

E-book

Sage SME Pulse

Monthly Workforce Pulse

May 2026

Insights drawn from anonymized payroll data from approximately 200,000 small businesses with millions of employees across the UK.

Sage



In partnership with:

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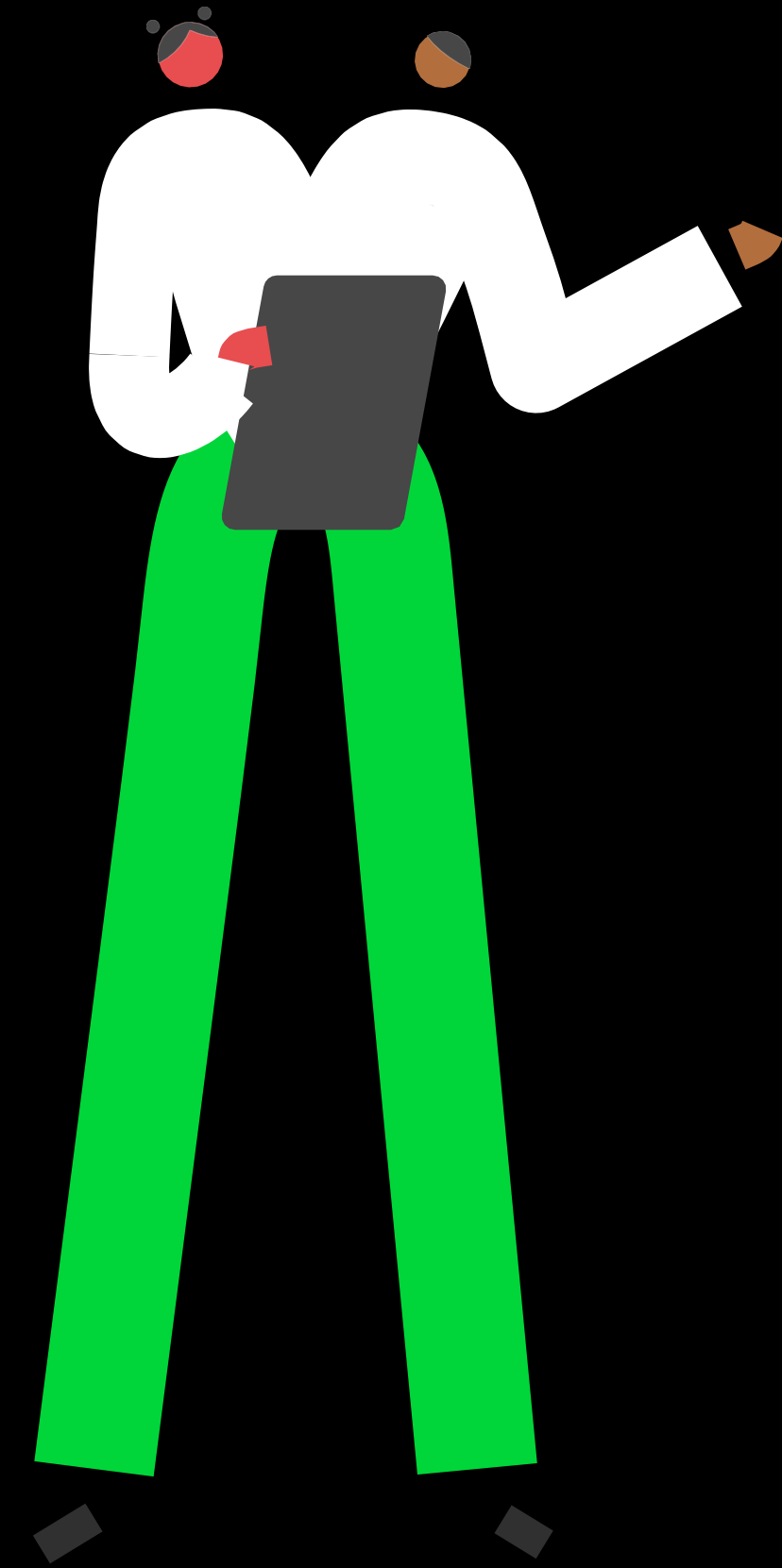
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01
**Monthly
Summary**

May monthly summary

About this report

The Workforce Pulse is based on data collected each month from approximately 200,000 small businesses with millions of employees across the UK.

Key highlights

Median Gross earnings

+£2,203

Up **4.1%** year-on-year

Median Net earnings

+£1,804

Up **3.3%** year-on-year

Headcount

+0.3%

Year-on-year



“The Sage SME Monthly Workforce Pulse indicates that headcount among surveyed small businesses increased by 0.3% year-on-year in May. Over the same period, median gross earnings rose by 4.1%, marking a further deceleration in pay growth.

Small businesses continue to face a tough economic climate, with ongoing disruptions to global energy supplies keeping inflationary pressures elevated. A recently announced Iran-US deal to end the conflict and reopen the Strait of Hormuz should ease energy supply concerns, though reverberations from the shock will linger, and downside risks remain. Cebr forecasts GDP growth of just 0.9% in 2026, reflecting a broadly subdued outlook.

Although wage growth is beginning to cool, hiring demand has been slow to recover, held back by persistent uncertainty around input costs and weakening demand. The Bank of England is likely to keep interest rates higher for longer, which will act as a further drag on business investment.

Slowing pay growth is eroding real wages, and alongside an elevated unemployment rate, this is putting pressure on household incomes and consumer spending. With demand softening and cost pressures remaining elevated, business confidence is expected to stay fragile, limiting firms' willingness to expand their workforces for the rest of the year.

Liam Daly
Senior Economist at Cebr

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02
**Earnings
Insights**

Earnings growth

Median gross earnings grew **4.1%** year-on-year in May, down from **4.6%** in April and **5.9%** in May 2025.

Median Gross earnings

+4.1%

Year-on-year in
May 2026

Year-on-Year % Change in Median Gross Earnings*



*Data is seasonally adjusted

Median earnings

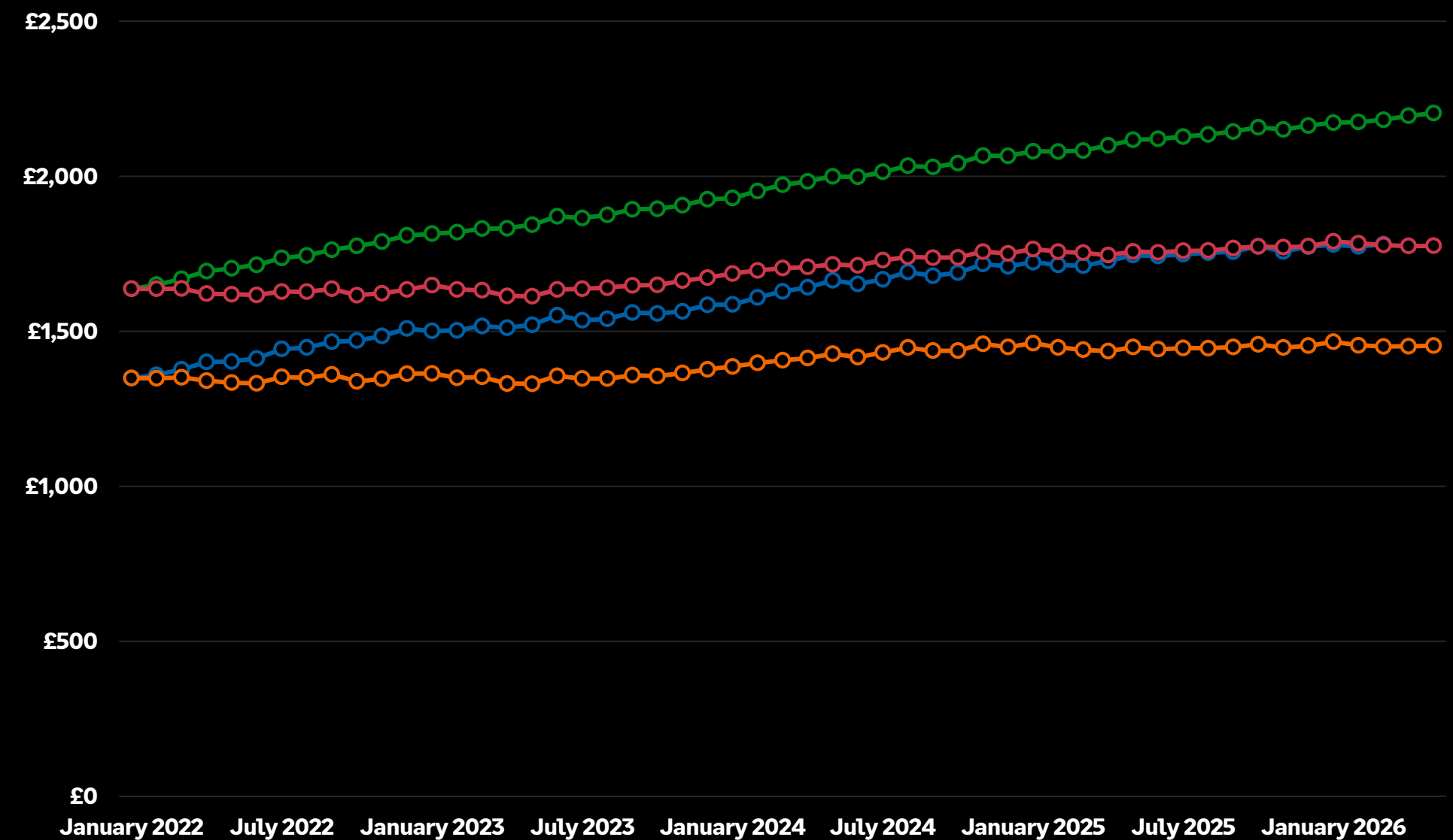
- In May, median gross monthly earnings were **£2,203**, up **4.1%** year-on-year.
- After adjusting for inflation, real-terms median gross monthly earnings were **£1,775**, up **1.0%** year-on-year.
- Meanwhile, median take-home pay (net) stood at **£1,804**, up **3.4%** year-on-year.

Median Gross earnings

+£2,203

Up **4.1%** year-on-year
in May 2026

Median Monthly Earnings*



Key: ● Gross ● Net ● Gross (real-terms) ● Net (real-terms)

*Data is seasonally adjusted

Earnings and inflation

- In May, nominal earnings grew by **4.1%** year-on-year.
- Cebr projects that Consumer Price Index (CPI), rose by **3.0%** in May.
- Real-terms earnings (adjusted for inflation) grew by **1.0%** year-on-year.
- Inflation, measured by growth in the CPI index, affects the purchasing power of wages.

Nominal earnings

+4.1%

Year-on-year
in May 2026

Monthly Inflation and Year-on-Year % Change in Earnings*



Key: ● Nominal ● Real ● Inflation



*Data is seasonally adjusted

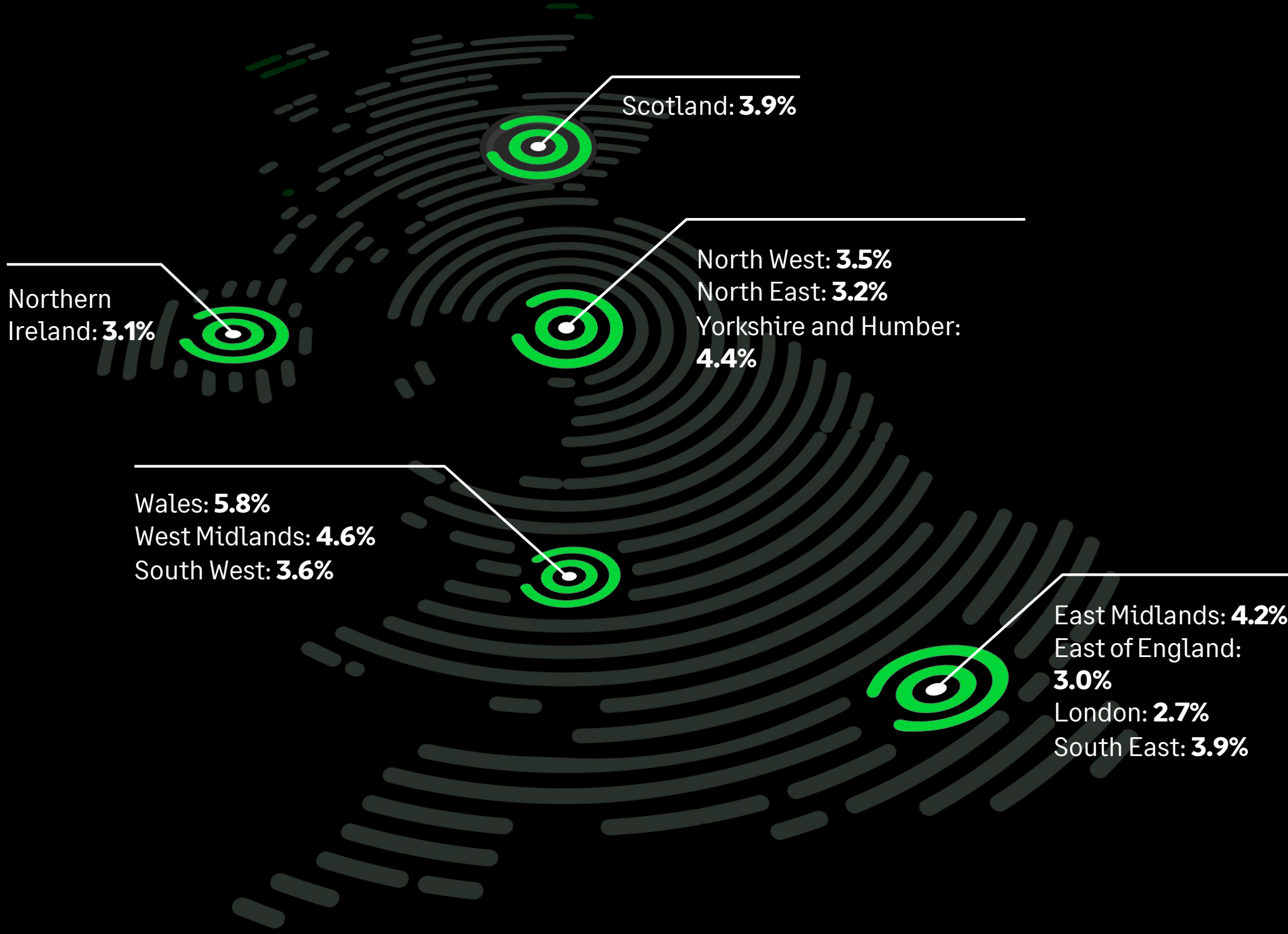
Regional earnings

- London, the East of England and Northern Ireland exhibited the lowest earnings growth in May, at **2.7%**, **3.0%** and **3.1%**, respectively.
- Earnings increased at the fastest annual rate in Wales, rising by **5.8%**.

UK average

+4.1%

Year-on-Year % Change in Median Gross Earnings* by Region:
May 2026



*Data is seasonally adjusted

Earnings by sector

In May, earnings growth was highest in the wholesale and retail trade sector, rising **4.5%** year-on-year. In contrast, earnings growth was lowest in the arts and entertainment sector, with annual earnings contracting **0.2%** year-on-year

Wholesale and retail trade

+4.5%

vs

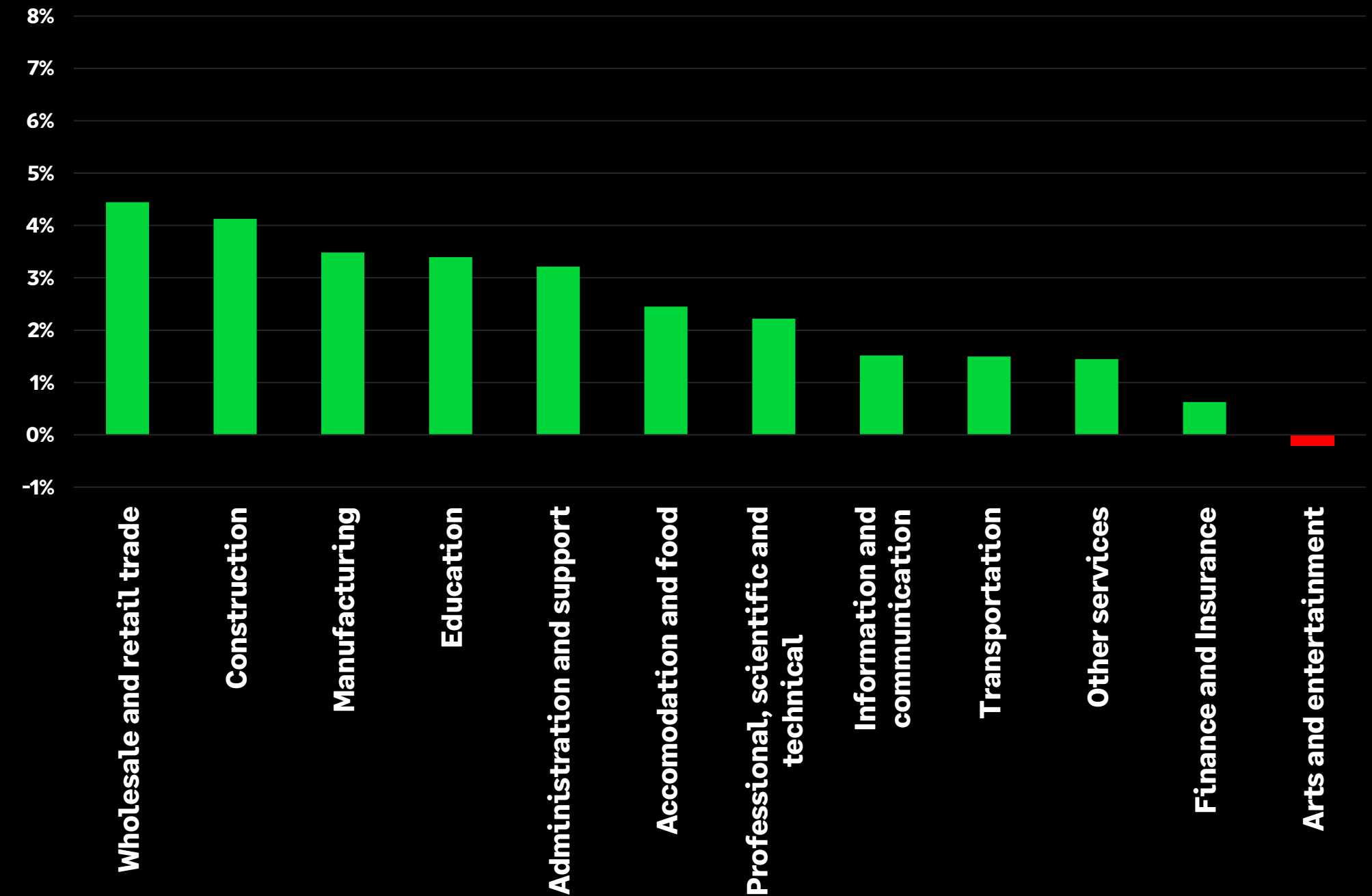
Arts and Entertainment

-0.2%

Year-on-year earnings growth

Year-on-year earnings growth

Year-on-Year % Change in Median Gross Earnings* by Sector:
May 2026



03

Workforce Insights

Headcount growth

Total headcount grew by **0.3%** year-on-year in May, down from 0.6% in April.

Headcount
+0.3%
Year-on-year
in May 2026

Year-on-Year % Change in Total Headcount:
May 2026



*Data is seasonally adjusted

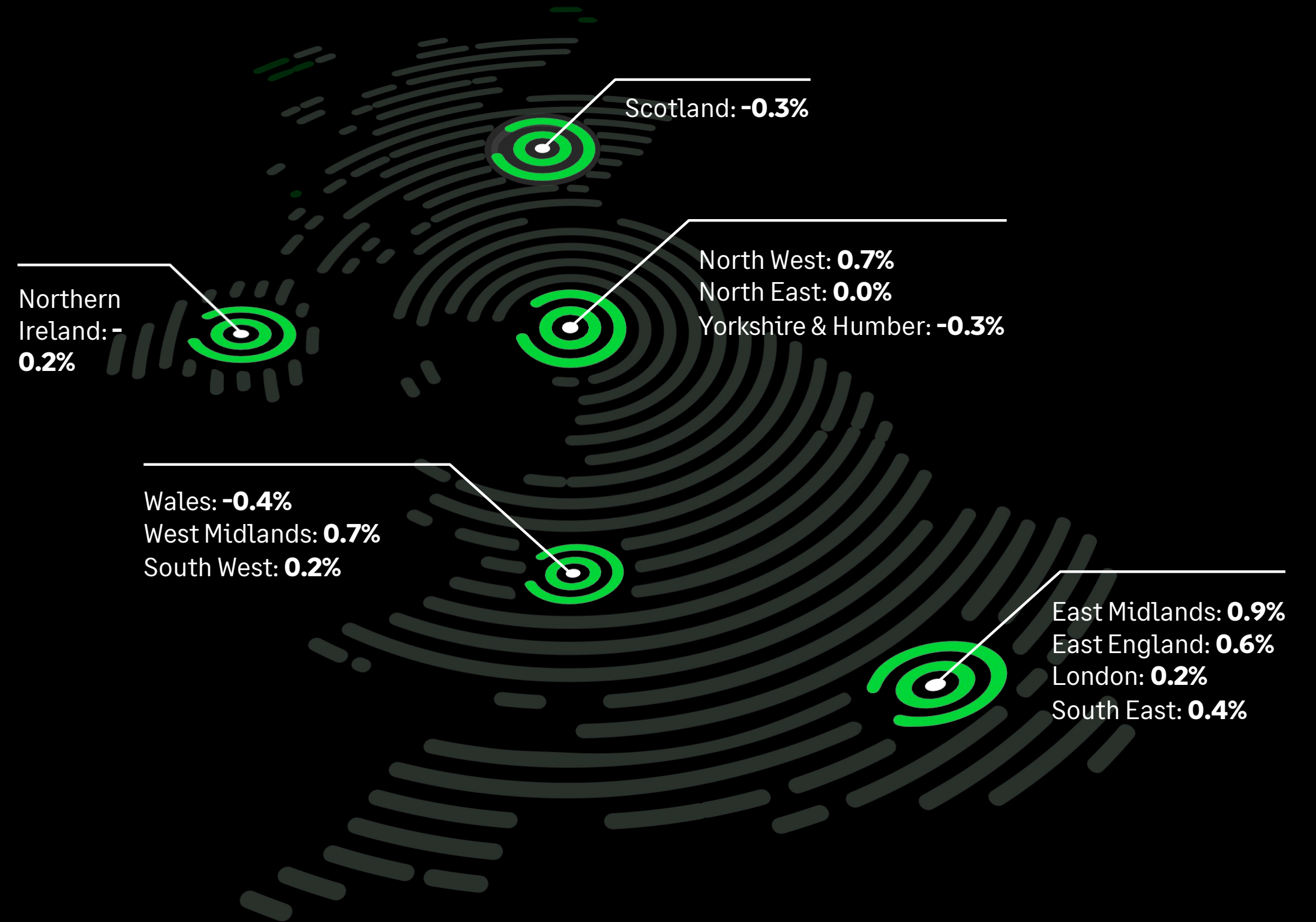
Regional headcount

- Across the UK, total headcount among the sample of small businesses grew by **0.3%** year-on-year.
- **Year-on-year growth was highest in the East Midlands (0.9%), followed by the West Midlands and North West (both 0.7%).**
- Meanwhile, small businesses in Wales saw the largest decline in headcount, with numbers falling **0.4%** year-on-year. Scotland and Yorkshire & Humber were next, both recording **0.3%** decreases.

UK average

+0.3%

Year-on-Year % Change in Headcounts by Region: April 2026



Headcount by sector

Year-on-year changes in headcount varied widely by industry. Finance and insurance exhibited the greatest growth at **1.5%**, while accommodation and food services saw the greatest decline at **1.4%**.

Finance and insurance

+1.5%

vs

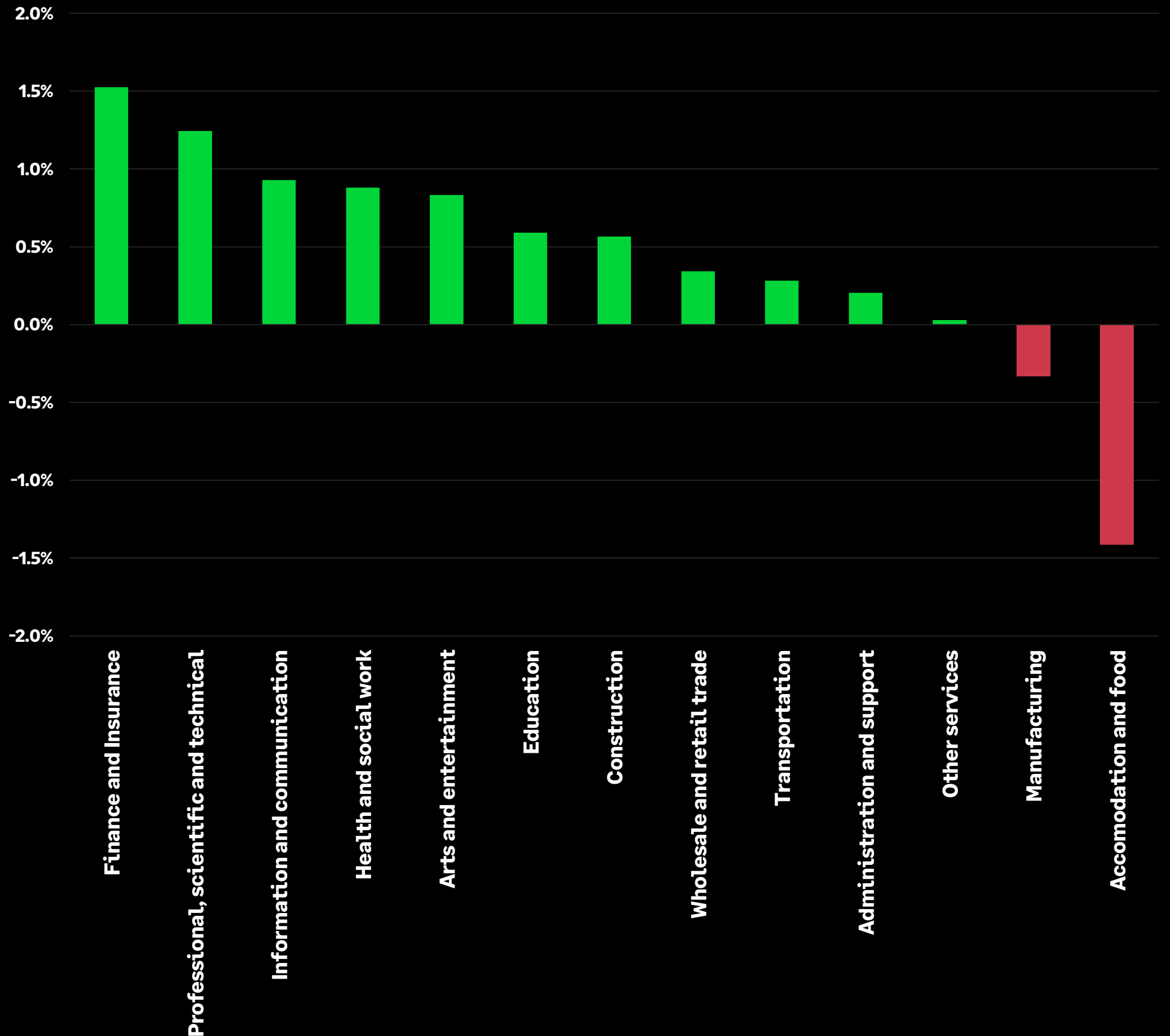
Accommodation and food

-1.4%

Year-on-year changes in headcount

Year-on-year changes in headcount

Year-on-Year % Change in Headcount by Industry:
May 2026



Headcount by business size

- Year-on-year, headcount growth was highest among micro (XS) businesses, which grew by **0.4%**.
- Meanwhile, headcount increased by **0.2%** among small (S) enterprises and rose by **0.2%** for medium (M) enterprises.

Year-on-year headcount

+0.4%

Among micro (XS) businesses

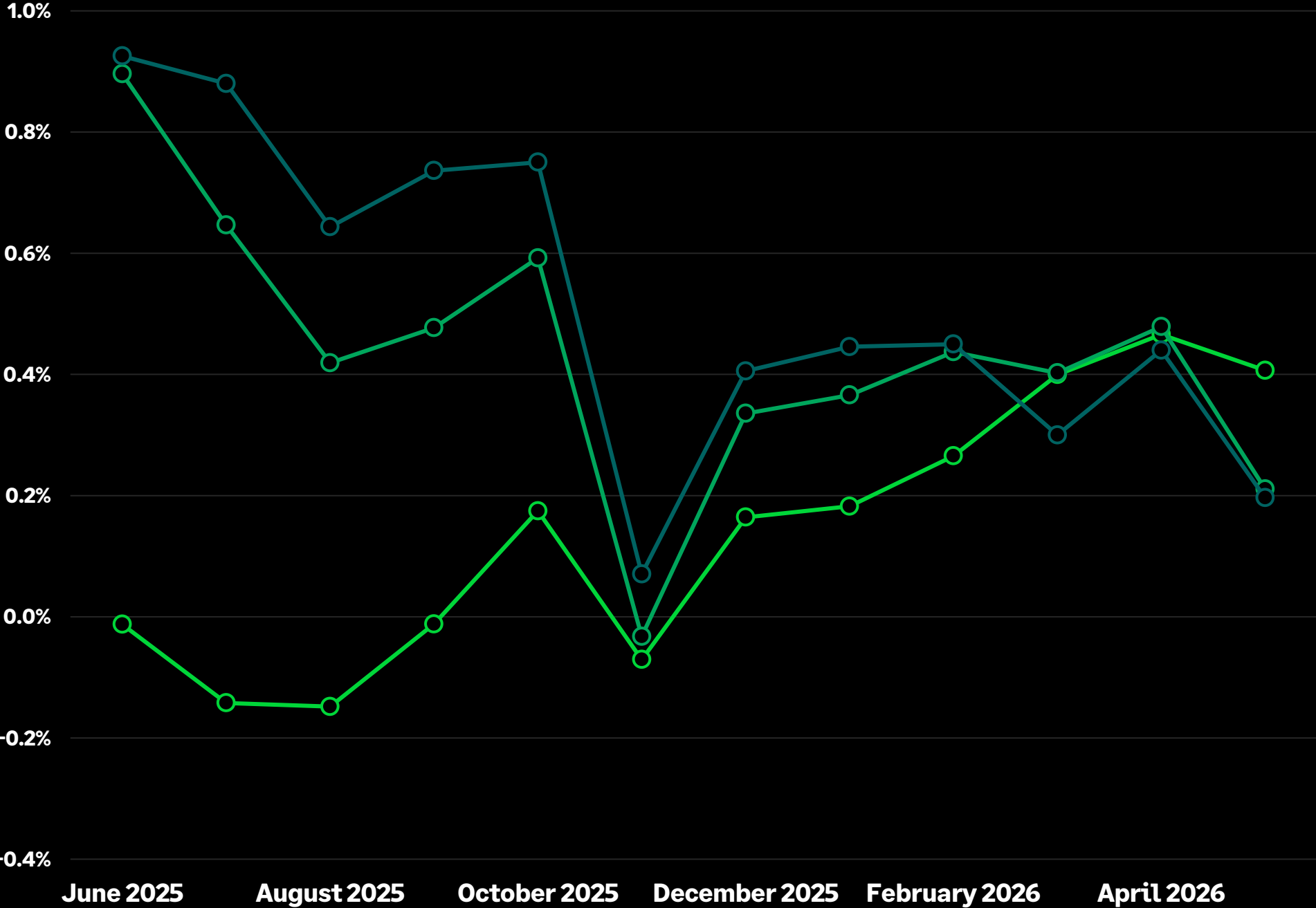
+0.2%

Among small (S) enterprises

+0.2%

Among medium (M) enterprises

Year-on-Year % Change in Headcount by Business Size: May 2026



Key: ● M ● S ● XS

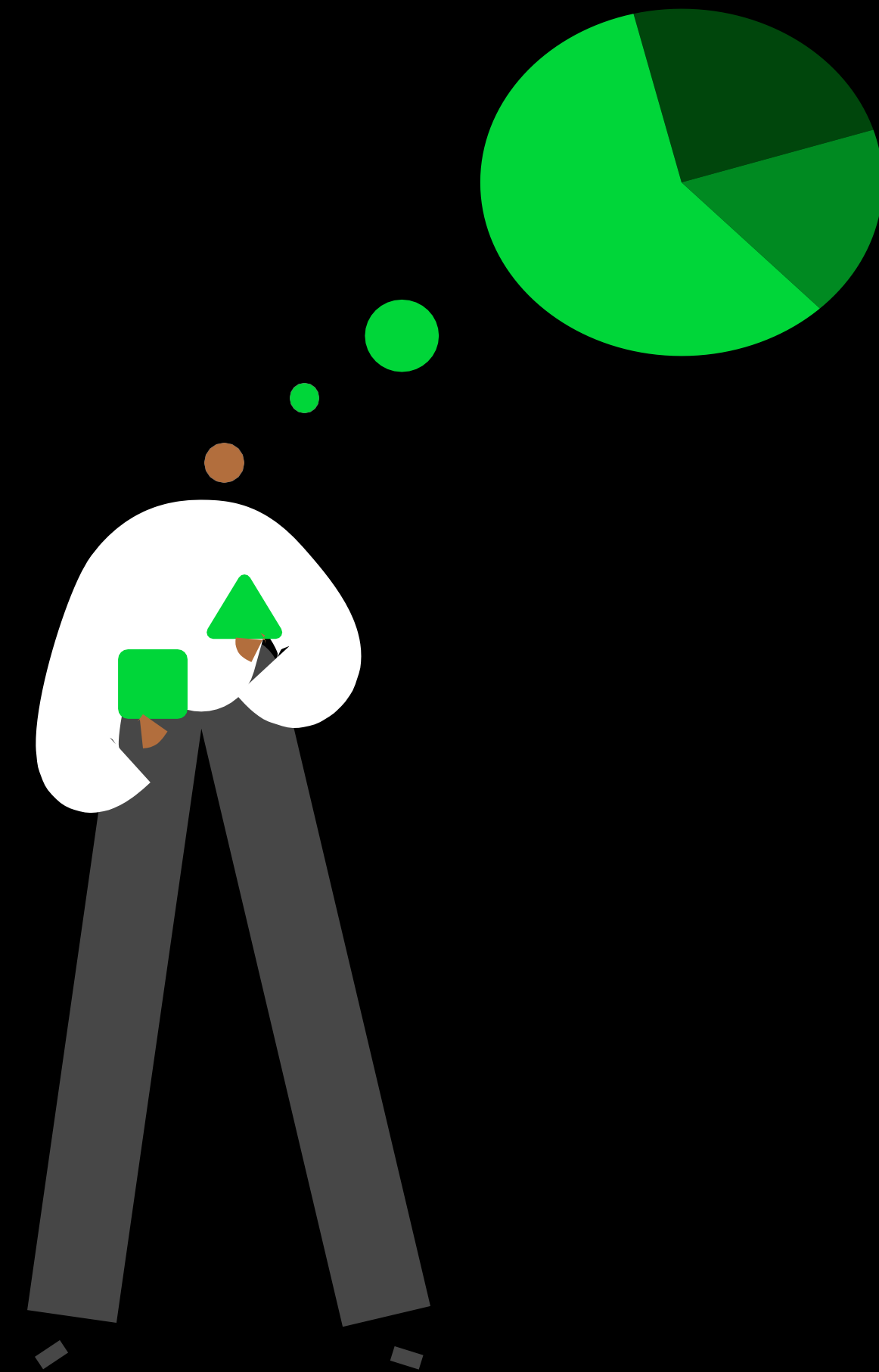
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04 Methodology

Methodology

Data source and collection

- **The Sage SME Monthly Workforce Pulse** is powered by payroll data obtained from a moving sample of approximately **200,000 businesses** and **3 million employees** across the United Kingdom.
- **Headcount estimates** are calculated from a moving sample. Each month, the average headcount of a fixed panel of businesses is calculated over 24 months. A company is eligible for inclusion in the sample provided that payroll data is available for at least 24 months, and some companies are excluded based on statistical confidence thresholds to ensure data reliability and consistency.
- **Median earnings data** is calculated based on all available employee payroll data.
- **Sampled companies** are classified by region, business size, and industry. Regions follow the International Territorial Level 1 (ITL1) classification, covering Northern Ireland, Scotland, Wales and regions in England. Businesses are grouped into one of four size categories according to the number of people they employ. Industries are classified by industry, as defined by the UK Standard Industrial Classification (SIC).
- **Earnings data** are seasonally adjusted using X13-ARIMA.
- **The Real Earnings Index** is calculated as seasonally adjusted median monthly earnings divided by the Consumer Price Index including owner occupiers' housing costs (CPIH). The ratio is converted to an index (January 2022= 100.0).
- **Projections of gross and net earnings and total headcount** are the result of macroeconomic modelling by Cebr. These are projections of data collected by Sage UK, informed by Cebr's judgement of wider macroeconomic trends.

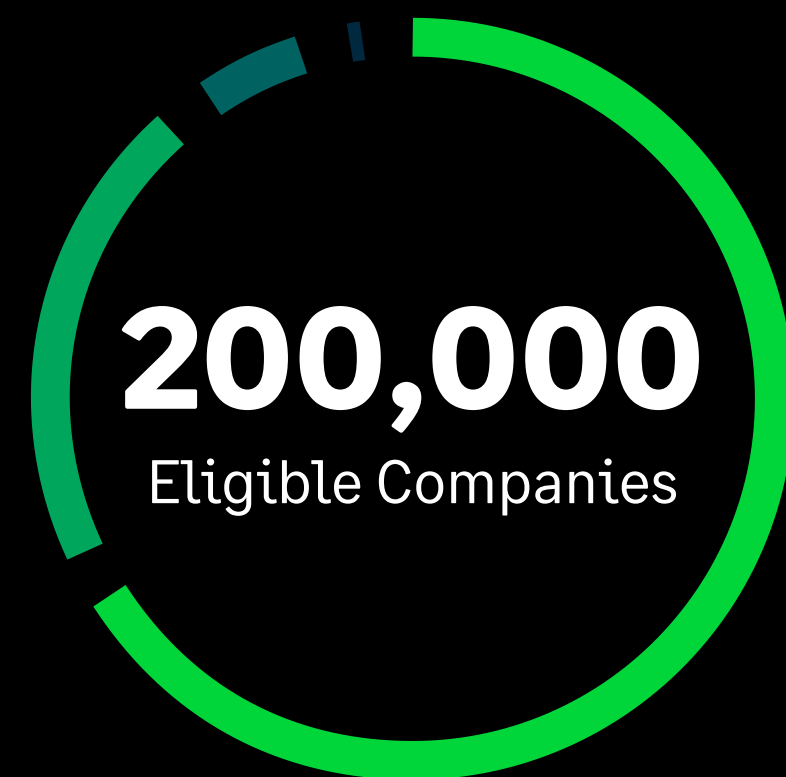


Our small business sample

In May, our sample comprised **207,466** businesses, which contained the following demographics.

Size

Our sample comprises over **200,000** eligible companies that employ millions of employees, with the following breakdown:



- **72% are micro (XS) businesses** (<10 employees)
- **23% are small (S) businesses** (10 – 50 employees)
- **5% are medium (M) businesses** (51 – 250 employees)
- **0.4% are large (L) businesses** (>250 employees)

Region

Within the sample, **207,466** businesses identified their region.

Region	Share
South East	13%
London	11%
West Midlands	10%
North West	10%
East of England	9%
Scotland	9%
Yorkshire and the Humber	9%
East Midlands	8%
South West	7%
North East	4%
Northern Ireland	4%
Wales	4%



Sector

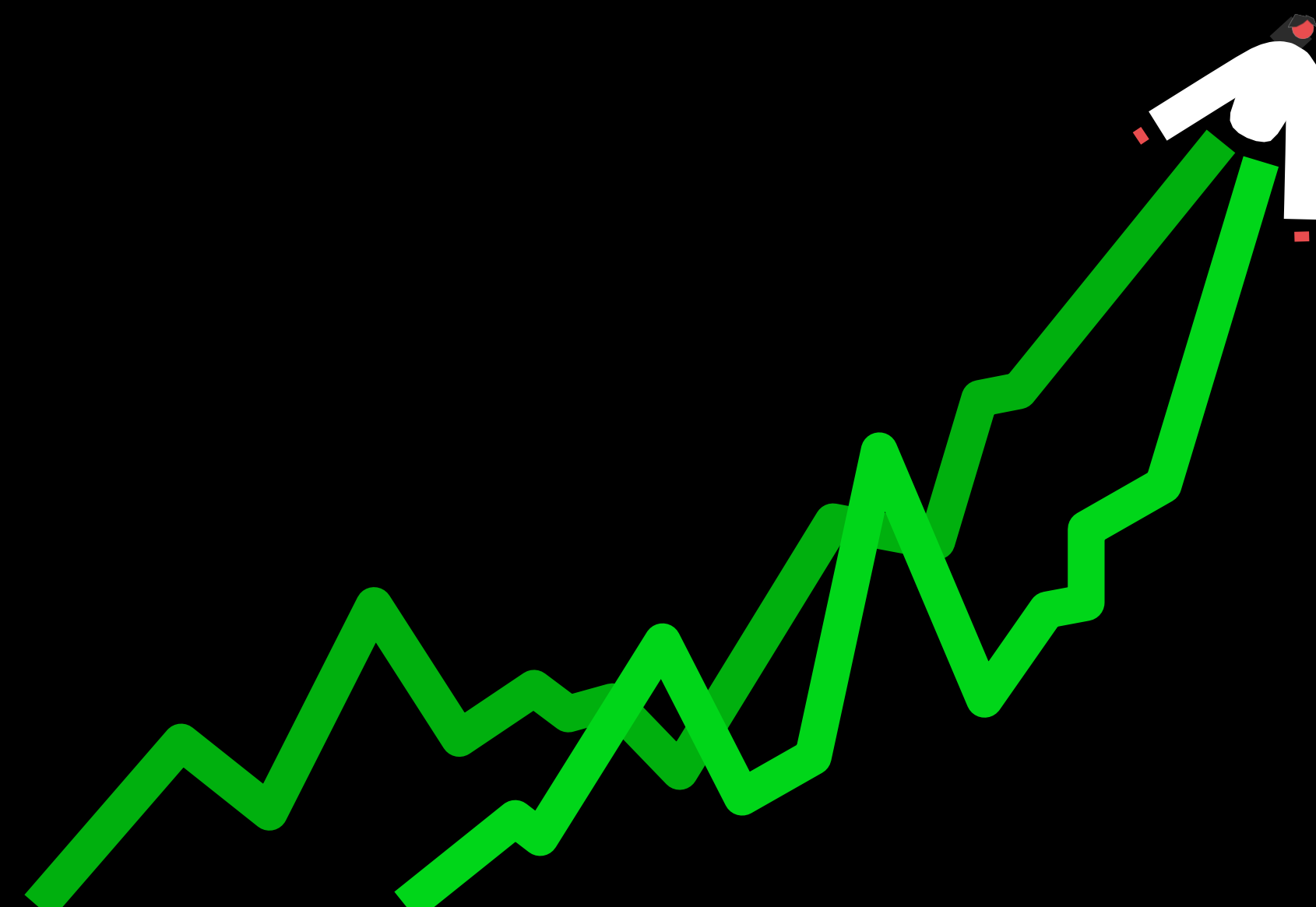
(of the over **177,489** businesses for which we know the sector)

- **16%** were in production
- **15%** were in construction
- **69%** were in services

Glossary

Median monthly earnings:	This represents the earnings of a typical employee, with half of all workers earning more and half earning less. It is often viewed as a more accurate measure of average wages, as it is less affected by very high or very low incomes.
Gross pay:	This is an individual's total earnings throughout a given period before any deductions (e.g. mandated taxes and pension contributions) are made. Net earnings refer to what remains after these deductions have been applied.
Nominal earnings:	This is the monetary value of wages or salaries paid to employees, unadjusted for inflation.
Real earnings:	These are defined as nominal earnings adjusted for inflation, reflecting changes in the purchasing power of income over time due to changes in prices. Because ONS inflation data for the reference month is not yet available, Cebr's inflation forecast is used in the real-earnings calculation.

Year-on-year changes:	These compare the value of a variable to the same reference period a year earlier.
Business sizes:	These are classified as follows: micro (XS) with 0–10 employees, small (S) with 10–50 employees, and medium (M) with 50–250 employees. Businesses with more than 250 employees are defined as large.



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