CIPD

LABOUR MARKET

OUTLOOK

VIEWS FROM EMPLOYERS

Spring 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

Spring 2026

Contents

Publication information

When citing this report, please use the following citation:

Cockett, J. (2026) *Labour Market Outlook – spring 2026*. London: Chartered Institute of Personnel and Development.

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.

Once again, this quarter's data indicates a broadly stable jobs market, with marginally more positive recruitment activity in the public sector. Our data, collected across March and April, does not show any material impact of the recent conflict in Iran on our employment indicators; however, as with any geopolitical shock, it can take businesses a period of time to assess the potential impact on their operations. Because of the conflict, inflation is set to rise once again this year – raising costs for businesses and households alike.

For households, fuel prices have already risen, and food prices will soon be hit, as will the cost of any summer trip abroad, squeezing already tight budgets. With our indicator of pay awards for the coming months remaining stable at 3%, it is likely that many will feel worse off in the year ahead.

Businesses will be directly impacted by the fuel price shock, and this will continue as it feeds through to supply chains. Our survey finds that cost management is by far the key priority of organisations currently, regardless of sector and organisation size. The energy price shock is likely to be a contributor to this, as well as the significant rise in both labour and non-labour costs over recent times. Cost management is the key priority for businesses, ranked above improving productivity and growing market share as they remain risk-averse in an uncertain environment.

We find that only 20% of SMEs see regulatory compliance as an organisational priority, compared with around a third of other firms, as many of the measures in the Employment Rights Act 2025 come into force. The changes are wide-ranging, from Statutory Sick Pay and the expansion of day one family-related rights, to the beginning of implementing the numerous trade union reforms. For employers, the priority now is ensuring they are fully compliant. A lack of focus from small employers, who are less likely to have dedicated HR support, may lead them to unintentionally fall foul of the law. The reforms require updating workplace policies and communicating those changes clearly to everyone, especially line managers, who will need to understand what this means in practice for their teams.

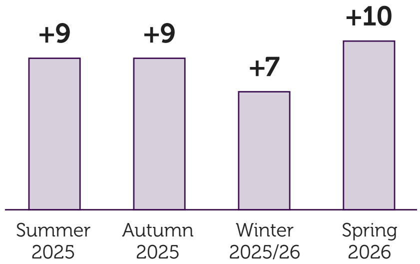
James Cockett, CIPD Senior Labour Market Economist

With business confidence remaining low, there will be difficult decisions to make in the months ahead. According to official data, the number of vacancies have fallen to their lowest level since 2015, outside of the pandemic. And while the unemployment rate has fallen to 4.9% in the three months to February, the latest macroeconomic forecasts from NIESR and the Bank of England expect unemployment to rise to around 5.5% in the coming months.

Read on for our latest labour market data and analysis on employers' recruitment, redundancy and pay intentions this spring.

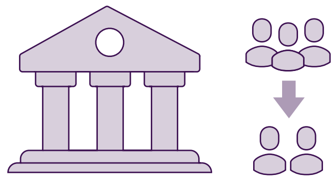
2 Key points

- 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 the next three months – remains at a near-record low this quarter at +10.



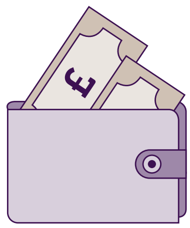
Net employment balance

- Employment intentions in the public sector remain below zero. This means that more public sector employers expect staff numbers to decrease than increase over the next three months.



Staff levels expected to fall in the public sector

- Cost management is by far the key priority of organisations currently, regardless of sector and organisation size. This is ranked above improving productivity and growing market share as businesses remain risk-averse in an uncertain environment.



Cost management is the key priority of organisations

- Only 20% of SMEs see regulatory compliance as an organisational priority, compared with around a third of other firms, as many of the measures in the Employment Rights Act 2025 come into force.

Regulatory compliance less of a priority for SMEs

- The median expected basic pay increase remains at 3% overall, and across all sectors, with real pay set to fall.

Median expected basic pay increase remains at 3%

1
2
3
4
5
6
7

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 +10 this quarter. It has increased slightly from the +7 recorded last quarter when employer hiring intentions were at their lowest level on record since we began collecting this measure in 2014. This is apart from during the first year of the pandemic.

Employment intentions continue to be stable in the private sector at +13, having fallen to a record low of +11 in spring 2025.

Employment intentions in the public sector remain negative, meaning that more employers in the public sector expect a decrease than an increase in staff levels over the next three months. The net employment balance currently stands at –7, having fallen to –11 last quarter, and has remained negative for five consecutive quarters.

The survey period covered the end of March to the end of April, following the onset of the conflict in the Middle East. In line with findings from the latest Bank of England Monetary Policy Report, at this stage, the conflict has not yet affected hiring intentions among employers in the UK.

Net employment balance low, but stable

Figure 1: Net employment balance, by broad sector

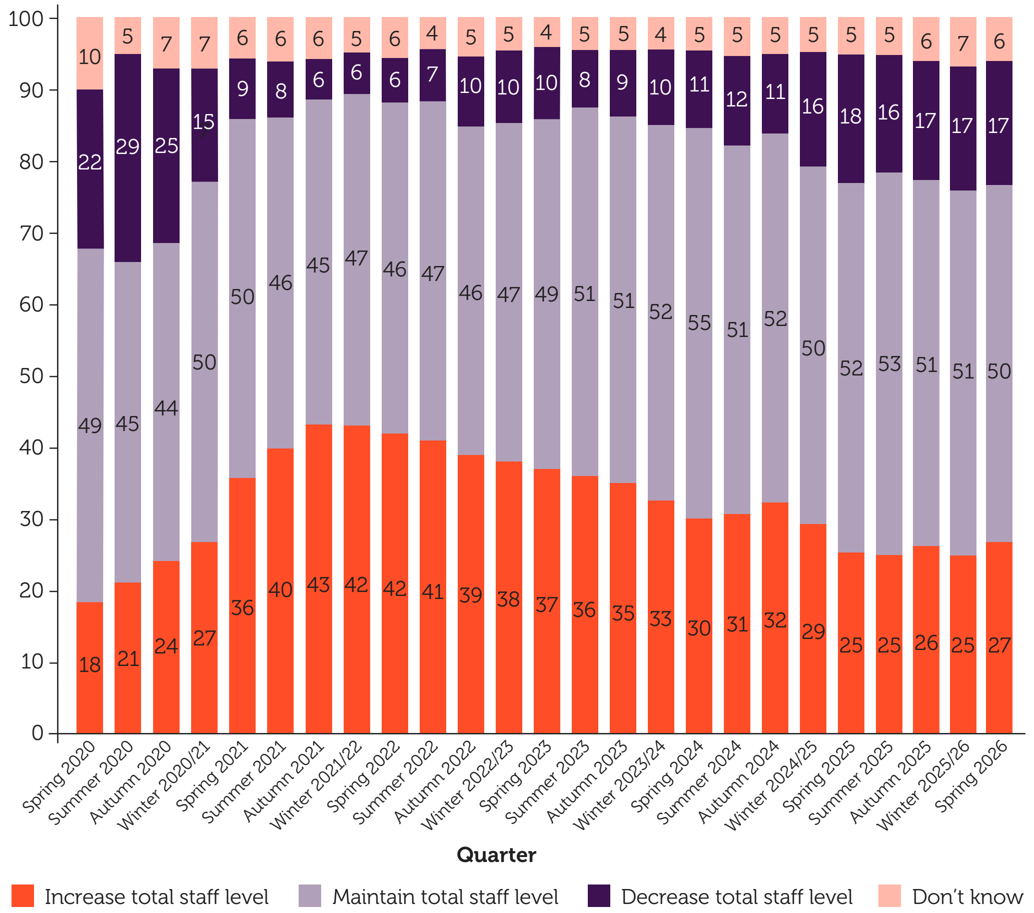
Base: spring 2026, all employers (total: n=2,049; private: n=1,533; public: n=385; voluntary: n=131).

1 2 3 4 5 6 7

Twenty-seven per cent of employers expect their staff levels to increase in the next three months. The proportion of surveyed employers expecting a decrease in staff levels over that timeframe remains 17%, comparable with all quarters since the 2024 Budget. Half (50%) of employers believe their staff levels will be maintained in the next three months (see Figure 2).

Employment intentions continue to show little change

Figure 2: Composition of employment intentions (%)



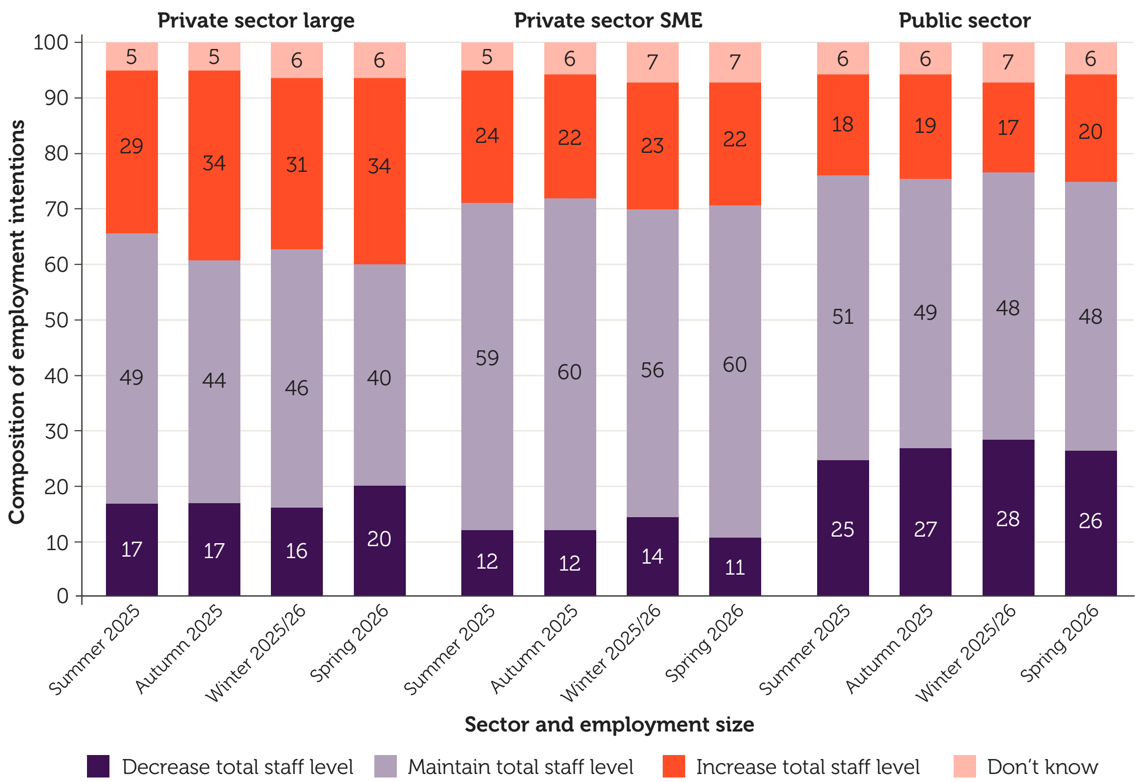
Base: spring 2026, all employers (n=2,049).

A third (34%) of large private sector organisations expect there will be an increase in staff levels in the next three months. This is significantly higher than the intentions among small and medium-sized enterprises (SMEs) (22%) and the public sector (20%) – although there has been a slight rise in hiring intentions in the public sector this quarter from 17% in winter 2025/26.

However, public sector employers remain most likely to expect a fall in staffing levels over the next three months (26%). This is at a higher rate than both large private sector organisations (20%) and SMEs (11%) and has been so for the past year.

One in four public sector employers expect staff levels to fall

Figure 3: Composition of employment intentions, by broad sector (%)



Base: spring 2026 (private sector large (250+): n=535; private sector SME: n=998; public sector: n=385).

There remain notable differences in employment intentions between industries. Employment intentions remain highest in legal, accounting, consultancy and activities of head offices (+25). This is followed by IT (+20), manufacturing (+19) and hospitality (+18).

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 compulsory education, having fallen from +7 last quarter to –10 this quarter. According to recent analysis, secondary school teacher job vacancies have fallen to the lowest level in the nine years of comparable data.

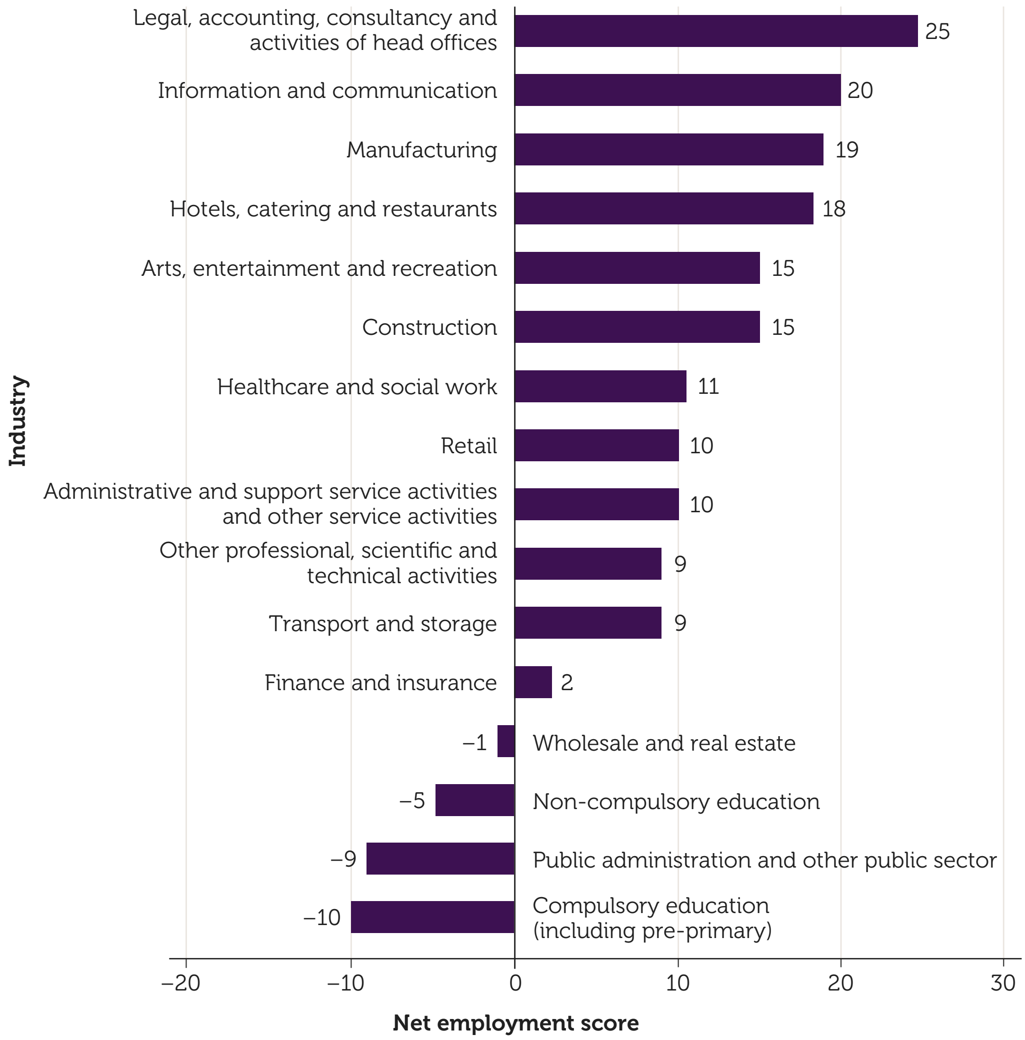
The net employment balance continues to be low among public administration and other public sector employers at –9, slightly above the –12 recorded in the last two quarters.

The net employment balance in non-compulsory education has risen from –17 last quarter to –5 this quarter. However, as with the other industries noted above, more employers expect staff levels to fall rather than rise in the next three months.

1
2
3
4
5
6
7

Employers expect staff levels to fall in several industries

Figure 4: 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 4.

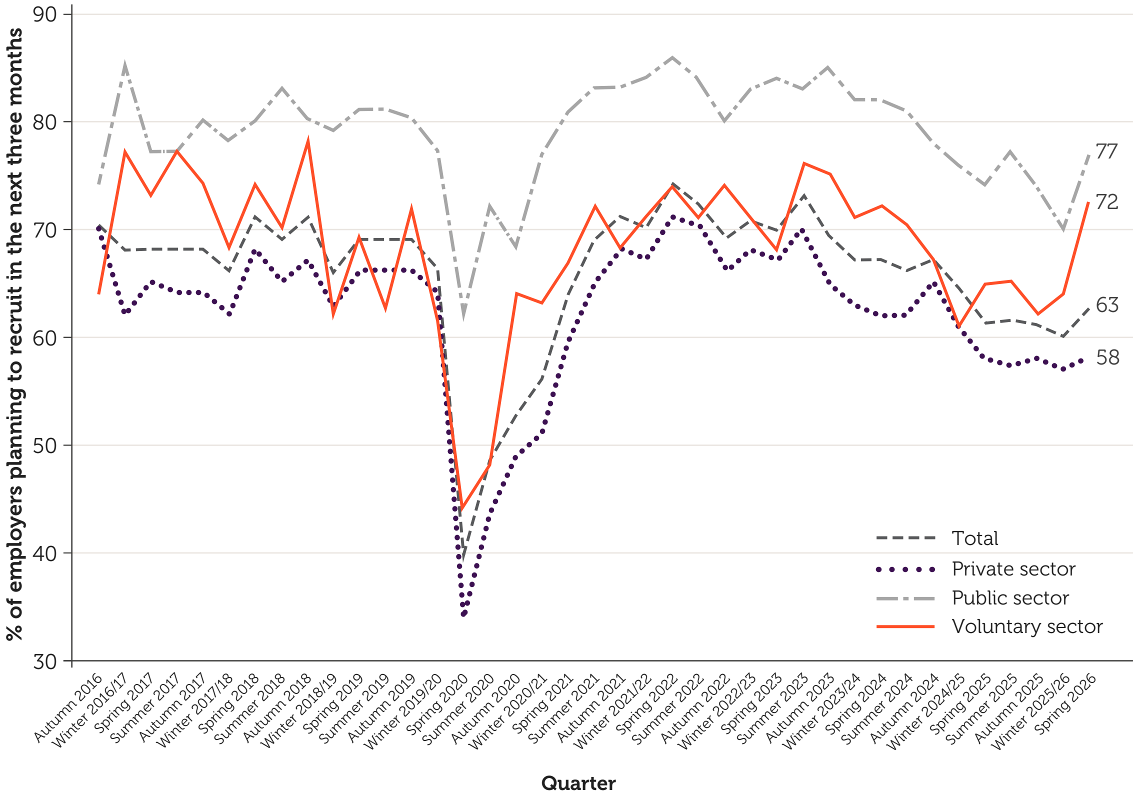
Recruitment

There has been a slight uptick in the proportion of employers planning to recruit employees in the next three months, from 60% last quarter to 63% this quarter.

This is driven by the proportion of public sector employers planning to recruit in the next three months, which has risen from 70% last quarter to 77% this quarter. Fifty-eight per cent of employers in the private sector plan to recruit over that time period, largely unchanged from our previous report (see Figure 5).

Public sector recruitment intentions rise

Figure 5: Recruitment intentions, by broad sector (%)



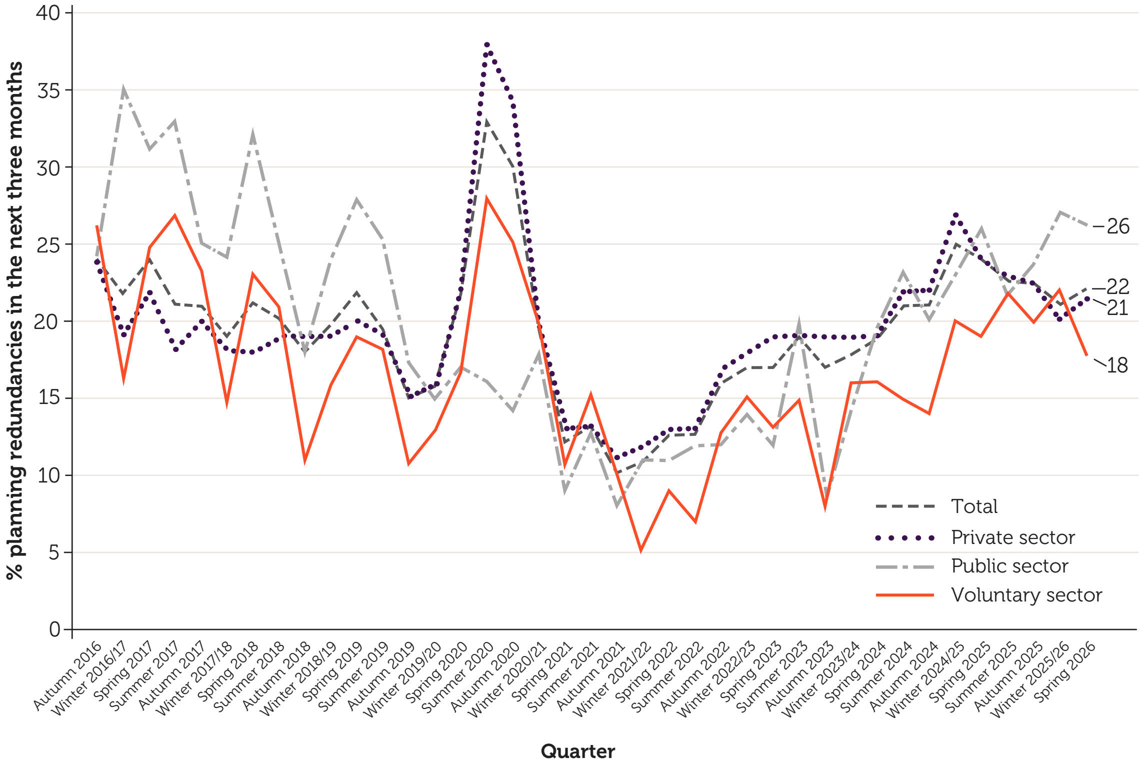
Base: spring 2026, all employers (total: n=2,049; private: n=1,533; public: n=385; voluntary: n=131).

Recruitment

Twenty-two per cent of employers are planning to make redundancies in the three months up to July 2026, remaining broadly similar to the previous quarter. Roughly a quarter (26%) of public sector employers are planning redundancies in the next three months. Twenty-one per cent of private sector employers are planning redundancies in the short term.

A quarter of public sector employers are planning redundancies in the next three months

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



Base: spring 2026, all employers (total: n=2,049; private: n=1,533; public: n=385; voluntary: n=131).

Organisational priorities

Considering the limited recruitment activity evidenced above, it is important to understand what the current priorities within organisations are.

Our survey finds that cost management is by far the key priority of organisations currently, regardless of sector and organisation size. In our winter 2025/26 *Labour Market Outlook* report, we identified some of the main cost pressures faced by organisations. These include the increase in the rate of employer National Insurance, and wage growth, which has been persistently above average, in part caused by sharp increases in the National Minimum Wage. While people costs form a large part of many organisations' outgoings, increases in energy costs, supplier costs and raw materials have also compounded issues for businesses, leading to cost management being the key priority.

Organisations are likely to be heavily affected by rising energy prices in the coming months, either directly or indirectly, as the energy price shock spreads through supply chains. Our surveys have consistently found that, when faced with rising costs, businesses often raise prices. Early evidence from the Bank of England suggests that the ability to raise prices may be limited due to squeezed household incomes and firms will have to rely on other mechanisms, such as allowing their profit margins to fall or by reducing output.

Our data this quarter also shows organisations are looking towards improving productivity, and it is likely that much of this will be through recent technological changes, such as generative artificial intelligence (AI). This is most common among large private sector employers (55%). The Business and Trade Committee, in its priorities for 2026, outlines that Britain's poor productivity growth is at the heart of the country's economic problems and that AI technologies are developing quickly, with potential benefits and opportunities for the UK. People professionals have a key role to play in AI adoption, with a people-centred approach needed in moving the dial from experimental to strategic use.

Interestingly, even among large private sector employers, growth of market share in new or existing markets was only the third most cited priority for business. This is reflective of low business confidence, as firms remain more in survival mode. Many employers remain committed to customer service improvement in the absence of growth, with service delivery in the public sector outlined as a key area of focus, given the vast amount of government spending on it.

A key priority also identified is regulatory compliance. Businesses are bound by the regulatory environment, but with respect to workers, the Employment Rights Act 2025 represents a huge challenge for employers due to the number of changes. All employers, regardless of size, will be required to adhere to these changes; however, just 20% of SMEs see regulatory compliance as an organisational priority, compared with around a third of other firms. At the CIPD we continue to urge the government to ensure that guidance and support is available to the many small businesses that don't have dedicated HR support.

Cost management is the key priority for organisations

Table 1: Current organisational priorities, overall and by broad sector (%)

	Overall	Public sector	Private sector SME (2–249)	Private sector large (250+)
Cost management	58	53	56	61
Improving productivity	44	41	35	55
Growth of market share in new or existing markets	35	9	37	47
Customer service improvement	30	29	24	35
Regulatory compliance	28	34	20	32
Improving organisational responsiveness to change	26	39	16	27
Product innovation and quality improvement	26	20	21	33
Increasing sustainability	24	27	13	30
Improving corporate responsibility, reputation and brand	17	15	11	22
Significant refocus of business direction	12	11	11	14
Other	4	6	5	2
Don't know	5	9	5	4

Base: spring 2026, all employers (total: n=2,049; public: n=385; private sector SME (2-249): n=998; private sector large (250+): n=535).

Further reading and practical guidance

- **CIPD | Tools to develop HR strategy**

Practical tools to help you develop a people plan to positively impact business outcomes

- **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

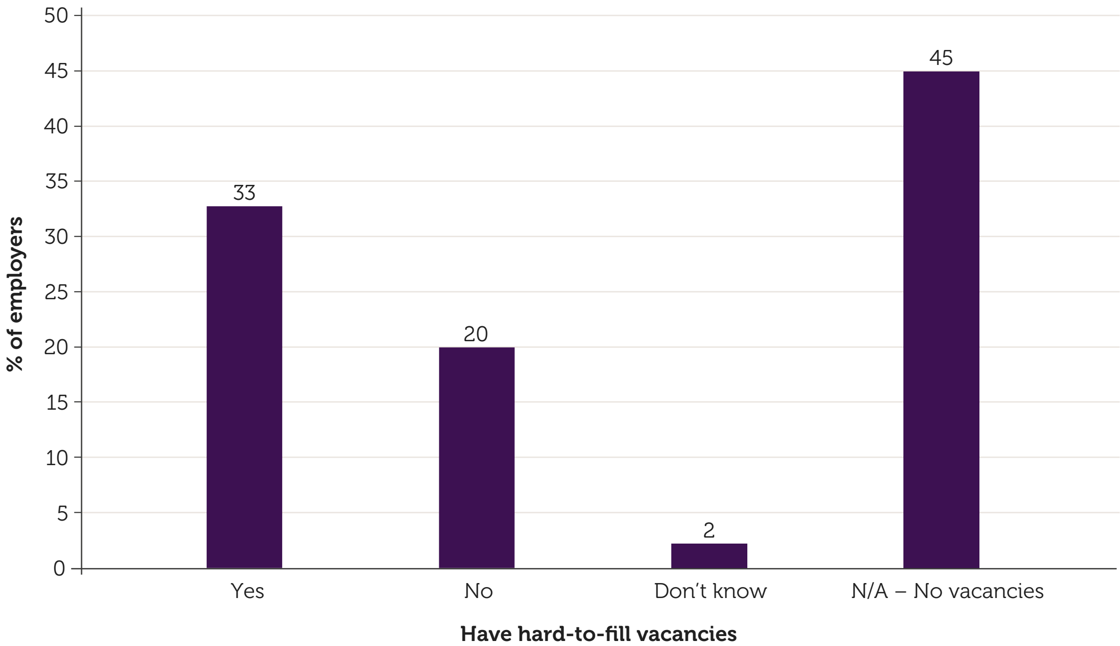
4 Job vacancies

Data from the Office for National Statistics' (ONS) vacancy survey shows that the level of vacancies has remained broadly flat since spring 2025, although provisional estimates for the latest period suggest that vacancies could have fallen to their lowest level outside of the pandemic since late 2014.

Our data suggests that despite the low level of vacancies, one-third of employers currently have hard-to-fill vacancies. This indicates skills mismatches across the economy, as employers seek talent that is not available to them.

A third of employers continue to have hard-to-fill vacancies

Figure 7: Employers with hard-to-fill vacancies (%)

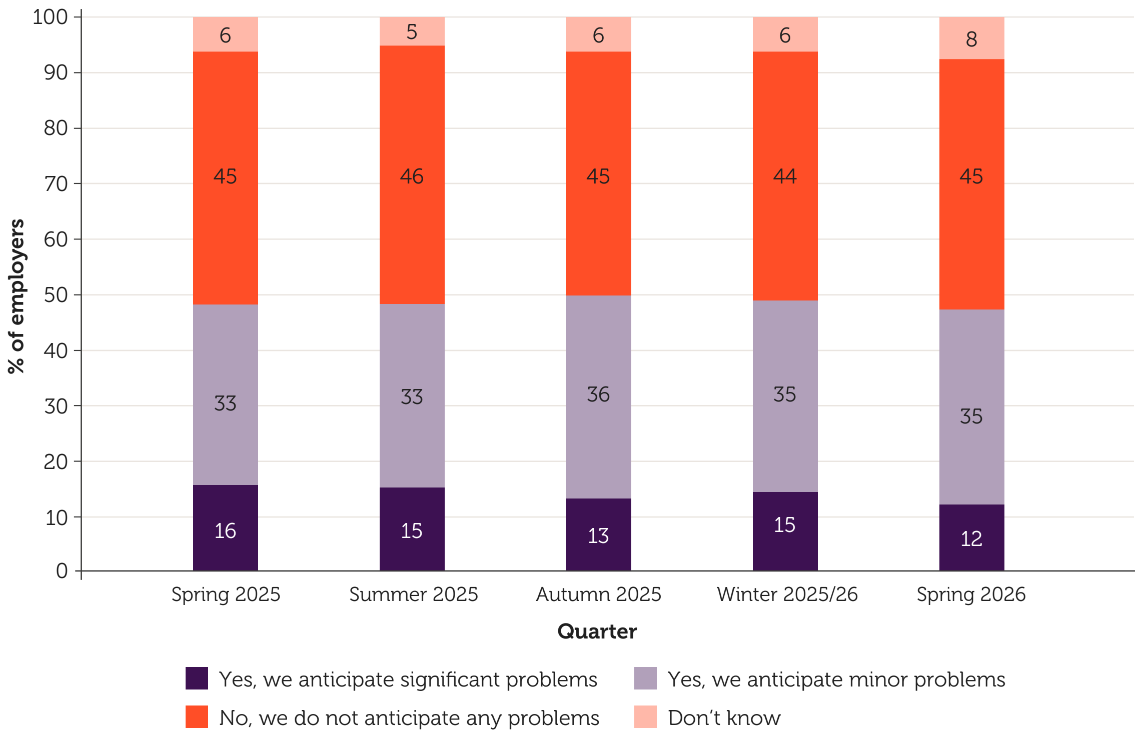


Base: spring 2026, all employers (n=2,049).

Our forward-looking indicator suggests that fewer employers anticipate significant problems in filling vacancies that have been difficult to fill in the recent past. Just 12% of employers are anticipating significant problems in filling vacancies in the next six months, down from 16% a year ago.

Fewer employers anticipate significant problems in filling roles

Figure 8: Expectation for vacancies in the next six months (%)

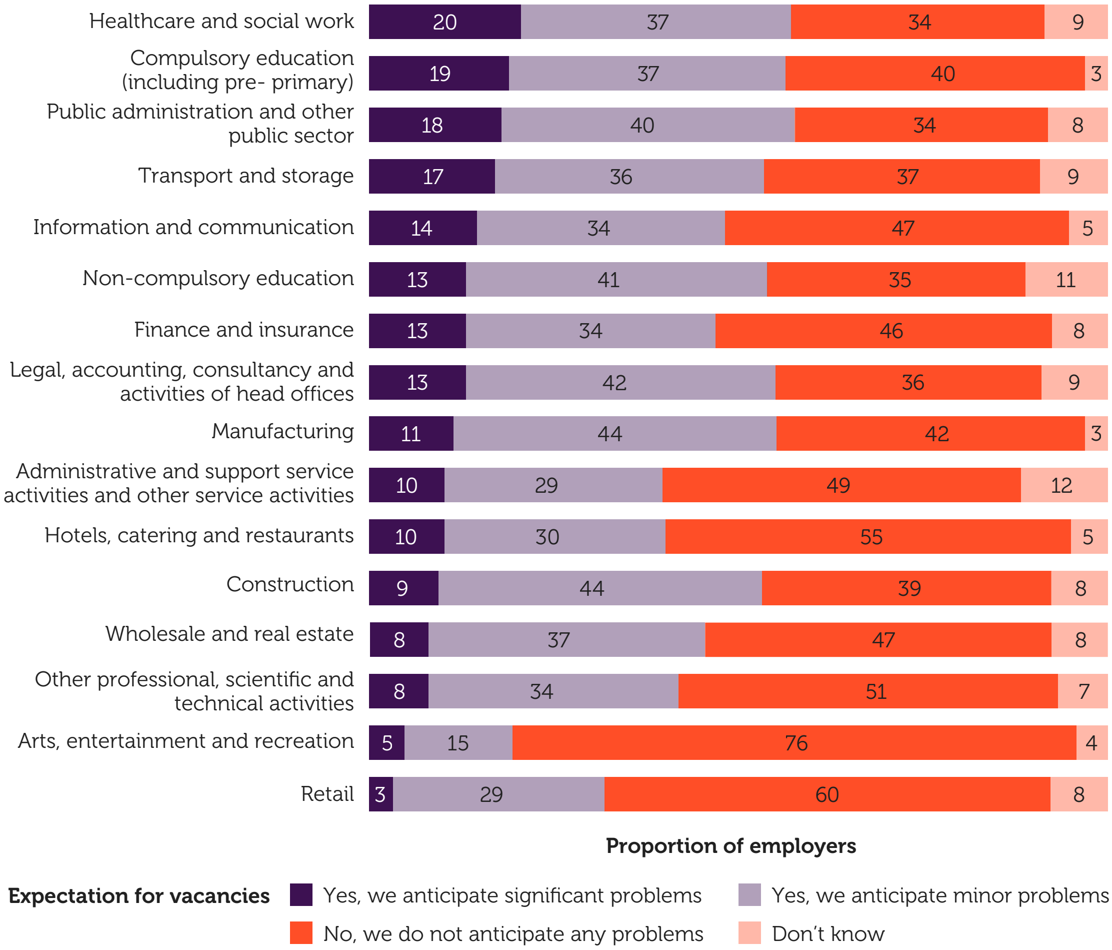


Base: spring 2026, all employers (n=2,049).

Anticipated problems in filling vacancies over the next six months remain high among employers in healthcare and social work (20%), as recent migration rule changes have placed pressure on these employers to recruit from the domestic workforce. Just 3% 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 healthcare and social work

Figure 9: 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 4.

Further reading and practical guidance

- **CIPD | Skills matching: Using and deploying people's skills effectively**

Use your people's skills effectively for job satisfaction and enhanced productivity

- **CIPD | Recruitment**

Factsheet of key points for recruitment and resourcing

- **CIPD | Resourcing and talent planning**

Review your resourcing and talent planning approach

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 remains at 3% overall for the eighth consecutive quarter.

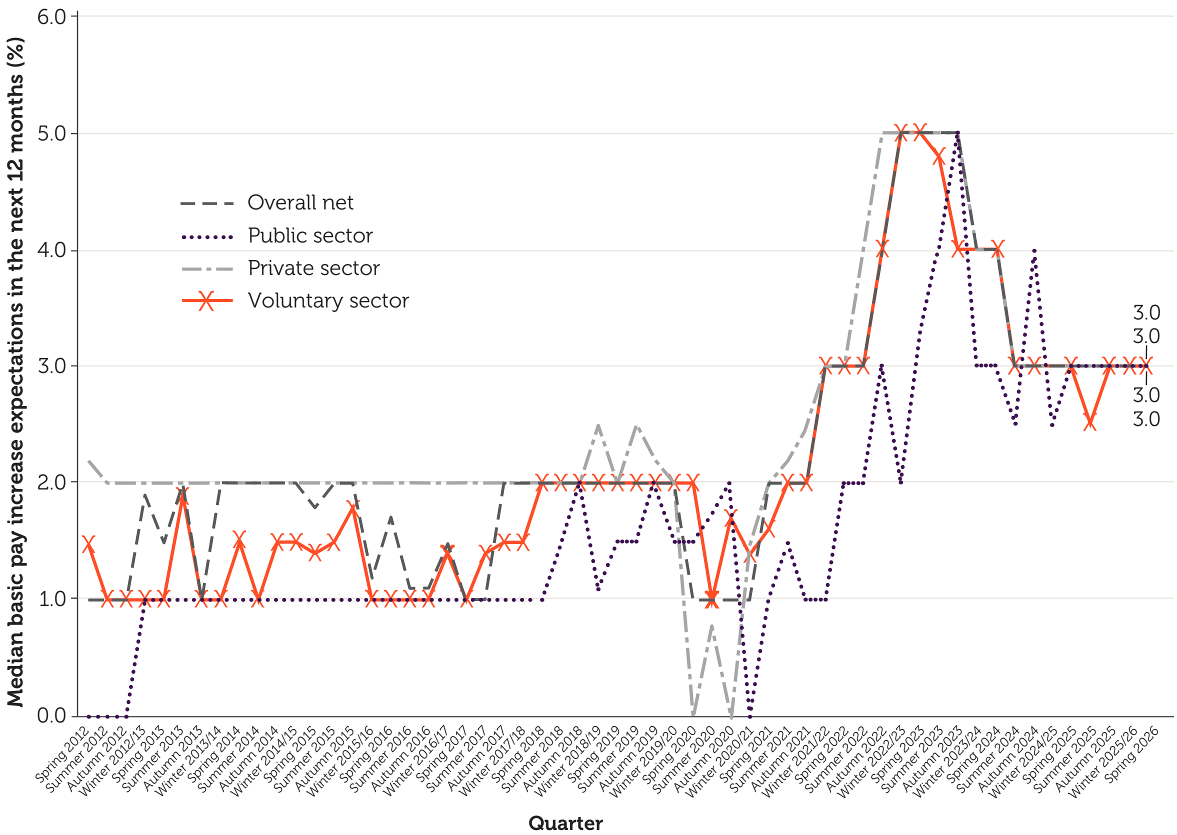
The median expected pay award remains at 3% across the private, public and voluntary sectors. To put the median expected pay award into context, the Consumer Prices Index (CPI) – the most commonly used measure of inflation – in March 2026 was 3.3%. The latest National Institute of Economic and Social Research macroeconomic forecasts predict CPI inflation will rise across the remainder of the year, reaching a peak of 4.1% in January 2027. This will primarily be brought about by rising energy prices. In March, we already saw the biggest jump in fuel prices in more than three years.

The latest Bank of England Monetary Policy Report outlines how changes in labour market conditions since Russia's invasion of Ukraine in 2022 should in theory make it easier for firms to reduce wage growth, as firms face less competition for available workers, despite the most recent energy price shock.

However, factors unique to the UK suggest this might not necessarily be the case. In the UK 40% of workers are at the lower end of the wage distribution and heavily impacted by changes such as those to the NLW. In addition to this, approximately half of workers are employed at firms that tend to put greater emphasis on changes in inflation as they have wage bargaining with their workers. The Low Pay Commission's remit has been increased since 2024 to include the cost of living. In addition to this, approximately half of workers are employed at firms that tend to put greater emphasis on changes in inflation because they have wage bargaining with their workers. Both of these factors mean that it is likely there will be mechanisms for vast numbers of those in work to receive an uplift in pay. This is likely to happen in 2027, as wage settlements for 2026 have in most cases already been decided.

Average expected pay awards remain at 3%

Figure 10: Median basic pay increase expectations[1]



Base: spring 2026, all employers expecting and able to estimate a pay award in the next 12 months (total: n=891; private: n=604; public: n=200; voluntary: n=87).

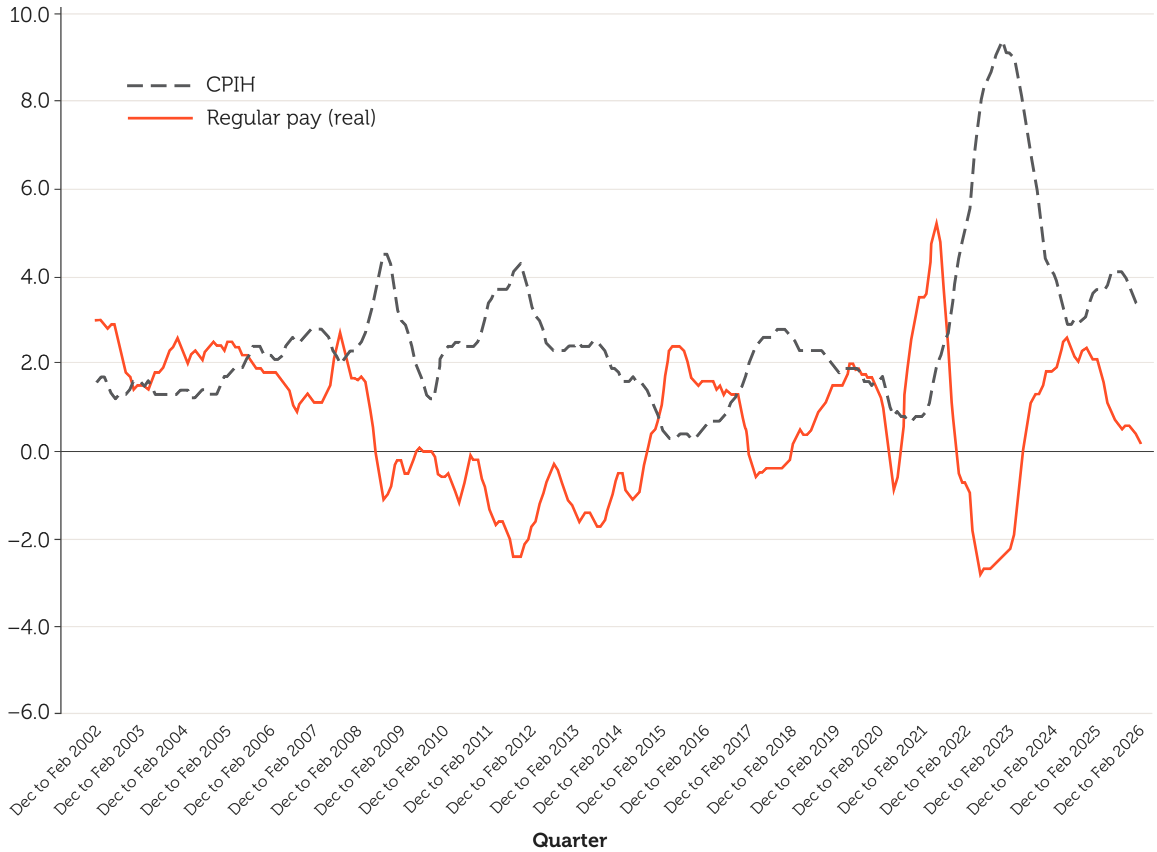
Based on ONS data, real pay growth, taking into account the rate of inflation, is currently just above zero at 0.2% (see Figure 11). However, with inflation set to rise, it is likely we will see negative real pay growth in the coming months, as with previous inflationary shocks. This means many will feel worse off across the year. At a minimum, the Resolution Foundation already predicts that British households will spend an extra £11bn on fuel and energy in 2026, equating to 0.5% of household income.

1
2
3
4
5
6
7

[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.

Real pay growth just above zero, but likely to fall into negative territory

Figure 11: Real average weekly earnings growth rate and inflation (CPIH),[2] 2002 to 2026 (%)



Source: Monthly Wages and Salaries Survey, and Consumer price inflation from the Office for National Statistics.

It is understandable that our measure of expected median pay award has remained unchanged for the past two years, given that employers are converging in the 3–3.99% range. Compared with a year ago, a growing share of employers now anticipate increases in this range, rising from 25% to 40%. While a year ago 24% of employers expected to award pay rises of 5% or more, this has since fallen to 15%. In addition, fewer are offering pay rises in the 2–2.99% range.

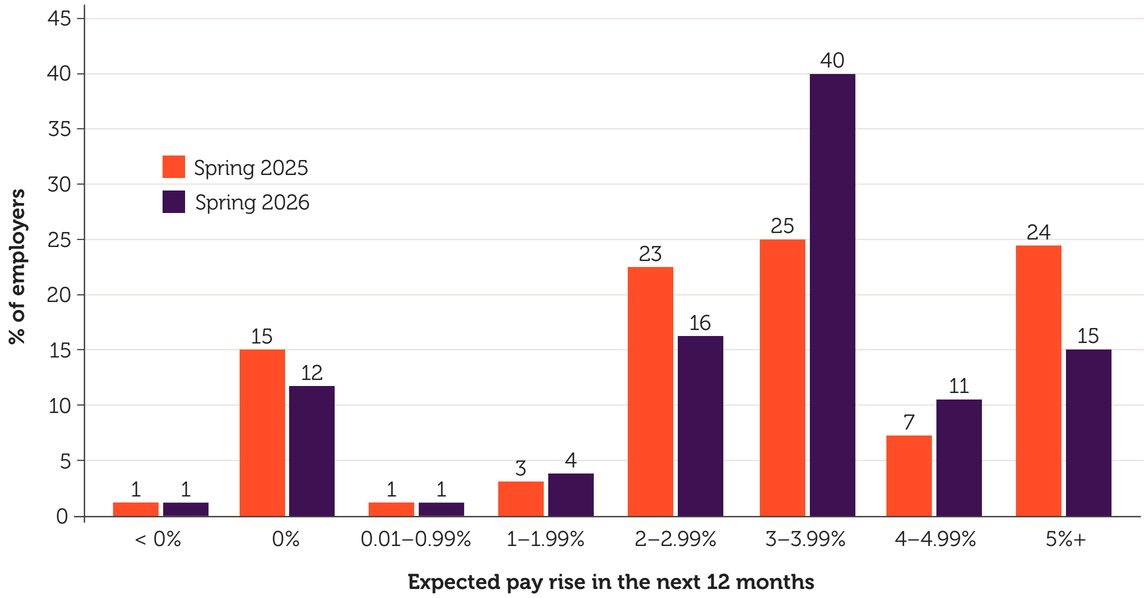
There are two opposing factors at play here. The loosening labour market means that employers don't have to compete as much on pay to attract or retain staff. The second is the increase in the cost of living. This means that employers have to offer a pay award that goes some way to help support the financial wellbeing of their employees.

Despite ongoing financial pressures, few employers expect to reduce pay or implement pay freezes.

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

Fewer employers expect to offer pay awards in the 5%+ range

Figure 12: Distribution of expected pay awards (%)



Base: all employers expecting and able to estimate a pay award in the next 12 months (spring 2025: n=809; spring 2026: n=891).

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

6 Recommendations for employers and people practitioners

Focus on sustainable productivity improvements, not just cost management
Invest in job design, technology and people management capability. People professionals have a key role to play in AI adoption, with a people-centred approach needed in moving the dial from experimental to strategic use. Support people managers to drive performance, and align people strategy with business resilience and productivity goals.

Take a strategic approach to workforce planning
Use a flexible approach to resourcing and take a cautious approach on hiring freezes or redundancies that may create future skills gaps.

Support employee financial wellbeing
With inflation set to rise, manage the expectations of employees and support their financial wellbeing through non-pay reward strategies. Consider how your benefits package can support employees. Explore benefits that are low-cost but have the potential to be high-impact, such as flexible working.

Build capability on regulatory compliance
Keep informed of upcoming Employment Rights Act 2025 changes. Understand how it will impact your business and people processes. Implementing the necessary regulatory changes will ensure compliance and mitigate legal claims.

Prepare for strengthening of trade union rights by upskilling teams
With trade union reforms coming into force, upskill teams, particularly managers, around employment relations. Many organisations have limited experience of working with trade unions and will need to strengthen employment relations skills on both the employer and trade union side to help ensure voluntary agreements can be reached and to avoid disputes.

Attract and retain key talent
Build talent and capability through training and professional development; engage employees with effective performance management.

Make fair, transparent pay decisions
With pay growth steady at 3%, link 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, such as paying for household essentials.

7 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,049 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 23 March and 23 April 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 2: Breakdown of sample, by number of employees in the organisation

Employer size band	Count
2–9	413
10–49	456
50–99	135
100–249	211
250–499	165
500–999	166
1,000 or more	503

Table 3: Breakdown of sample, by sector

Sector	Count
Private sector	1,533
Public sector	385
Third/voluntary sector	131

Table 4: Breakdown of sample, by region

Region	Count
Scotland	146
Wales	79
Northern Ireland	35
Northwest England	168
Northeast England	62
Yorkshire and Humberside	129
West Midlands	132
East Midlands	141
Eastern England	126
London	374
Southwest England	171
Southeast England	269
All of the UK	217

Table 5: Breakdown of sample, by industry

Industry	Count
Administrative and support service activities and other service activities	228
Arts, entertainment and recreation	81
Compulsory education (inc. pre primary)	148
Construction	131
Finance and insurance	140
Healthcare and social work	191
Hotels, catering and restaurants	71
Information and communication	134
Legal, accounting, consultancy and activities of head offices	122
Manufacturing	159
Non-compulsory education	101
Other professional, scientific and technical activities	107
Police and armed forces	19
Primary and utilities	46
Public administration and other public sector	119
Retail	82
Transport and storage	52
Voluntary	48
Wholesale and real estate	70

Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.org

Incorporated by Royal Charter (RC000758)
Registered as a charity in England and Wales (1079797)
Scotland (SC045154) and Ireland (20100827)

Issued: May 2026 Reference: 9152