

THE LABOUR MARKET CONTINUES TO COOL AND VACANCIES FALL AGAIN

"We've seen a seasonal easing in hiring activity over the summer, with fewer new roles being advertised. Yet overall demand for talent remains steady, showing the labour market's underlying resilience. Employers are balancing caution with the need to bring in key skills. Partnering with a trusted recruiter can help businesses navigate uncertainty and secure the right people."

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

In the three months to July 2025, unemployment and employment levels both rose, the economic inactivity level and rate fell, and strong wage growth continued to present signs of slowing. Vacancy levels also fell for the 38th consecutive period. As a result, the labour market picture is fundamentally the same, with cooling labour market conditions and dampened hiring intentions emerging as key messages.

The UK employment rate (for people aged 16 to 64 years) was estimated at 75.2% in the period between May 2025 and July 2025, which is slightly up on the quarter and the year. The UK unemployment rate (for people aged 16 and over) was estimated at 4.7% in the three months to July 2025, also up on the year and quarter.

The UK economic inactivity rate for people aged 16 to 64 years old was recorded as being 21.1% in the quarter to July 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 August 2025 is 728,000, representing a decrease on the quarter (-10,000) and the year (-119,000).

Estimates for payrolled employees in the UK fell by 142,000 (-0.5%) between July 2024 and July 2025, and by 6,000 (0.0%) between June 2025 and July 2025. The early estimate of payrolled employees for August 2025 decreased by 127,000 (-0.4%) on the year, and by 8,000 (0.0%) on the month, to 30.3 million. The August 2025 estimate should be treated as a provisional estimate and is likely to be revised when more data are received next month.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 4.8% in the three months to July 2025, and annual growth in total earnings

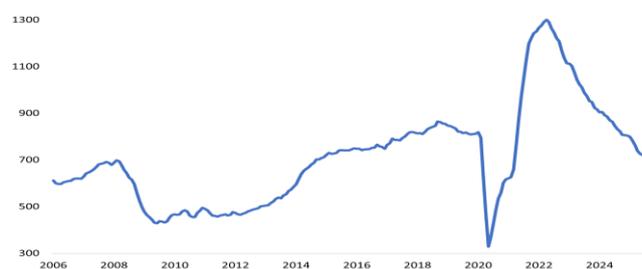
(including bonuses) was 4.7%. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)), for regular pay and total pay stood at 0.7% and 0.5%, respectively, across the same period.

This month's data does not contain drastically different messages compared to those told in previous months. Wages are continuing to rise in real and nominal terms, but the rate of growth is slowing. Another rise in unemployment, dip in vacancies, and a moderate rise in redundancy levels on the year also suggests that the demand for workers is continuing to weaken, and the rising cost of business is having a material impact on hiring intentions and, in some cases, job security.

It is more important than ever for government to be mindful of the trade-offs involved when introducing new policies that add to employers' cost base. Government can help address some of this risk to employers' cost base and support firms to invest in jobs, productivity, and growth through their approach to different policies. In the case of skills, this involves publishing a clear roadmap for Growth and Skills Levy reform, specifying what non-apprenticeship courses will be eligible for funding and when. For the Employment Rights Bill, this means engaging with remaining business concerns during parliamentary 'ping-pong'.

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 September 2025 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.2%	34,243	+232,000 (+0.7%)	+654,000 (+1.9%)
Unemployment** (ILO)	4.7%	1,674	+34,000 (+2.1%)	+194,000 (+13.1%)
Youth unemployment (16-24)	13.8%	621	-4,000 (-0.6%)	+24,000 (+4.0%)

Source: ONS September 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 September 2025 labour market statistics

Employment levels remain higher than ever, but hiring demand fell again

- The official measure of employment increased in the three months to July 2025 (+232,000) to 34.2 million, which is higher than estimates from this time twelve months ago (+654,000). The employment rate is slightly up on the quarter and year, sitting at 75.2%.
- Male employment is up on the quarter (+132,000) and the year (+410,000), sitting at 17.6 million. Female employment is estimated at 16.6 million, which also represents an increase on the quarter (+100,000) and the year (+244,000).
- In the quarter to July 2025, all age groups observed an increase in employment levels, excluding 50 to 64 year olds (-48,000). The greatest quarterly increase in employment levels was recorded across individuals aged 65 and over (+115,000), followed by 18-24 year olds (+92,000).
- The number of employees working full-time is up on the quarter (+139,000) and the year (+353,000), sitting at 22.6 million. The number of employees working part-time is estimated at 7.0 million, which also represents an increase on the quarter (+75,000) and the year (+167,000). The number of self-employed people working full-time (3.0 million) is slightly up on the quarter (+21,000) and the year (+76,000). The 1.5 million self-employed working part-time is moderately up on the quarter (+8,000) and to a greater extent the year (+58,000).
- In the three months to July 2025, there were 720,000 vacancies across the economy, representing a fall on the quarter (-42,000) and the year (-142,000).
- Provisional estimates for August 2025 indicate that, excluding total services, the human health and social work sector continues to report the most vacancies (128,000), followed by wholesale and retail trade and repair of motor vehicles and motorcycles (94,000). Vacancy levels in other sectors ranged from 1,000 (mining and quarrying) to 78,000 (accommodation and food service activities and professional scientific and technical activities).
- Quarterly changes in vacancy levels remain small, with the greatest change recorded in the human health and social work activities and total services sectors (both -6,000).
- There were an estimated 83,000 working days lost because of labour disputes across the UK in July 2025. Most of the strikes were in the health and social work sector.

Unemployment levels are continuing to creep up, and redundancy levels are up on the year

- In the quarter to July 2025, unemployment increased to 1.67 million (+34,000). The unemployment rate is slightly up on the quarter and year, sitting at 4.7%. There are 194,000 more unemployed people compared to the same time last year.
- Across age groups, around one quarter of people who are unemployed have been unemployed for over twelve months. This is excluding 16-17 year olds, where this figure drops to 7.4%.
- In the three months to July 2025, there were 621,000 16 to 24 year olds classified as unemployed. The estimated unemployment rate for this age group is 13.8%, which is down on the figure recorded at the same point last year (14.2%).
- Redundancy levels were estimated at 104,000 in the three months to July 2025, which is unchanged on the quarter (+2,000) but slightly up on the year (+18,000).
- There were an estimated 9.1 million economically inactive 16 to 64 year olds in the quarter to July 2025. This is down on the quarter (-63,000) and year (-287,000). The inactivity rate is also down on the quarter and year, sitting at 21.1%.
- In the quarter to July 2025, there was a slight uptick in economic inactivity related to temporary sickness (+23,000). Inactivity related to sickness, retirement and family responsibilities are all down on the year.

Wage growth remains high, but is plateauing

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 4.8% on the year in the three months to July 2025 (the less volatile three-month rolling basis).
- In the quarter to July 2025, nominal regular pay growth stood at 4.7% in the private sector. This represents the fifth consecutive decrease. In the public sector, nominal pay growth was estimated at 5.6%, which is marginally down on last month's figure (5.7%).
- Across the different sectors, nominal regular wage growth was strongest in the wholesaling, retailing, hotels and restaurants sector (6.4%), followed by the public sector (excluding financial services) (6.0%). The lowest level of wage growth was again recorded in the finance and business services sector (3.0%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) was 0.7% on the year in the three months to July 2025, which is down on the figure recorded last month (0.9%) and at the same point last year (2.4%). Real regular pay growth for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) was 0.5%, also down on last month's figure (0.8%).

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



Source: ONS September 2025 labour market statistics

In the quarter to July 2025, employment levels increased in most regions in England

- In the three months to July 2025, employment levels increased the most in London (+140,000), followed by the West Midlands (+71,000) and Yorkshire and the Humber (+34,000).
- Across the same period, there was only one place in England which observed a decrease in employment levels (the East of England; -24,000).
- Employment levels rose in England (+277,000), but fell in Wales (-19,000), Scotland (-26,000) and were broadly unchanged in Northern Ireland (-1,000).

... and unemployment level changes across the regions and nations were mixed

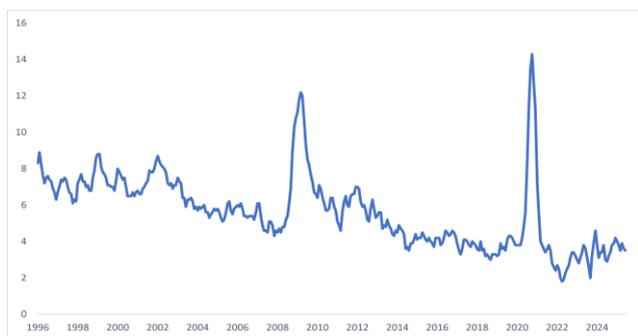
- Between May 2025 and July 2025, unemployment level changes were fairly mixed across the regions and nations.
- In England, the greatest decrease in unemployment levels was recorded in London (-16,000) and the South East (-15,000). Meanwhile, the greatest increase in unemployment levels was recorded in the West Midlands (+33,000) and the North West (+30,000).
- In the quarter to July 2025, unemployment levels rose in England (+52,000) and Northern Ireland (+4,000), but fell in Scotland (-20,000) and were broadly unchanged in Wales (-1,000).

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



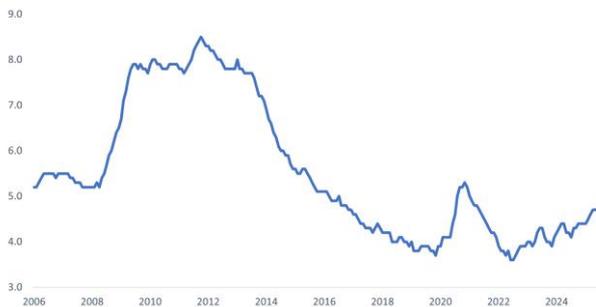
Source: ONS September 2025 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS September 2025 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS September 2025 labour market statistics



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About the Sponsor

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It is made up of two elements:

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The next Labour Market Update will be published on 14th October.

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