

Market Briefing

July 2025

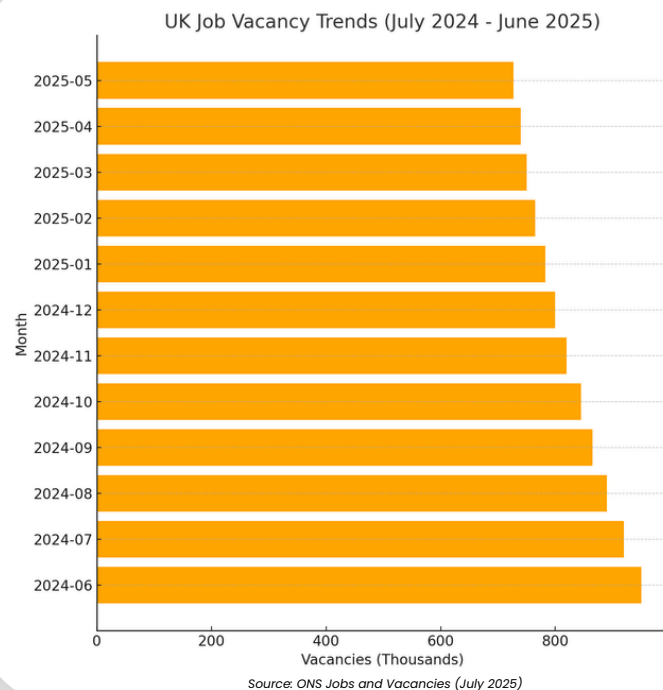
Overview of UK Labour Market Trends

In the last quarter (April-June 2025), the UK labour market demonstrated continuing signs of cooling:

- Unemployment rose to **4.7%**, up from **4.3%** a year earlier, marking the highest rate in four years (ONS, 2025).
- Job vacancies declined for the **36th** consecutive month to approximately **727,000**, a **16.9%** decrease compared to the previous year and now below pre-pandemic levels.
- The ratio of unemployed people per vacancy increased to around **2.3**, indicating less market tightness and greater candidate availability.

Total employment remains relatively stable at **37.1 million**, reflecting modest year-on-year growth (**+0.8%**), but payroll employment has shown slight declines over recent months.

Ken Brotherston Founder and Chair of TALiNT Partners comments: the data above is a continuation of the trends we have now been seeing for some time. For the UK the real worry is that falling vacancies becomes ever more hard wired into the economy making any kind of economic re-bound more difficult.

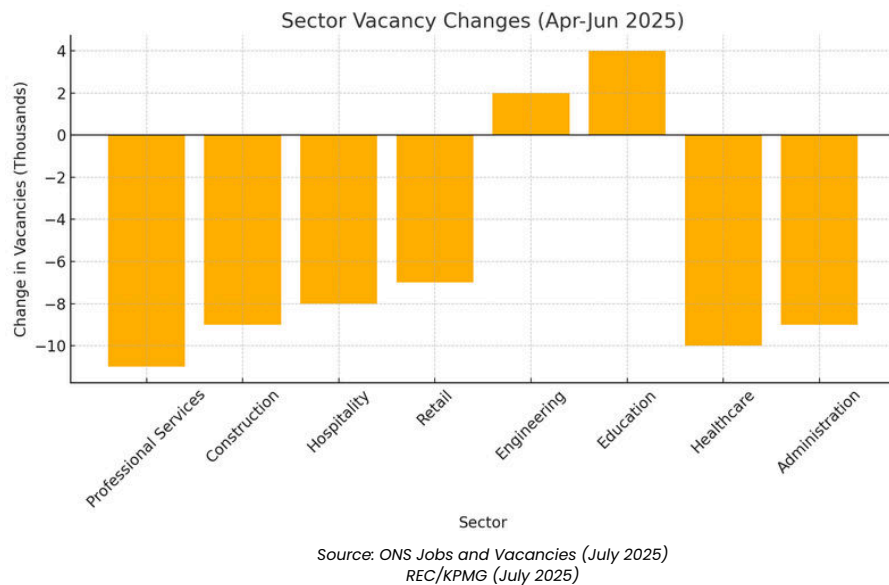


Sector-Specific Vacancy Trends:

Vacancy Data Points to Sector-Specific Shifts in Demand

Vacancy reductions were broadly evident across most sectors. The steepest quarterly drops occurred in professional services (down 11,000 vacancies), construction (down 9,000), and hospitality.

The REC/KPMG report highlighted particularly significant downturns in hospitality and retail sectors, whereas engineering stood out as the only sector with increased hiring demand in May.



Education remains robust, consistently showing high vacancy volumes. Adzuna data reinforced this, indicating education vacancies grew 1.6% month-on-month, reaching 169,000 positions. Conversely, healthcare vacancies sharply decreased by 10.2%, alongside administrative roles (down 9.2%). Entry-level hiring notably weakened, with graduate vacancies 28.4% lower year-on-year, highlighting broader caution in hiring decisions across businesses.

Wage and Labour Supply Dynamics

Candidate availability significantly improved, driven by rising redundancies and reduced hiring activity, resulting in an average of two jobseekers per vacancy. Regional disparities remain, with areas like the North East facing greater competition per role (over 3.3 candidates per vacancy), while London and the South East experienced moderate increases in candidate availability.

Despite easing demand, wage pressures continue, albeit at a reduced rate. Average UK earnings increased by approximately 5% year-on-year (excluding bonuses), slightly moderating compared to previous highs.

Advertised salaries, influenced by recent minimum wage adjustments, hit a record average of £42,400, representing a 9.4% increase annually.

The REC/KPMG survey indicated the fastest monthly rise in starting salaries since late 2024, driven by persistent skill shortages in specific sectors like logistics, engineering, and education.

Sector	Annual Salary Increase (%)
Logistics	12.5
Engineering	11.2
Education	10.8

Source: ONS Jobs and Vacancies (July 2025)
REC/KPMG (July 2025)

Comparative Analysis: UK, US, and Europe

Comparatively, the US labour market remains tighter than the UK, with unemployment at 4.2% and approximately 1.07 job openings per unemployed person, reflecting a more competitive recruitment environment. Although vacancies have reduced from peak levels, the US reported 7.77 million openings in May 2025, notably higher proportionally than the UK.

Indicator	UK	US	Eurozone
Unemployment Rate	4.7%	4.2%	6.3%
Vacancies / Openings	727,000	7.77 million	2.4% vacancy rate
Jobseekers per Vacancy	2.3	0.93	~2.5 (est.)

Source: ONS Jobs and Vacancies (July 2025), US Bureau of Labor Statistics (May 2025), Eurozone / Eurostat (Q1 2025)

The Eurozone presents a contrasting scenario with higher unemployment rates (6.3% in May) and declining vacancy rates. Vacancy rates in the Eurozone fell to 2.4% from 2.9% year-on-year, indicating reduced hiring activity amid economic uncertainty. Germany and the Netherlands, however, continue experiencing acute skill shortages, particularly within IT, engineering, and healthcare sectors.

Strategic Implications for HR and Talent Acquisition

The current UK labour market conditions offer strategic opportunities for HR and Talent Acquisition professionals in large organisations. Increasing candidate availability provides a chance to secure talent for roles previously difficult to fill, particularly in sectors like hospitality where competition has reduced significantly. Recruitment processes can become more selective and deliberate, capitalising on expanded talent pools and reduced pressure to offer premium salaries universally.

However, persistent skill shortages in sectors such as engineering, logistics, and education necessitate ongoing competitive compensation and targeted employer branding efforts. HR leaders should prioritise engagement strategies, including highlighting non-monetary benefits, development opportunities, and internal mobility programmes to attract and retain specialised talent effectively.

Talent Acquisition teams should balance immediate hiring needs with strategic candidate pipeline development, ensuring readiness for rapid hiring expansion if market conditions improve. Conversely, contingency plans for further market cooling should include increased investment in internal talent development, reskilling initiatives, and leveraging the improved candidate availability to fill critical skill gaps.

On an international level, multinational organisations need differentiated regional strategies. The tighter US labour market may require aggressive hiring packages and proactive talent sourcing, while higher unemployment levels in Europe offer potential nearshoring opportunities. Organisations operating internationally should calibrate their talent strategies based on regional labour market dynamics, maximising their competitive advantage in attracting and retaining global talent.

In summary, while the UK labour market has challenges overall, it remains dynamic and varied by sector. For HR and Talent Acquisition leaders, these conditions call for flexible, strategic approaches to hiring and workforce management, balancing immediate talent needs with longer-term resilience planning.



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