

WAGE GROWTH PLATEAUS BUT REMAINS STRONG, WHILE VACANCY LEVELS CONTINUE TO DIP

“Businesses continue to face persistent recruitment challenges, with rising labour costs –including the recent minimum wage increase – adding further strain. While some are maintaining or increasing investment in staff, overall growth remains subdued. In a tight and competitive labour market, finding the right talent is more complex than ever. That’s why businesses should use a trusted recruitment partner – to save time, reduce risk and secure the skills they need to succeed.”

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

In the three months to March 2025, wage growth across the economy remained strong and, while wages continued to rise in nominal and real terms, the rate of wage growth is showing signs of slowing. Unemployment and employment levels have both risen again, and the economic inactivity figure fell but still sits above 9 million. The labour market picture, therefore, remains the same, and the challenge of supporting people to enter and stay in the labour market continues to be a top priority.

The UK employment rate (for people aged 16 to 64 years) was estimated at 75.0% in the period between January 2025 and March 2025, which is unchanged on the quarter but slightly up on the year. The UK unemployment rate (for people aged 16 and over) was estimated at 4.5% in the three months to March 2025, which is slightly up on the year and the quarter.

The UK economic inactivity rate for people aged 16 to 64 years old was 21.4% in the quarter to March 2025, marginally down on the year and the quarter. The provisional estimate for the number of vacancies in the UK economy in the three months to April 2025 is 761,000, which is a decrease on the quarter (-42,000) and the year (-131,000).

Estimates for payrolled employees in the UK decreased by 47,000 (0.2%) between February and March 2025 and fell by 63,000 (0.2%) between March 2024 and March 2025. The early estimate of payrolled employees for April 2025 decreased by 33,000 (0.1%) on the month and decreased by 106,000 (0.3%) on the year to 30.3 million. The April 2025 estimate should be treated as a provisional estimate 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 5.6% in the three months to March 2025, and annual growth in total earnings

(including bonuses) was 5.5%. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)), for regular pay and total pay stood at 1.8% and 1.7%, respectively, across the same period.

The data from this month does not tell a drastically different story from the one told in previous months. Wage growth has continued to plateau, but questions remain about how affordable the current rate of wage growth is for businesses if there is not the productivity growth to pay for it. Employment and unemployment levels also rose again, suggesting the retention of talent continues to be a top challenge, and the sustained decline in vacancy levels has persisted, suggesting the jobs market is in fact weakening.

Together, this indicates that the rising cost of employment, from the National Insurance Contributions (NICs) hike to the knock-on effects of tariffs, are affecting hiring decisions and crowding out the budgets that firms have to invest in growth and their workforce. The priority remains for policymakers to work with employers to unlock business investment and reduce costs which do not support employers' growth potential. For example, delivering immediate and meaningful reform of the Apprenticeship Levy and working through the unintended consequences of the Employment Rights Bill. Some of this concern could be addressed through relatively small changes, such as replacing the 'right to have' a guaranteed hours contract with a 'right to claim' or a 'right to request', as well as making the distinction between unreasonable and reasonable contractual changes clearer in fire/re-hire provisions.

Please note: Increased volatility of LFS estimates, resulting from smaller achieved sample sizes, means that estimates of quarterly change should be treated with added caution.

Exhibit 1 Vacancies (000s)

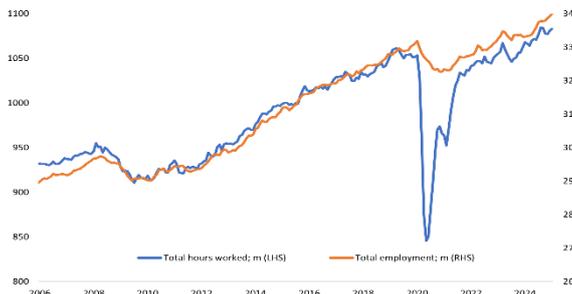


Source: ONS May 2025 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.0%	33,975	+112,000 (+0.3%)	+640,000(+1.9%)
Unemployment** (ILO)	4.5%	1,614	+62,000 (+4.0%)	+100,000 (+6.6%)
Youth unemployment (16-24)	14.2%	620	-21,000 (-3.5%)	+80,000 (+14.8%)

Source: ONS May 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



Source: ONS May 2025 labour market statistics

Employment levels continue to climb, while vacancies fell again

- The official measure of employment increased in the three months to March 2025 (+112,000), and is also higher compared to the same time last year (+640,000). The employment rate is unchanged on the quarter but slightly up on the year, sitting at 75.1%.
- Male employment is largely unchanged on the quarter (-2,000) but up on the year (+330,000), whereas female employment is up on the quarter (+115,000) and the year (+310,000). In the three months to March 2025, there were 17.485 million men in employment, and 16.491 million women in employment.
- In the quarter to March 2025, there was a decrease in the number of employed 50 to 64 year olds (-51,000). The only other age group to see a drop-off in employment levels were 16-17 year olds, although the degree of decline was small (-2,000).
- In the three months to March 2025, there were 620,000 16 to 24 year olds who were unemployed. The 16 to 24 year old unemployment rate sits at 14.2%, which is down on the quarter (14.8%) but up on the rate seen at the same time last year (13.0%).
- Between January 2025 and March 2025, the number of employees working full-time observed a small decline (-5,000), whereas the number of employees working full time increased (+83,000). The number of self-employed people working full-time and part-time changed on the quarter, but the changes were relatively small (-8,000 and +14,000, respectively).
- In the three months to March 2025, there were 783,000 vacancies across the economy, representing a decrease on the quarter (-24,000). There are 123,000 fewer vacancies now compared to a year ago.
- In the three months to April 2025 and excluding total services, human health and social work reported the highest level of vacancies across sectors (136,000). This is a modest decrease on the year (-26,000). The second largest number of vacancies was recorded in the wholesale and retail trade and repair of motor vehicles and motorcycles (100,000). All other sectors reported vacancy levels that ranged between 1,000 (mining and quarrying) and 83,000 (accommodation and food service activities).
- The quarterly change in vacancy levels across different industries remains small, with the largest fluctuation recorded in total services (-21,000), followed by construction (-11,000). This is consistent with headline vacancy data's indication that employer demand for jobs is plateauing.
- An estimated 55,000 working days lost were lost because of labour disputes across the UK in March 2025.

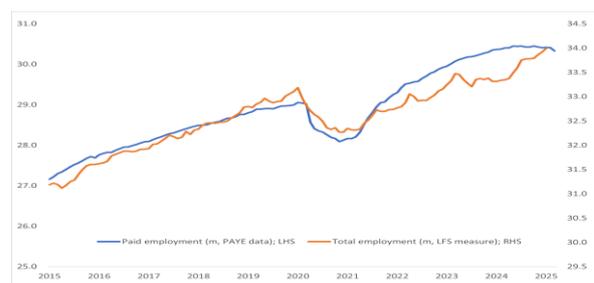
Unemployment levels, redundancy levels, and the number of economically inactive who want a job have all increased

- In the quarter to March 2025, unemployment levels increased to 1.614 million (+62,000). The unemployment rate was slightly up on the year and the quarter, sitting at 4.5%. There are 100,000 more unemployed people compared to the same time last year.
- Redundancy levels sat at 110,000 in the three months to March 2025, which is moderately down on the quarter (-4,000) but up on the year (+21,000).
- Inactivity levels are down on the quarter (-54,000) and the year (-216,000), and there are now 9.23 million 16-64 year olds who are unemployed and not listed as actively looking for work. The inactivity rate has marginally fallen on the quarter and year, sitting at 21.4%.
- Inactivity related to temporary sickness is down on the quarter (-37,000) and the year (-31,000), whereas levels of inactivity linked to long-term sickness is slightly up on the quarter (+8,000) but down on the year (-41,000).
- Sickness continues to rank top in terms of the number of economic inactivity cases it accounts for (2.957 million). This is followed by study participation (2.457 million).
- There are now 1.981 million 16 to 64 year olds who are economically active and want a job, which is a notable increase on the year (+237,000).

Wage growth remains strong across different areas of the economy, but the rate of wage growth is showing signs of slowing

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.6% on the year in the three months to March 2025 (the less volatile three-month rolling basis).
- In the quarter to March 2025, nominal regular pay growth stood at 5.6% in the private sector, slightly down on the previous month (5.9%). In the public sector, nominal pay growth was 5.5%, which is also a slight decrease on February's figure (5.7%).
- Across the different sectors, nominal regular wage growth was strongest in the wholesaling, retailing, hotels and restaurants sector (7.4%), followed by construction (6.4%). This is the highest level recorded for the sector in over twelve months and follows a sustained period of strong wage growth.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) was 1.8% in March 2025, which is slightly down on the figure recorded last month (2.1%) and at the same point last year (1.9%). Real regular pay growth for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) was 1.6%, down on last month's figures (2.1%).

Exhibit 3 PAYE real time data vs official employment data



Source: ONS May 2025 labour market statistics

Few areas in the UK observed a decrease in employment levels in the three months to March 2025

- In the three months to March 2025, employment levels increased the most in the South East (+56,000), followed by the South West (+47,000) and the East of England (+39,000).
- Across the same period, a small number of areas observed a decrease in employment levels. The largest decrease in employment levels was recorded in the West Midlands (-63,000).
- Employment levels rose in each of the nations. England, Wales and Scotland all observed similar levels of increase (+35,000 to +39,000) and levels in Northern Ireland were up, but only fractionally (+2,000).

Changes in unemployment levels in the three months to March across different parts of the UK were modest

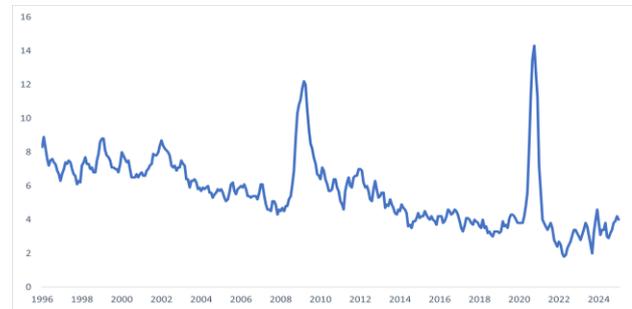
- Between January 2025 and March 2025, unemployment levels increased in most regions and nations, but rates of change were modest. The greatest increase in unemployment levels across regions in England occurred in Yorkshire and the Humber (+26,000), followed by the South East (+17,000).
- Across the nations, unemployment levels observed the largest quarterly change in England (+49,000) followed by Scotland (+15,000). Unemployment levels were broadly unchanged in Wales (-2,000) and Northern Ireland (-1,000).

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



Source: ONS May 2025 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS May 2025 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS May 2025 labour market statistics



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