

CIPD

LABOUR MARKET

# OUTLOOK

VIEWS FROM EMPLOYERS

Summer 2025

The CIPD has been championing better work and working lives for over 100 years. It helps organisations thrive by focusing on their people, supporting our economies and societies. It's the professional body for HR, L&D, OD and all people professionals – experts in people, work and change. With over 160,000 members globally – and a growing community using its research, insights and learning – it gives trusted advice and offers independent thought leadership. It's a leading voice in the call for good work that creates value for everyone.

Report

# Labour Market Outlook

Summer 2025

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# 1

## Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* (LMO) provides an early indication of future changes to the labour market around recruitment, redundancy and pay intentions. The findings are based on a survey of more than 2,000 employers.

Business confidence remains at an unprecedented low, outside of the pandemic. Our net employment balance stands at +9, little changed on the +8 recorded last quarter. Hiring intentions among private sector firms also remain at a record low, outside of the pandemic. Just 57% of private sector employers plan to recruit staff in the next three months, down from 65% in autumn 2024. Policy changes from the government's first year in office are reflected in our data. The increase in the rate of employer National Insurance and the lowering of the secondary threshold has had the same impact on costs as expected when they were first announced. These changes have disproportionately impacted lower-paying industries, and those hiring staff working fewer hours, due to the concurrent rise in the National Minimum Wage and National Living Wage (NMW/NLW).

Policy-makers should be particularly concerned about the impact on young people. While employers don't pay National Insurance contributions (NICs) for workers under 21 or apprentices under 25, those who hire them were more likely to report that their employment costs have risen significantly.

The public sector net employment balance remains below zero at -6. There has also been a fall in the proportion reporting hard-to-fill vacancies, coupled with a rise in those reporting no vacancies among public sector employers in the latest quarter. The government has outlined its plans for a leaner public sector. One example is the merger of NHS England and the Department for Health and Social Care, with NHS England currently subject to a recruitment freeze. There have also been announcements around digitalisation, defaulting communications regarding health through the NHS app, and embedding artificial intelligence (AI) as part of day-to-day working in the public sector. All factors point to reduced hiring plans.

The government's white paper *Restoring control over the immigration system*, published in May, and the sudden enforcement of new rules in July to end overseas recruitment in social care, have had a marked impact on the sector. This quarter, the net employment balance in social care fell sharply from +23 to -2. Other changes, including the raising of the skills and salary thresholds for workers from overseas, are likely to affect many employers. The complexity of the system has not been helped by the introduction of a new and haphazardly put together temporary shortage list, which allows employers to continue to hire workers at the lower skills threshold. These occupations are said to be based on the eight high-growth industries, identified in the new industrial strategy. While not an exact mapping, employment intentions are positive in all these areas within our data.



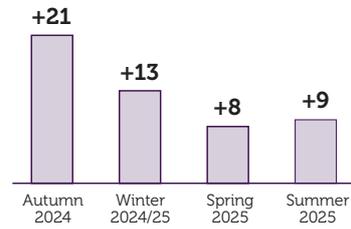
**James Cockett, CIPD  
Senior Labour Market  
Economist**

Overall, pay intentions remain at 3% for the year ahead, unchanged over the past five quarters. This now sits below the latest inflation figure of 4.1%, if you include housing costs, as the cost of living continues to play on employees' minds.

Read on for our latest labour market data and analysis on employers' recruitment, redundancy and pay intentions this summer.

# 2 Key points

- The net employment balance – the difference between employers expecting there will be an increase in staff levels and those expecting there will be a decrease in the next three months – remains stable this quarter at +9. However, this remains an unprecedented low, outside of the pandemic.



Net employment balance

- Employment intentions in the public sector remain below zero and have fallen from -4 last quarter to -6 this quarter. This means more public sector employers expect staff numbers to decrease rather than increase over the next three months.



Public sector expects staff decrease

- 84% of employers report their employment costs have increased due to rises in employer National Insurance contributions (NICs). A third (32%) report that these changes have increased their costs to a large extent. The National Insurance changes are reported as the largest cost pressure by employers over the last 12 months.



NICs cause significant rise in employment costs

- The level of public sector employers currently reporting hard-to-fill vacancies has fallen significantly from 44% last quarter to 34% this quarter. Half (49%) of public sector employers currently have no vacancies or are unsure if they have any vacancies, up from 40% last quarter.



Hard-to-fill vacancies have decreased

- The median expected basic pay increase remains at 3% overall, and in both the public and private sectors.



Median expected basic pay increase remains at 3%

# 3

## Recruitment and redundancy outlook

The net employment balance – the difference between employers expecting there will be an increase in staff levels and those expecting there will be a decrease in staff levels in the next three months – has remained stable this quarter at +9. This, however, remains an unprecedented low, having fallen to +8 last quarter – the lowest figure on record apart from during the first year of the pandemic.

Employer confidence remains low as businesses lick their wounds following a period of rising costs, including the tax rises which have come into effect from April. While news may have quietened around the ‘Trump tariffs’, the impact on UK exports to the US was evident, with a fall from £6.1bn in March 2025 to just £4.1bn in May 2025.<sup>1</sup>

Employment intentions in the public sector remain below zero and have fallen from -4 last quarter to -6 this quarter. This means more employers in the public sector expect a decrease than an increase in staff levels over the next three months. Employment intentions remain stable in the private sector at +12. Last quarter the net employment balance had fallen to +11, a record low for the private sector (outside of the early stages of the pandemic) since we began collecting this measure in 2014.

### Net employment balance remains low

Figure 1: Net employment balance, by broad sector



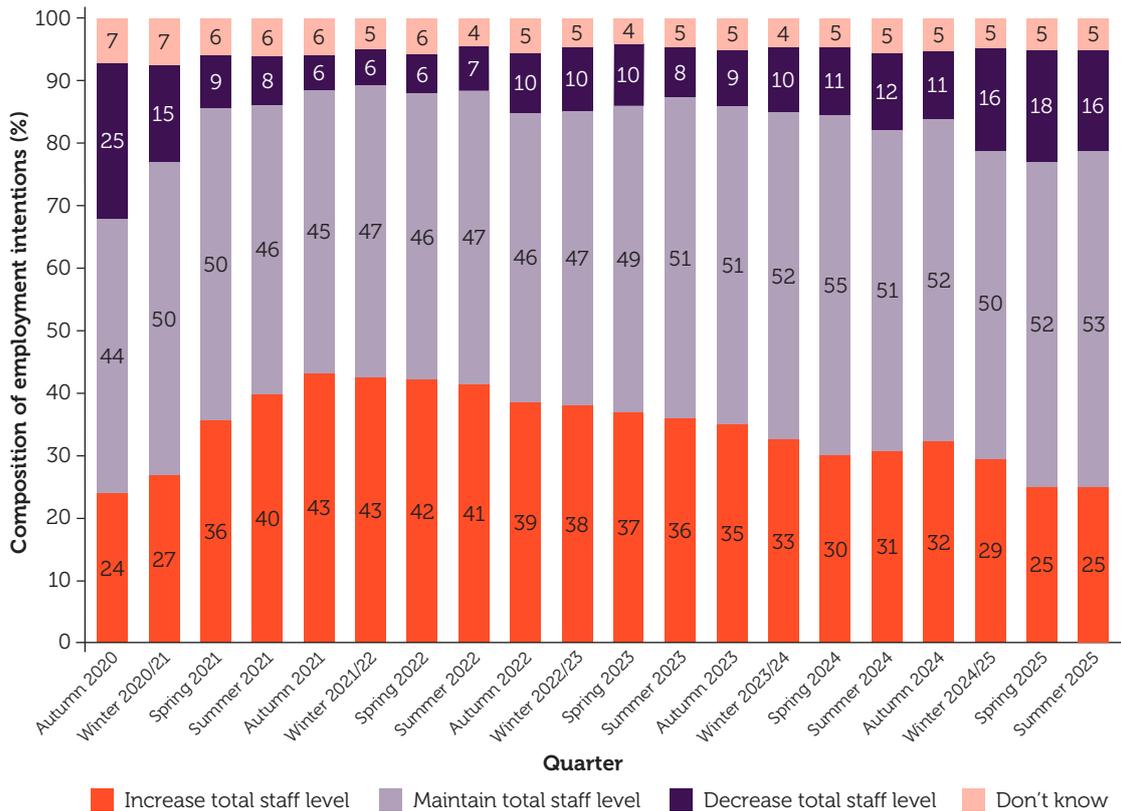
Base: summer 2025, all employers (total: n=2,018; private: n=1,500; public: n=326; voluntary: n=192).

<sup>1</sup> Office for National Statistics. (2025) *UK trade: May 2025*.

As with last quarter, 25% of employers expect their staff levels to increase in the next three months. The proportion of surveyed employers expecting a decrease in staff levels is 16%, matching the figure from winter 2024/25. Roughly half (53%) of all employers believe their staff levels will be maintained in the next three months (see Figure 2).

### Employment intentions show little change

Figure 2: Composition of employment intentions (%)

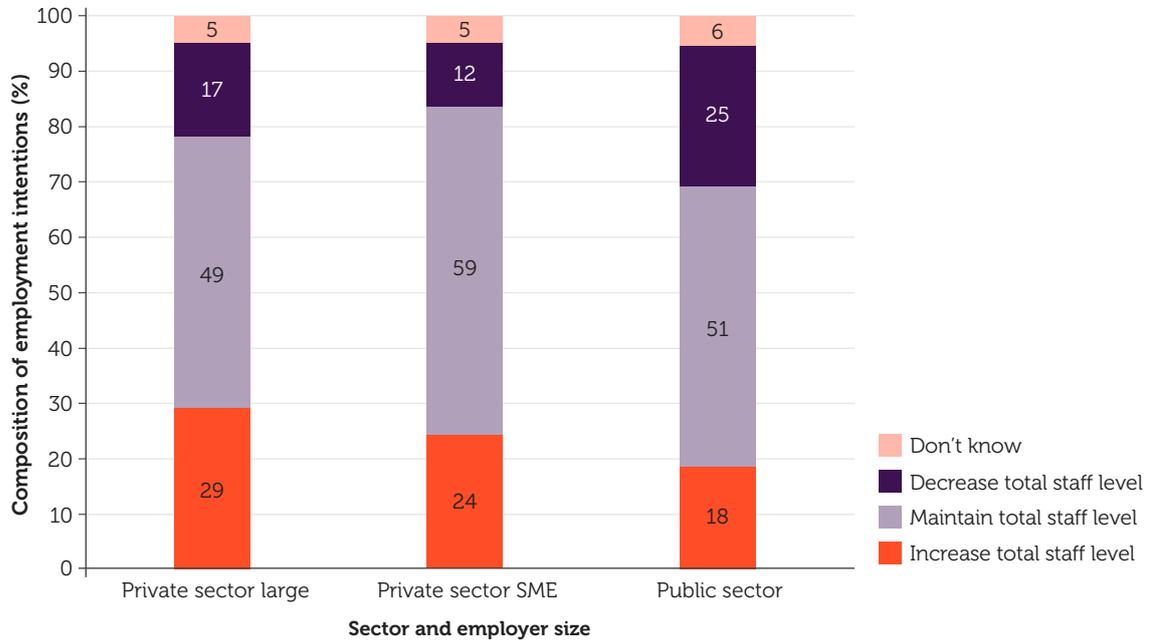


Base: summer 2025, all employers (n=2,018).

Twenty-nine per cent of large private sector organisations and 24% of private sector small and medium-sized enterprises (SMEs) say they expect their staff levels to increase in the next three months. This is significantly higher than the rate recorded in the public sector (18%). Instead, one in four (25%) public sector employers expect a fall in staffing levels over the next three months. This is at a higher rate than both large private sector organisations (17%) and SMEs (12%). The public sector figure is unchanged from last quarter.

## One in four public sector employers expect staff levels to fall

Figure 3: Composition of employment intentions, by broad sector (%)



Base: summer 2025 (private sector large (250+): n=498; private sector SME: n=1,002; public sector: n=326).

The net employment balance is now below zero in several industries. It is lowest among public administration and other public sector employers (–12). There is a negative net employment balance in both education categories. It is –8 among employers in compulsory education, which includes primary and secondary education, and –4 among non-compulsory education, which includes vocational and higher education institutions. The government’s initial announcement,<sup>2</sup> and subsequent enforcement, of ending overseas recruitment for social care has had a marked impact on the net employment balance in this industry, which has fallen from +23 last quarter to –2 this quarter.

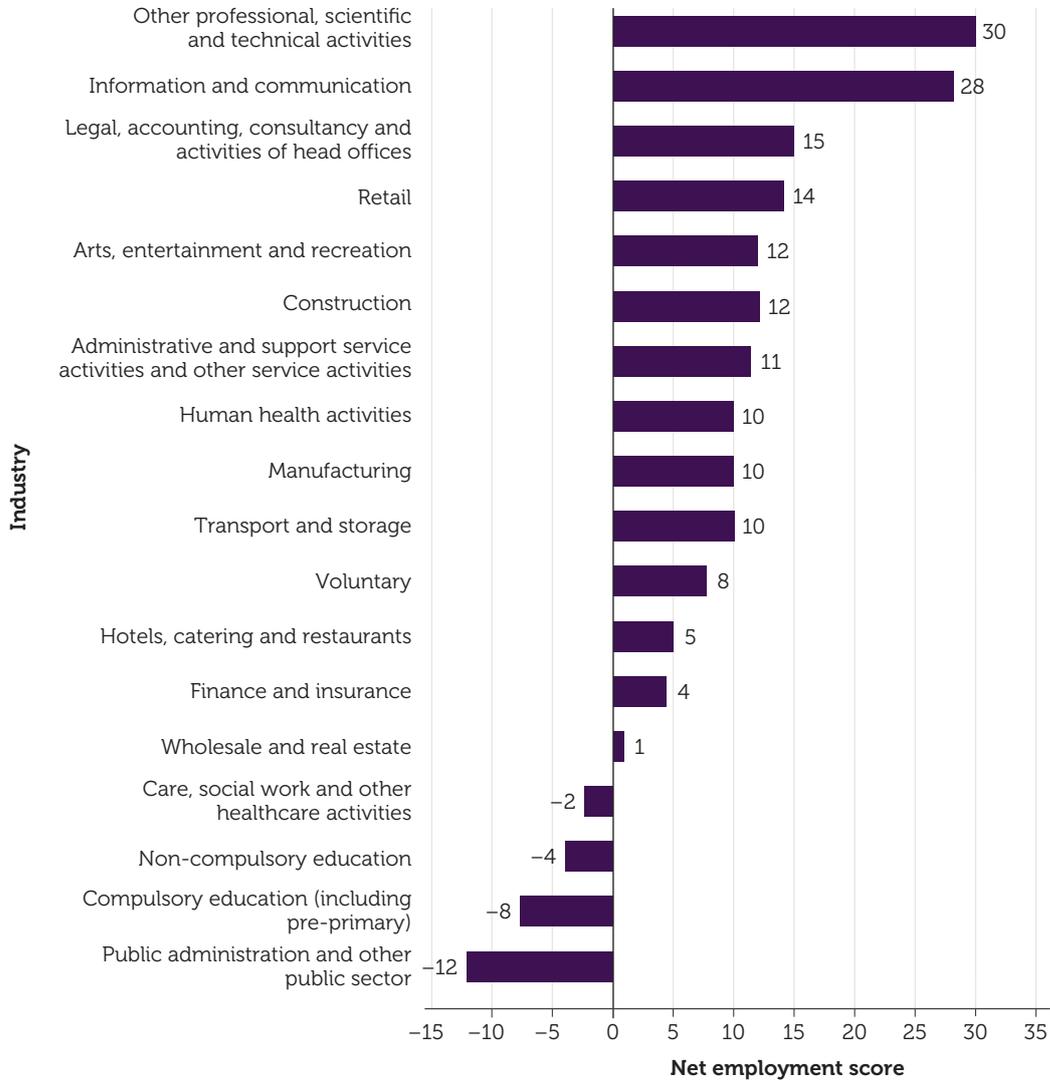
At the same time, the government has set out its priorities for growth as part of its industrial strategy.<sup>3</sup> As part of this it has identified eight high-growth industries. While not an exact mapping, employment intentions are positive in all these areas.

<sup>2</sup> GOV.UK (2025) *Overseas recruitment for care workers to end*. 11 May.

<sup>3</sup> GOV.UK (2025) *The UK’s modern industrial strategy*. London: Department for Business and Trade.

## Employers expect staff levels to fall in several industries

Figure 4: Net employment balance, by industry (%)



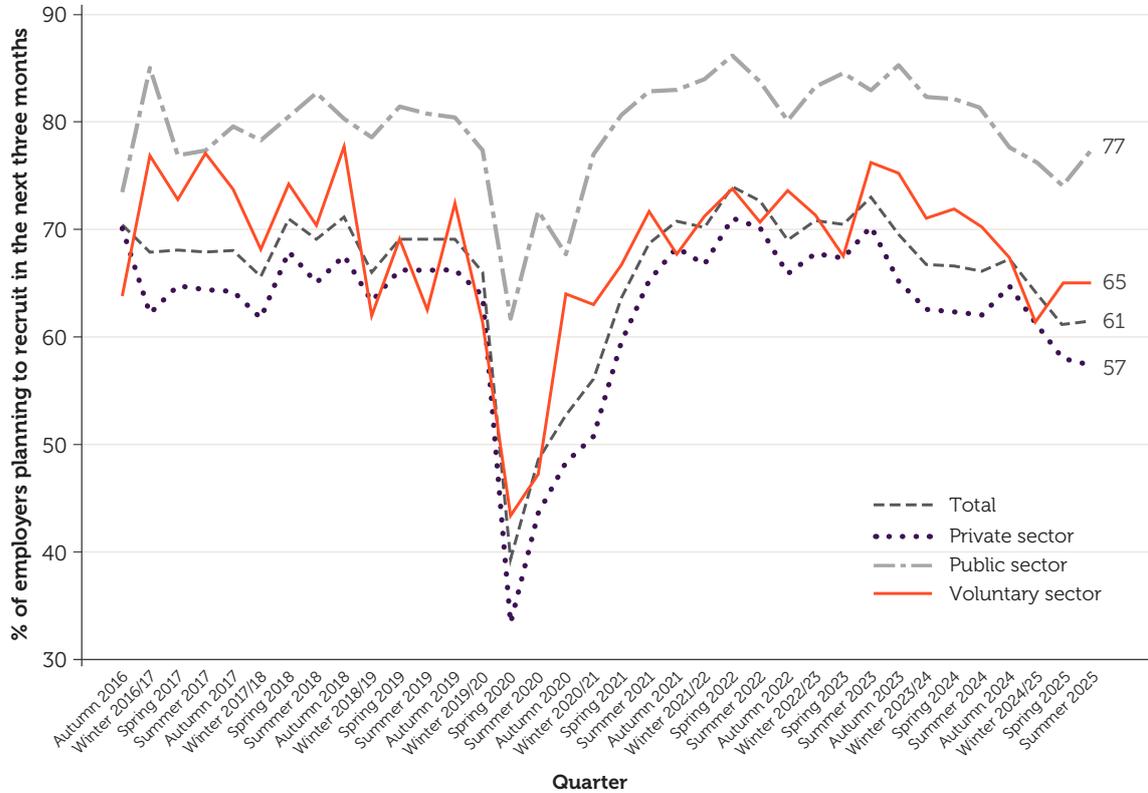
Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 5.

### Recruitment

Hiring intentions among private sector firms also remain at a record low, outside of the pandemic. Just 57% of private sector employers plan to recruit staff in the next three months, down from 65% in autumn 2024. Sixty-one per cent of employers plan to recruit in the next three months, unchanged from the spring quarter, but significantly lower than the 67% recorded in autumn 2024. Recruitment intentions remain highest in the public sector, with 77% planning to recruit in the next three months. (see Figure 5).

## Recruitment intentions remain stable

Figure 5: Recruitment intentions, by broad sector (%)



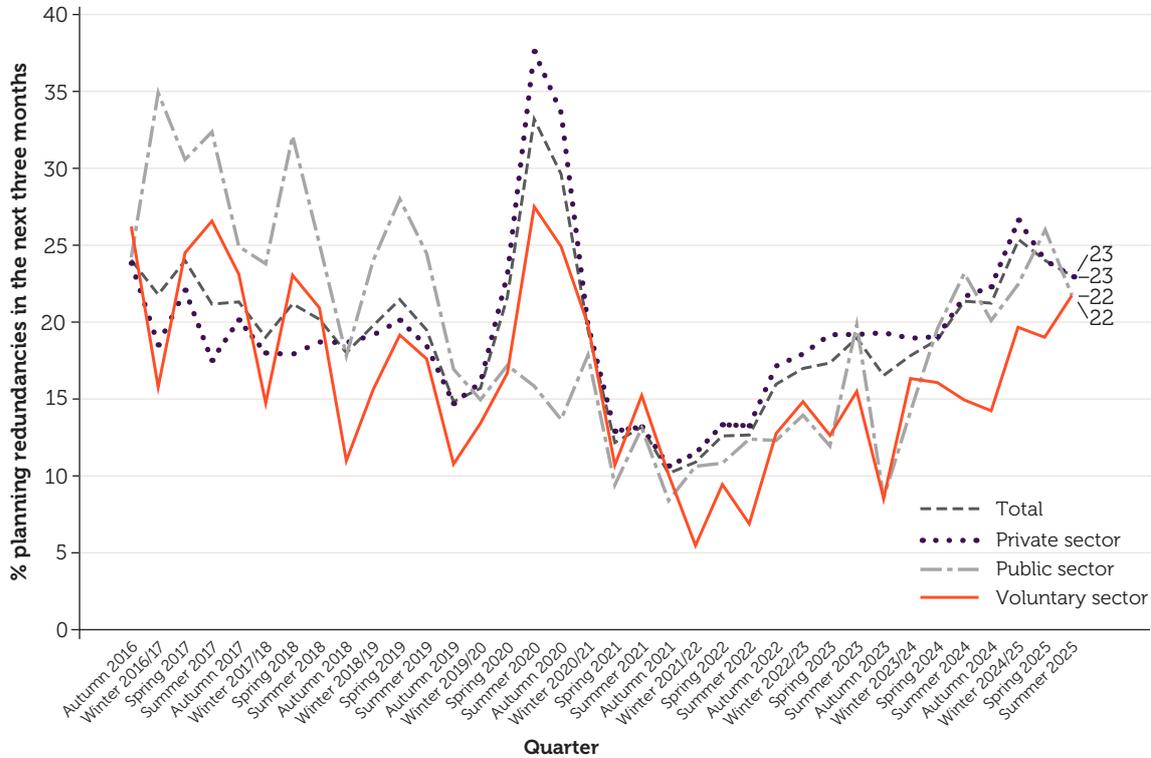
Base: summer 2025, all employers (total: n=2,018; private: n=1,500; public: n=326; voluntary: n=192).

## Redundancies

Twenty-three per cent of employers are planning to make redundancies in the three months up to October 2025 (see Figure 6). This overall rate has not significantly changed compared with the last two quarters (25% in winter 2024/25, and 24% in spring 2025). There is little difference in the proportion of employers planning redundancies between the private, public and voluntary sectors.

## Overall, redundancy intentions stay the same

Figure 6: Redundancy intentions, by broad sector (%)



Base: summer 2025, all employers (total: n=2,018; private: n=1,500; public: n=326; voluntary: n=192).

### Employer costs

In our [winter 2024/25 LMO report](#), we highlighted the potential impact of the National Insurance changes and the usual increases in the minimum wage on employment costs. In that report we found almost nine in 10 employers believed their employment costs would increase because of the increase in the employer rate of NICs (89%) and the reduction in the ‘secondary threshold’ (87%).

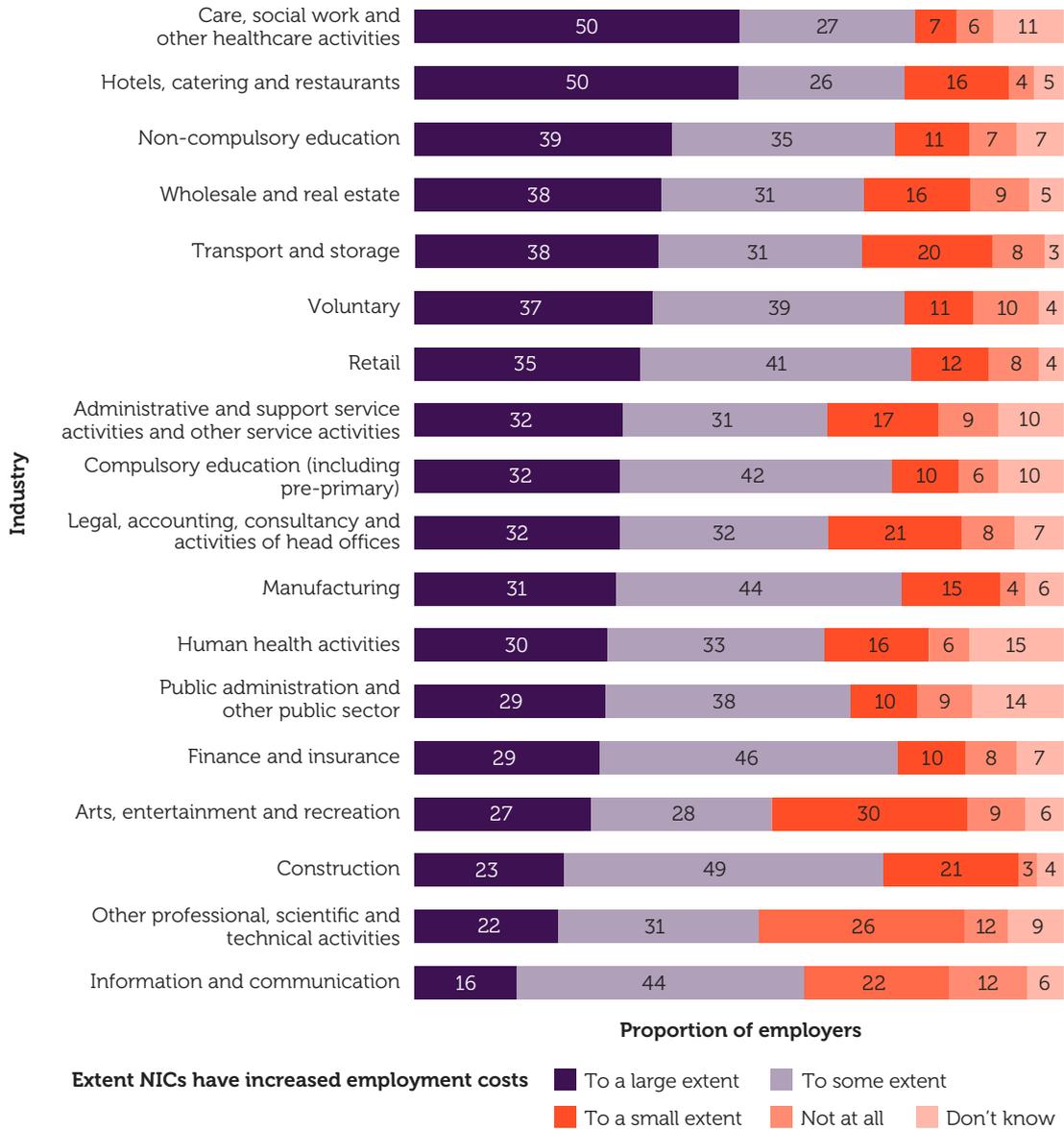
This quarter we find that has largely borne true, with 84% reporting their employment costs have increased due to changes to National Insurance contributions in April 2025. However, the changes may not have been as severe as first thought. Prior to the changes coming to effect, around four in ten believed their employment costs would increase to a large extent because of the increase in the employer rate of NICs (43%) and the reduction in the ‘secondary threshold’ (40%). Due to the changes, only 32% now say their employment costs have increased to a large extent – less than had originally anticipated significant increases.

Despite this, there are some industries that have been hit hard by these increased costs. Half of employers in care and hospitality report that their employment costs have increased to a large extent due to these changes.

In all industries except IT, other professional services, and arts and recreation, at least 60% of employers report that National Insurance changes have increased their employment costs to some extent.

## National Insurance changes have impacted the costs of all businesses

Figure 7: Impact of National Insurance rises on employment costs, by industry (%)



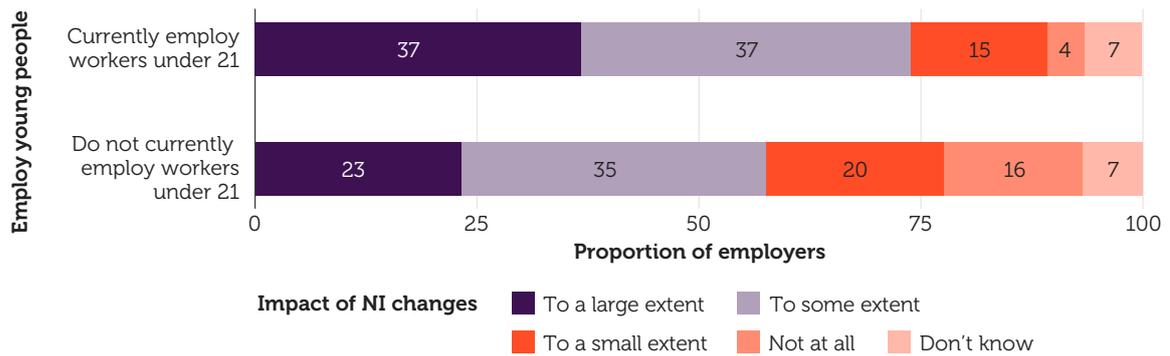
Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 5.

Alarmingly, these changes have had a disproportionate impact on firms that hire young people. Hospitality, for example, has the largest number of workers under 21. We find that 37% of employers who hire young people, aged under 21, have said the National Insurance changes have increased their employment costs to a large extent. This compares with 23% of employers who do not hire young people. While employees under the age of 21 are exempt from employer National Insurance, in times of a weakening economy and with strong cost pressures, employers are less likely to take younger staff on. Periods of unemployment for young people are 'scarring'. It leads to lower earnings potential and the increased likelihood of further spells of unemployment. It is also associated with negative mental health and

wellbeing outcomes. The latest data on payrolled employees from PAYE real-time information<sup>4</sup> shows that between October 2024 (when the changes were announced) and May 2025, payrolled employees fell by 5.1% among 16- to 17-year-olds and 1.1% among 18- to 24-year-olds. This compares with an overall contraction of 0.5%.

### National Insurance changes have disproportionately impacted employers who hire young people

**Figure 8: Impact of National Insurance rises on employment costs, by whether they hire workers under 21 (%)**



Base: summer 2025, employers who hire workers under 21 (n=1,066); employers who do not hire workers under 21 (n=844).

When asking employers about which cost increase has had the largest financial impact on their business in the last 12 months, the rise in employer NICs leads the way (see Figure 9). Thirty-six per cent of employers report this as their biggest cost increase over the past year. With the exception of hospitality, all industries report the NICs rise as having the largest financial impact on their business in the past year (see [Appendix](#)).

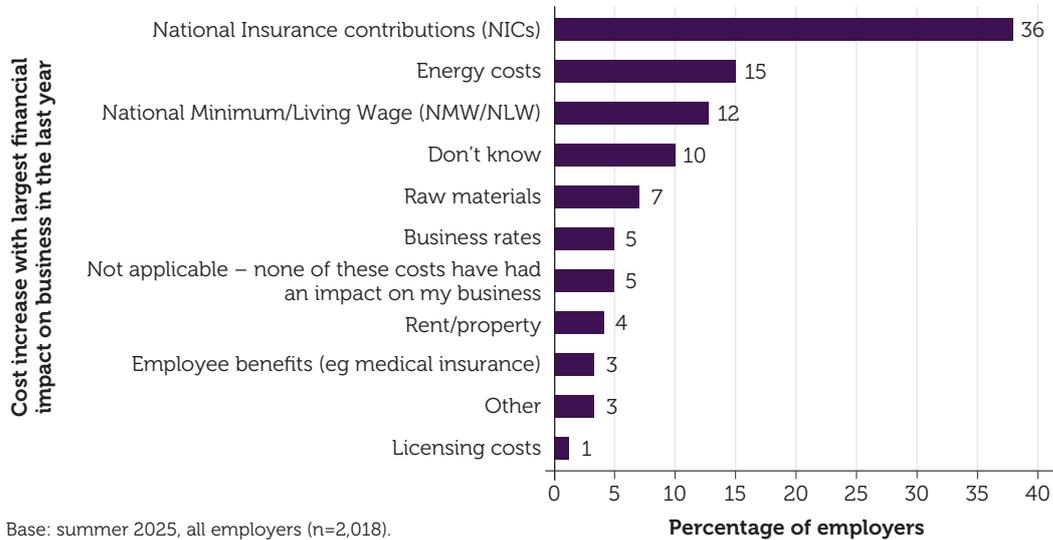
Another cost pressure faced by many businesses is rising energy costs, with 15% of employers reporting this as having the largest financial impact on their business.

Twelve per cent of organisations reported that the rise in the National Minimum/Living Wage (NMW/NLW) has had the biggest financial impact on their business in the last 12 months. Businesses in hospitality were split between this and the NICs rise as being the largest cost increase (27% and 26% respectively) (see Figure 10). Employers in construction (21%) and retail (19%) reported the NMW/NLW rise as the cost increase with the biggest financial impact at a rate higher than the average employer.

<sup>4</sup> Office for National Statistics. (2025) *Earnings and employment from Pay As You Earn Real Time Information, UK: July 2025*.

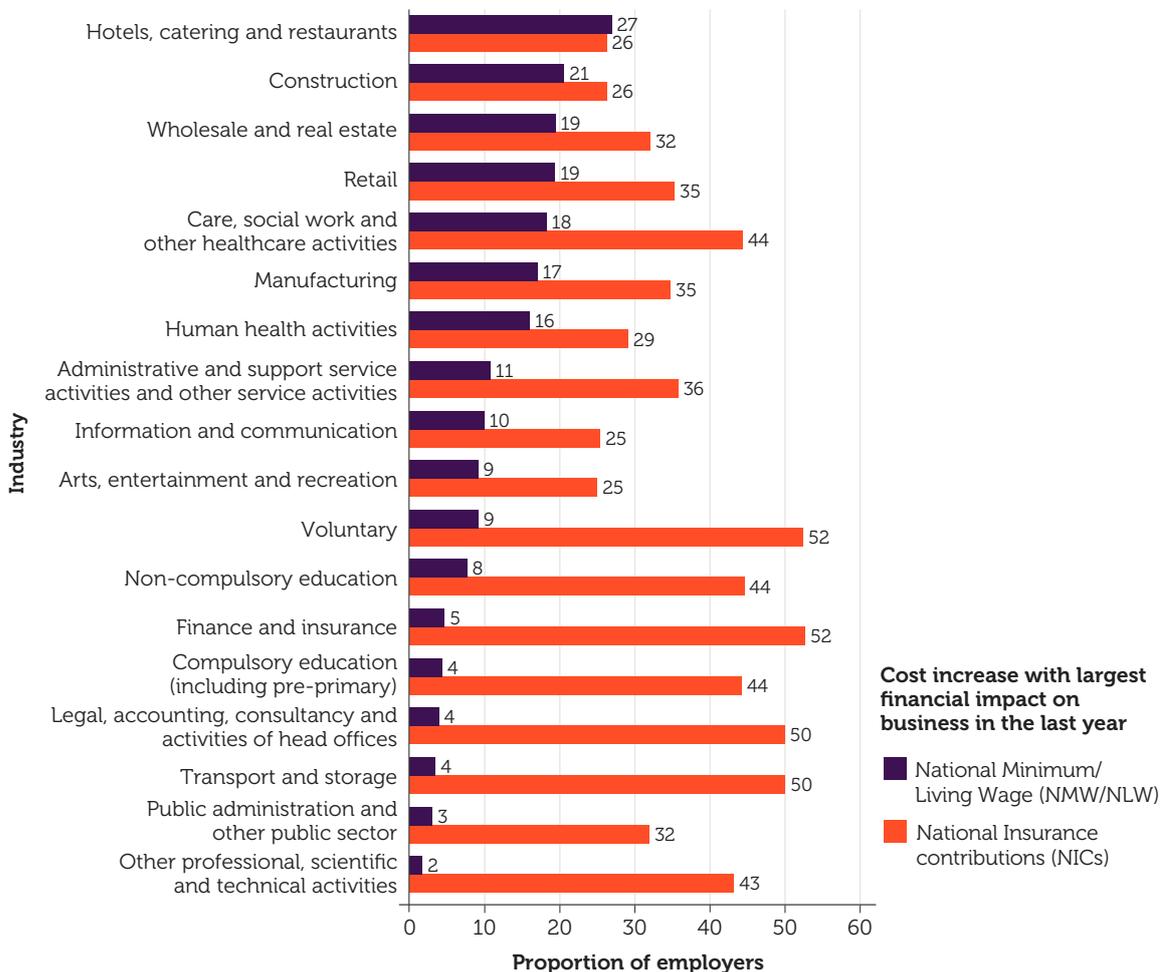
## Employers report rising NICs as largest cost pressure over last year

Figure 9: Largest cost pressure over the last 12 months (%)



## Employers impacted by NMW/NLW report rising NICs as a larger cost pressure

Figure 10: Largest cost pressure over the last 12 months, by industry (%)



**Further reading and practical guidance**

- [CIPD | Youth apprenticeships and the case for a flexible skills levy](#)

A report with policy recommendations on providing a better apprenticeships system and workforce training support for young people.

- [CIPD | Managing redundancy](#)

A guide to help deliver fair, effective redundancy processes that protect your people and reputation.

- [CIPD | Inclusive recruitment](#)

Use our guidance to strengthen your talent pipeline with fair and inclusive hiring practices.

- [CIPD | Induction tools](#)

Set up new hires for success with our effective onboarding tools.

## 4 Job vacancies

The labour market continues to cool, with official data published in mid-July showing that overall vacancy levels have fallen each month for the past three years.<sup>5</sup> We find that the rate of employers reporting hard-to-fill vacancies has also fallen over much of that period (see Table 1). Thirty-one per cent of employers reported hard-to-fill vacancies in the latest quarter.

### Employers continue to have hard-to-fill vacancies

**Table 1: Employers with hard-to-fill vacancies (%)**

Spring 2023	Summer 2023	Autumn 2023	Winter 2023/24	Spring 2024	Summer 2024	Autumn 2024	Winter 2024/25	Spring 2025	Summer 2025
42	44	41	38	37	37	36	33	33	31

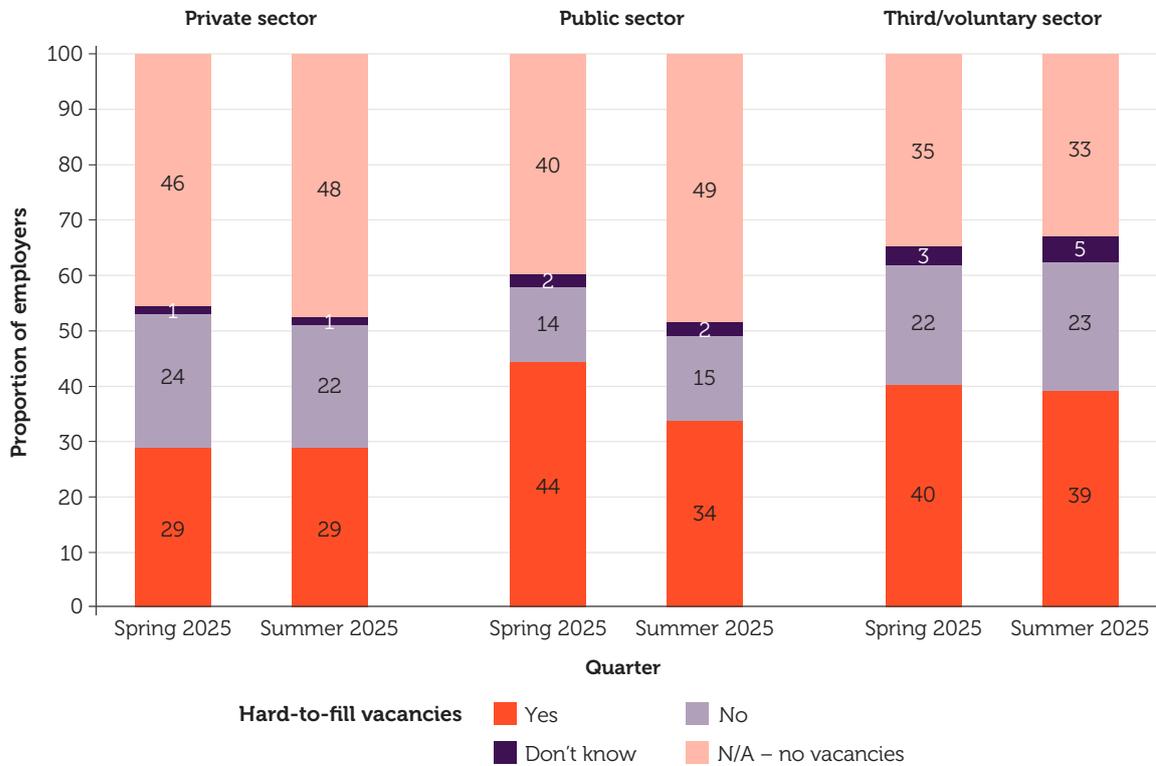
Base: summer 2025, all employers (n=2,018).

The level of public sector employers currently reporting hard-to-fill vacancies has fallen significantly from 44% last quarter to 34% this quarter. This is in part due to the proportion of employers reporting no vacancies rising. Half (49%) of public sector employers currently have no vacancies or are unsure if their organisation has vacancies, up from 40% last quarter.

<sup>5</sup> Office for National Statistics. (2025) *Vacancies and jobs in the UK: July 2025*.

## Hard-to-fill vacancies have fallen in the public sector

Figure 11: Employers with hard-to-fill vacancies, by broad sector (%)

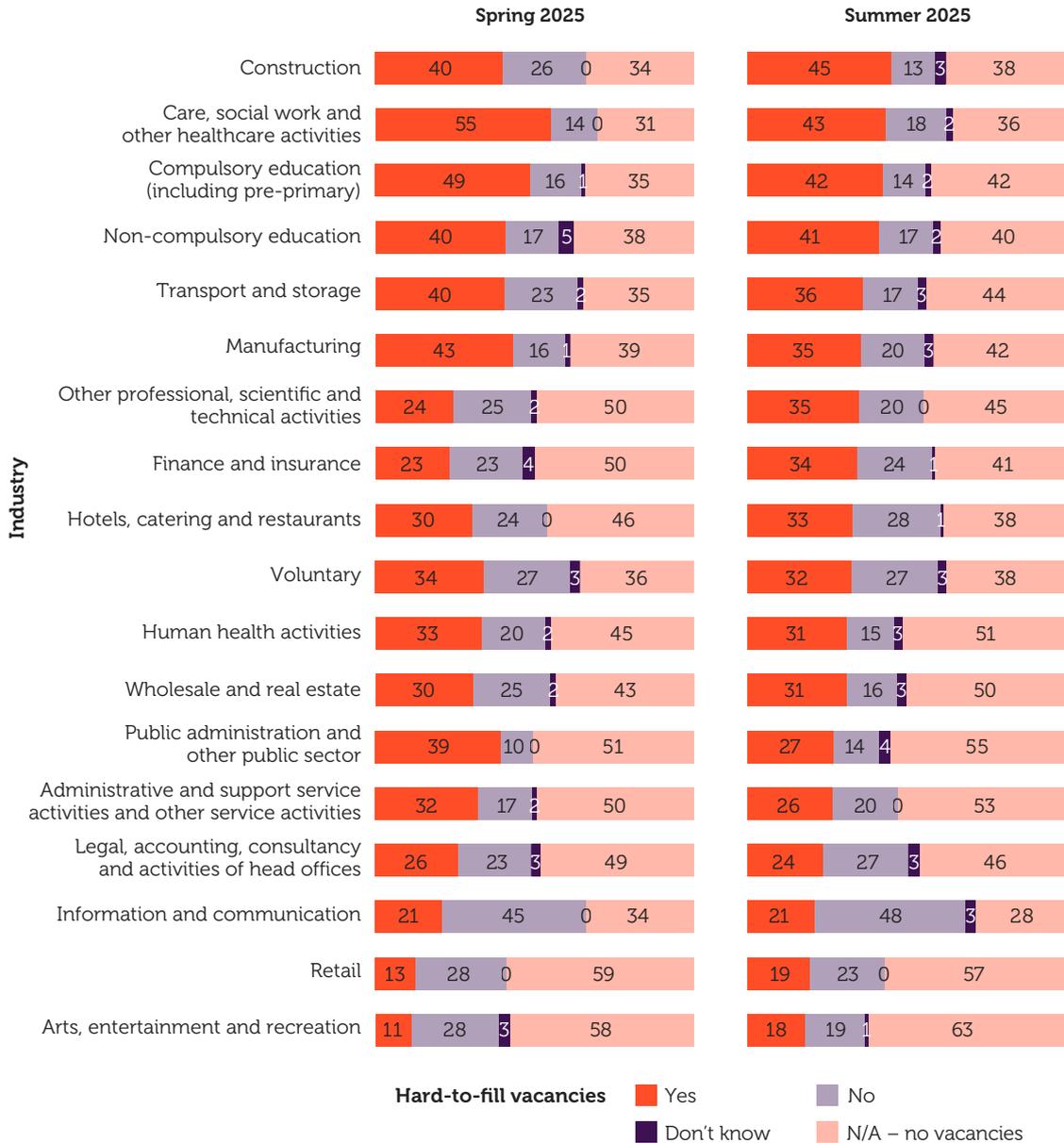


Base: spring 2025, all employers (total: n=2,004; private: n=1,492; public: n=347; voluntary: n=165); summer 2025, all employers (total: n=2,018; private: n=1,500; public: n=326; voluntary: n=192).

Figure 12 shows the proportion of employers reporting hard-to-fill vacancies has fallen and the proportion reporting no vacancies has risen in all public sector-related industries since last quarter. In the public administration and other public sector categories, 27% of employers reported hard-to-fill vacancies. This is down from 39% last quarter. Similarly, compulsory education has gone from 49% to 42% of employers reporting hard-to-fill vacancies. In healthcare, half (51%) of employers report no vacancies, up from 45% last quarter. As of writing, NHS England is currently advertising no vacancies due to the merger with the Department for Health and Social Care (DHSC).

### Hard-to-fill vacancies have fallen in some industries

Figure 12: Employers with hard-to-fill vacancies, by industry (%)

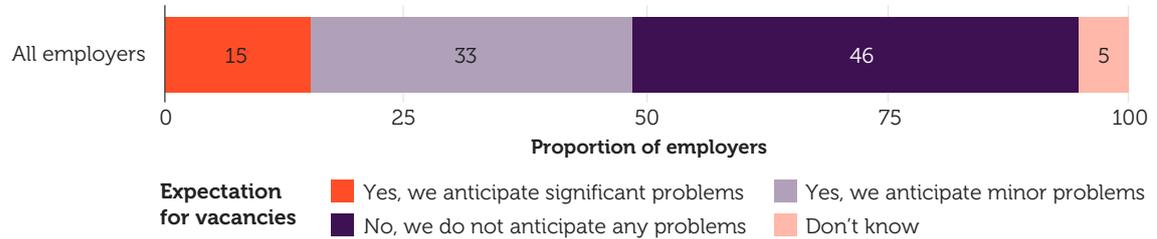


Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 5.

However, there are signs that recruitment difficulties will continue to ease. Just 15% of employers are anticipating significant problems in filling vacancies in the next six months. This is the lowest proportion since we started asking this question in winter 2022/23.

## Some employers still anticipate significant problems in filling roles

Figure 13: Expectation for vacancies in the next six months (%)

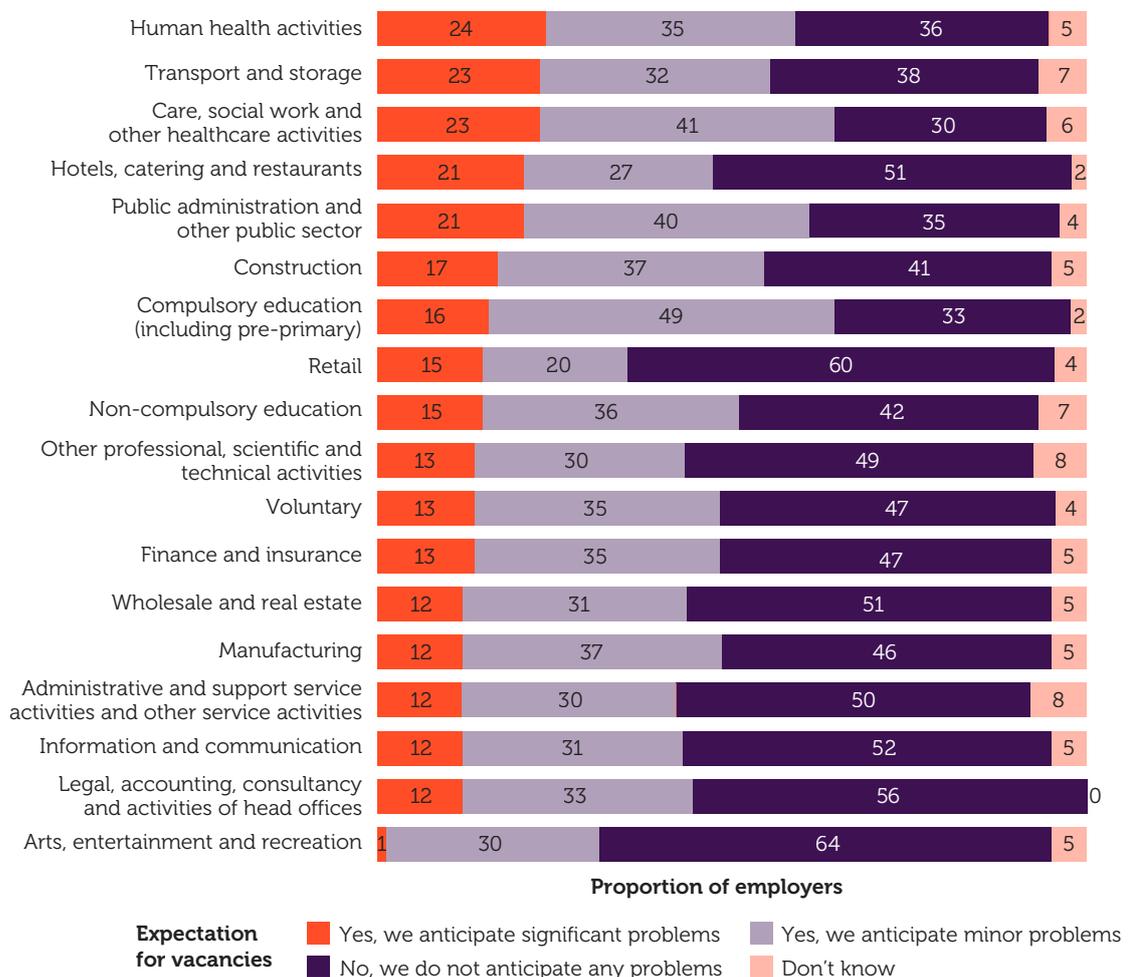


Base: summer 2025, all employers (n=2,018).

Recruitment pressures are still expected to remain in healthcare, social care, and transport and storage. Recent changes to immigration rules brought into force in July are likely to exacerbate this in the short run, especially in industries more dependent on migrant labour. Changes include closing the Social Care Worker visa route for new overseas applicants. The skills threshold for Skilled Worker visas has also risen to RQF level 6 (graduate level), removing 111 previously eligible RQF 3–5 occupations across all sectors.

## Problems in filling vacancies most prevalent in health and social care

Figure 14: Expectation for vacancies in the next six months, by industry (%)



Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 5.

### Further reading and practical guidance

- [CIPD | \*\*Skills matching: Using and deploying people's skills effectively\*\*](#)  
Use your people's skills effectively for job satisfaction and enhanced productivity.
- [CIPD | \*\*Employer brand\*\*](#)  
Build a strong brand to attract and retain talent with our detailed factsheet.
- [CIPD | \*\*Responsible investment in technology\*\*](#)  
Drive job quality and performance through smarter tech investments.

## 5 Pay outlook

Among employers looking to increase, decrease or freeze pay in the next 12 months, the median expected basic pay increase for the next 12 months remains at 3% overall, for the fifth consecutive quarter. Expected pay awards held at a historic high of 5% between winter 2022/23 and autumn 2023, before falling to 4% in winter 2023/24 and spring 2024.

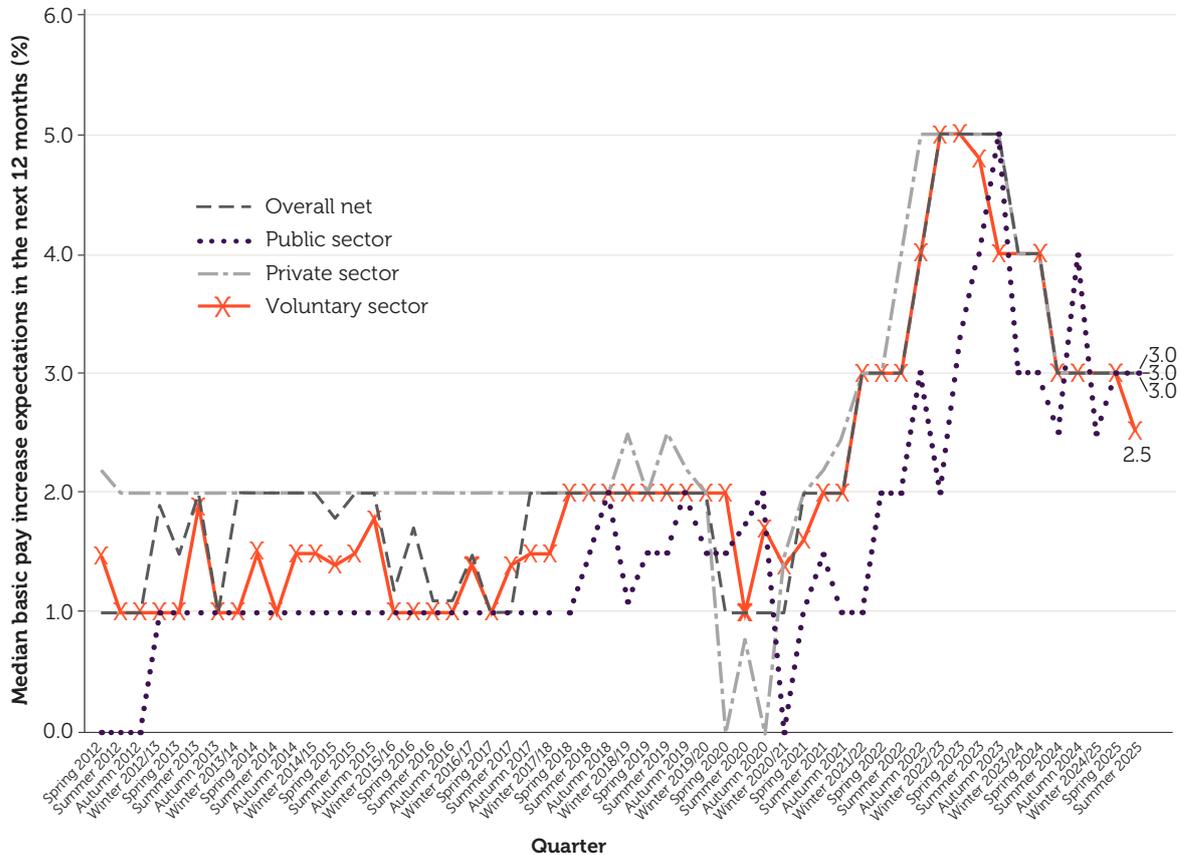
The median expected pay award remains at 3% in the private and public sectors. It has fallen in the voluntary sector from 3% last quarter to 2.5% this quarter. To put the median expected pay awards into context, the Consumer Prices Index (CPIH), the Office for National Statistics' (ONS) preferred measure of inflation, currently stands at 4.1%.

In terms of the distribution, the lower quartile is estimated to be 2%, with the upper quartile at 4%, with the latter value falling from 5% last quarter.

It should be noted that the average basic pay award covered in this analysis is only one component of pay growth. Many people will also benefit from incremental progression or promotion, bonuses or a pay bump when switching jobs.

## Average expected pay awards remain at 3%

Figure 15: Median basic pay increase expectations – median employer



Base: summer 2025, all employers expecting and able to estimate a pay award in the next 12 months (total: n=823; private: n=572; public: n=167; voluntary: n=84).

### Further reading and practical guidance

- [CIPD | Pay fairness and pay reporting](#)

Use our factsheet to understand fair pay and legal reporting requirements.

- [CIPD | Strategic reward and total reward](#)

Develop a comprehensive reward strategy to support the needs of both employee and organisation.

- [CIPD | Performance-related pay](#)

Link pay to performance fairly and effectively with our factsheet.

# 6

## Recommendations for employers and people practitioners

### ✓ **Keep workloads manageable amid reduced recruitment**

With most employers planning to hold staffing levels steady, unfilled roles can increase strain on existing teams. Monitor workloads regularly and ensure staff have the resources and support they need to stay productive, engaged and well.

### ✓ **Invest in young people as a long-term workforce strategy**

With youth employment falling, it's vital to maintain access routes for young workers. Offer mentoring, clear development pathways, and early-career support to build your future talent pipeline.

### ✓ **Strengthen recruitment strategies to overcome hard-to-fill roles**

Review your employee value proposition and adopt inclusive hiring practices – such as simplifying job requirements, widening outreach and offering flexibility – to access a broader talent pool and improve the chances of successful recruitment.

### ✓ **Review your workforce plans in light of immigration changes**

New visa rules introduced in July 2025 have restricted access to many mid- and lower-skilled roles for overseas workers, including the closure of the Social Care Worker route. Assess how this affects your hiring plans and explore alternative sourcing strategies.

### ✓ **Retain key talent through skills and career development**

In a cooling labour market, supporting progression can improve retention and reduce pressure to recruit externally. Provide opportunities for reskilling, upskilling and internal mobility to help employees grow with your organisation.

# 7

## Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,018 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 16 June and 13 July 2025. The survey was conducted online. The figures have been weighted and are representative of UK employment by organisation size, sector and industry.

### **Weighting**

Rim weighting is applied using targets on size and sector drawn from the BEIS *Business population estimates for the UK and regions 2023*. The following tables contain unweighted counts.

**Table 2: Breakdown of sample, by number of employees in the organisation**

Employer size band	Count
2–9	427
10–49	417
50–99	179
100–249	224
250–499	167
500–999	148
1,000 or more	456

**Table 3: Breakdown of sample, by sector**

Sector	Count
Private sector	1,500
Public sector	326
Third/voluntary sector	192

**Table 4: Breakdown of sample, by region**

Region	Count
Scotland	127
Wales	69
Northern Ireland	33
Northwest England	196
Northeast England	54
Yorkshire and Humberside	130
West Midlands	131
East Midlands	116
Eastern England	132
London	373
Southwest England	172
Southeast England	298
All of the UK	187

**Table 5: Breakdown of sample, by industry**

Industry	Count
Administrative and support service activities and other service activities	265
Arts, entertainment and recreation	78
Care, social work and other healthcare activities	57
Compulsory education (including pre-primary)	132
Construction	125
Finance and insurance	121
Hotels, catering and restaurants	76
Human health activities	140
Information and communication	132
Legal, accounting, consultancy and activities of head offices	75
Manufacturing	191
Non-compulsory education	101
Other professional, scientific and technical activities	88
Police and armed forces	19
Primary and utilities	47
Public administration and other public sector	85
Retail	75
Transport and storage	59
Voluntary	82
Wholesale and real estate	70

## 8

## Appendix

## Cost increase with largest financial impact over the last 12 months, by industry (%)

Industry	National Insurance contributions (NICs)	National Minimum/Living Wage (NMW/NLW)	Business rates	Energy costs	Raw materials	Rent/property	Employee benefits (eg medical insurance)	Licensing costs	Other	Not applicable – none of these costs have had an impact on my business	Don't know
Administrative and support service activities and other service activities	36	11	5	15	4	5	2	1	3	7	11
Arts, entertainment and recreation	25	9	9	19	8	11	0	3	5	6	6
Care, social work and other healthcare activities	44	18	2	5	2	1	10	2	2	0	12
Compulsory education (including pre-primary)	44	4	2	21	1	2	3	1	8	4	10
Construction	26	21	7	11	18	4	2	1	1	4	5
Finance and insurance	52	5	9	5	2	3	4	1	1	4	14
Hotels, catering and restaurants	26	27	8	14	9	2	3	0	1	2	8
Human health activities	29	16	1	18	4	2	8	0	1	3	18
Information and communication	25	10	11	14	10	0	9	4	1	6	10
Legal, accounting, consultancy and activities of head offices	50	4	7	11	2	7	0	0	1	8	9
Manufacturing	35	17	5	14	14	4	1	0	2	4	4
Non-compulsory education	44	8	2	18	1	2	2	1	6	5	12
Other professional, scientific and technical activities	43	2	4	15	6	6	4	0	4	7	10
Public administration and other public sector	32	3	0	14	1	8	3	0	6	3	30
Retail	35	19	4	16	11	1	5	1	2	4	2
Transport and storage	50	4	6	22	3	4	0	3	1	4	4
Voluntary	52	9	0	18	5	4	0	0	3	4	5
Wholesale and real estate	32	19	7	15	8	5	1	2	1	4	5



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