – remains at a near record low this quarter at +9.



Employment intentions have remained low since last spring

- Employment intentions in the private sector are at their joint record low, outside of the pandemic, of +11.



Private sector employment intentions remain low

- Just 57% of employers in the private sector plan to recruit over the next three months, which is the lowest figure since we began collecting this measure in 2016 (outside of the pandemic).

Private sector recruitment plans at record low

- Most employers believe reforms to zero-hours and low-hours contracts will increase administration and compliance work, increasing both HR and management time and cost, with SMEs and public sector employers more likely to believe they will be difficult to implement.

Most employers expect zero-hours contracts reforms to increase HR time and cost

- Employers plan to use more self-employed/ atypical workers and increase the number of redundancies due to the reforms to zero-hours and low-hours contracts.

Zero-hours reforms likely to lead to some employers making redundancies

- The median expected basic pay increase remains at 3% overall, and across all sectors, with real pay likely to fall in the coming months.

Median expected basic pay increase remains at 3%

3 Recruitment and redundancy outlook

The net employment balance – the difference between employers expecting there will be an increase in staff levels and those expecting there will be a decrease in staff levels in the next three months – remains low at +9 this quarter. It has remained around this level since spring 2025.

Employment intentions in the private sector are at their joint record low, outside of the pandemic, of +11. Again, this low was first reached in spring 2025 and it has remained near this level since. In the public sector, employment intentions have risen once again from –7 in spring 2026 to –1 this quarter. They have risen from a low of –11 in our winter 2025/26 report.

The net employment balance in the voluntary sector stands at +18, making it the sector with the highest employment intentions in the next quarter.

Net employment balance rises in public sector, but remains low overall

Figure 1: Net employment balance, by broad sector

Base: summer 2026, all employers (total: n=2,017; private: n=1,411; public: n=392; voluntary: n=214).

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Net employment balance: The recent past

Since 2020, employer hiring intentions have fluctuated considerably compared with the previous decade. The 2014–19 average of +19 can serve as an important benchmark. Across this entire period, the net employment balance ranged between +14 and +26.

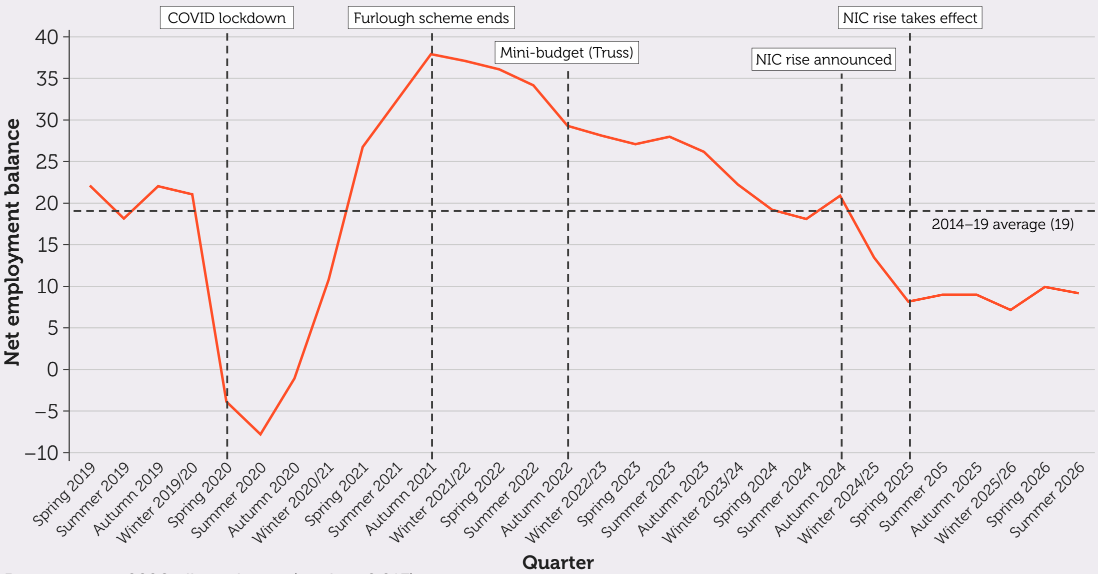
During the first COVID-19 lockdown in spring 2020, the net employment balance fell below zero for the very first time, meaning more employers planned to reduce staff levels than increase staff levels. It fell to an unprecedented low of –11 in summer 2020. It then rebounded strongly through 2021, as the country exited stringent lockdown restrictions, to a peak of +38 in the autumn, well above historic norms. This coincided with the end of the furlough scheme on 30 September 2021, with 1.14 million people still receiving government support at this point.

From late 2021, hiring intentions declined steadily, reverting towards pre-pandemic norms. During this period, Russia's invasion of Ukraine and the energy and inflation shock that followed, and the market turbulence of the September 2022 mini budget, both are likely to have contributed to lower employer confidence.

In 2024, it appeared that the net employment balance had stabilised to around the 2014–19 average (spring 2024: +19; summer 2024: +18; autumn 2024: +21). However, a sharp fall at the end of 2024 and the beginning of 2025, due mainly to the 2024 Autumn Budget, led to it falling to the lowest level in the series outside of the pandemic. This spans the announcement of the rise in the rate of employer National Insurance from 13.8% to 15%, and the reduction in the secondary threshold from £9,100 to £5,000. Since these policies came into force in April 2025, intentions have remained at record lows.

Net employment balance well below pre-pandemic average

Figure 2: Overall net employment balance, against key events (%)



Base: summer 2026, all employers (total: n=2,017).

Figure 2 marks headline shocks, but employers also faced a broader accumulation of cost pressures over this period. The National Living Wage rose repeatedly each April, to £12.71 in 2026, including sharper rises for younger age groups – with the objective of equivalising the adult and youth rates – while retail, hospitality and leisure business rates relief was cut from 75% to 40% for 2025/26. These pressures will not have been felt evenly: a high street retailer or hospitality operator could have faced higher National Insurance contributions, a rising wage floor and reduced rates relief all at once from April 2025. In contrast, a higher-paying employer would have felt less direct impact. Energy prices, and the knock-on costs of goods and services, have also risen once again due to the ongoing conflict in the Middle East.

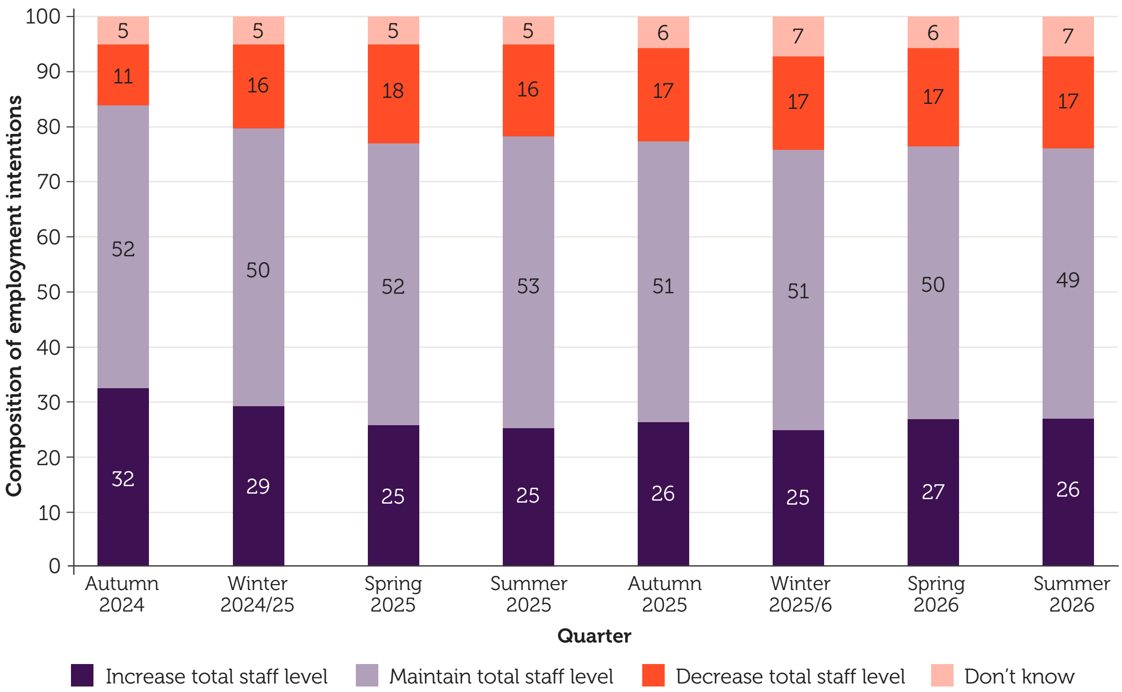
In addition, the Employment Rights Bill progressed through 2025 despite concerns from businesses, before the Employment Rights Act 2025 passed into law on 18 December 2025. As we have previously shown, the Act is set to increase employment costs (*Labour Market Outlook – Winter 2025/26*). The Act will provide a wide range of reforms that will reshape the landscape of UK employment law. The rollout has begun in phases, with April 2026 marking the expanded eligibility for Statutory Sick Pay, 'day 1' leave rights and higher penalties for failures in collective redundancy consultation.

With further changes to trade union access and recognition and fire-and-rehire restrictions expected in the coming months, coupled with changes to the unfair dismissal qualifying period, it is very hard to disentangle the impact of each of these reforms on employer confidence, but there is no doubt that it is playing a part.

Twenty-six per cent of employers expect their staffing levels to increase in the next three months. The proportion of surveyed employers expecting a decrease in staffing levels over that timeframe remains 17%, comparable with all quarters since spring 2025. Half (49%) of employers believe their staffing levels will be maintained in the next three months (see Figure 3).

Employment intentions continue to show little change

Figure 3: Composition of employment intentions (%)

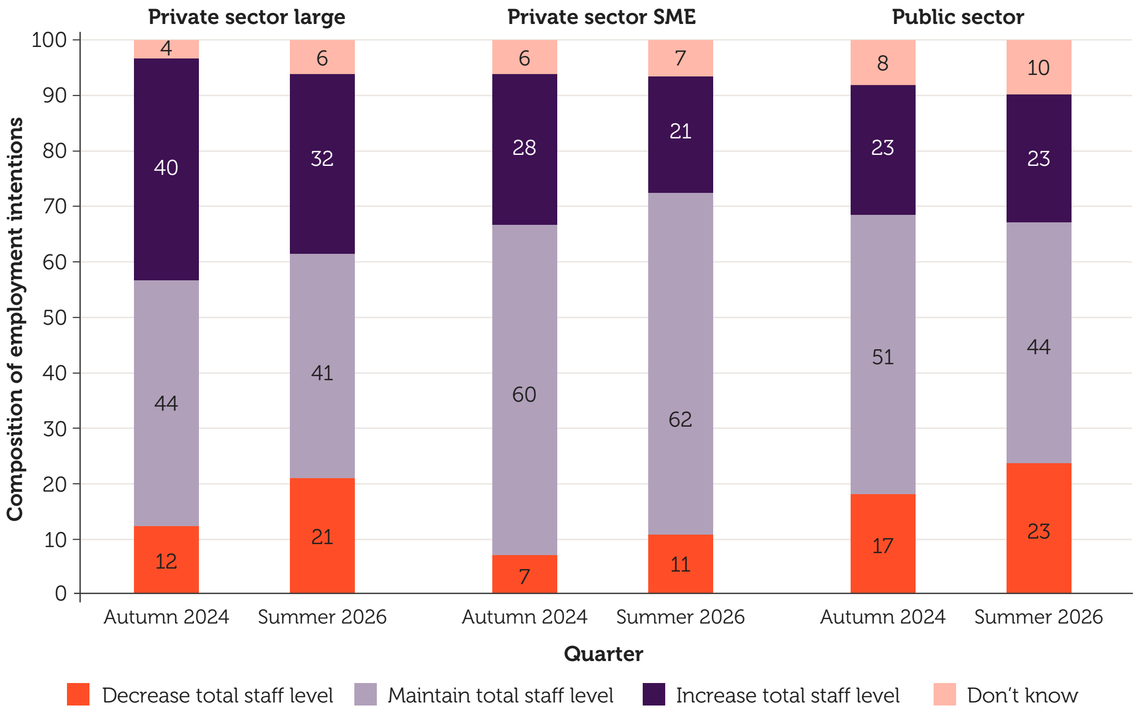


Base: summer 2026, all employers (n=2,017).

Overall, the net employment balance has weakened between autumn 2024 and summer 2026. This decline is sharpest for large private sector organisations: for these employers, the measure has fallen from +28 to +11, driven both by fewer employers planning to increase headcount (down from 40% to 32%) and more planning to reduce it (up from 12% to 21%). In the public sector, the net employment balance has fallen from +6 to –1, with a roughly equal share of employers now expecting to increase and decrease staff levels. The share of public sector employers expecting their staff levels to decrease in the next three months has risen from 17% to 23%.

Employment intentions have weakened since autumn 2024, regardless of sector

Figure 4: Composition of employment intentions, by broad sector (%)



Base: autumn 2024 (private sector large (250+): n=588; private sector SME: n=925; public sector: n=352) and summer 2026 (private sector large (250+): n=453; private sector SME: n=958; public sector: n=392).

There remain notable differences in employment intentions between industries. Employment intentions are highest in care, social work and other healthcare activities, and arts, entertainment and recreation (both at + 27), followed by construction (+20), administrative and support service activities and other service activities (+18), and legal, accounting, consultancy and activities of head offices (+17).

Several industries continue to have either negative or very low positive net intentions, reflecting low confidence among employers.

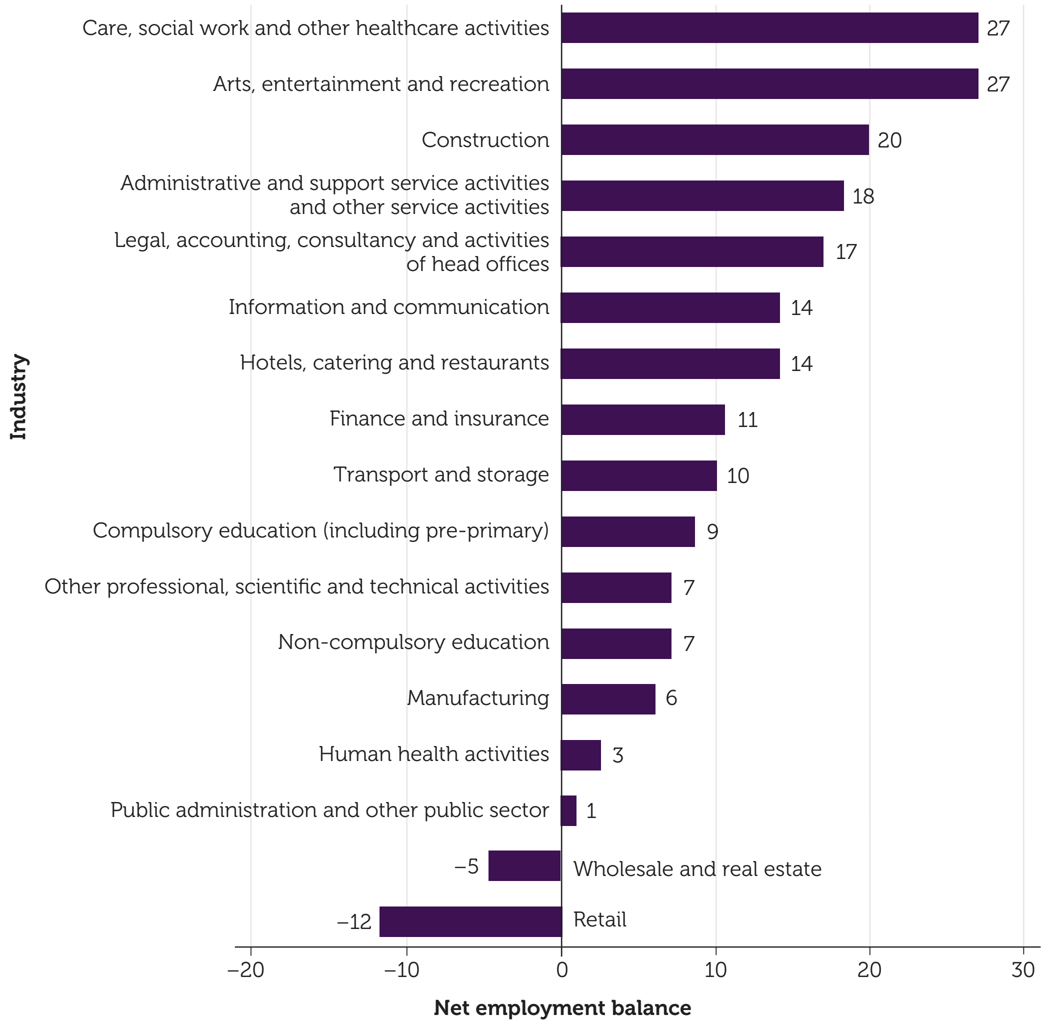
The net employment balance is lowest in retail, having fallen from +10 last quarter to –12 this quarter, suggesting there will be a fall in staff levels in the next three months. According to the British Retail Consortium, employment in retail, based on Office for National Statistics (ONS) data, is at its lowest level on record. In fact, the organisation sent a letter to Sir Keir Starmer – signed by more than 80 CEOs of the UK's biggest retail businesses – saying how government policies are making it harder to hire young people. The net employment balance is also negative for wholesale and real estate, where intentions have fallen from –1 last quarter to –5 this quarter.

The net employment balance continues to be low among public administration and other public sector employers, although it has risen to +1 from –9 last quarter and –12 the quarter prior.

The net employment balance in non-compulsory education has also risen, from –17 two quarters ago, to –5 last quarter and +7 this quarter. This is despite predictions of further job cuts following the end of the academic year.

Employers expect staff levels to fall in retail

Figure 5: Net employment balance, by industry (%)



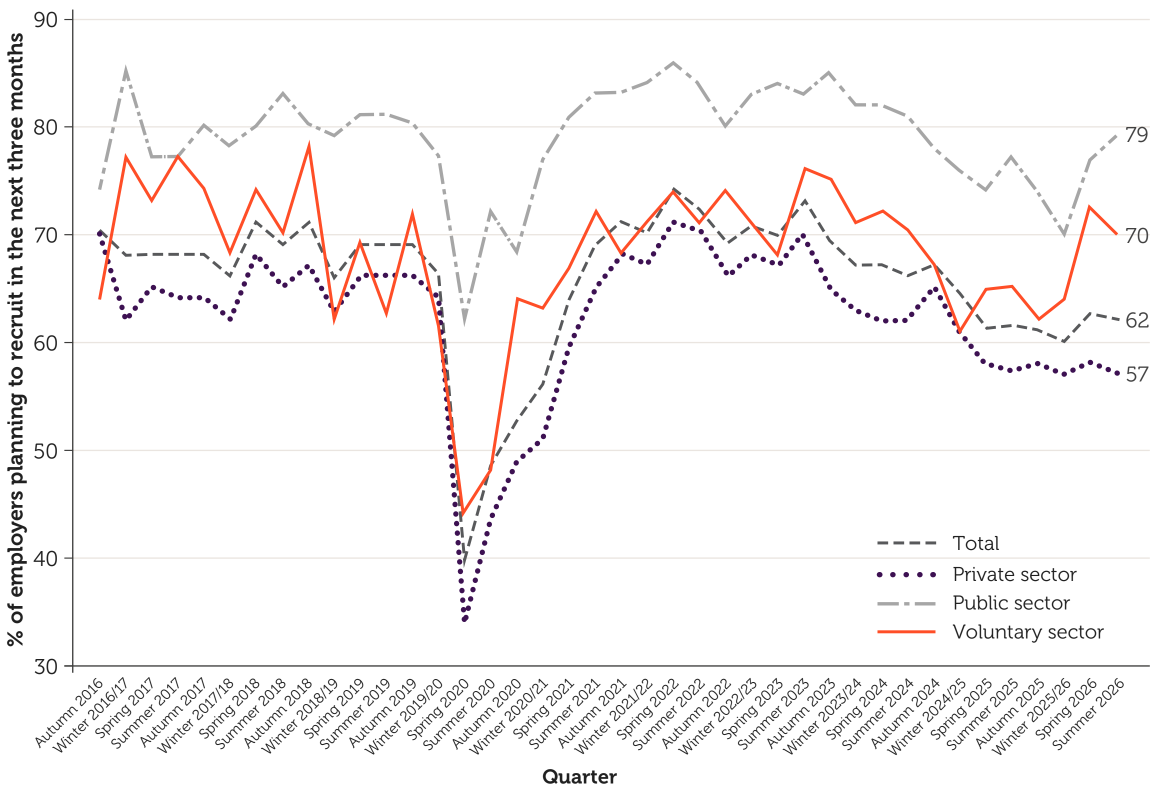
Base: industries with base sizes of less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

Recruitment

Overall, 62% of employers are planning to recruit employees in the next three months, near to historical lows. Fifty-seven per cent of employers in the private sector plan to recruit over that period, which is the lowest figure seen since we began collecting this measure in 2016 (outside of the pandemic) (see Figure 6).

Private sector recruitment remains at record low

Figure 6: Recruitment intentions, by broad sector (%)



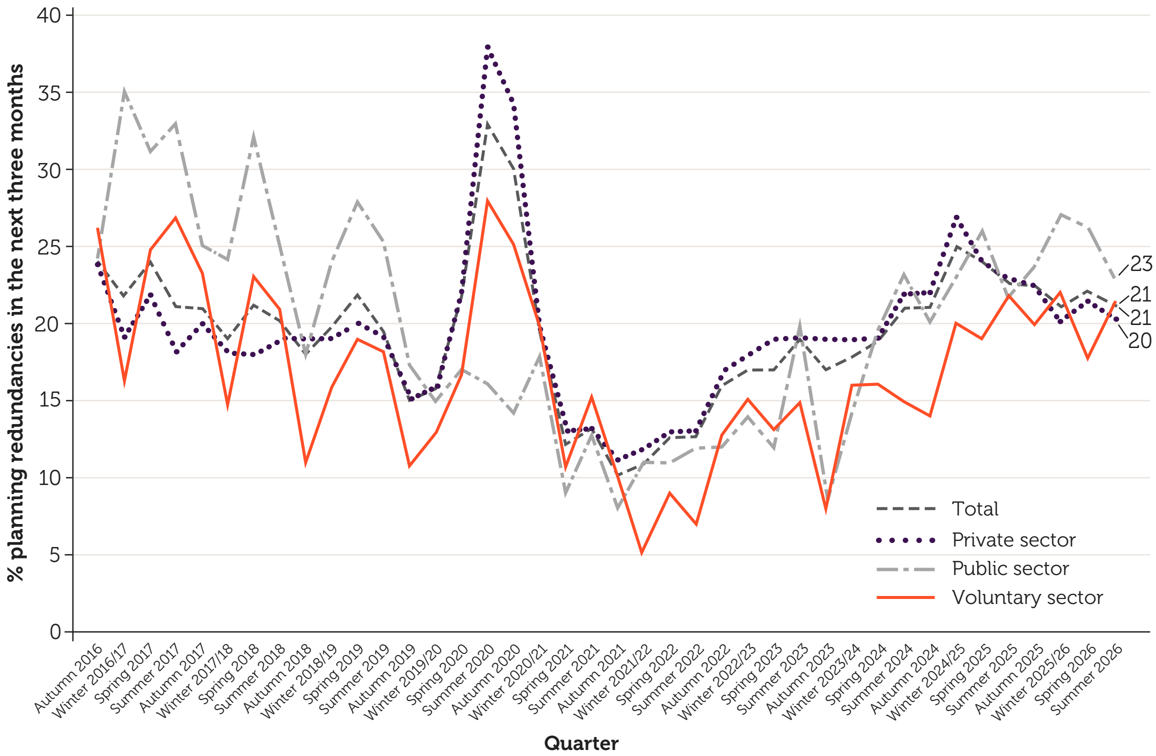
Base: summer 2026, all employers (total: n=2,017; private: n=1,411; public: n=392; voluntary: n=214).

Redundancies

Twenty-one per cent of employers are planning to make redundancies in the three months up to September 2026, which is broadly similar to the previous quarter as we remain in a 'low hire, low fire' environment. Fewer public sector employers are planning redundancies in the short term (23%) than they have in the previous two quarters (27% and 26% respectively).

Public sector redundancy intentions fall

Figure 7: Redundancy intentions, by broad sector (%)



Base: summer 2026, all employers (total: n=2,017; private: n=1,411; public: n=392; voluntary: n=214.

Reforms to zero-hours and low-hours contracts

One of the most highly contested elements of the Employment Rights Act 2025 currently being consulted on are the rights for zero-hours, low-hours and agency workers to be offered 'guaranteed hours' contracts, and to be compensated if shifts are cancelled at short notice. Following consultation, these changes are likely to take effect in 2027.

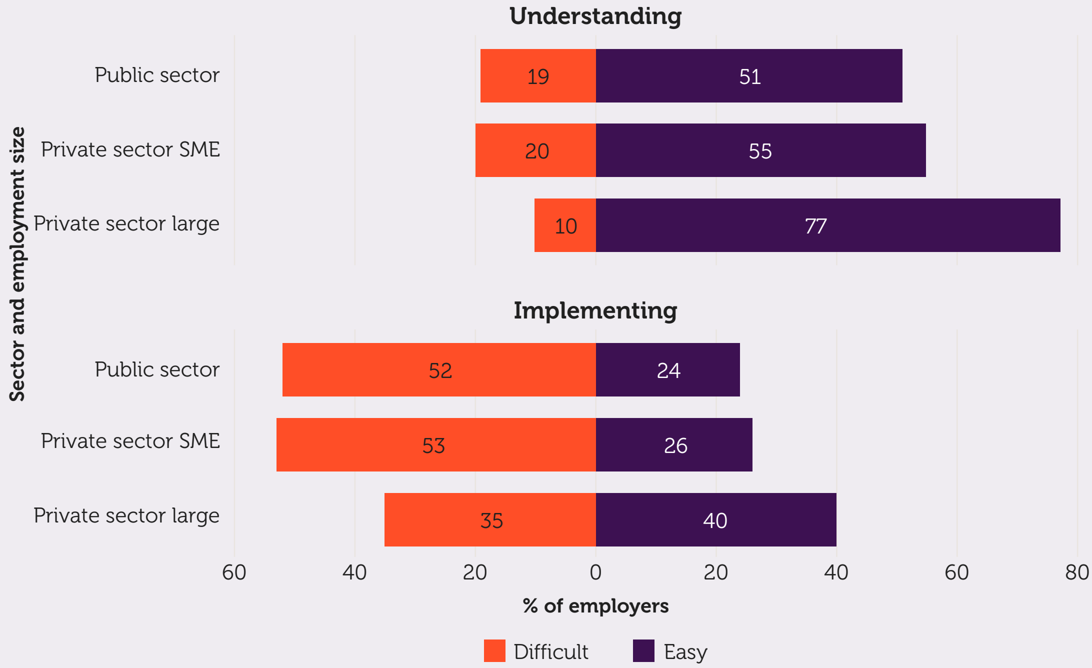
In this *Labour Market Outlook*, we find that 18% of employers have employed workers on zero-hours contracts in the last 12 months, while 20% of employers have employed workers on low-hours contracts (defined as eight hours a week or less in the last 12 months). Combined, 29% of employers have hired these groups over that period and it is their views we present below.

Those who employ these workers are now well versed in what the proposals mean for their business, with 64% of these employers saying they are easy to understand, compared with 15% who report they are difficult to understand. However, when it comes to implementing the reforms, almost half (45%) of employers believe it will be difficult (31% say it will be easy).

Employers in the public sector (19%) and SMEs (20%) are twice as likely as large private sector employers (10%) to say that the changes are difficult to understand, with half (52% and 53% respectively) saying they will be difficult to implement, compared with just over a third of large private sector employers (35%).

Half of SMEs and public sector employers believe that zero- and low-hours contracts will be difficult to implement

Figure 8: Ease of understanding versus implementing zero- and low-hours contracts reforms, by sector and employment size (%)

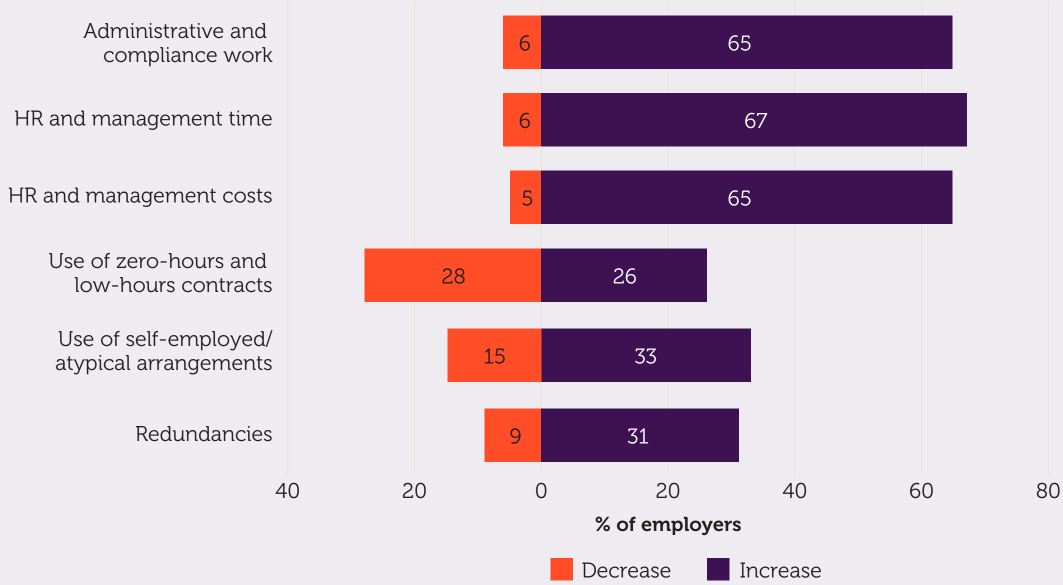


Base: summer 2026, employers who have employed zero- and/or low-hours workers in the last 12 months (public sector: n=105; private sector SME: n=160; private sector large (250+): n=276).

Most employers (two-thirds) believe the changes will increase administration and compliance work, increasing both HR and management time and cost. While employers are split over whether they will increase or decrease the use of zero/low-hours contracts because of these reforms, they plan to use more self-employed/atypical workers and increase the number of redundancies. The unintended consequences will therefore likely lead to more insecure employment and further damage opportunities for young people, who particularly benefit from these arrangements.

A third of employers will increase their use of self-employed/atypical arrangements and redundancies because of zero- and low-hours contracts reforms

Figure 9: Expected impact of zero- and low-hours contracts reforms (%)



Base: summer 2026, employers who have employed zero- and/or low-hours workers in the last 12 months (total: n=505).

Further reading and practical guidance

- CIPD | Employment status: UK employment law

Resources around legal issues surrounding employment status

- CIPD | Change management

A guide to help manage and embed change effectively in your organisation

- CIPD | Employment Rights Act 2025

Keep up to date with employment law changes to ensure regulatory compliance

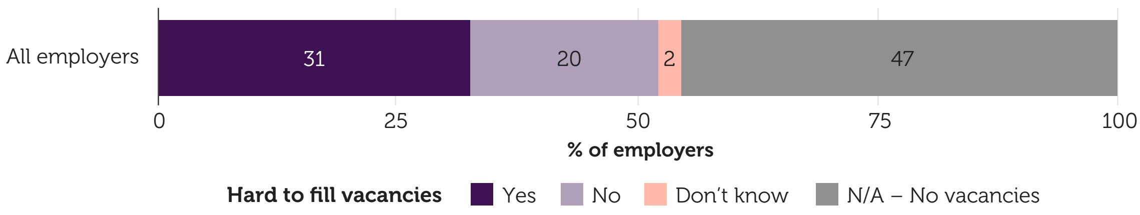
4 Job vacancies

Official data shows that in the latest period (April to June 2026) there were 712,000 vacancies in the UK, down from 1.29m at the peak in the same period in 2022. Total vacancies are now 10% below pre-pandemic levels.

Our data suggests that despite the low level of vacancies in the economy, three in 10 (31%) employers still have hard-to-fill vacancies. This indicates skills mismatches across the country, as employers seek talent that is not available to them.

Three in 10 employers continue to have hard-to-fill vacancies

Figure 10: Employers with hard-to-fill vacancies (%)

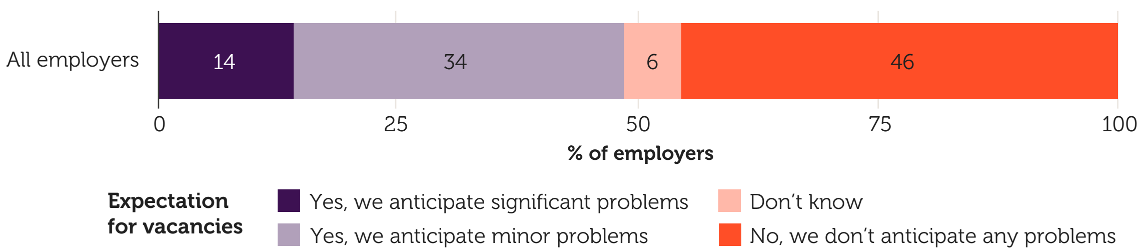


Base: summer 2026, all employers (n=2,017).

Our forward-looking indicator shows that 14% of employers anticipate significant problems in filling vacancies in the next six months. A further 34% anticipate minor problems, with the largest share of employers not anticipating any problems at all (46%). However, many of these employers have no vacancies (as indicated by Figure 10).

Few employers anticipate significant problems in filling roles

Figure 11: Expectation for vacancies in the next six months (%)

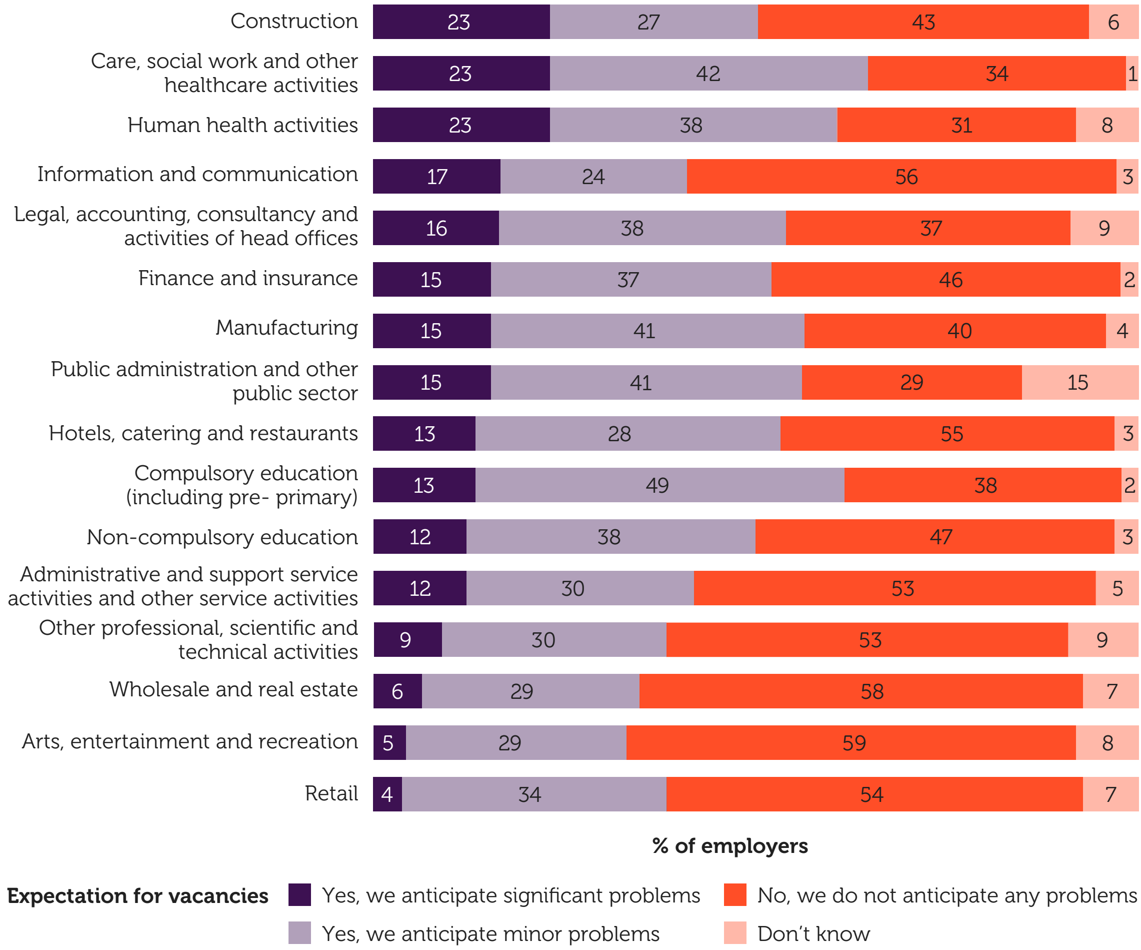


Base: summer 2026, all employers (n=2,017).

The percentage of employers in construction anticipating significant problems in filling vacancies over the next six months has increased considerably from 9% last quarter to 23%, and problems continue to be anticipated in care, social work and other healthcare activities, as well as in human health activities (both at 23%). Just 4% of employers in retail anticipate significant problems as the availability of jobseekers and generally low barriers to entry in the industry have made it easier to recruit.

Recruitment pressures remain in construction, healthcare and social work

Figure 12: Anticipated problems in filling vacancies in the next six months, by industry (%)



Base: industries with base sizes of less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

Further reading and practical guidance

- CIPD | L&D tools: A performance-led approach to skills and capability planning

Strategically align skills and capability planning with wider organisational performance and outcomes

- CIPD | Recruitment

Factsheet of key points for recruitment and resourcing

- CIPD | Resourcing and talent planning

Review your resourcing and talent planning approach

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5 Pay outlook

Among employers looking to increase, decrease or freeze pay in the next 12 months, the median expected basic pay increase for the next 12 months has now remained at 3% overall for more than two years.

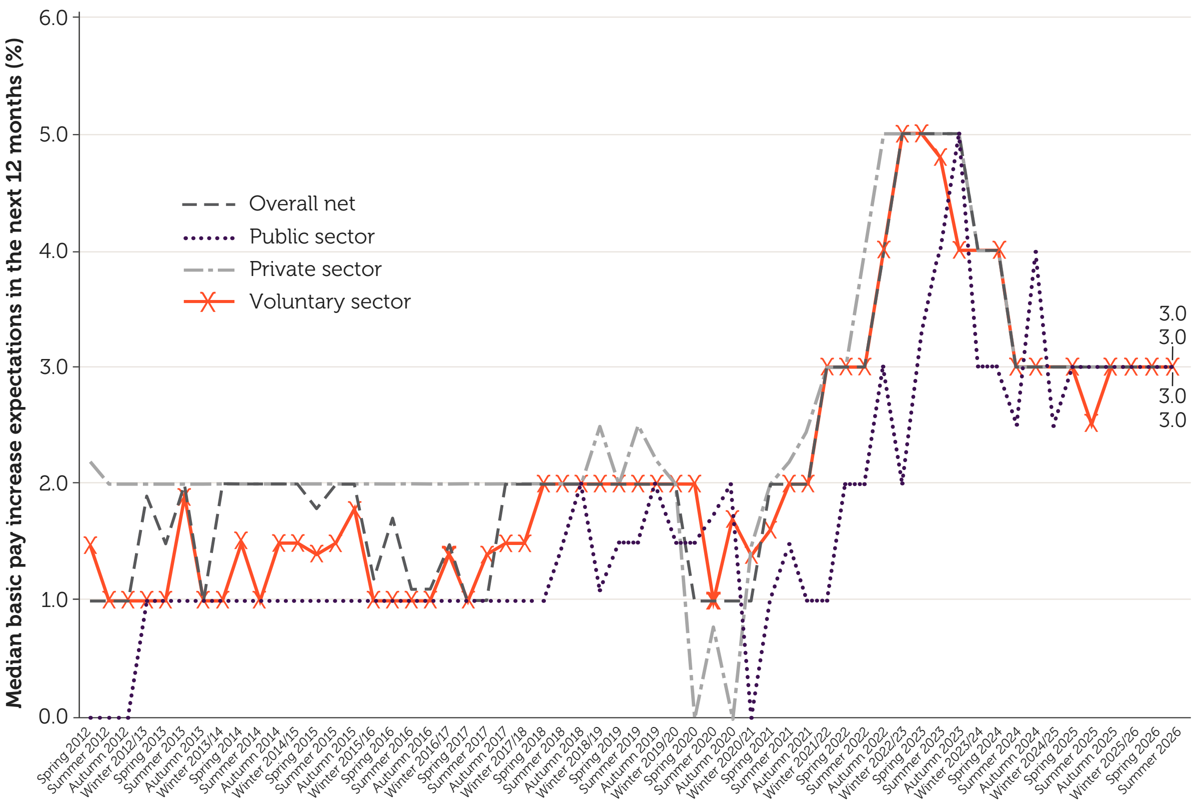
Expected pay awards held at a historic high of 5% between winter 2022/23 and autumn 2023, before falling to 4% in winter 2023/24 and spring 2024.

There is also significant stability in median expected pay awards by sector. It has remained at 3% across the private, public and voluntary sectors for the last six quarters (apart from the voluntary sector in summer 2025). To put the median expected pay award into context, the Consumer Prices Index (CPI) – the most referred to measure of inflation – in June 2026 was 2.6%.

As with last quarter, 40% of employers who plan to increase, decrease or freeze pay in the next 12 months plan to do so within the 3–3.99% range.

Average expected pay awards have now remained at 3% for more than two years

Figure 13: Median basic pay increase expectations[1]



Base: summer 2026, all employers expecting and able to estimate a pay award in the next 12 months (total: n=824; private: n=507; public: n=210; voluntary: n=107).

[1] The average basic pay award covered in this analysis is only one component of pay growth. Many people will also benefit from incremental progression or promotion, bonuses or a pay bump when switching jobs.

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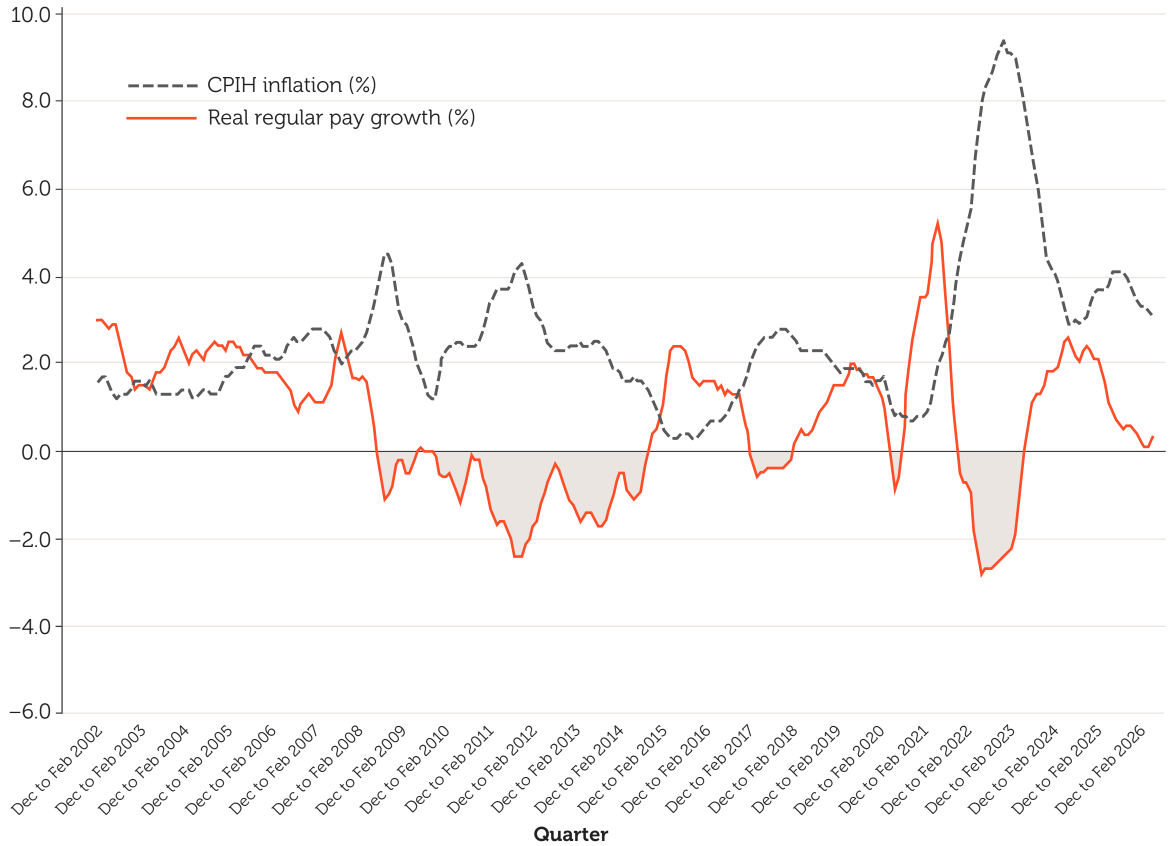
Based on ONS data, real pay growth is teetering just above zero at 0.3% (see Figure 14). It is likely, however, that we will see negative real pay growth in the coming months if (as expected) inflation rises, as with previous inflationary shocks.

Real pay growth is teetering just above zero

Figure 14: Real average weekly earnings growth rate and inflation (CPIH),[2] 2002 to 2026



Source: '[Average weekly earnings in Great Britain: July 2026](#)'. London: Office for National Statistics.

Further reading and practical guidance

- CIPD | Pay fairness and pay reporting

Use our factsheet to understand fair pay and legal reporting requirements

- CIPD | Strategic reward and total reward

Develop a comprehensive reward strategy to support the needs of both employee and organisation

- CIPD | UK statutory rates and compensation limits

Keep up to date with the rates that apply to your organisation

[2] Based on three-month annual growth rate and Consumer Prices Index including owner-occupiers' housing costs (CPIH) annual rate.

6 Recommendations for employers and people practitioners

Plan resourcing with the future pipeline in mind
Reduced recruitment, especially of entry-level and younger workers, risks compounding future hard-to-fill vacancies once demand recovers. Maintain entry-level and apprenticeship intake even while overall hiring intentions are suppressed.

Monitor the risk of skills shortages
A prolonged dip in recruitment activity can mask underlying skills gaps that resurface quickly once hiring picks up. Continue to track critical skills needs even while pausing recruitment, to avoid being caught unprepared when demand recovers.

Use the hiring freeze to fix skills mismatches
Persistent hard-to-fill vacancies alongside weak recruitment intentions signals a skills problem. Prioritise upskilling and internal redeployment into hard-to-fill roles rather than expensive external hires at a later point.

Get ahead of employment law reform
Keep informed of upcoming Employment Rights Act 2025 changes, particularly the reforms to zero-hours and low-hours contracts. Understand how the reforms will impact your business and people processes and implement the necessary changes early to ensure compliance and mitigate legal claims. Identify where existing HR processes, systems, and management capacity will need to adapt to meet new administrative and compliance requirements, particularly if operating as an SME or within the public sector where resource constraints may compound implementation challenges.

Keep pay decisions fair and transparent
Align reward to organisational performance and communicate decisions clearly. Balance affordability with fairness to sustain motivation and trust. Consider a financial wellbeing strategy to help those with money concerns. Support line managers so that they can have more meaningful conversations with employees about pay and help manage their expectations, so that their people feel they have been heard, comprehend the rationale behind the decision, and understand what will happen next.

7 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,017 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 24 June and 24 July 2026. The survey was conducted online. The figures have been weighted and are representative of UK employment by organisation size, sector and industry.

Weighting

Rim weighting is applied using targets on size and sector drawn from the BEIS *Business population estimates for the UK and regions 2025*. The following tables contain unweighted counts.

Table 1: Breakdown of sample, by number of employees in the organisation

Employer size band	Count
2–9	462
10–49	448
50–99	140
100–249	201
250–499	164
500–999	134
1,000 or more	468

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector *of which:*	1,411
Large private sector (250+ employees)	*453*
Small and medium enterprises (2–249 employees)	*958*
Public sector	392
Third/voluntary sector	214

Table 4: Breakdown of sample, by region

Region	Count
Scotland	126
Wales	85
Northern Ireland	37
Northwest England	177
Northeast England	69
Yorkshire and Humberside	131
West Midlands	130
East Midlands	122
Eastern England	136
London	328
Southwest England	192
Southeast England	286
All of the UK	198

Table 3: Breakdown of sample, by industry

Industry	Count
Administrative and support service activities and other service activities	188
Arts, entertainment and recreation	75
Care, social work and other healthcare activities	71
Compulsory education (including pre-primary)	133
Construction	122
Finance and insurance	122
Human health activities	238
Hotels, catering and restaurants	69
Information and communication	101
Legal, accounting, consultancy and activities of head offices	127
Manufacturing	145
Non-compulsory education	94
Other professional, scientific and technical activities	113
Police and armed forces	18
Primary and utilities	49
Public administration and other public sector	93
Retail	69
Transport and storage	47
Voluntary	78
Wholesale and real estate	65

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