

Economic Shockwaves of Iran War are Beginning to Ripple Through to the Labour Market, TUC Warns

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Fresh data from the Office for National Statistics (ONS) reveals the UK jobs market held its ground through the spring, with the headline unemployment rate dropping from 5.2% to 4.9% over the latest three-month period. Redundancies also saw a positive decline, falling by 13,000 to total 113,000.

However, beneath the steady headline figures, the labour market is flashing early warning signs of a slowdown. The overall employment rate ticked slightly downward to 75.0%, and payroll data shows the UK lost 138,000 pay rolled employees between April 2025 and April 2026.

Compounding these volume losses, the squeeze on workers' pockets has intensified. Real pay growth slowed dramatically to just 0.3% against CPI inflation, a sharp drop from the 2.2% recorded during the same window last year. In the private sector, real wages actually contracted, falling by -0.1%.

Youth Employment Crisis Deepens

The data highlights a widening generational divide in the workforce. Youth unemployment has climbed to a stubborn 14.5%, worsening over the course of the year. Furthermore, youth economic inactivity ticked up over the quarter to reach 31.3%, pointing to a growing number of young people disconnected from both employment and education.

The cooling demand for labour was further evidenced by a drop in vacancies, which fell by 18,000 over the quarter to 707,000.

Union Chief Warns of War's 'Economic Shockwaves'

Responding to the figures, [TUC](#) General Secretary Paul Nowak warned that the recent resolution of the conflict in the Middle East will not prevent its economic fallout from impacting British workers.

"While Donald Trump has declared an end to his illegal war in Iran, the economic shockwaves he unleashed are only beginning to ripple through to the labour market - and young people are among the most at risk," Nowak said.

"Improvements in the jobs market from the start of the year have offered workers and businesses some protection, but today's figures suggest challenging months are ahead. Falling vacancies and stagnant real wages mean jobs and living standards are at further risk."

Nowak urged the government to expand its current jobs guarantee scheme, arguing that young people shouldn't be left waiting "for a year and a half" to access support.

Turning his attention to monetary policy as central bankers gather, the TUC leader added: "The sheer number of young people not in employment, education, or training should be front of mind when the Bank of England meets. It's time to cut interest rates to boost investment and strengthen the economy."