THE Workplace ADVISORS™

News Your Business Can Use
July 2026

2026 Mid-Year Labor Market Summary

Hard to believe half of 2026 has gone by. As I write this, I'm asking the same question a lot of business owners are: what does the rest of the year hold? The short answer is that the labor market is sending mixed signals — and some of the more positive numbers are hiding real pressure. Job growth has slowed but so has the number of workers the economy needs. And the labor force itself is shrinking. Inflation spiked in the spring, then cooled in June. So here's a summary of what happened in the first half, what forecasters expect, and what it means for the decisions you'll make between now and January.

Job and Wage Growth

Job growth cooled as spring turned to summer, but the steady unemployment rate is masking a headwind, not signaling health. An aging workforce and lower immigration are shrinking the labor supply — meaning fewer available workers, harder-to-fill roles, and upward wage pressure. And wage growth trailed inflation through most of the first half of the year, a squeeze employees are feeling.

- The U.S. added just **57,000 jobs in June** — well below the 100,000–115,000 expected — and April and May were revised down by a combined 74,000.
- In June, **professional and business services led growth (+36,000)**, followed by social assistance (+25,000) and health care (+22,000). That sector hasn't been the consistent front-runner in recent years, which points to demand for skilled, higher-wage roles. Leisure and hospitality lost 61,000 jobs, an unusual summer drop.
- **The "breakeven" number of jobs needed to hold unemployment steady has fallen sharply** — the Fed now puts it near 15,000–90,000 a month, down from about 150,000 a year ago. Because this "breakeven" rate fluctuates depending on immigration flows and labor force participation, economists provide estimated ranges rather than a single fixed number. So slower hiring in 2026 doesn't signal the weakness it once would. But our shrinking labor force as experienced workers age out and the pipeline behind them creates a supply problem that makes hiring harder and won't ease when the business cycle improves.
- Wage growth ran about **3.5% over the year**, trailing inflation, which hit 4.2% in May. That means that real earnings have slipped for most workers so far in 2026. This is the number that should anchor your fall compensation conversations.
- There were roughly **7.6 million openings against 7.1 million unemployed** this spring — near a 1:1 ratio. J.P. Morgan's Michael Feroli calls this market "neither overheating nor collapsing but increasingly sensitive to shocks," with geopolitics and AI the two big wildcards. S&P Global expects unemployment to drift modestly up through year-end.

WHAT BUSINESSES SHOULD CONSIDER

- ✓ A low jobs figure isn't necessarily a weakness, and a stable unemployment rate isn't comfort — both mask a shrinking labor supply. Plan your hiring assuming skilled talent will become harder and more expensive to find.
- ✓ Revisit compensation now. With real wages slipping, employees feel the pinch even when you've given raises — make sure pay keeps pace before your best people look elsewhere.

Unemployment and Labor Force Participation

The unemployment rate looks low, but June's decline came from workers leaving the labor force, not new hiring. Beneath the aggregate, the market is split — steady for mid-career workers, difficult for new graduates and late-career seekers. Layoffs, encouragingly, are well below last year.

- Unemployment edged down to **4.2% in June**, its lowest in a year — but largely because people exited the labor force. Labor force participation slipped to about 61.5%, near its lowest since early 2021. The decline is mostly structural: baby-boomer retirement, slow recoveries from the 2008 financial crisis and COVID-19 pandemic, and a plateauing of women's participation in the workforce.
- Layoffs are down sharply — first-half 2026 totaled about **443,600, roughly 40% below** the 744,300 a year earlier. AI-related restructuring accounted for an estimated 23% of this year's cuts.
- The 1:1 ratio of available jobs vs. unemployed individuals masks a **bifurcated market**: mid-career workers are doing fine, but new graduates and late-career seekers face a stubbornly "frozen" market — plenty of postings, but slow hiring and long searches. If your workforce skews toward either group, the national headline won't match your experience.

One Number, Two Very Different Markets

A near 1:1 ratio of job openings to job seekers hides a market that's split in two.

7.6M openings
jobs employers want to fill

≈ 1:1

7.1M job seekers
unemployed workers

Spring 2026 — the headline looks balanced

MID-CAREER WORKERS

STEADY

- Employers still competing for experienced talent
- Hiring and job mobility look largely normal
- The 1:1 headline roughly matches their reality

NEW GRADS & LATE-CAREER SEEKERS

"FROZEN"

- Plenty of postings — but slow, cautious hiring
- Long searches and few offers
- The national headline overstates their odds

If your workforce skews toward either group, the national headline won't match your experience.

Source: 2026 Mid-Year Labor Market Summary (BLS).

WHAT BUSINESSES SHOULD CONSIDER

✓ Use the softer layoff environment to recruit selectively — fewer employers are shedding talent, and skilled people remain in demand.

Inflation and Interest Rates

Energy costs tied to Middle East tension pushed inflation to a three-year high of 4.2% in May, then it cooled to 3.5% in June as the U.S.–Iran ceasefire eased energy prices. Prices remain above the Federal Reserve's target, wages haven't caught up, and a rate cut by the Fed this year is unlikely.

- Annual inflation hit **4.2% in May** — the highest since 2023 — driven by energy, with gasoline up about 40% year over year. **June eased to 3.5%** as ceasefire talks brought energy costs down, though the outlook remains unstable.
- The wage gap persists: 2026 wage growth of roughly **3.3%–3.5%** has trailed the increased prices employees pay at the pump and grocery store for most of the year.
- The Fed — now chaired by Kevin Warsh — meets later in July. Economists are split between a hike and holding, but nearly all agree a **rate cut in 2026 is highly unlikely**.
- More at tradingeconomics.com/united-states/inflation-cpi.

WHAT BUSINESSES SHOULD CONSIDER

- ✓ Don't over-correct on June's better inflation reading — plan budgets around inflation staying above target and borrowing costs staying elevated through year-end.
- ✓ Factor the real cost-of-living squeeze into year-end raises; employees faced high prices most of 2026, and a raise that ignores that will feel like a cut.

More Hot Topics We're Watching

Data Centers

The data center build-out may not directly impact your industry, but it touches your labor market: it's pulling hard on skilled trades and engineering talent, colliding with immigration-driven shortages, and drawing political and community pushback because of massive demands on water and energy resources.

- It's driving strong demand for **skilled construction and engineering talent** — and colliding with immigration-driven shortages, since an estimated 30% of construction workers are immigrants and deportation policy is expected to tighten that pool.
- Energy and water demands draw sharp public opposition — Gallup finds about **7 in 10 Americans oppose** new local data centers. Arizona enacted a three-year moratorium on tax breaks and New York just announced a one-year moratorium on new hyperscale construction, and other states are weighing similar measures.
- Full analysis at brookings.edu/articles/the-future-of-data-centers.

Legislative Updates

Mid-year minimum-wage increases and the end of Temporary Protected Status (TPS) for Haitians and Syrians are the two developments we are paying attention to.

- Minimum-wage increases took effect July 1 in many counties and municipalities — **19 in California, 5 in Washington, 4 in Maryland** — and Florida rises to $15.00 on September 30. Rules increasingly vary by employer size, making them hard to track. Our HR Support Plan provides monthly updates to keep you current and compliant.
- On June 25, the Supreme Court allowed DHS to **end Temporary Protected Status** for roughly 350,000 Haitians and 6,000 Syrians. They won't be deported immediately, but many revert to pending asylum claims. Employers of TPS holders should monitor this closely to stay compliant.

AI and the Workforce

> *AI is one of the two wildcards economists cite for the back half of 2026 — showing up as a steady reshaping of job design and skill demand.*

- Rapid adoption could lift productivity but adds uncertainty to hiring across white-collar sectors — the same professional and business services roles that led June's growth.
- The near-term reality is **role reshaping, not wholesale replacement**: tasks are shifting and demand is rising for workers who use AI tools well — that's a training-and-hiring question more than a layoff question.

WHAT BUSINESSES SHOULD CONSIDER

- ✓ Use this information as a reminder to regularly track minimum wage and other legislative updates – they often happen quickly and without much advance notice.

Your Second-Half Priorities

Actions to take before year-end

- ✓ Identify resources — like The Workplace Advisors — that track current and upcoming workforce legislation, and consult them regularly.
- ✓ Review compensation levels in all the markets where you operate; current market data will help you make better, more informed salary decisions.
- ✓ Begin planning year-end raises and bonuses, remembering the cost-of-living pressure employees have felt most of 2026.
- ✓ Reassess your bonus/incentive and commission plans for 2027.
- ✓ Consider a Total Rewards Statement to help employees see the full value of their compensation and benefits — we can help.

CONNECT WITH US

www.TheWorkplaceAdvisors.com
Hello@TheWorkplaceAdvisors.com

About the Author This report was written by Susan Palé, Vice President for Compensation at **The Workplace Advisors** — a recruiting and HR consulting firm helping businesses build stronger, more compliant, and more competitive workplaces.

Questions about what this means for your business? Reach us at Hello@TheWorkplaceAdvisors.com or visit theworkplaceadvisors.com.