

UK LABOUR MARKET SNAPSHOT

Key insights every recruitment
and HR professional should
know

Prepared by :
Keen People

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UK LABOUR MARKET – AUGUST 2025

The UK labour market continues to show signs of cooling as hiring slows and competition for roles increases. While this means challenges for some, it also opens up strategic opportunities for both employers and jobseekers.

At Keen People, we combine the latest official ONS data with daily conversations across all sectors, giving our clients and candidates a practical understanding of what these trends mean in real life.



HIRING ACTIVITY IS EASING

The facts:



Payrolled employees are down by around 149,000 compared to last year.



Month-on-month, payroll numbers dipped by 26,000 between May and June 2025.



Vacancies dropped 5.8% between May and July 2025



This marks the 37th consecutive quarterly fall in vacancies, affecting most industries.

A slower market often favours well-prepared employers. With fewer businesses actively recruiting, competition for top candidates is lower. Organisations that move decisively can secure exceptional talent before market conditions change again.

UNEMPLOYMENT IS RISING, BUT SO IS THE TALENT POOL



THE FACTS:



The unemployment rate has climbed to 4.7%, the highest since mid-2021.



More people are actively looking for work as the inactivity rate has fallen to 21.0%, the lowest since the pandemic.

For employers, this means a broader choice of skilled candidates. For jobseekers, it means higher competition per vacancy, so presentation, skills development, and preparation are more important than ever.

EMPLOYMENT RATE EDGES UP

THE FACTS:

Employment among those aged 16–64 has risen slightly to 75.3%.



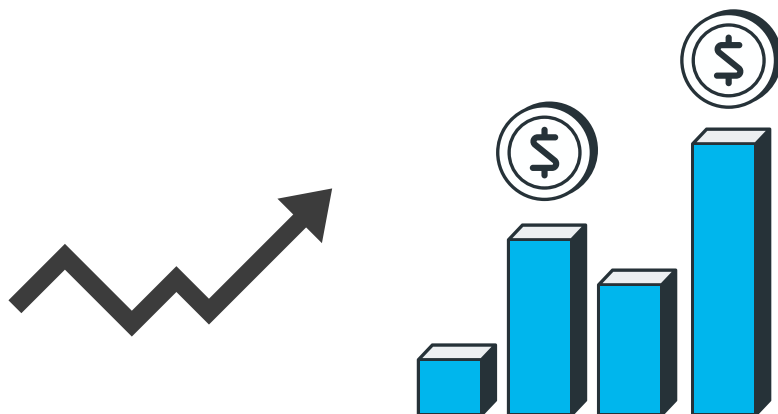
While more people are in work, the rise in unemployment shows that movement in the market is high. Businesses can use this to refresh teams strategically, and candidates can use it as a signal to stay proactive and visible.

PAY GROWTH: NOMINAL GAINS, MODEST REALITY

THE FACTS:

- Regular pay (excluding bonuses) is up 5.0% year-on-year.
- Total pay (including bonuses) is up 4.6%.
- Public sector pay growth is slightly stronger at 5.7%, compared to 4.8% in the private sector.
- After inflation, real wage growth is modest at 0.9% to 1.5%.

Salaries remain upward-trending, which means employers should still budget for competitive offers. Candidates should be realistic: a 5% raise may feel smaller in real terms due to inflation. Offering or negotiating for non-salary benefits such as flexibility, training, and progression can create stronger value on both sides.



FOR EMPLOYERS

- Use this quieter hiring climate to recruit strategically rather than reactively.
- Refresh and strengthen your employer brand to attract high-calibre candidates.
- Invest in retention strategies to avoid losing talent to more aggressive competitors.
- Consider training, upskilling, and flexible working to boost productivity without expanding headcount unnecessarily.


FOR JOBSEEKERS


- Expect higher competition for each role. Make sure your CV, LinkedIn profile, and interview skills stand out.
- Focus applications on sectors still showing resilience, such as healthcare, tech, and manufacturing.
- Explore upskilling opportunities to stay competitive.
- Stay visible through networking, industry events, and online presence.


Keen People supports both employers and candidates in navigating the changing labour market. By combining market data with sector expertise, we help you make confident decisions, even when the job market feels unpredictable.

KEEN PEOPLE

 info@keenpeople.co.uk

 [keenpeople.co.uk](https://www.keenpeople.co.uk)

 +44 203 997 6000

 [linkedin.com/company/keenpeople](https://www.linkedin.com/company/keenpeople)

