



# 2025 UK labour market industry report

This report explores key trends, challenges, and opportunities in the UK labour market, helping businesses stay agile and adapt.

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# Contents

- 01 Challenges, costs, and strategic workforce solutions

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- 02 Labour market outlook: Rising costs and slowing hiring

---
- 03 Key trends and challenges in the labour market

---
- 04 Strategic workforce solutions for 2025

---
- 05 Labour market opportunities and risks

---
- 06 Navigating 2025's labour market

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# Challenges, costs, and strategic workforce solutions

The UK labour market is entering a critical phase in 2025, shaped by rising employment costs, regulatory changes, and tightening labour conditions.

Despite modest GDP growth projections of 1.5 – 2%, hiring activity has slowed, and workforce challenges are mounting.

All of the above means that a fresh approach to workforce management is required.



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# Labour market outlook: Rising costs and slowing hiring

## Economic growth meets rising costs

While the UK economy is set for modest growth in 2025, this has not translated into the surge in hiring that was first expected. Instead, businesses face:

⊕ **£2,367**

### Rising employment costs

National Insurance (NI) contributions have increased, with employers paying an additional £2,367 annually per full-time minimum-wage worker.

⬆ **21.3%**

### Tax wedge expansion

The combined tax burden on employers and employees has risen to a record-high 21.3%, the largest since the introduction of the minimum wage in 1999.

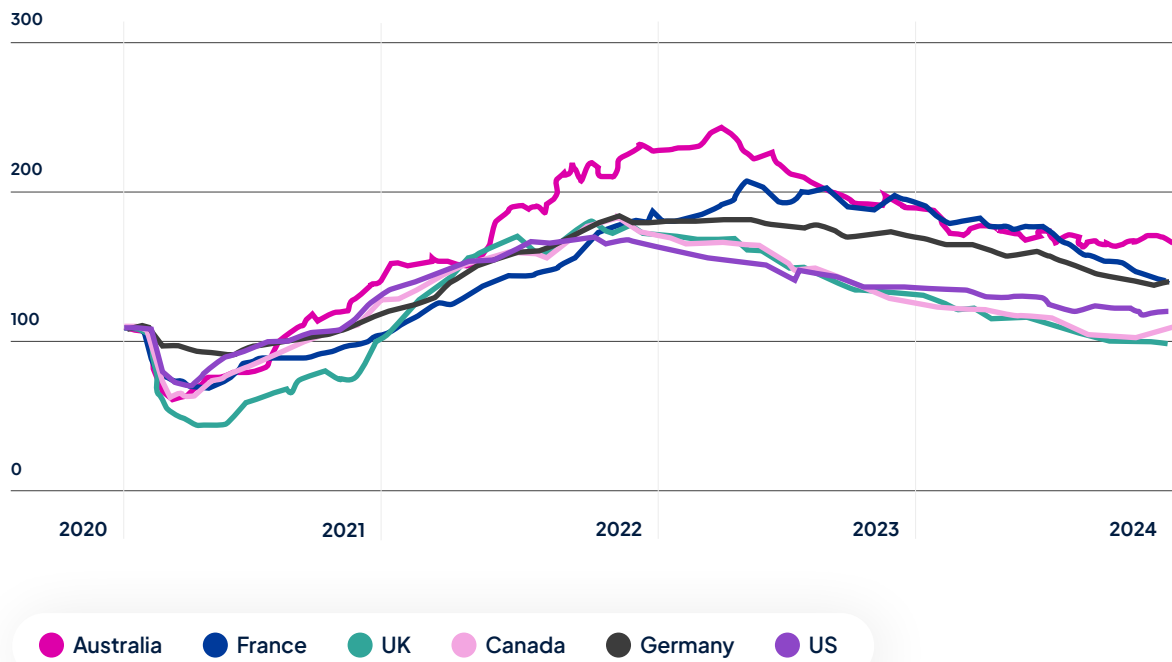
⬆ **6.7%**

### Wage pressures

A 6.7% rise in the National Living Wage is further squeezing margins and both the National Living Wage and National Minimum Wage continue to rise, year on year.



## Indeed Job Posting Index



UK job postings  
trending lower  
than in peer  
countries.



# Labour market tightness

Despite slowing demand, the labour market remains tight:

⬆️ 1.8

## Unemployed-to-vacancy ratio

This ratio has **risen slightly to 1.8, up from 1.0 in 2022**, but remains well below pre-pandemic levels of 3.0.

⬇️ 23.7%

## Decline in job postings

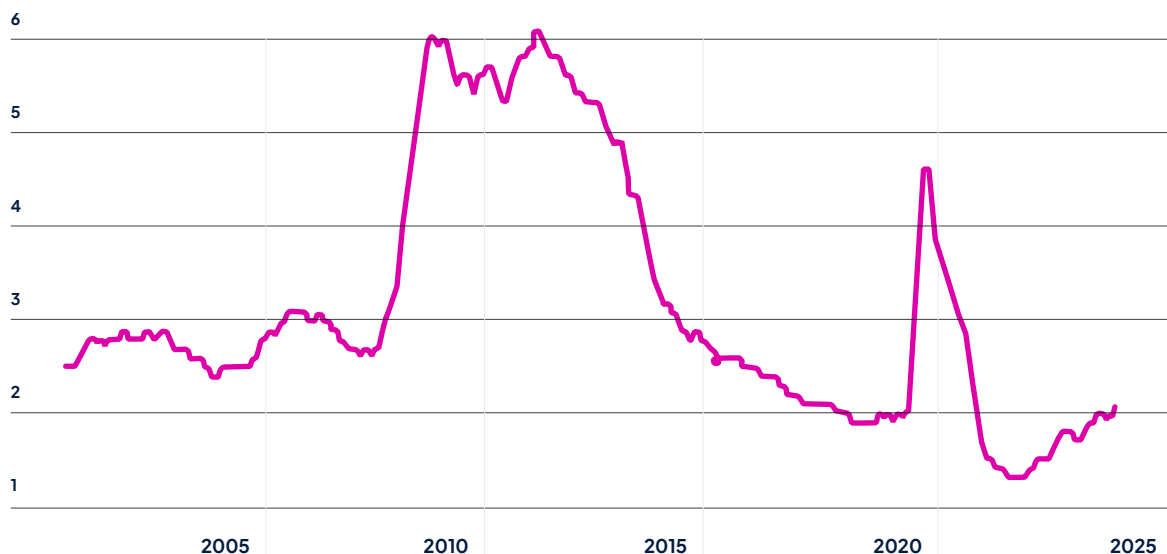
Hiring activity has contracted significantly, **with job postings down 23.7% year-over-year**, marking the steepest decline among advanced economies.

– 75%

## Skills shortages across the board

From HGV drivers to forklift operators, to the manufacturing sector, where **75% of employers say a skills shortage is their biggest barrier to growth**.

Ratio of unemployed people to vacancies, to September 2024





# Key trends and challenges in the labour market

## Shift in workforce dynamics



### Zero-hours contracts

The Employments Rights Bill gives workers the right to request guaranteed hours.



### Labour inactivity

Workforce participation continues to lag, compared to other advanced economies.

↑ 1.9%

The share of job postings mentioning zero-hours contracts rose to 1.9% in 2024 (from 1.1% in 2022)

## A drop in employer incentives



### Decline in signing bonuses

Employers are reducing incentives, as the market shifts in their favour.



### Easing wage growth

While remaining relatively robust, wage growth is expected to cool in 2025.

# The rising cost of employment

Employment costs have reached historic highs in 2025, creating a pressing need for operational efficiency and smarter workforce strategies.



## National Insurance impact

Changes to NI contributions are forcing many businesses to reassess staffing levels and cost structures.



## Zero-hours regulation

New compliance requirements have increased administrative and financial burdens.

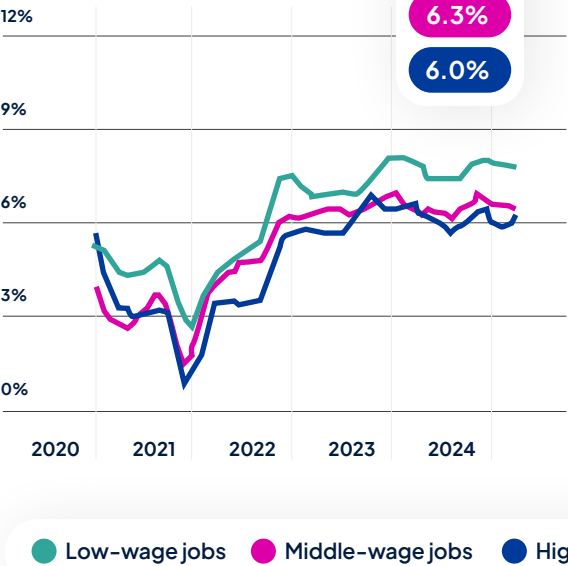


## Wage compression

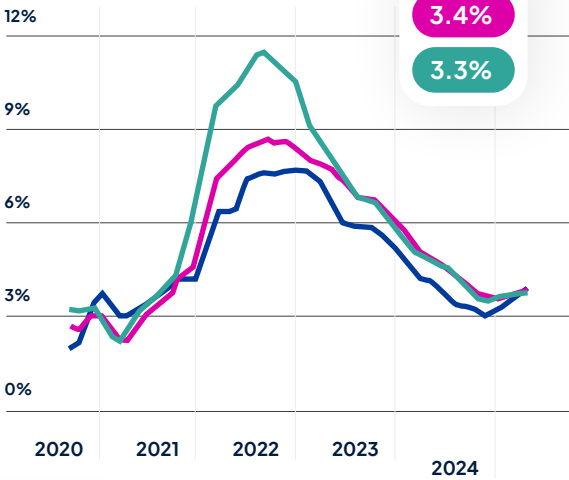
Rising minimum wages are narrowing pay differentials across roles, affecting morale and retention in mid-level positions.

## Year-on-year growth in posted wages to October 2024 (3-month average)

### United Kingdom



### United States

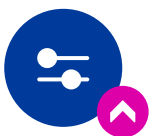




# Strategic workforce solutions for 2025

## Contingent staffing: Allowing for agility in uncertain times

Contingent staffing offers businesses a practical solution to manage rising costs and fluctuating demand:



### Flexibility

Temporary workers enable businesses to scale operations in response to seasonal peaks or market changes without incurring long-term financial costs.



### Access to skills

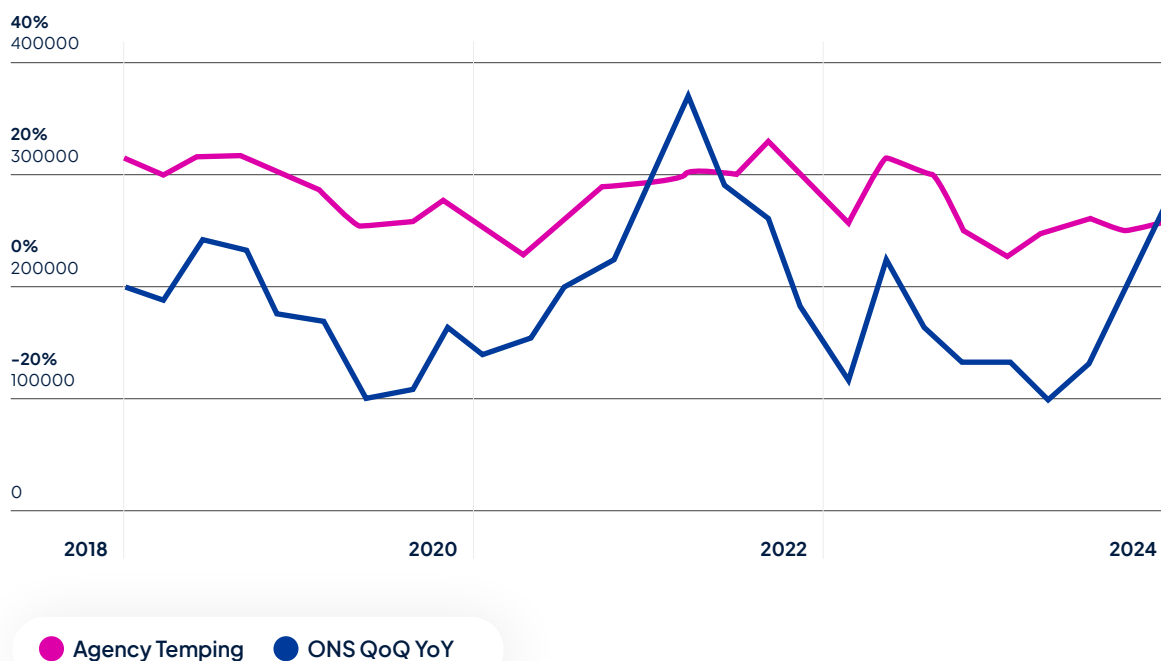
In a tight labour market, contingent staffing helps bridge gaps in talent availability, ensuring businesses can meet operational needs.



### Cost management

By utilising contingent staff, employers can mitigate rising employment costs while maintaining productivity.

## Temporary workers (in thousands) and YoY%



### Reduced time-to-hire

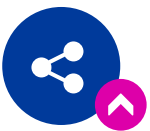
Contingent staff, if hired through an agency, will already have been interviewed and vetted, meaning they're ready to start.





# Workforce visibility equals Increased efficiency

Workforce visibility is essential for businesses navigating cost pressures and compliance demands:



## Data-driven insights

**Real-time data** on costs, productivity, performance, and scheduling allows employers to make **informed decisions** and optimise labour allocation.



## Operational alignment

**Centralised platform streamlines collaboration** between HR, finance, and operations, ensuring resources are deployed effectively.



## Compliance management

With evolving regulations, visibility tools help businesses **adapt to new requirements and minimise risk**.

# Labour market opportunities and risks

## Opportunities



### E-Commerce growth

Continued expansion in online retail is driving demand for warehousing and logistics roles.



### Hospitality recovery

Global tourism event market expected it hit \$1,794.49 (USD) billion in 2025.



### Sustainability in facilities management

The push for green initiatives opens avenues for innovation and efficiency in service delivery.

## Risks



### Rising employment costs

Could lead to reduced hiring, particularly for entry-level roles.



### Persistent labour shortages

And regulatory changes may create operational challenges for businesses across sectors.



### Skills shortages

Skills shortages persist in certain sectors, particularly manufacturing. Upskilling staff and broadening talent pools are key to addressing these gaps.





# Navigating 2025's labour market

## **The UK labour market in 2025 presents a mix of challenges and opportunities.**

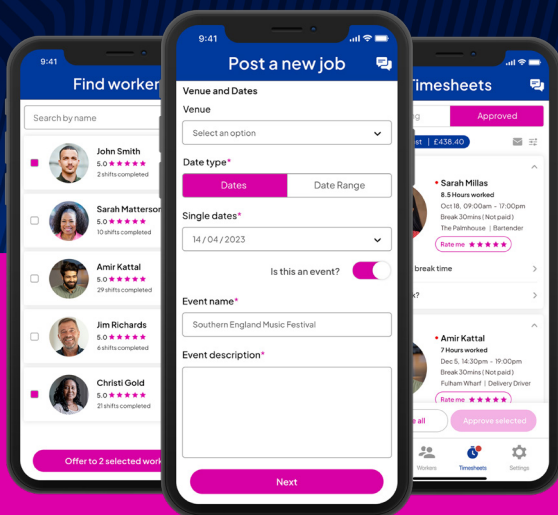
Employers who embrace contingent staffing and invest in workforce visibility will be better positioned to navigate these pressures, while maintaining efficiency and competitiveness.

By prioritising agility, data-driven decision-making, and compliance, businesses can not only adapt to the challenges of 2025 but also capitalise on emerging opportunities for growth and development.



Businesses need fast, reliable, and flexible workforce solutions to combat talent shortages, operational inefficiencies, and high recruitment costs.

Indeed Flex provides a technology-driven and on-demand staffing solution that enables companies to streamline hiring, reduce costs, and gain full operational visibility to manage their entire workforce (contingent and internal) – all in one centralised platform.



**Why wait?** Book a meeting with one of our experts to discuss how Indeed Flex can help you with your staffing needs today.



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