TALENT STRATEGY · QUARTERLY INSIGHT

Quarterly Labour Market Insights Report

August 2026

Omni helps organisations turn labour market insight into workforce action, combining strategic workforce planning, talent intelligence and recruitment expertise to build stronger, more adaptable workforces.

The market is changing shape, not simply slowing down

For the best part of three years, the story of the UK labour market has been one of gradual cooling. Confidence subdued, vacancies drifting down, employers holding their nerve rather than growing. That story is still broadly true, yet this quarter's data suggests something more interesting sitting underneath it.

Permanent hiring has stopped falling for the first time in nearly four years. Temporary billings are rising. Demand for short-term workers has picked up for the first time in two years. None of this signals a boom, and confidence remains close to historic lows, but the shape of demand is shifting in ways that matter for how organisations plan their people.

For HR and talent leaders, that creates a more nuanced challenge than a simple candidate-led or employer-led market. There may be more people available, though that doesn't mean the skills you actually need have become any easier to find. Every hire is under more scrutiny, budgets are tighter, and the question in most boardrooms has quietly moved on. Where it used to be "how many people do we need to recruit", it has become "what capability will this business need, where will we find it, and what is the smartest way to access it".

That distinction is doing a lot of work this quarter.

The market at a glance

75.1%
UK employment rate (April to June 2026), up slightly on the quarter and down a touch on the year

4.9%
UK unemployment rate, higher than a year ago but down marginally on the previous quarter

707,000
vacancies (May to July 2026), the lowest level outside the pandemic since 2014

+9
net employment balance (CIPD), close to its lowest reading outside the pandemic

62%
of employers plan to recruit over the next three months

3%
median expected pay award, where it has now sat for over two years

Sources: ONS Labour Market Overview (August 2026), CIPD Labour Market Outlook (Summer 2026).

Recruitment: cautious, with signs of life underneath

Employer confidence hasn't recovered. The CIPD's latest Labour Market Outlook puts the net employment balance at +9, close to the lowest reading it has recorded outside the pandemic, with only 62% of employers planning to recruit over the next three months. Private sector intentions are weaker still, sitting at a joint record low outside the pandemic, and just 57% of private sector employers expect to add staff. The ONS backs up the caution, with vacancies slipping again to 707,000, a level last seen outside the pandemic back in 2014.

So far, so familiar. The more revealing signal comes from the KPMG and REC Report on Jobs, which found that permanent placements stabilised in July after 45 consecutive months of decline, the longest run of contraction the survey has ever recorded. Temporary billings rose for a fourth month running, among the strongest growth seen in three years, and demand for temporary workers increased for the first time in two years.

Read together, these numbers tell us that organisations haven't stopped thinking about growth. Many have simply changed how they access it, leaning on flexibility while confidence stays fragile.

OMNI'S VIEW

We may be moving out of broad recruitment contraction and into a far more selective market. The advantage will sit with organisations that understand which roles and skills genuinely create value, and can pull the right mix of permanent recruitment, internal mobility, development, contingent talent and automation to meet them.

More candidates, but the skills gap hasn't closed

One of the easier mistakes to make in a market like this is to assume that more applicants means talent has become easy to find. Candidate availability is rising sharply, driven by redundancies and fewer opportunities, and that is showing up in most recruiters' inboxes.

Employers are still reporting shortages of genuinely skilled or experienced candidates in specific areas, though, and that scarcity is keeping starting salaries under pressure even as the wider market softens. The result is an odd sort of market where you can receive far more applications and still struggle to hire the person you actually need.

Application volume becomes close to meaningless as a measure of anything useful. What matters instead is a clearer understanding of which skills are genuinely scarce, where they sit, what competitors are paying for them, how candidate expectations are shifting, and which roles you could develop from within or redesign as technology changes the work. Talent intelligence is quietly becoming a workforce planning capability rather than a recruitment add-on.

Pay: pressure is easing, though the sector story varies

Headline wage growth is slowing. ONS data shows regular earnings up 3.5% and total earnings up 4.1% over the year to June, with private sector regular pay growth much lower at 2.8% against 6.1% in the public sector, where the timing of awards is flattering the figure. The CIPD reports that expected median pay awards remain at 3%, where they have held for more than two years.

For employers, that creates a real opportunity. A cooling market should make wage inflation easier to manage. The temptation to apply one pay philosophy across every role is worth resisting, because critical and scarce skills rarely behave like the broader market.

OMNI'S VIEW

This is where proper labour market intelligence earns its keep. Rather than asking whether your salaries are competitive across the board, ask whether you are competitive for the skills that will matter most to your future. Benchmarking, competitor intelligence and external mapping let you invest disproportionately where scarcity is real, instead of lifting cost across the whole workforce.

Flexibility is back on the agenda

The clearest shift this quarter is the return of flexible hiring. Temporary billings rose for a fourth consecutive month in July, and temporary vacancies increased for the first time in two years. Employers still need capability, though many remain reluctant to add permanent fixed cost until the economic picture feels steadier.

For HR leaders, that changes the nature of workforce planning. Forecasting headcount matters less than understanding what work actually needs doing, what capability that requires, and the best route to access it. Increasingly the answer is a combination of permanent employees, contingent workers, outsourced capability, internal redeployment, skills development and technology, rather than any single one of them.

Skills hotspots sit beneath the headline

National figures hide a great deal. The REC's Labour Market Tracker recorded around 1.7 million active job adverts in July, holding steady month on month and up on the same point last year. Underneath that, the sector picture varies enormously.

Construction, finance and retail all featured among the strongest areas for vacancy growth in July, while the KPMG and REC data showed temporary demand particularly strong across Blue Collar and Engineering roles, and Nursing, Medical and Care leading growth in permanent vacancies.

The lesson is simple enough. There is no such thing as a single UK talent market. Availability, cost and accessibility vary hugely by skill, sector and geography, and workforce strategies increasingly need to work at that level of detail to be worth anything.

Three things the data is telling us

1. The market is becoming more selective, not simply smaller

Overall recruitment is subdued, yet demand hasn't disappeared. Organisations are increasingly willing to hire where a role is genuinely business-critical, while pausing or rethinking almost everything else.

What to do: move workforce planning closer to business strategy. Identify the roles and capabilities that will actually determine performance over the next three to five years, then get deliberate about which skills you build, buy, borrow, redeploy or automate. Not every vacancy deserves a like-for-like replacement, and treating them all the same is how budgets quietly leak.

2. More candidates hasn't solved the skills problem

Candidate supply has jumped, largely through redundancies and softer demand, and AI-assisted applications are making it easier for people to apply for far more roles. The strange result is more candidates with no more certainty that the right person is among them.

What to do: shift the focus from volume to the quality of identification and assessment. That means sharper skills definitions, stronger assessment methods, better-equipped hiring managers, and talent intelligence before you go to market rather than after. The organisations that get better at recognising capability will steadily outperform those simply generating more applications.

3. Flexibility has become a strategic capability

The return of temporary hiring is more than a seasonal quirk. Businesses still need skills and capacity, though many are wary of committing to permanent headcount, and that makes workforce flexibility something to design rather than reach for in a pinch.

What to do: build a workforce architecture that lets capability come through several routes. Permanent recruitment is one answer among many. Good planning now weighs permanent talent, internal mobility, contingent labour, outsourcing, skills development and automation together, as a connected system rather than a set of separate decisions.

The question worth asking now

The last few years pushed organisations to think mostly about recruitment, and where they would find enough people. The emerging market rewards a broader question, which is what workforce the organisation actually needs to deliver its strategy.

Answering it means getting clear on five things:

- **Demand.** What work and capability will the business genuinely require?
- **Supply.** What skills already exist inside the organisation?
- **External market.** Where do the scarce skills sit, and how hard will they be to reach?
- **Gap.** What capability will we not have?
- **Intervention.** Should we build, buy, borrow, redeploy or automate?

That is the shift from recruitment planning to strategic workforce planning, and it is the shift the smartest talent functions are already making.

How Omni can help: our Talent Strategy practice

Uncertainty makes good workforce decisions more valuable, not less. Omni's Talent Strategy practice helps HR and talent leaders turn labour market data into practical workforce decisions, across four areas.

Strategic Workforce Planning.
Understand future workforce demand, pinpoint capability gaps, and decide the right blend of recruitment, development, redeployment and alternative workforce models.

Talent Intelligence and Salary Benchmarking.
Understand talent availability, competitor demand, location, pay and candidate behaviour before you go to market, so decisions are grounded in evidence rather than assumption.

Resourcing Effectiveness.
Benchmark your recruitment capability against leading practice and find where better process, technology, data, assessment and candidate experience would create the most impact. Our Resourcing Effectiveness Assessment uses a four-level maturity framework to build a practical improvement roadmap.

Assessment and Hiring Manager Capability.
Improve the quality of hiring decisions through stronger assessment design, structured selection and better-supported hiring managers.

OMNI'S VIEW

The biggest talent risk for most organisations right now is a lack of clarity about the skills they will need next, at a time when people are more available than they have been in years.

The market has handed employers a window. Recruitment pressure has eased, candidates are more available, and wage growth is moderating. The temptation is to use that breathing space simply to hire less. The smarter use is to ask harder questions about the workforce you will need when demand returns. Which capabilities are becoming more important? Which skills are getting harder to find? Which work will technology reshape? Which talent should you develop rather than recruit? And where could flexibility take out cost without taking out capability?

The organisations that answer those questions now will be in a far stronger position when hiring picks up again. The best time to build your future workforce strategy is well before you desperately need the people.

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Get in touch to talk through your workforce and resourcing challenges. Our award-winning RPO and talent strategy experts are always happy to help.

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