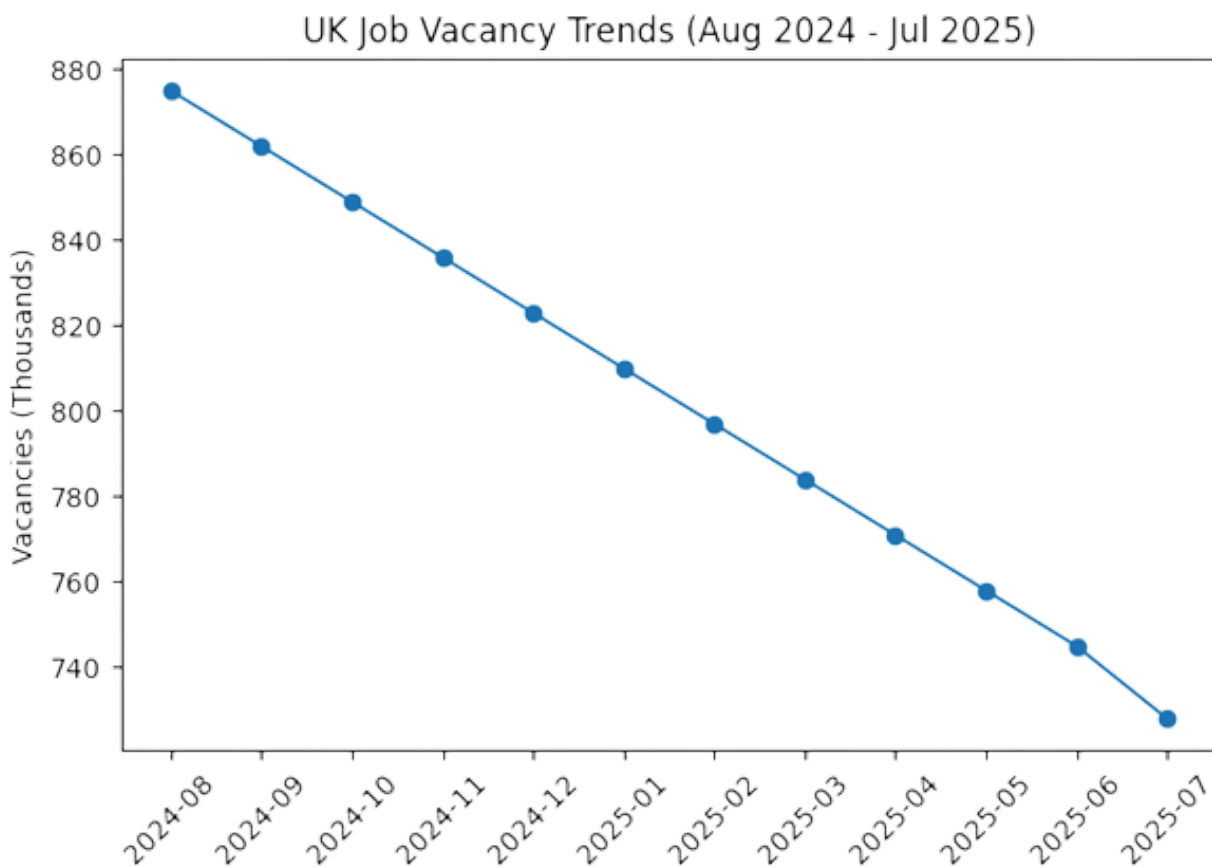


Market Briefing

September 2025

Overview of UK Labour Market Trends

The UK labour market continued to cool through summer. ONS estimates about **728 000** vacancies in June–August 2025, down **10 000 (-1.4 %)** on the previous quarter and **119 000 (-14 %)** on the year.



Source: UK Job Vacancy Trends (Aug 2024 – Jul 2025)

Vacancies are roughly **8 %** below pre-pandemic levels after 38 consecutive periods of decline. The ratio of unemployed people to vacancies climbed to **2.3** in May–July, up from **2.2**, signaling a looser market with more candidates per role.

Workforce jobs were broadly stable year on year, suggesting employment remains robust even as hiring appetite eases. In short, the market has shifted from scarcity toward a more balanced state, giving employers greater choice but making things far more challenging for many job seekers.

Sector-Specific Vacancy Trends:

ONS and Recruitment Surveys Highlight Divergent Sector Trends

Vacancy reductions span most sectors. ONS data indicate that roughly **half of the 18 major industries** saw openings fall in the latest quarter.

The largest quarterly declines were in **wholesale and retail trade (-9 000 vacancies)**, **accommodation and food services (-6 000)** and **administrative services (-5 000)**.

Over the past year, **manufacturing vacancies have fallen by more than a quarter**, and arts and recreation vacancies by close to **18 %**. Nevertheless, pockets of resilience remain. Demand for **engineers and construction workers** continues to hold up, supported by infrastructure and energy projects.

Education and health and social care remain among the largest sources of vacancies, though their volumes eased slightly. Recruitment surveys echo these patterns: **KPMG/REC's** August report noted weaker permanent placements but steadier demand for technical and construction roles.

Adzuna's job-board data recorded month-on-month vacancy increases in trade and construction but declines in healthcare and hospitality; entry-level postings were over 25 % below a year ago. The broad decline alongside selective strength suggests employers are prioritising roles that underpin strategic projects while trimming consumer-facing recruitment.

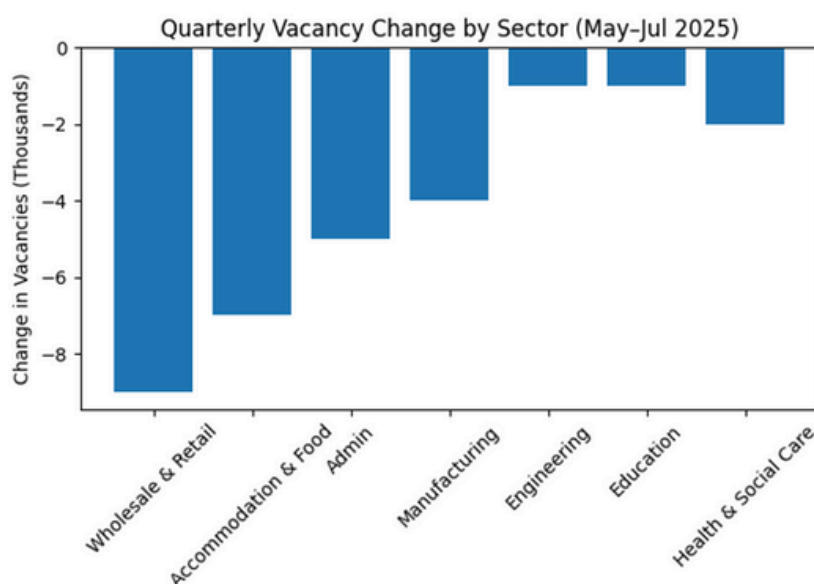
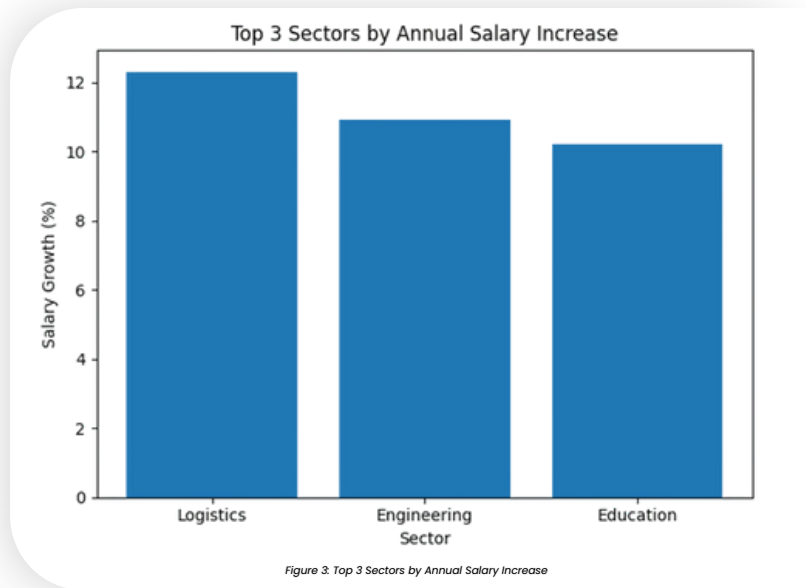


Figure 2: Quarterly Vacancy Change by Sector (May–Jul 2025)

Wage and Labour Supply Dynamics

Labour supply is improving quickly. Recruiter surveys report the **fastest rise in candidate availability since late 2020** as redundancies and reduced hiring generate a larger pool of jobseekers. ONS data show regular pay growth slowed to **4.8 % year-on-year** in May–July 2025, while total pay growth (including bonuses) was **around 5 %**.



Average advertised salaries remain high—Adzuna reports about **£42 200**, nearly **8 % higher than last year**—but growth momentum is cooling, especially in consumer-facing sectors.

The fastest advertised pay rises are in **logistics (+12 %)**, **engineering (+11 %)** and **education (+10 %)**, reflecting ongoing skills shortages in those areas. Surveys by the **Chartered Institute of Personnel and Development (CIPD)** suggest hiring intentions remain positive but muted, as many employers are cautious about expanding headcount.

Taken together, these data suggest wage pressures are easing but not disappearing; employers now have more choice of candidates yet must still offer competitive packages for specialist roles.

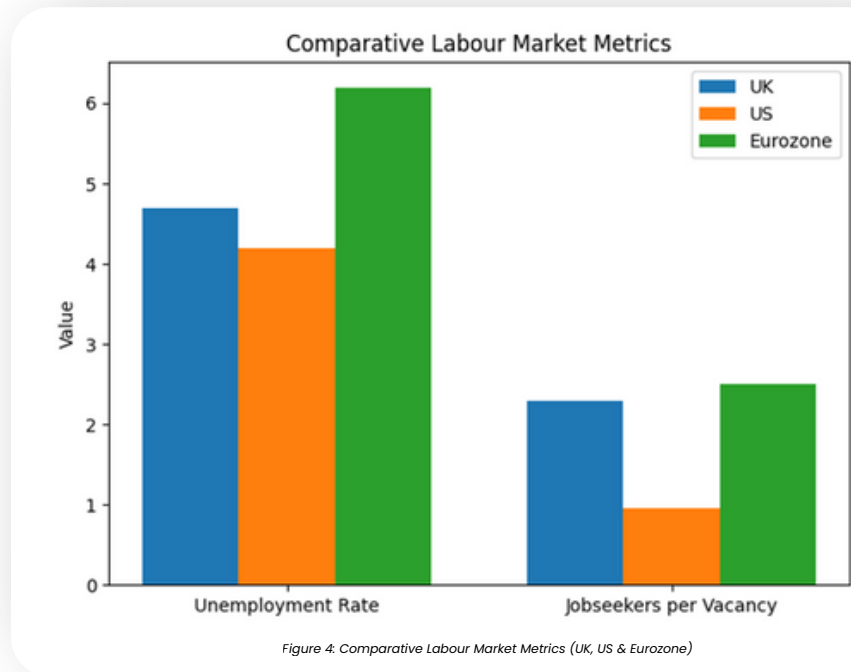
Comparative Analysis: UK, US, and Europe

Against an international backdrop, the UK labour market sits between the US and euro-area extremes. In the **United States**, unemployment held at **4.2 % in July 2025**. Job openings were about **7.3 million**, leaving roughly **0.95 unemployed people per vacancy**—significantly tighter than the UK.

Wages continue to grow at over **3 %** per year, but the pace has eased and sectors such as technology and manufacturing have cooled.

In the **Eurozone**, unemployment was **6.2 % in July**, while the job vacancy rate slipped to **around 2.4 % in Q2 2025**. There are **roughly 2.5 jobseekers per vacancy** across the euro area, and labour demand is weaker, particularly in southern Europe.

However, Germany and the Netherlands still report acute shortages in IT, engineering and healthcare. Compared with these peers, the UK labour market is looser than the US's but tighter than much of continental Europe, offering employers a relatively balanced hiring environment.



Strategic Implications for HR and Talent Acquisition

The current backdrop affords HR and talent acquisition leaders both challenges and opportunities. **Greater candidate availability** allows employers to be more selective in hiring and to fill long-standing vacancies in administration, customer service and hospitality without escalating salaries. It is therefore an opportune moment to upgrade talent, build bench strength and prepare for future expansion.

That said, **skills shortages persist in engineering, logistics, data science, healthcare and specialised education**. Organisations must continue to offer attractive salaries, career progression and strong employer value propositions to secure scarce talent in these fields. Recruitment strategies should prioritise targeted sourcing and employer branding rather than blanket hiring.

Given ongoing economic uncertainty, HR teams should adopt **flexible workforce planning**. Scenario-based hiring plans will help organisations adjust quickly if conditions change. Building talent pipelines—both external and internal—is essential; a larger candidate pool makes it easier to identify high-potential individuals, while reskilling and redeployment can help fill gaps without new hires.

Cost discipline remains important: firms must account for higher employment taxes and wage floors. Using contingent labour, phased recruitment and productivity enhancements can manage headcount costs while preserving agility.

Looking ahead, vacancies are likely to **drift lower toward 700 000 by year-end**, and unemployment could edge up toward **4.9 %**, though both metrics should remain at historically moderate levels. Pay growth is expected to stabilise in the **4.5–4.7 %** range, with real wages likely to continue rising if inflation stays subdued. Candidate supply should remain ample, giving employers more latitude in recruitment. Nonetheless, persistent skill shortages in STEM, healthcare and public service roles mean wage premiums will continue in those fields.

Overall, the UK labour market has undergone a **structural shift** toward a more balanced, employer-led environment rather than a temporary cyclical downturn. HR and talent acquisition professionals who act now to recalibrate hiring strategies, strengthen talent pipelines and build workforce resilience will be best positioned to thrive in this evolving landscape. For HR and TA leaders, now is the time to align workforce strategies with a calmer labour market while building resilience for future changes.

The big question is no longer whether there is a hiring bounce-back, but whether the employment market has now bottomed out and is settling in for a medium to long term run of low hiring activity.



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