

Xero Small Business Insights

Labour Productivity - United Kingdom

March 2026

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This **new Xero Small Business Insights (XSBI) report** combines actual, anonymised and aggregated data on sales, hours worked and the number of employees to produce a measure of small business labour productivity in the UK. XSBI measures median monthly labour productivity in two ways and in terms of both levels and growth:

- the level of productivity - XSBI sales per hour worked and XSBI sales per employee (£, 2015 constant prices, seasonally adjusted)
- productivity growth - XSBI sales per hour worked and XSBI sales per employee (year-on-year percentage change, current prices)

More productivity data than is covered in this report can be downloaded for free [here](#). This includes monthly data, starting in January 2019, at the national level and for selected industries and regions, and in USD terms to allow for comparisons with Australia and New Zealand. Details about definitions and methodology can be found [here](#). New productivity data will be published twice a year - with the next edition expected in late 2026.

Labour productivity dips but still above average

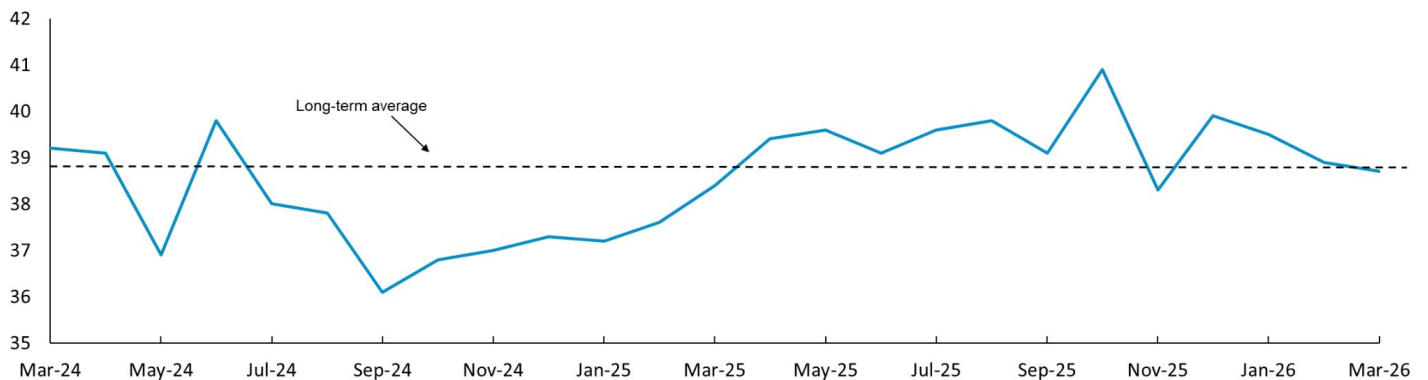
New Xero Small Business Insights (XSBI) data for the UK shows small businesses labour productivity dipped in the early months of 2026, after steadily improving during late 2024 and 2025. Productivity remains above the long-term average of the series, which began in January 2019.

Key data

- Small business labour productivity in the UK was £39.00/hour worked in the March quarter 2026, slightly lower than the £39.70/hour worked in the December quarter 2025. These results were similar to the average result for the six months prior (£39.40/hour worked) and above the long-term average (£38.80/hour worked).
- Productivity per employee also dipped between the last two quarters, averaging £5130.70/employee per month in the March quarter, down from £5309.50/employee per month in the December quarter. The latest result is around the long-term monthly average £5133.20/employee per month.
- Small business labour productivity (£/hour worked) grew 3.7% year-on-year (y/y) in the March quarter, after a 5.3% y/y increase in the December quarter. The latest result is just above the long-term average (3.3% y/y).

Sales per hour worked, United Kingdom

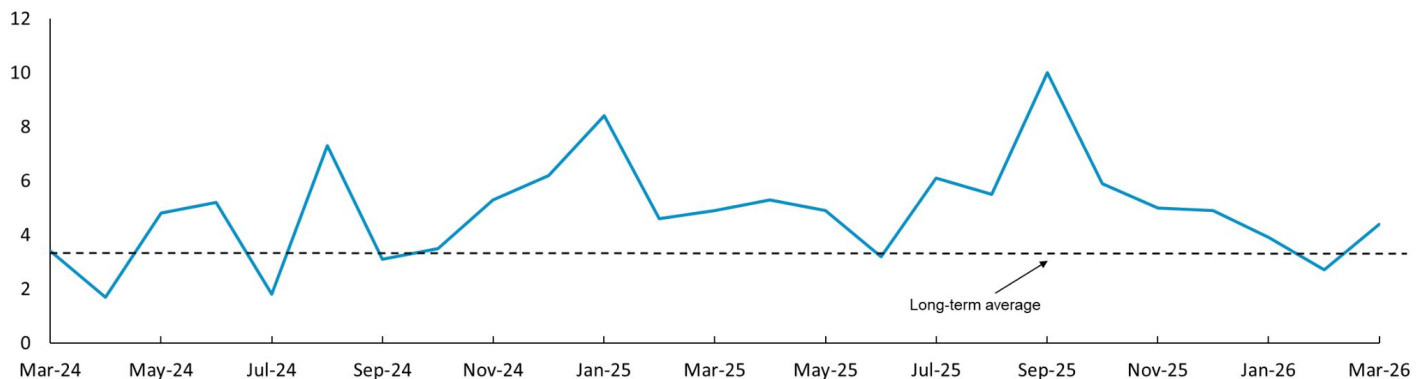
£, 2015 constant prices, seasonally adjusted



Source: Xero Small Business Insights

Growth in sales per hour worked, United Kingdom

£, current prices, year-on-year %

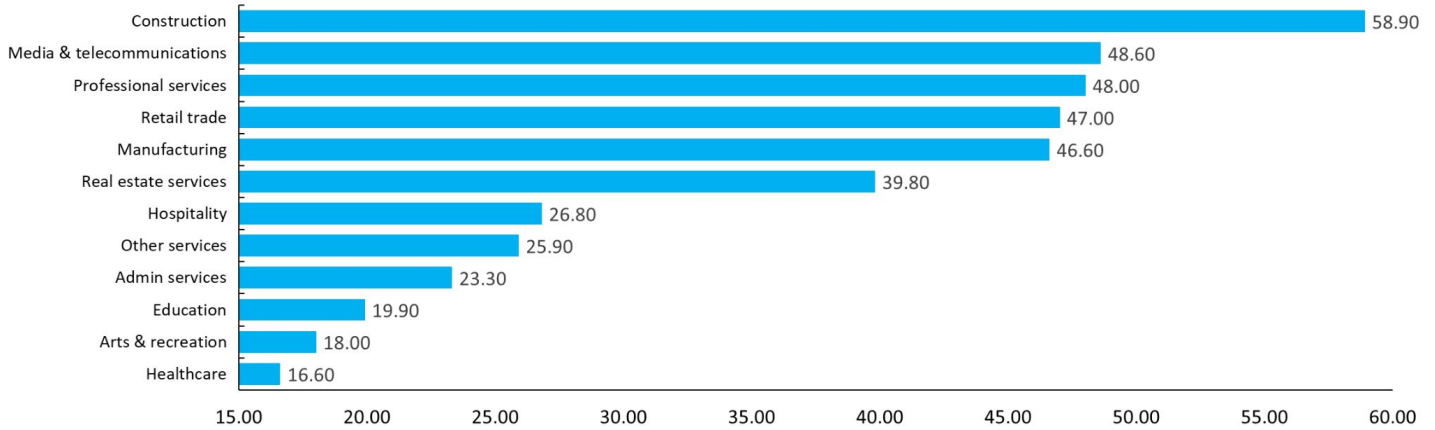


Source: Xero Small Business Insights

The recent dip in productivity at the national level hides significant industry differences. The strongest performers, in terms of the level of productivity per hour worked in the six months to March, were construction, media & communications and professional services. At the other end of the scale, healthcare, arts & recreation and education were less productive over the same period.

Small business labour productivity, selected industries

£, 2015 constant prices, seasonally adjusted, average October 2025 to March 2026

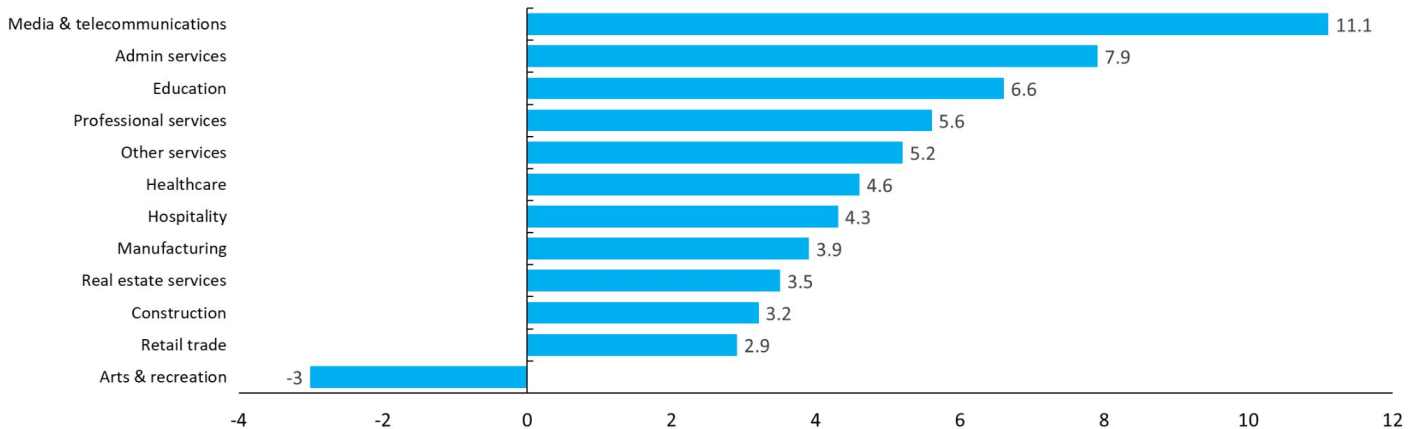


Source: Xero Small Business Insights

The levels-based ranking of industry performance tends to remain reasonably stable over time, but productivity growth data gives a more dynamic look at which industries are improving faster than others. Media & communications (+11.1% y/y), administrative services (+7.9% y/y) and education (+6.6% y/y) recorded the strongest labour productivity average growth rate in the past 6 months by a sizeable margin. Most other industries had similar growth rates between 3-6% y/y, except for art & recreation which saw a 3% y/y decline in productivity. The results for administrative services and education are particularly pleasing as these two industries are some of the least productive. This growth, if it continues, could help them close the gap on other industries.

Growth in small business labour productivity, selected industries

current prices, year-on-year % change, average October 2025 to March 2026

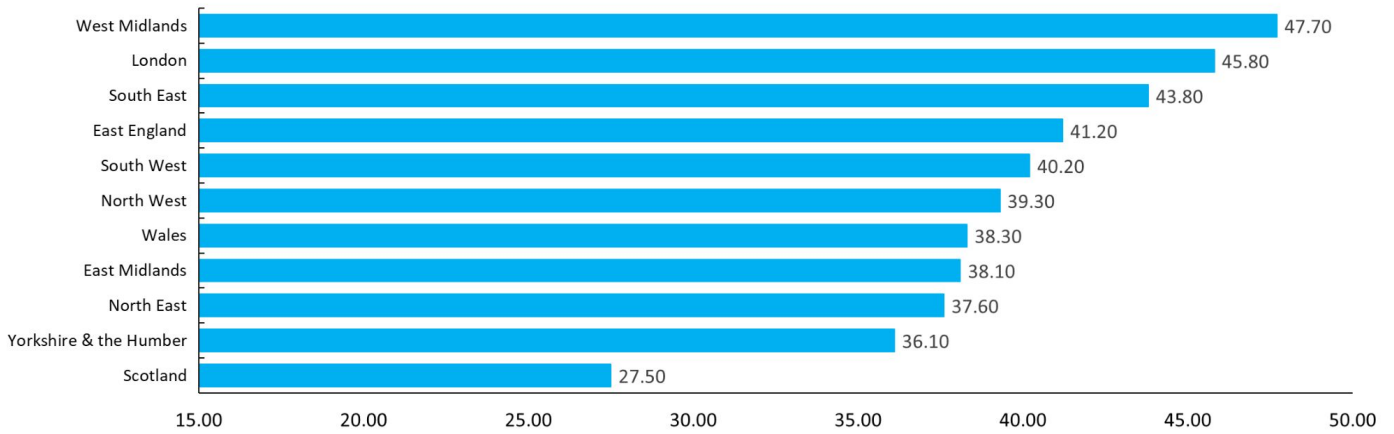


Source: Xero Small Business Insights

There are also differences between UK regions, largely due to the industry mix, with the major cities of Birmingham (West Midlands) and London leading the way. These two regions also had the second (+7.2% West Midlands) and third (+5.8% y/y London) fastest growth rates in the six months to March. This suggests the gap between them and other regions widen over the past six months. The fastest growing region over this period was Yorkshire & the Humber (+7.8% y/y), which also had the second lowest level of productivity. If this momentum continues the region could start to close the gap on the North East.

Small business labour productivity, selected regions

£, 2015 constant prices, seasonally adjusted, average October 2025 to March 2026



Source: Xero Small Business Insights

What does this mean for the economy and small businesses?

This latest data highlights that small business productivity improved in the UK during 2025 but dipped slightly at the start of 2026. Lifting productivity is always important. It allows economies to grow without triggering excessive inflation and it underpins improved living standards. It is even more important in the current economic climate, as it helps to partially offset rising inflation pressures caused by the conflict in the Middle East.

Government's play a significant role in improving productivity particularly through the policy settings around regulation, education, planning and infrastructure. This latest data suggests there is also an opportunity for more attention in the area of healthcare and education - two industries that governments have influence over.

Small business owners can also actively improve in their own productivity by constantly evaluating the process, staff training and tools they use. Digital tools, including those powered by AI, free up time for small business owners to focus on generating sales rather than chasing invoices or doing bank reconciliations. Governments can help them do this by encouraging greater technology take-up.

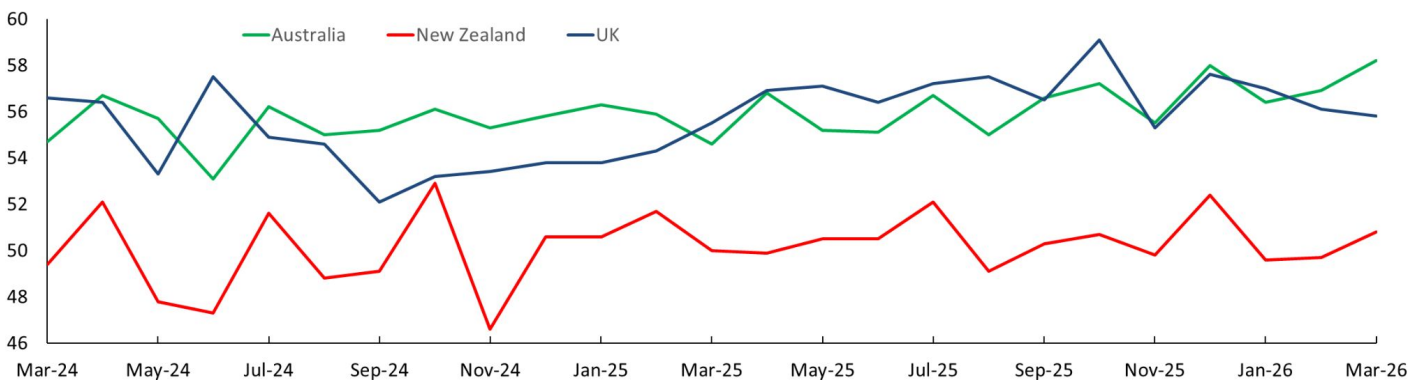
Special Focus: International comparisons

A feature of this dataset is the ability to compare small business labour productivity across countries, using a consistent methodology. This is done by converting the local currency level data into US dollar terms (using PPP 2015).

New Zealand productivity has clearly been lower than in Australia and the UK over recent years. The UK lagged Australia in the second half of 2024. However, a solid recovery during 2025 meant it exceeded Australian productivity for most of that year. Australia pulled ahead again in the most recent quarter, as the UK dipped lower.

Sales per hour worked, international comparison

USD, 2015 constant prices, 2015 PPP, seasonally adjusted



Source: Xero Small Business Insights

Additional details about Xero Small Business Insights

About Xero

[Xero](#) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including accounting, payroll and payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world.

About Xero Small Business Insights

The aim of Xero Small Business Insights is to create insights to help inform decision makers in support of the small business economy as a whole. The principal source of small business insights in this report is customer data from Xero - a small business platform that supports online accounting and a range of other applications. Xero is a responsible custodian of our customers' sensitive data and does not release any data that could identify individual businesses. The data used is aggregated and anonymised to ensure the privacy of Xero subscribers, and their counterparts.

As part of the program, we publish regular blogs and research notes and deep-dive Special Reports on specific small business topics. These can all be found at xero.com/xerosbi.

Methodology

Full details of the definitions and methodology used to construct the XSBI productivity measures can be found [here](#).

Disclaimer

This report was prepared using Xero Small Business Insights data and publicly available data for the purpose of informing and developing policies to support small businesses.

This report includes and is in parts based on assumptions or estimates. It contains general information only and should not be taken as taxation, financial, investment or legal advice. Xero recommends that readers always obtain specific and detailed professional advice about any business decision.

The insights in this report were created from the data that was available as at the date it was extracted. Data used was anonymised and aggregated to ensure individual businesses cannot be identified.