

# WAGE GROWTH STABILISES BUT REMAINS STRONG, WHILE YOUTH UNEMPLOYMENT LEVELS CONTINUE TO CLIMB

*“Businesses are adapting to a challenging environment, with rising costs and uncertainty influencing hiring decisions. While some sectors are seeing growth, stability remains fragile in the face of shifting policies and global challenges. To unlock the full potential of demand, partnerships are key to closing skills gaps and driving innovation. A strong recruitment partner can help businesses navigate this landscape and secure the talent needed for success.”*

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

In the quarter to January 2025, wage growth across the economy remained strong, unemployment and employment levels increased, and economic inactivity has continued to fall but remains high. The picture of the labour market therefore remains broadly unchanged, with accessibility to skills and talent continuing to rank as a top threat to businesses’ sustainability and ability to realise their full growth potential.

The UK employment rate (for people aged 16 to 64 years) was estimated at 75.0% in the period between November and January 2025, which is slightly up on the quarter and the year. The UK unemployment rate (for people aged 16 and over) was estimated at 4.4% in the three months to January 2025, which is also up on the quarter and the year.

The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.5% in the quarter to January 2025, marginally down on the year and the quarter.

The estimated number of vacancies in the UK increased by 1,000 to 816,000 in the period between December 2024 to February 2025. There are 98,000 fewer vacancies compared to this time last year.

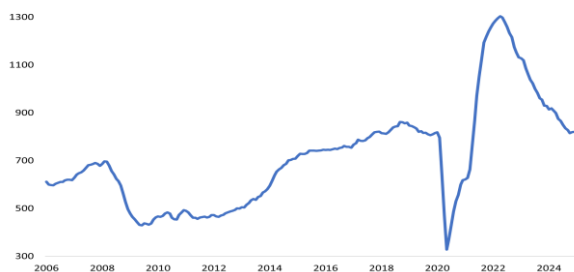
Estimates for payrolled employees in the UK increased by 9,000 (0.0%) between December 2024 and January 2025 and rose by 44,000 (+0.1%) between January 2024 and January 2025. The early estimate of payrolled employees for February 2025 increased by 21,000 (+0.1%) on the month and increased by 66,000 (+0.2%) on the year to 30.4 million. The February 2025 estimate should be treated as a provisional estimate and is likely to be revised when more data is received next month.

Annual growth in employees’ average regular earnings (excluding bonuses) in Great Britain was 5.9% in the quarter to January, and annual growth in total earnings (including bonuses) was 5.8%. 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 both stood at 2.2% and 2.1%, respectively, across the same period.

Some of the labour market changes that have been observed over the past few months, including climbing wage growth, are showing signs of abating. Other stories, such as rising levels of youth unemployment and drops in economic inactivity, have continued. However, the key message remains the same: the UK labour market continues to pose fundamental challenges to UK employers and a new partnership between business and government is needed to help unlock productivity-led growth. It is therefore critical that the Chancellor uses the time before the Spending Review to identify and understand the barriers which are holding back firms’ ability to grow and respond to new business opportunities. This should involve working through the unintended consequences of the Employment Rights Bill and proposed plans to defund Level 7 apprenticeships from the Apprenticeship Levy.

*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)

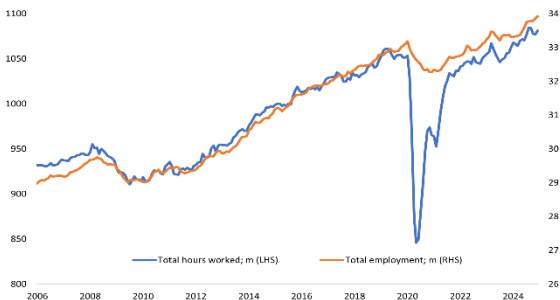


Source: ONS March 2025 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.0%	33,922	+144,000 (+0.4%)	+608,000(+1.8%)
Unemployment** (ILO)	4.4%	1,545	+40,000 (+2.7%)	+132,000 (+9.3%)
Youth unemployment (16-24)	14.5%	633	+26,000 (+4.3)	+131,000 (+26.1%)

Source: ONS March 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



ONS March 2025 labour market statistics

### Employment levels are up on the year and the quarter, while vacancies are beginning to flatline...

- The official measure of employment increased in the three months to January 2025 (+144,000), and is also higher compared to this time last year (+608,000). The employment rate is marginally up on the quarter and the year, sitting at 75.0%.
- Male employment increased by 143,000 on the quarter to January 2025, while female employment was broadly unchanged across the same period (+1,000). On the year, male and female employment increased by 348,000 and 260,000, respectively.
- In the quarter to January 2025, 16-17 year olds were the only age group to observe a decline in employment levels (-23,000). There are now 633,000 16-24 year olds who are unemployed which is an increase of 131,000 on the year. The 16-24 unemployment rate is 14.5% and edging towards peak levels observed during the pandemic.
- Between November and January 2025, the number of employees working full-time rose (+175,000) while the number of employees working part-time decreased (-20,000). The number of self-employed people working full-time increased on the quarter (+15,000) while levels of self-employed individuals working part-time decreased (-19,000) across the same period.
- In the three months to February 2025, there were 816,000 vacancies across the economy, which is broadly unchanged on the quarter (+1,000). There are 98,000 fewer vacancies now compared to a year ago.
- Provisional estimates of industry vacancies in the three months to February 2025 are consistent with trends seen in previous months, with vacancies continuing to concentrate in a certain number of sectors. Human health and social work activities continue to report the most vacancies (139,000), followed by wholesale and retail trade and repair of motor vehicles (96,000) and accommodation and food service activities (85,000). The quarterly change in vacancy levels is small across different industries, with the largest fluctuation recorded in the construction sector (+6,000).
- Most sectors are continuing to report between 2 and 3 vacancies per 100 employee jobs. The exceptions to this are financial and insurance activities (3.3), electricity, gas, steam and air conditioning supply (3.2), accommodation and food service activities (3.2), human health and social work activities (3.1) and administrative and support service activities (1.9).
- An estimated 50,000 working days lost were lost because of labour disputes across the UK in January 2025.

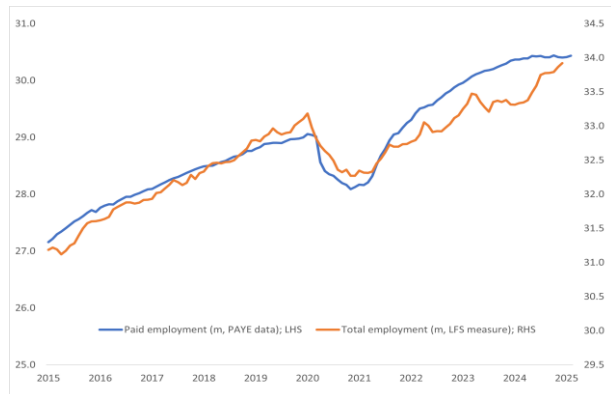
### ...and unemployment levels also rose

- In the quarter to January 2025, unemployment levels increased to 1.545 million (+40,000). The unemployment rate also rose marginally on the quarter from 4.3% to 4.4%. There are 132,000 more unemployed people compared to the same time last year.
- The redundancy level increased on the quarter to January 2025 to 124,000 (+25,000), and the redundancy rate also rose from 3.4% to 4.0% over the same period.
- Inactivity levels fell on the quarter (-65,000) and the year (-169,000) and there are now 9.27 million 16-64 year olds who are unemployed and not listed as actively looking for work. The inactivity rate has marginally fallen on the quarter and year, sitting at 21.5%.
- Inactivity related to temporary sickness is up on the quarter (+23,000) and the year (+31,000), whereas levels of inactivity linked to long-term sickness is up on the quarter (+17,000) but down on the year (-8,000). Sickness now accounts for many than 3 million cases of economic inactivity.
- There are now 1.97 million 16 to 64 year old individuals who are economically active and who want a job, which is 163,000 more than levels recorded twelve months prior.

### Regular wage growth remains strong, but is presenting signs of slowing

- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.9% on the year in the three months to January 2025 (the less volatile three-month rolling basis).
- In the quarter to January 2025, nominal regular pay growth stood at 6.1% in the private sector. In the public sector, nominal pay growth was 5.3%.
- Across the different sectors, nominal regular wage growth continues to be strongest in wholesaling, retailing, hotels and restaurants (6.3%), followed by construction (6.2%). The public sector (excluding financial services) has also continued to observe relatively weaker rates of nominal regular wage growth (5.7%) compared to other sectors.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has decreased to 2.2% following three months of consecutive increases. Real regular pay growth for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is 2.1%, down from 2.4% in December 2024.

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

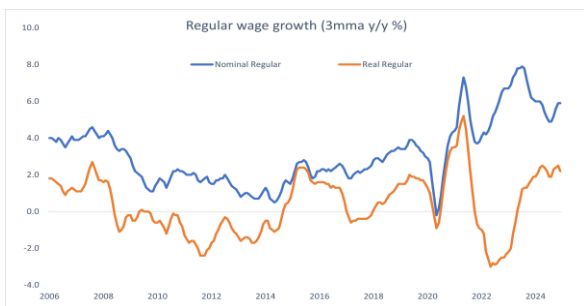


ONS March 2025 labour market statistics

**The regions and nations have continued to observe some variation in employment levels...**

- In the three months to January 2025, employment levels rose the most in the South East (+60,000) followed by the South West (+48,000) and North West (+47,000).
- Across the period, London was the only region in England and the devolved nations combined to observe a decrease in employment levels. There are 123,000 fewer employed people in London compared to levels recorded in the period between August and October 2024.
- Employment levels rose in Scotland (+26,000) and to a lesser extent Northern Ireland (+2,000), but decreased marginally in Wales (-5,000).

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

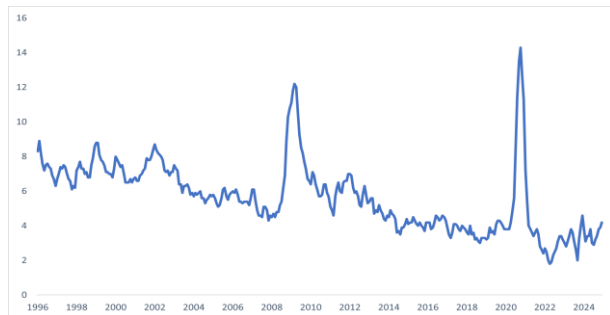


Source: ONS March 2025 labour market statistics

**...And changes in unemployment levels were also fairly mixed**

- Across the same period, unemployment levels increased in several regions and nations. The greatest drop in unemployment in the three months to January 2025 was observed in the South West (-15,000).
- The largest increase in unemployment levels occurred in the East of England (+33,000), followed by Yorkshire and the Humber (+17,000).
- England observed the largest change in unemployment levels (+37,000) compared to the other nations, whose levels were broadly unchanged on the quarter.

**Exhibit 6** Redundancy rate (%)



Source: ONS March 2025 labour market statistics

**Exhibit 5** Unemployment rate (%)



Source: ONS March 2025 labour market statistics



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**The next Labour Market Update will be published on 15<sup>th</sup> April.**

March 2025.

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