

UNEMPLOYMENT CONTINUES TO RISE WHILE WAGE GROWTH SLOWS

“The labour market continues to adjust, with vacancies easing and hiring activity softening. While this reflects ongoing caution from employers, the slowdown in wage growth suggests a more balanced environment is emerging. Though challenges remain, there are still bright spots in sectors showing resilience – and in a shifting market like this, working with a recruitment expert can help you move decisively and uncover the opportunities that do exist.”

**Carmen Watson, Chairperson,
Pertemps Network Group**

This month's figures continue to present signs of a cooling labour market: vacancies are continuing to drop, unemployment levels rose, and nominal regular wage growth has plateaued back to 5% after intermittently hovering at 6% over the past year. This also suggests that the labour market is in a state of weakening and addressing labour market challenges remains a top policy imperative.

The UK employment rate (for people aged 16 to 64 years) was estimated at 75.2% in the period March to May 2025, up on the quarter and above estimates from the same time last year. The UK unemployment rate (for people aged 16 years and over) was estimated at 4.7% across the same period, which is also an increase on the quarter and the year.

The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.0% in the three months to May 2025, which is slightly down on the quarter and the year.

The provisional estimate for the total number of vacancies across the UK economy in the three months to June 2025 is 727,000. This represents a decrease on the quarter (-56,000) and the year (-143,000). The last time vacancies were lower was in the peak of the pandemic (February to April 2021), when vacancies sunk to 659,000.

Estimates for payrolled employees in the UK fell by 135,000 (-0.4%) between May 2024 and May 2025, and by 25,000 (-0.1%) between April and May 2025. The early estimate of payrolled employees for June 2025 decreased by 178,000 (-0.6%) on the year, and by 41,000 (-0.1%) on the month, to 30.3 million. The June 2025 estimate should be treated as provisional and is likely to be revised when more data is received next month.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 5.0% in the quarter to May 2025, and annual growth in total earnings (including bonuses) was also 5.0%. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for regular pay was 1.1% in the quarter to May 2025, and for total pay was 1.0% over the same period.

This month's data reinforces trends seen in recent months: vacancies are continuing to drop, inactivity levels still sit above 9 million, the number of payrolled employees fell again, and unemployment levels also crept up. Some new stories are also emerging, including real and nominal wages continuing to rise, but at a notably slower rate. The data suggests that rising costs are having a material impact on businesses' budgets and firms' ability to invest in their workforce. Without unlocking the productivity growth to pay for further cost rises, there is a real risk that concerning trends, such as rising unemployment, will worsen in the months ahead.

Government can act now to help ensure that the labour market becomes a competitive strength, rather than strain, in their mission to drive economic growth by pulling on different policy levers. This includes making Employee Assistance Programmes (EAPs) fully tax-free benefits and delivering a Growth and Skills Levy roadmap. This should outline how much businesses should expect to be able to spend on non-apprenticeship training, as well as confirming when this flexibility will be introduced.

Please note: this release follows the reintroduction of Labour Force Survey data, which now includes the latest population information. The ONS continues to advise that increased volatility of Labour Force Survey estimates, resulting from smaller achieved sample sizes. Estimates of quarterly change should be treated with additional caution.

Exhibit 1 Vacancies (000s)

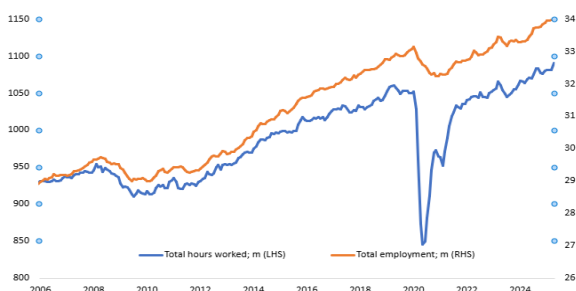


Source: ONS July 2025 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.2%	34,130	+134,000 (+0.4%)	+754,000 (+2.3%)
Unemployment** (ILO)	4.7%	1,673	+98,000 (+6.3%)	+124,000 (+8.0%)
Youth unemployment (16-24)	14.2%	628	-14,000 (-0.4%)	+42,000 (+7.2%)

Source: ONS July 2025 labour market statistics, *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked (millions)



Source: ONS July 2025 labour market statistics

Employment rate and levels increased, while vacancies continue fall even lower...

- The official measure of employment shows an increase of 134,000 in the three months to May 2025, compared with the previous quarter, and an increase of 754,000 on the same period a year ago. There are currently 34.13 million people in the UK who are registered as in employment; the highest level on record. This is largely linked to broader demographic increases. The employment rate is marginally up on the quarter and the year, sitting at 75.2%.
- Male employment increased by 47,000 in the three months to May 2025, while female employment increased by 87,000 across the same period. Both male and female employment increased on the year (+469,000 and +285,000, respectively).
- In the three months to May 2025, the only age groups that saw a decrease in employment levels were 16 to 17 year olds (-19,000) and adults aged 65 and over (-8,000).
- The largest quarterly increase in employment was recorded in 35 to 49 year olds (+57,000), followed by 25 to 34 year olds (+46,000). All age groups observed an increase in employment levels on the year, ranging between 82,000 (18 to 24 year olds) and 319,000 (35 to 49 year olds). This is excluding 16 to 17 year olds, for whom estimates of employment levels decreased (-18,000).
- The number of employees working full-time increased on the quarter (+130,000) and the year (+476,000), and the number of employees working part-time also increased on the quarter (+14,000) and the year (+136,000). The number of self-employed people working full-time is down on the quarter (-41,000) but unchanged on the year (+1,000), while the number of self-employed people working part-time increased on the quarter (+40,000) and the year (+102,000).
- The estimated number of vacancies in the UK economy was 738,000 in the three months to May 2025. This represents a decrease on the quarter (-61,000) and the year (-148,000). The provisional estimate for vacancies in the three months to June 2025 (727,000) represents the 36th consecutive quarterly drop in vacancy levels, with vacancies decreasing in 14 of the 18 industry sectors.
- Vacancies continue to be more densely populated in certain sectors. In the three months to June 2025, estimated vacancies ranked top in human, health and social care (137,000), followed by whole and retail trade and repair of motor vehicles and motor cycles (91,000) and accommodation and food service activities (79,000).
- There were 37,000 working days lost because of labour disputes across the UK in May 2025.

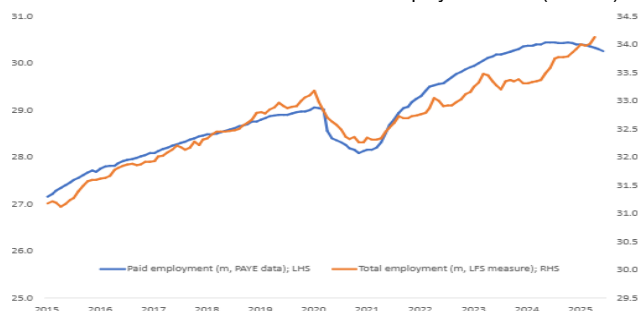
...and unemployment levels rose again

- Official data shows that, in the three months to May 2025, unemployment levels increased by 98,000 to 1.67 million. The unemployment rate is also marginally up on the quarter and the year, sitting at 4.7%. There are 124,000 more unemployed people compared to the same period last year.
- Redundancy levels decreased on the quarter to May 2025 (-3,000) to 114,000. This is marginally up on levels recorded at the same point last year (+16,000). The redundancy rate was estimated at 3.9% for the same period, which is down on the quarter but up on the year.
- The number of people recorded as being economically inactive decreased on the quarter to May 2025 (-139,000), sitting just above 9 million. There are 375,000 fewer people classified as being economically inactive compared to the same period last year.
- Inactivity levels continue to be driven by short and long-term sickness, collectively accounting for 2.975 million (one third of all) inactivity cases. Inactivity levels related to temporary and long-term sickness are down on the year (-32,000 and -49,000, respectively) but broadly unchanged on the quarter.

Real and nominal pay growth plateau to lowest levels seen in recent months

- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.0% on the year in the three months to May 2025 (the less volatile three-month rolling basis). This is the lowest level recorded in just under two years.
- Nominal regular pay growth in the private sector stood at 4.9% on the year in the three months to May 2025, the lowest level recorded in a year. In the public sector, nominal annual regular pay growth stood at 5.5%, a slight decrease on last month's figure (5.6%) but broadly in line with figures recorded over the past six months.
- Across the different sectors, nominal regular pay growth was strongest in wholesaling, retailing, hotels and restaurants (7.1%) followed by the public sector (excluding financial services) (5.9%). The weakest wage growth was recorded in the finance and business services sector (3.1%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has moderately decreased (on the less volatile three-month rolling basis) and sits at 1.1%. Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is 0.9%. Both figures are the lowest recorded in over twelve months.

Exhibit 3 PAYE real time data vs official employment data (millions)



Source: ONS July 2025 labour market statistics

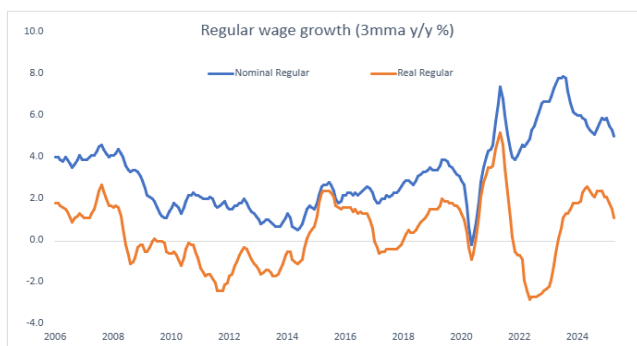
In the quarter to May 2025, employment levels decreased in several regions, but net employment levels increased in each of the four nations...

- In the three months to May 2025, employment levels increased the most in the South East (+79,000) and London (+75,000).
- Employment levels fell in several regions. The North West observed the largest quarterly decrease (-54,000) followed by Yorkshire and the Humber (-16,000) and the West Midlands (-14,000).
- In the quarter to May 2025, net employment levels increased in England (+61,000), Wales (+39,000), Scotland (+22,000) and Northern Ireland (+12,000).

...and unemployment levels paint a mixed picture

- The North East and London were the only regions in England to record a decrease in unemployment levels in the quarter to May 2025 (-5,000 and -14,000, respectively). The largest increases in unemployment levels were recorded in the North West (+40,000) and the West Midlands (+40,000).
- In the three months to May 2025, unemployment levels decreased in Wales and Scotland (-4,000 and -14,000, respectively) but increased in Northern Ireland (+5,000) and England (+110,000).

Exhibit 4 Real regular pay and nominal regular pay growth (%)



Source: ONS July 2025 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS July 2025 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS July 2025 labour market statistics



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The next Labour Market Update will be published on 12th August.

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