CIPD

LABOUR MARKET

# OUTLOOK

VIEWS FROM EMPLOYERS

Spring 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

Spring 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.

As we enter the new tax year, businesses across the UK are facing rising National Insurance contributions coupled with the usual increases in the National Living Wage, the latter designed to benefit the lowest paid in society. Our data finds that as these measures are being brought in, business confidence continues to fall. Our net employment balance has fallen to +8, its lowest level on record outside of the pandemic. It dropped from +21 in autumn 2024 to +13 in the previous quarter. In the private sector, the net employment balance now stands at +11, also a record low, outside of the pandemic, since we began collecting this measure in 2014.

One in four (24%) employers are planning to make redundancies in the three months to June 2025, showing little change on the previous quarter. The impact on headcount of impending redundancies is modest; the median employer expecting to make redundancies in the next three months plans to cut 5% of its workforce.

In addition to preparing for future changes in employment regulation, employers and people professionals are also responding to growing global uncertainties. Since returning to office in January, the president of the United States has introduced worldwide tariffs, disrupting global markets and impacting a range of investments, including employee pensions. The UK exports more goods to the US than to any other country, with exports totalling nearly £60bn in 2024 and accounting for 16% of all UK goods exports. According to the Bank of England, the UK also indirectly exports a further £20 billion of goods that are ultimately destined for the US. Given the UK's openness to international trade, it remains particularly vulnerable to geopolitical shocks.

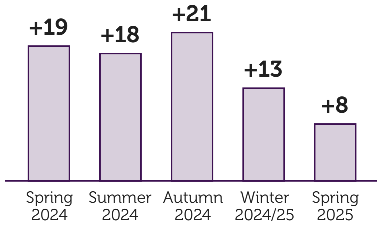
Overall, pay intentions remain at 3% for the year ahead, unchanged over the past 12 months. Pay expectations have now aligned across the public and private sectors. However, there are early indications that Pay Review Bodies may recommend higher pay increases for some parts of the public sector in 2025.

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

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

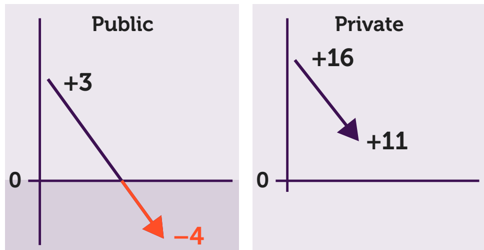
# 2 Key points

- 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 – fell from +13 last quarter to +8 this quarter, its lowest level on record outside of 2020.




**Net employment balance**

- The net employment balance has fallen in the public sector, from +3 to –4, and it has continued to fall in the private sector, from +16 to +11, which is a record low outside of 2020.




**Net employment balance falls to –4 in public sector, +11 in private**

- One in four employers are planning to make redundancies in the next quarter, a similar proportion recorded in our previous survey.

**One in four plan redundancies**

- Forty-one per cent of employers who made redundancies in the past year offered the statutory minimum, 50% offered enhanced redundancy pay.


**41% employers paid statutory, 50% offered enhanced**

- Median expected basic pay increase at 3% for public, private and voluntary sectors.


**Median expected basic pay increase at 3%**

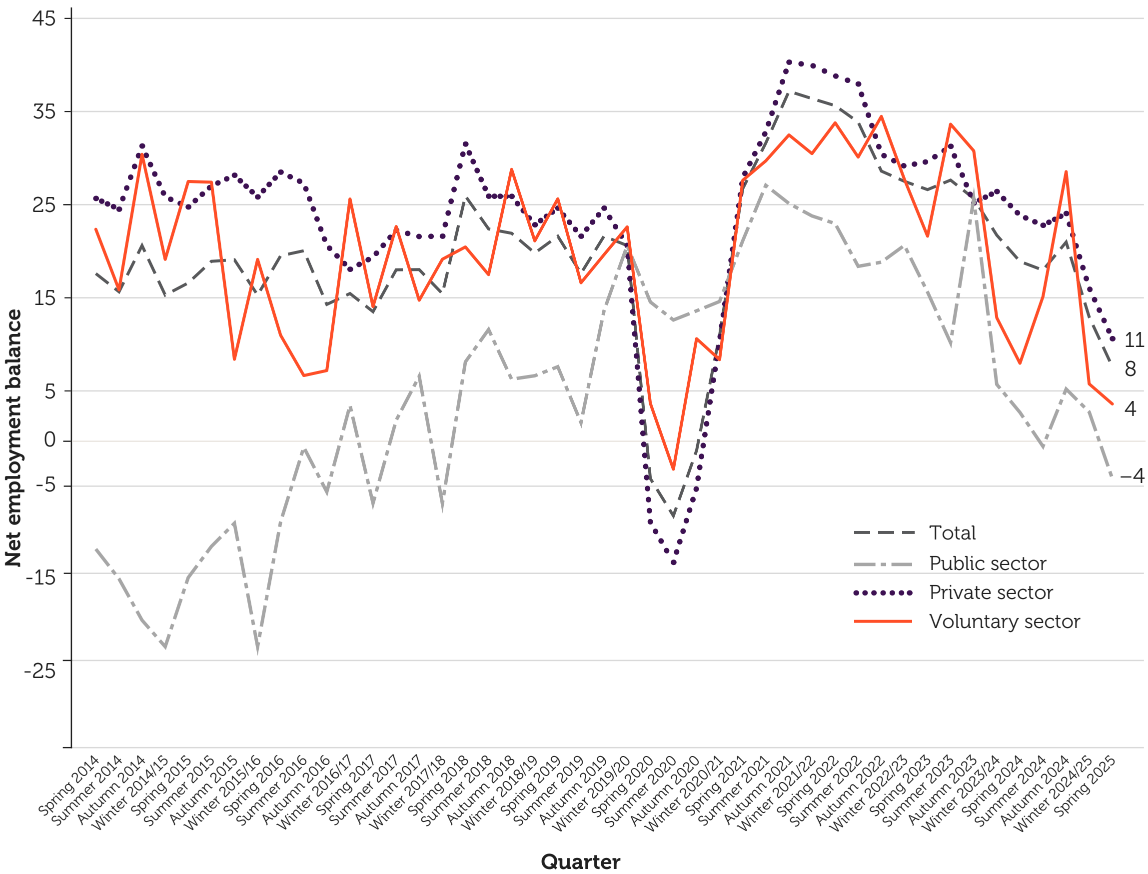
# 3 Recruitment and redundancy outlook

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 fallen from +13 last quarter to +8 this quarter. It is now below +10, a level only previously recorded during the first year of the pandemic. A substantial fall in the net employment balance between the autumn 2024 and winter 2024/25 quarters was attributable to the 2024 Autumn Budget. It is likely this major fiscal event has had a sustained impact on employer confidence as the measures come into force, with geopolitical uncertainties also feeding into the immediate plans of employers this quarter.

Employment intentions have fallen in the public sector, from +3 last quarter to –4 this quarter. They have continued to fall in the private sector, from +16 to +11, which is now a record low, outside of early stages of the pandemic, since we began collecting this measure in 2014.

## Net employment balance at lowest level outside of 2020

**Figure 1: Net employment balance, by broad sector**



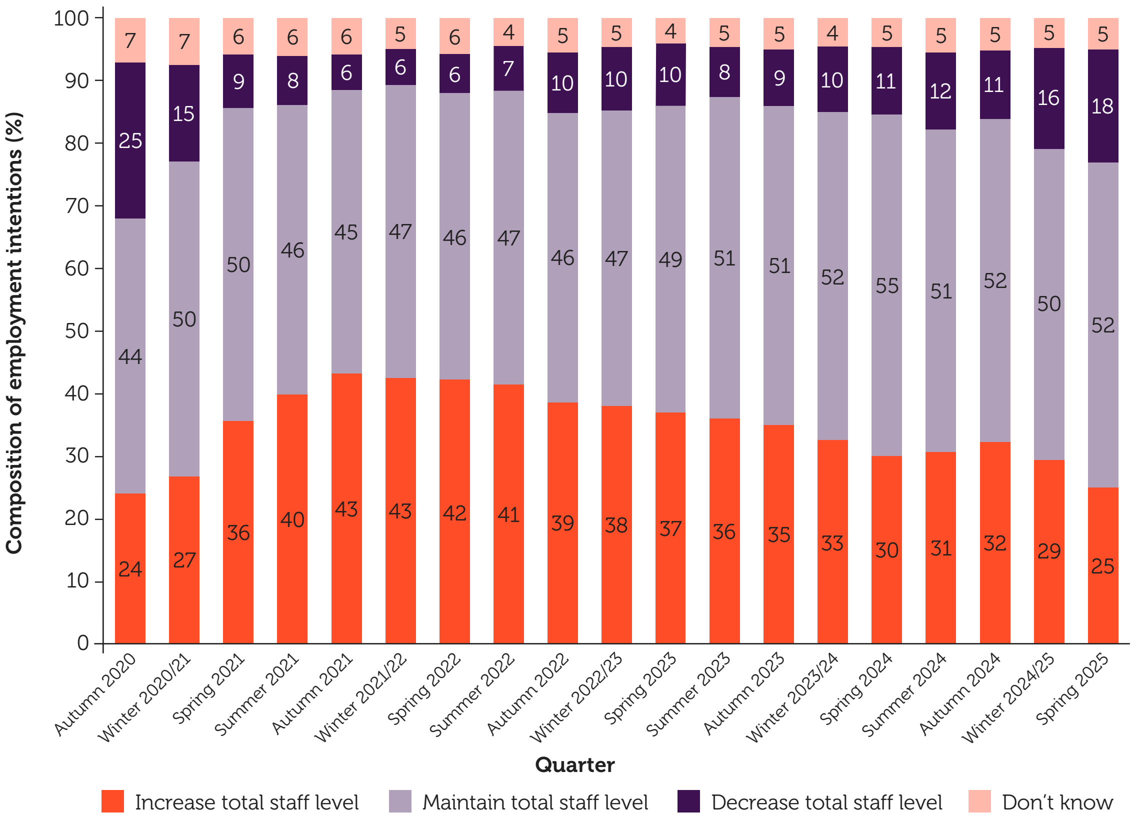

Base: spring 2025, all employers (total: n=2,004; private: n=1,492; public: n=347; voluntary: n=165).

This quarter, there is a significant fall in employers expecting an increase in their staff levels in the next three months. The proportion of employers expecting an increase has fallen from 29% in winter 2024/25 to 25% this quarter.

The proportion of surveyed employers expecting a decrease in staff levels has risen from 11% in autumn 2024 to 18% this quarter. Roughly half of all employers believe their staff levels will be maintained in the next three months (see Figure 2).

## Rate of employers expecting an increase in staff levels falls

**Figure 2: Composition of employment intentions (%)**



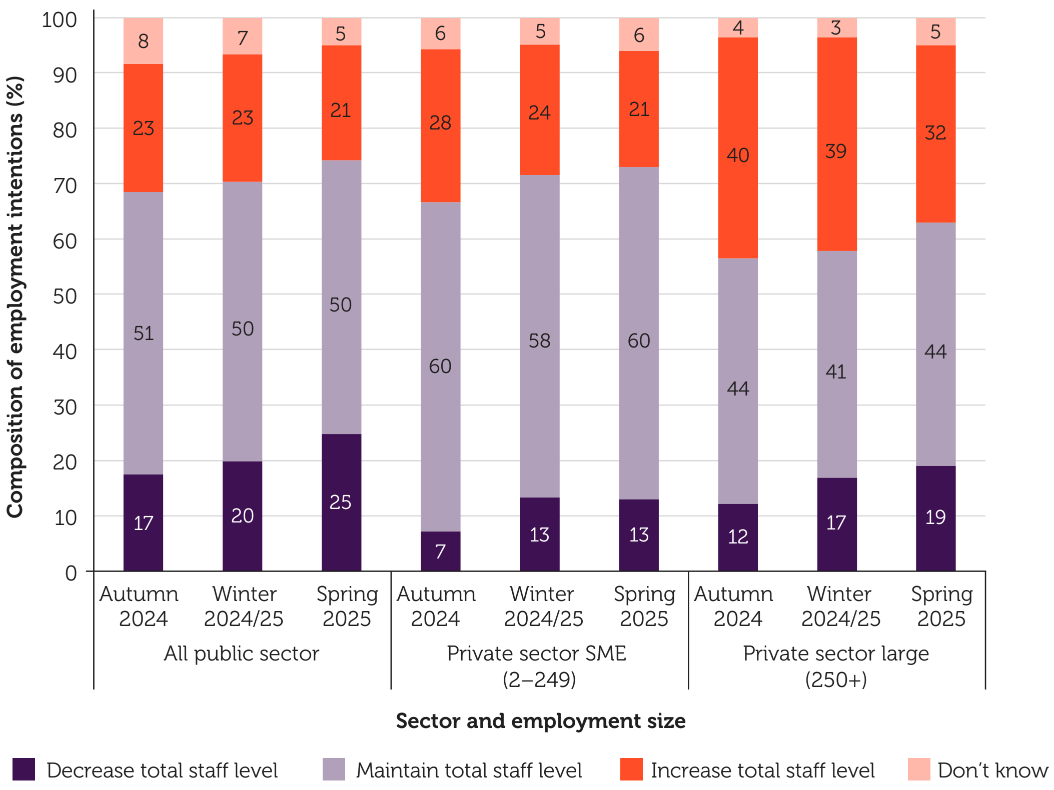

Base: spring 2025, all employers (n=2,004).

As highlighted in Figure 2, there is a significant fall in employers who expect there will be an increase in their staff levels in the next three months. From Figure 3 we can observe that this is being driven by large private sector employers. Whereas last quarter 39% were expecting an increase in staff levels, now less than a third (32%) of large private sector employers are expecting their staff levels to increase.

Across the public sector and among both SMEs and large private sector employers across the last two quarters, there has been a trend towards employers who believe their staff levels will decrease, at the expense of those who believe it will increase.

## Large private sector employers less likely to think staff levels will rise

**Figure 3: Composition of employment intentions, by public sector, SME and large employers (%)**




Base: spring 2025 (public: n=347; private sector SME: n=994; private sector large (250+): n=498).

The net employment balance has fallen in most industries across the last two quarters. Retail; primary and utilities; wholesale and real estate; human health activities; care, social work, and other healthcare activities; construction; and administrative, support service, and other service activities have all experienced a decline of over 20 percentage points since autumn 2024.

Some industries are defying this trend and have a net employment balance above that recorded in autumn 2024. These are mostly higher-paid industries such as finance and insurance; professional services (such as legal, accounting, consultancy and activities of head offices); public administration and other public sector roles; and information and communication – with arts, entertainment and recreation the exception. The proportional increase in labour costs due to the minimum wage increase and change in employers' National Insurance contributions is estimated to be lower in higher-paid industries than in lower-paid industries.[1]

As well as retail (–19), the wholesale and real estate sectors (which are combined) also have a negative net employment balance (–3). The balance is also –13 among employers in compulsory education, which includes primary and secondary education, and –7 among those in non-compulsory education, which includes vocational and higher education institutions. In these industries, more employers expect that their staff levels will decrease rather than increase over the next three months.

[1] Cominetti, N. and Thwaites, G., (2025) *Minimum wage, maxiumum pressure: The Impact of 2025's minimum wage and employer NICs increases*. London: Resolution Foundation. Refer to Figure 5.

## Net employment has fallen heavily in retail

**Table 1: Net employment balance, by industry**

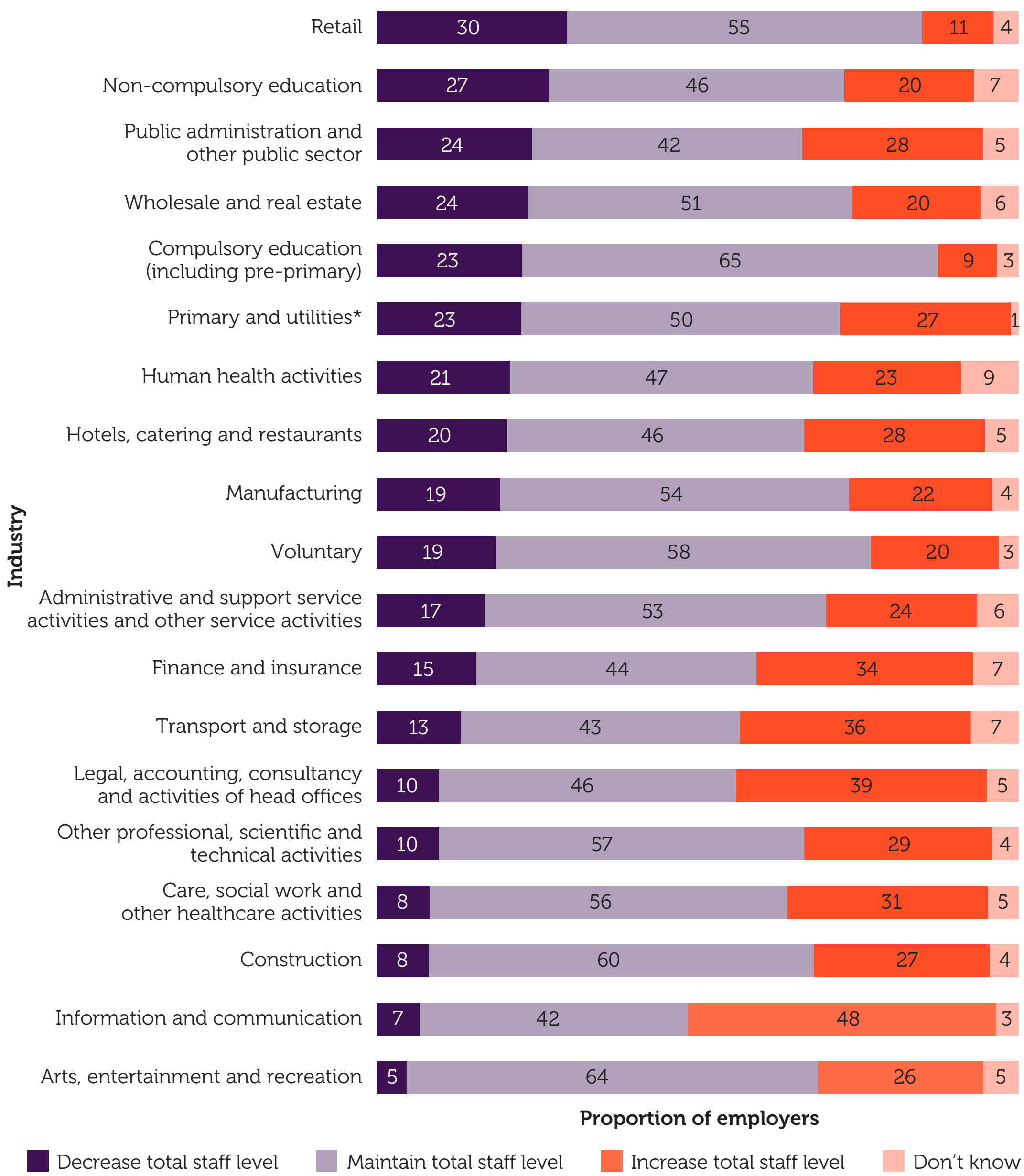
| Industry | Autumn 2024 | Winter 2024/25 | Spring 2025 | Change since autumn 2024 |
|---|---|---|---|---|
| Retail | 23 | 1 | –19 | –41 |
| Primary and utilities | 37 | 22 | 4* | –33 |
| Wholesale and real estate | 26 | 15 | –3 | –29 |
| Human health activities | 27 | 35 | 2 | –25 |
| Care, social work and other healthcare activities | 47 | 19* | 23 | –24 |
| Construction | 43 | 27 | 19 | –24 |
| Administrative and support service activities and other service activities | 29 | 15 | 7 | –22 |
| Compulsory education (inc. pre-primary) | 3 | 4 | –13 | –16 |
| Voluntary | 16 | 7 | 1 | –15 |
| Non-compulsory education | 7 | 0 | –7 | –14 |
| Manufacturing | 15 | 11 | 3 | –12 |
| Hotels, catering and restaurants | 18 | 7 | 8 | –10 |
| Other professional, scientific and technical activities | 28 | 23 | 20 | –9 |
| Transport and storage | 28 | 11 | 23 | –5 |
| Finance and insurance | 14 | 16 | 4 | 4 |
| Legal, accounting, consultancy and activities of head offices | 23 | 27 | 29 | 6 |
| Public administration and other public sector | –7 | –4 | 4 | 11 |
| Arts, entertainment and recreation | 10 | 2 | 21 | 11 |
| Information and communication | 22 | 26 | 41 | 19 |

Base: industries with base sizes less than 50 have been excluded, unless denoted by *. For a breakdown of base sizes this quarter, see Table 6.

The change in outlook for employers in retail has been stark: now three in 10 employers expect their staff levels to decrease in the next three months, whereas just 11% expect them to increase. In wholesale and real estate, 24% of employers expect a decrease in staff levels this quarter compared with 20% who expect an increase.

## Three in ten employers in retail expect headcount to fall in next three months

**Figure 4: Composition of employment intentions, by industry (%)**



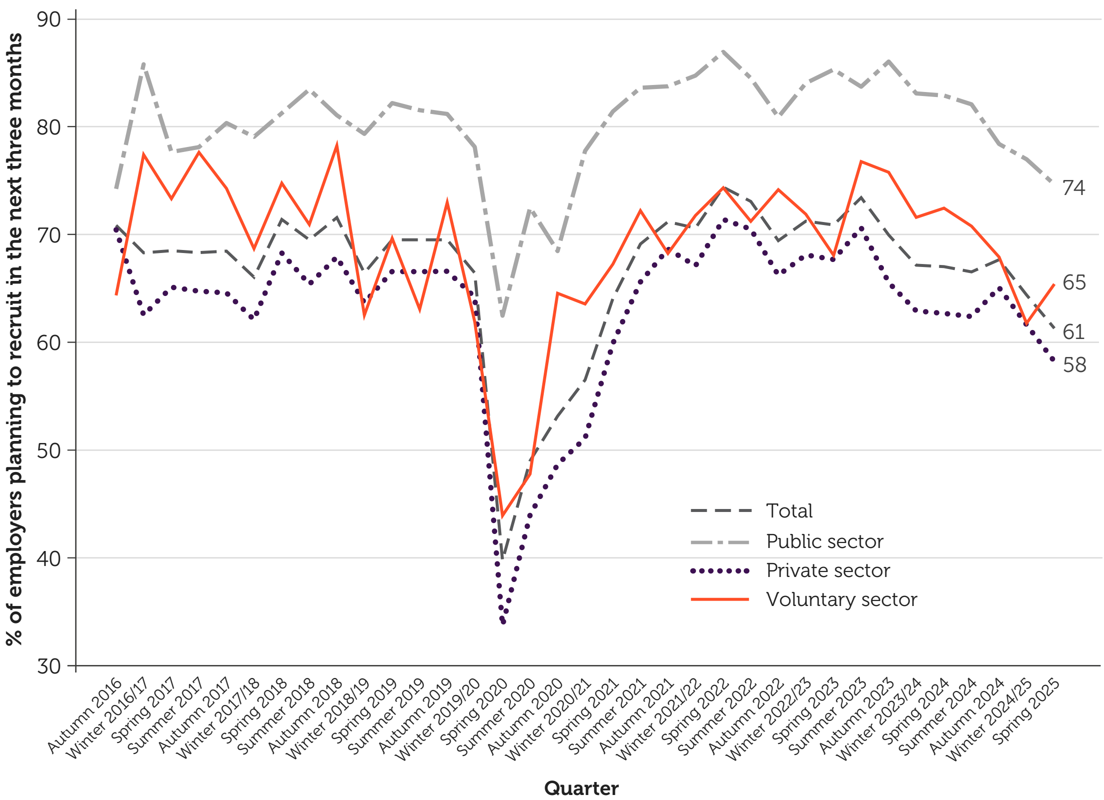

Base: industries with base sizes less than 50 have been excluded, unless denoted by a *. For a breakdown of base sizes, see Table 6.

### Recruitment

Sixty-one per cent of employers plan to recruit in the next three months, down from 64% in the previous quarter and 67% in autumn 2024. Recruitment intentions have fallen in the private and public sectors but risen in the voluntary sector. They remain highest in the public sector, with 74% planning to recruit in the next three months. Fifty-eight per cent of employers in the private sector plan to recruit in the next three months, down from 65% in autumn 2024 (see Figure 5).

## Recruitment intentions fall overall

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



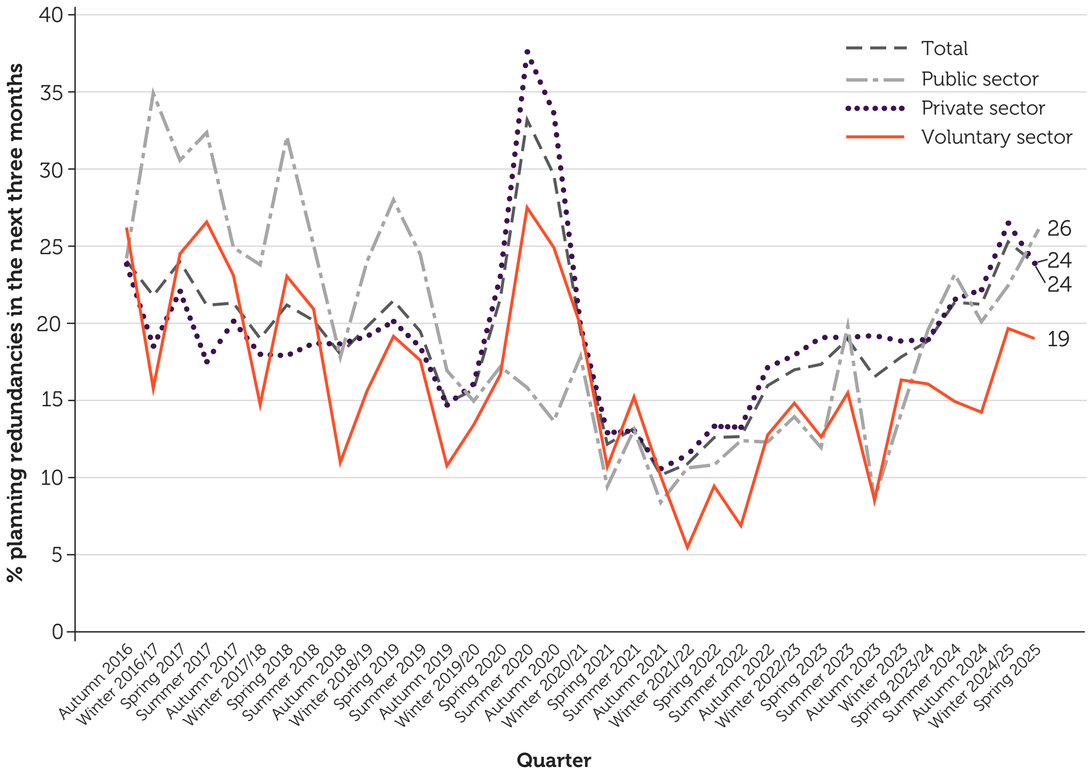

Base: spring 2025, all employers (total: n=2,004; private: n=1,492; public: n=347; voluntary: n=165).

## Redundancies

Overall, one in four (24%) employers are planning to make redundancies in the three months up to June 2025 (see Figure 6). This overall rate has not significantly changed compared with last quarter (24% in winter 2024/25). The proportion of employers planning to make redundancies in the next three months remains higher, however, compared with autumn 2024, when it was 21%.

### Overall, redundancy intentions stay the same

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




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

We asked employers who are planning to make redundancies over the next three months what the overall impact on their headcount will be. Due to uncertainty, 22% of these firms were unable to provide an estimate. Of the remaining 308 who did, the median headcount reduction was estimated at 5% (see Figure 7). The modal value (most common) was also 5%, while the mean was higher at 10%. Thirty-one per cent of employers planning redundancies plan to cut between 4.1% and 5%.

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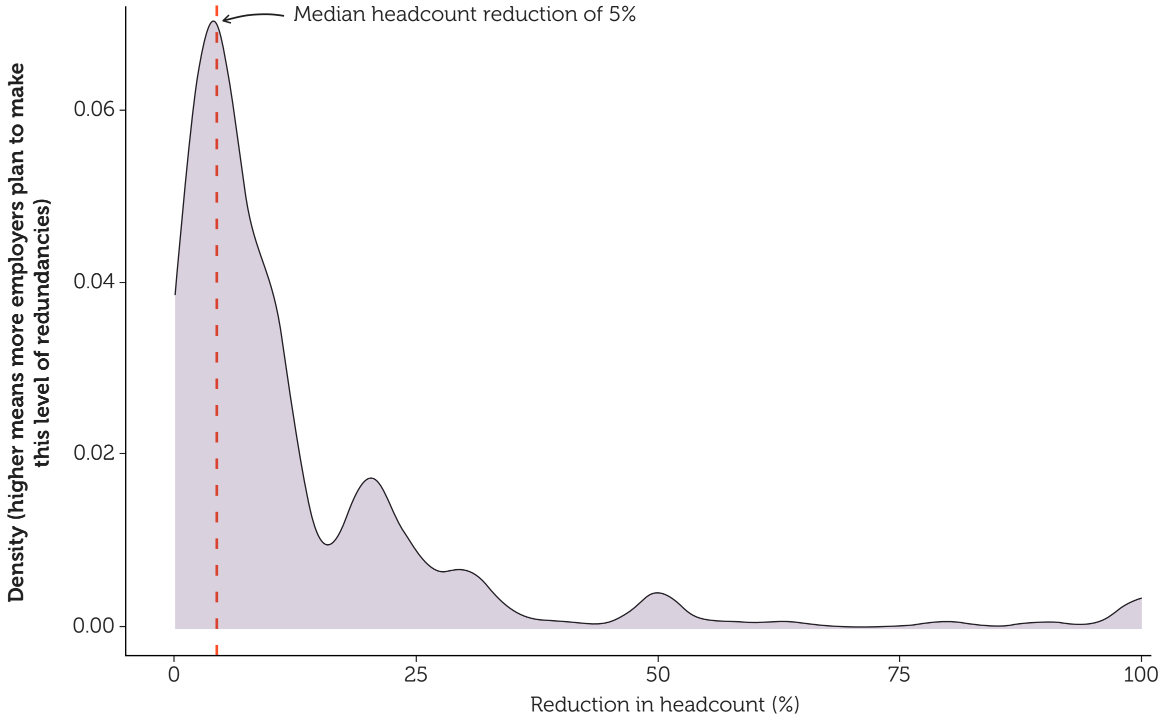
## Employers planning redundancies to cut 5% of workforce

**Figure 7: Expected reduction in headcount among those making redundancies in the next three months (%)**




Base: spring 2025, all employers planning redundancies in the next three months and able to estimate the headcount reduction (n=281).

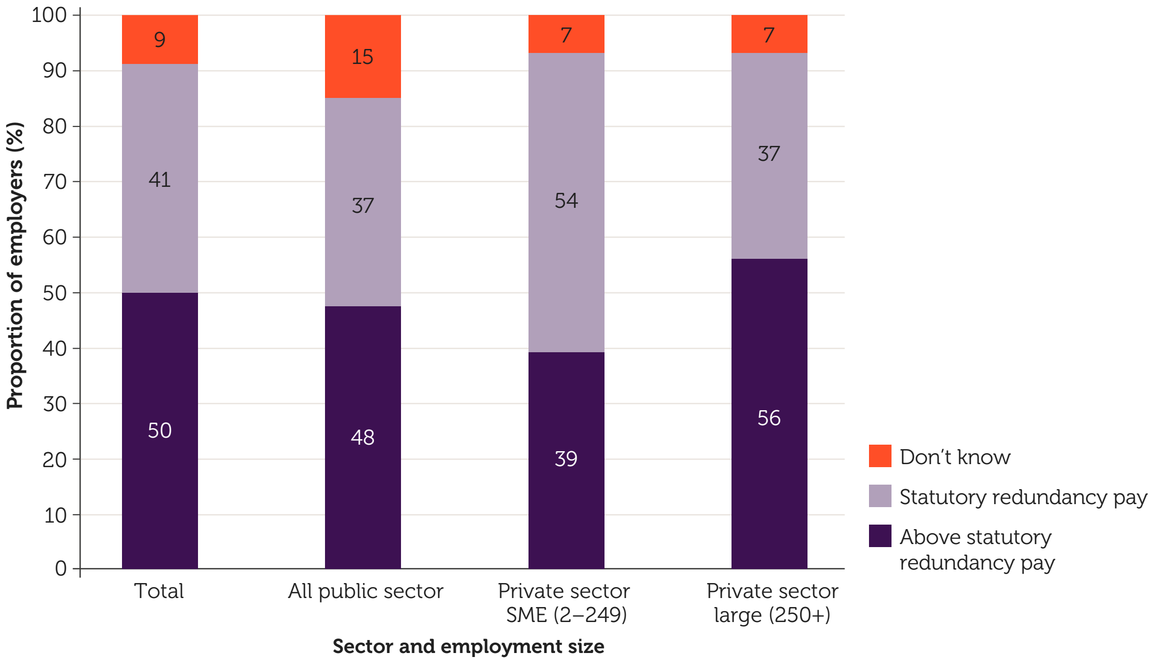
### Redundancy payments

We also asked employers about redundancy payments they have offered to those in their organisation who have been made redundant over the past 12 months (27% of our sample). Out of the 419 employers that conducted a redundancy programme, 41% offered the minimum statutory amount.[2] Fifty per cent of workplaces offered those workers made redundant an enhanced redundancy package, that is, they went beyond what the law requires, and 9% did not know. By size, smaller private sector employers (fewer than 250 employees) were more likely to offer statutory redundancy pay (54%) than larger private sector employers (37%).

[2] HM Government, (2025) Redundancy: your rights. Statutory redundancy pay.

## SMEs more likely to offer statutory redundancy pay

**Figure 8: Offer above statutory redundancy pay, by public sector, SME and large employers (%)**




Base: spring 2025, all employers who undertook redundancy programmes in the last 12 months (total: n=419; public: n=73; private sector SME: n=115; private sector large (250+): n=196).

Currently, workers with fewer than two years of service do not have a legal right to any statutory redundancy pay. Just under one in five (17%) employers did not pay anything to employees with fewer than two years of service that they made redundant in the past year.

However, 66% of employers in our sample still gave them something. The most common approaches for dealing with those with fewer than two years of service were to:

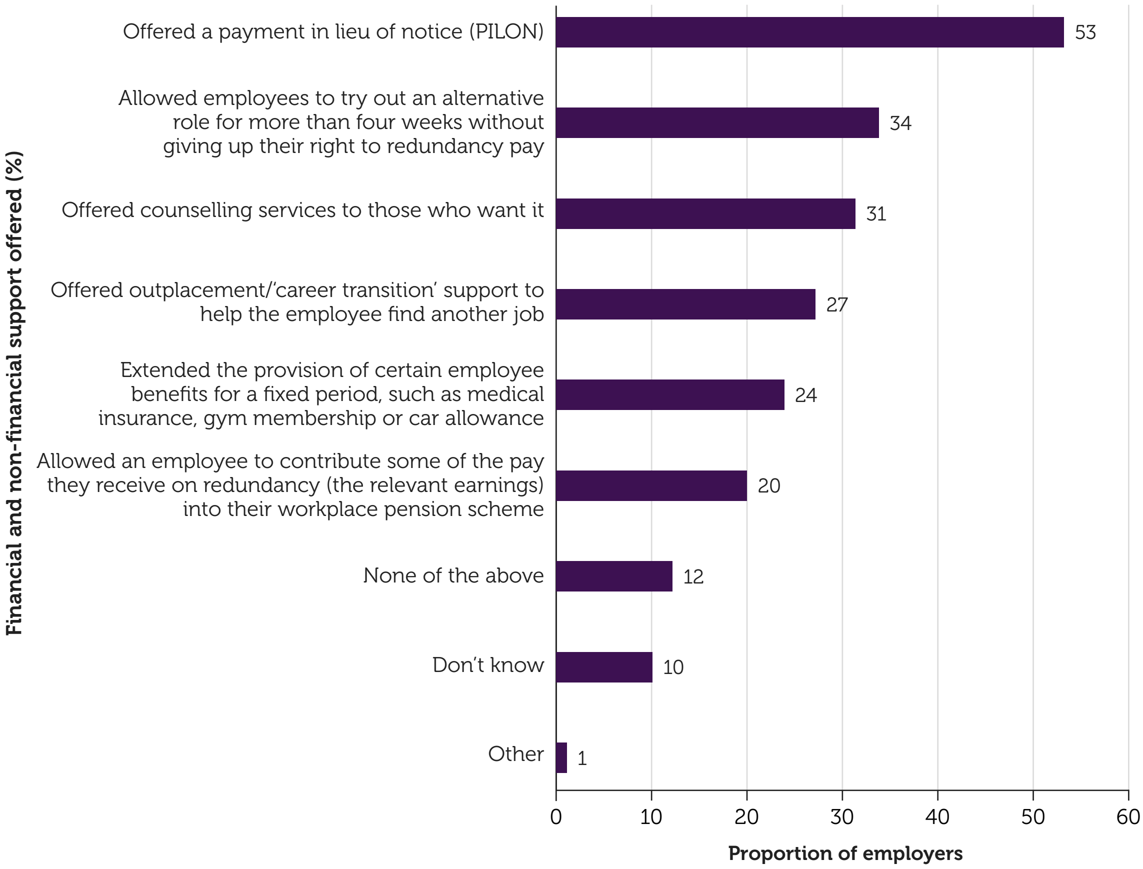
- give them statutory redundancy pay (based on their current service) (25%)
- offer an amount somewhere between statutory redundancy pay (based on their current service) and the enhanced rate on offer to those with more than two years' service (23%).

When it comes to the size of the redundancy payment, among those who offered higher redundancy pay than required in the past 12 months, 63% placed a limit on its size, while 28% did not. The most common way of restricting the final redundancy package is by capping the total number of eligible years used to calculate the payment (30%), followed by limiting the weekly or monthly pay per eligible year used to calculate the payment (21%).

As well as the redundancy payment, many in our survey also offered additional financial and non-financial support to those they made redundant in the past 12 months. Over half (53%) of employers offered a payment in lieu of notice (PILON), with a third (34%) of employers aiming to retain staff by allowing employees to try out an alternative role for more than four weeks without giving up their right to redundancy pay.

## Over half of employers making redundancies offered PILON

**Figure 9: Financial and non-financial support offered to those made redundant in the past 12 months (%)**

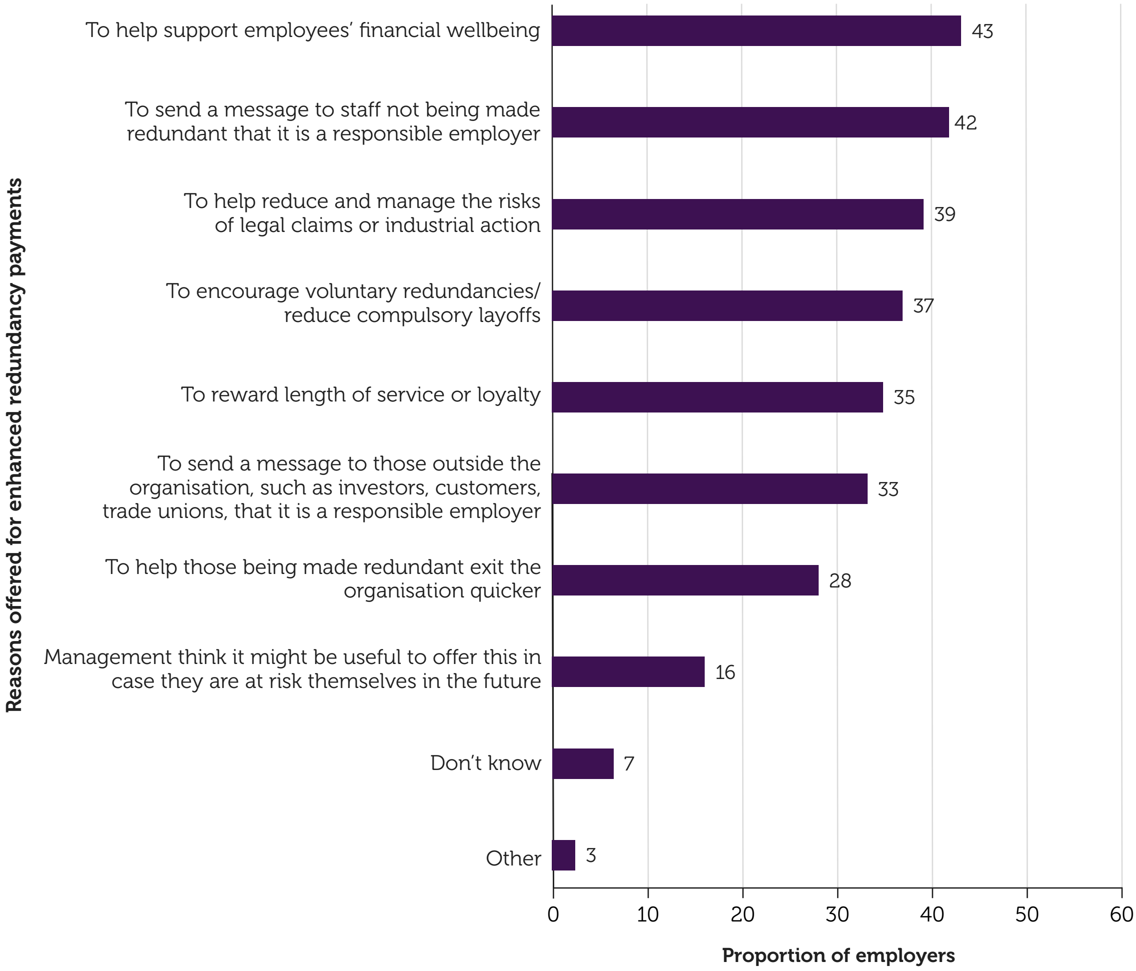



Base: spring 2025, all employers who undertook redundancy programmes (n=419).

As redundancies are often seen as a last resort, more than two in five (43%) employers offered enhanced redundancy pay to help support employees' financial wellbeing. It is also commonly offered to encourage voluntary redundancies and therefore reduce compulsory layoffs (37%). Employers are also aware of the unsettling nature of redundancies, with 42% offering enhanced redundancy pay to send a message to staff not being made redundant that it is a responsible employer (42%). A similar proportion also believe it helps reduce and manage the risks of legal claims or industrial action (39%).

## Supporting employees' financial wellbeing and to be seen as a responsible employer reasons for offering enhanced redundancy payments

**Figure 10: Reasons for offering enhanced redundancy payments (%)**




Base: spring 2025, all employers who undertook redundancy programmes and offered higher redundancy pay than required (n=210).

**Further reading and practical guidance**

- 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

Official data published in mid-April showed that overall vacancy levels have fallen each month for the past 33 months.[3] Among the surveyed respondents, a third (33%) had hard-to-fill vacancies in the latest quarter, and this has not changed. Hard-to-fill vacancies are significantly higher in the public sector (44%) than the private sector (29%).

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

**Table 2: 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 |
|---|---|---|---|---|---|---|---|---|
| 42 | 44 | 41 | 38 | 37 | 37 | 36 | 33 | 33 |

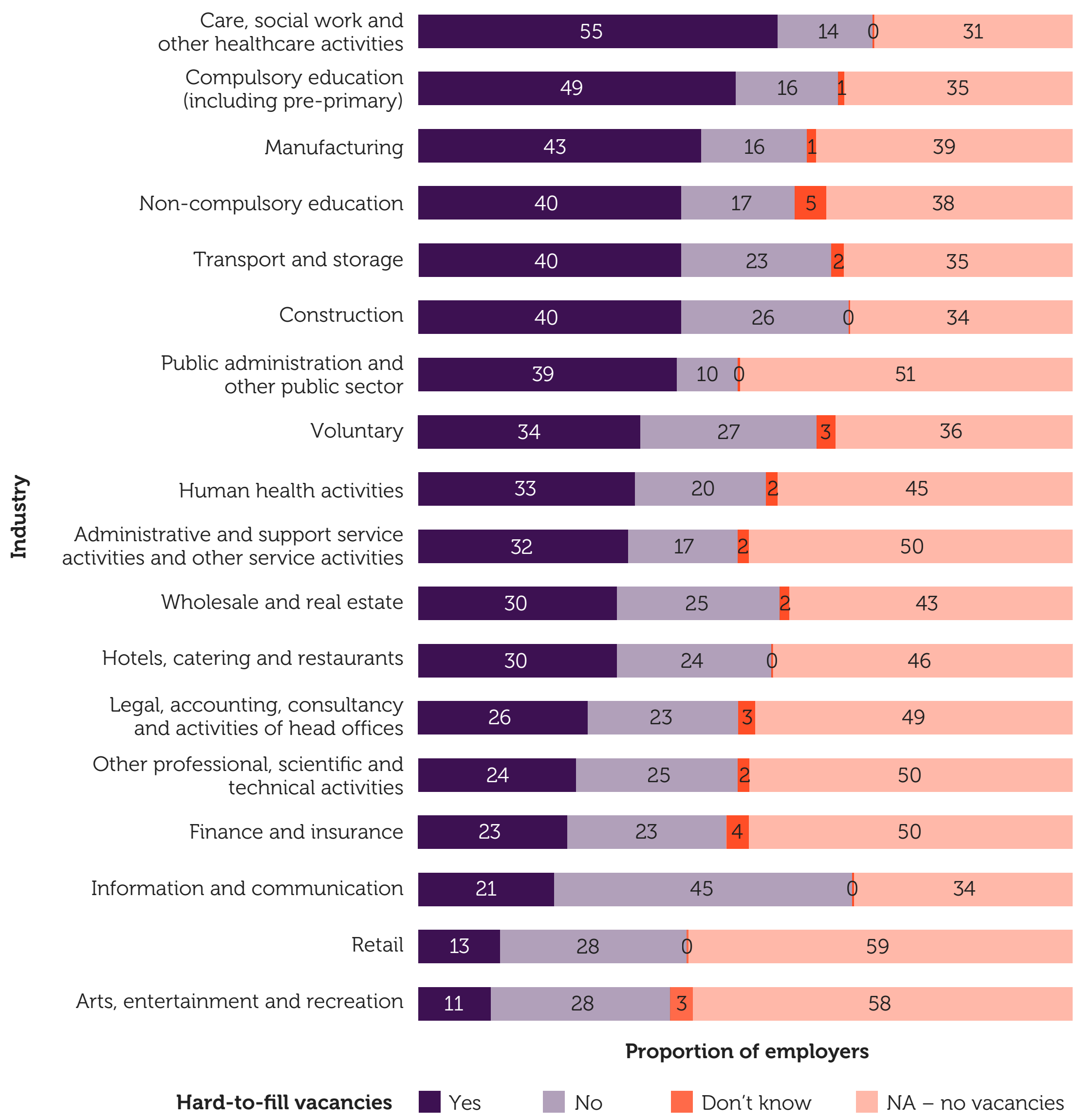
Base: spring 2025, all employers (n=2,004)

Figure 11 shows how prevalent hard-to-fill vacancies are across different industries. More than half of employers in care, social work and other healthcare activities (55%) and about half (49%) of employers in compulsory education currently have hard-to-fill vacancies. At least two in five employers have hard-to-fill vacancies in manufacturing (43%), non-compulsory education (40%), transport and storage (40%) and construction (40%).

[3] Office for National Statistics. Vacancies and jobs in the UK: April 2025.

## Hard-to-fill vacancies exist across the economy

**Figure 11: Employers with hard-to-fill vacancies, by industry (%)**

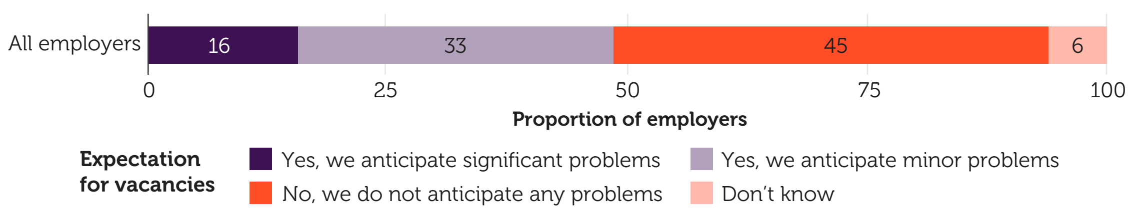



Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 5.

Currently 16% of employers are anticipating significant problems in filling vacancies in the next six months.

## Some employers still anticipate significant problems in filling roles

**Figure 12: Expectation for vacancies in the next six months (%)**

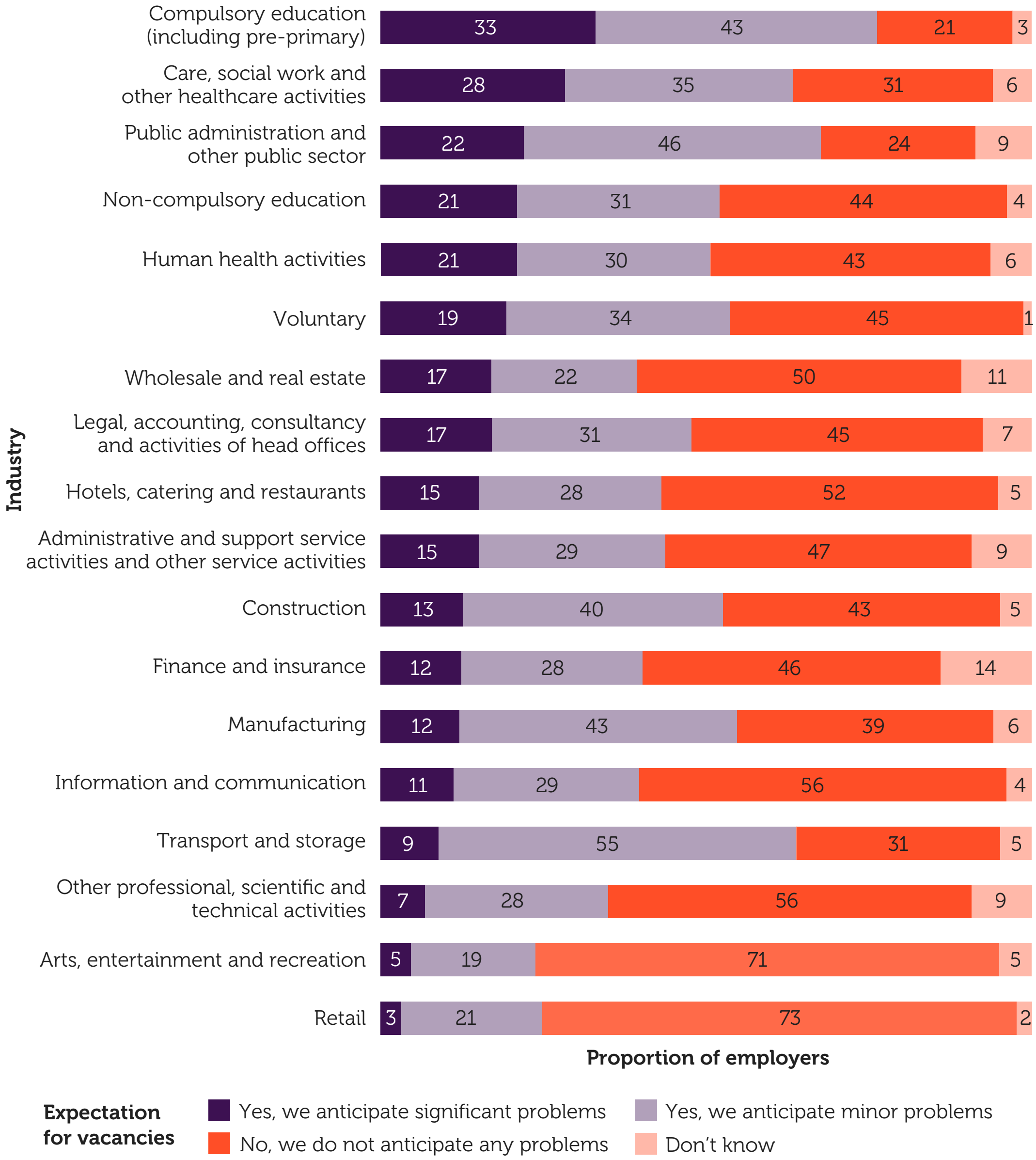



Base: spring 2025, all employers (n=2,004).

Anticipated problems with hard-to-fill vacancies have remained higher in public-sector-dominated industries for the past couple of years. This quarter, 33% of employers in compulsory education and 28% in healthcare and social work are anticipating significant problems in filling vacancies in the next six months.

## Problems in filling vacancies most prevalent in education

**Figure 13: Expectation for vacancies in the next six months, by industry (%)**




Base: Industries with base sizes of less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

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**Further reading and practical guidance**

- CIPD | **How to harness the benefits of health and wellbeing at work**
  Boost recruitment and retention by prioritising employee wellbeing with our tools.
- 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 fourth 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.

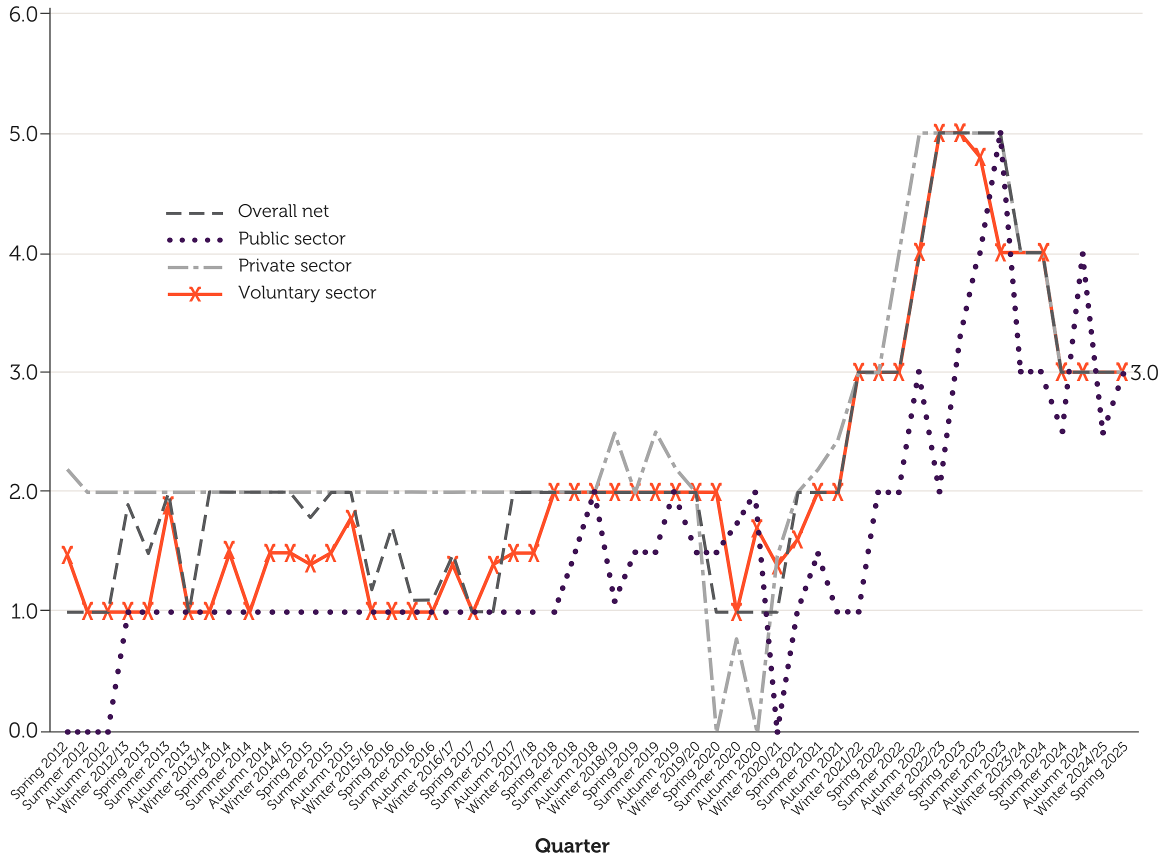
Expected pay awards in the public sector have risen from 2.5% last quarter to 3% this quarter. Since pay awards have not changed for the private and voluntary sectors, the median expected pay award remains at 3%. To put the median expected pay awards into context, the Consumer Prices Index (CPIH), the Office for National Statistics' (ONS) preferred measure of inflation, currently stands at 3.4%.

In terms of the distribution, the lower quartile is estimated to be 2%, with the upper quartile at 5%.

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 14: Median basic pay increase expectations – median employer**




Base: spring 2025, all employers expecting and able to estimate a pay award in the next 12 months (total: n=655; private: n=444; public: n=132; voluntary: n=79).

### 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

- ✓ In the face of rising employment costs and ongoing economic uncertainty, most employers are not expecting to increase staff levels. Organisations should therefore monitor workloads carefully and ensure employees have the time, resources and development opportunities they need – particularly where vacancies remain unfilled.
- ✓ Although fewer employers are planning to recruit, a third are still reporting hard-to-fill vacancies. Organisations should review their employee value proposition and adopt inclusive hiring practices, such as broadening talent pools, to improve their chances of successful recruitment.
- ✓ If redundancies are being considered, remember the lesson from the pandemic: ramping down too quickly could leave organisations at a disadvantage if economic conditions improve and growth opportunities return. Where redundancies are unavoidable, employers should ensure the process is fair and consider offering outplacement services to support those affected.
- ✓ When making redundancies, employers should consider going beyond statutory minimums to support the financial wellbeing of affected staff – particularly those on lower wages. Offering enhanced redundancy packages where affordable not only provides a vital buffer for individuals but also signals to remaining staff and external stakeholders that the organisation is acting responsibly.
- ✓ To maintain employee motivation, engagement and, crucially, retention in a challenging operating environment, organisations should invest in career development support, including reskilling and upskilling opportunities.

# 7 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,004 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 24 March and 15 April 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 3: Breakdown of sample, by number of employees in the organisation**

| Employer size band | Count |
|---|---|
| 2–9 | 467 |
| 10–49 | 414 |
| 50–99 | 160 |
| 100–249 | 201 |
| 250–499 | 171 |
| 500–999 | 155 |
| 1,000 or more | 436 |

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

| Sector | Count |
|---|---|
| Private sector | 1,492 |
| Public sector | 347 |
| Third/voluntary sector | 165 |

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

| Region | Count |
|---|---|
| Scotland | 111 |
| Wales | 77 |
| Northern Ireland | 28 |
| Northwest England | 169 |
| Northeast England | 60 |
| Yorkshire and Humberside | 121 |
| West Midlands | 123 |
| East Midlands | 112 |
| London | 440 |
| Southwest England | 166 |
| Southeast England | 270 |
| Eastern England | 107 |
| All of the UK | 222 |

**Table 6: Breakdown of sample, by industry**

| Industry | Count |
|---|---|
| Administrative and support service activities and other service activities | 217 |
| Arts, entertainment and recreation | 63 |
| Care, social work and other healthcare activities | 54 |
| Compulsory education (inc. pre-primary) | 149 |
| Construction | 147 |
| Finance and insurance | 126 |
| Hotels, catering and restaurants | 59 |
| Human health activities | 132 |
| Information and communication | 164 |
| Legal, accounting, consultancy and activities of head offices | 136 |
| Manufacturing | 156 |
| Non-compulsory education | 100 |
| Other professional, scientific and technical activities | 122 |
| Police and armed forces | 12 |
| Primary and utilities | 47 |
| Public administration and other public sector | 82 |
| Retail | 53 |
| Transport and storage | 58 |
| Voluntary | 64 |
| Wholesale and real estate | 63 |

Chartered Institute of Personnel and Development
151 The Broadway  London  SW19 1JQ  United Kingdom
**T** +44 (0)20 8612 6200  **F** +44 (0)20 8612 6201
**E** cipd@cipd.co.uk  **W** cipd.org

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