CIPD

LABOUR MARKET

# OUTLOOK

VIEWS FROM EMPLOYERS

Autumn 2025

The CIPD has been championing better work and working lives for over 100 years. It helps organisations thrive by focusing on their people, supporting our economies and societies. It's the professional body for HR, L&D, OD and all people professionals – experts in people, work and change. With over 160,000 members globally – and a growing community using its research, insights and learning – it gives trusted advice and offers independent thought leadership. It's a leading voice in the call for good work that creates value for everyone.

Report

# Labour Market Outlook

Autumn 2025

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## Publication information

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# 1 Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* (LMO) provides an early indication of future changes to the labour market around recruitment, redundancy and pay intentions. The findings are based on a survey of more than 2,000 employers.

The labour market in the UK is cooling. Recruitment pressures are easing on employers and wage growth across large swathes of the economy is falling. Almost all our indicators are unchanged since last quarter, which marks some stabilisation in the labour market. However, this still means employer hiring intentions remains at an unparalleled low, outside of the pandemic. While the overall net employment balance remains at +9, in the public sector it continues to be below zero at –8, meaning more employers in the public sector believe their staff levels will fall than rise in the next three months.

A great deal will depend on the 2025 Budget, scheduled for 26 November. Looking ahead to the next four years, further cuts to government spending are unlikely due to confirmed plans as part of the Spending Review. Instead, tax rises look more likely, with policy-makers keeping tight-lipped on potential revenue-raisers ahead of time. Many businesses were left reeling after last year's announcement regarding the changes to employer National Insurance contributions. While increasing the rate again is unlikely, it cannot be ruled out. Instead, subsets of the business population may be hit by tax rises. For example, many small businesses could be brought into scope for paying VAT, by reducing the £90,000 VAT registration threshold. And larger businesses could be impacted by tax changes to employee benefits.

If higher taxes are introduced in the Budget, it will be at odds with the government's ambition to reach an employment rate of 80%. Rising costs are to the detriment of new entrants to the labour market. This point is crucial, as our survey finds the use of artificial intelligence (AI) across the labour market is now rife, and as AI is becoming embedded in our working lives, employers using it are most likely to be reducing opportunities in the labour market for those in more junior roles . This is also evident, as reported in the media, in the fall in graduate vacancies in recent months.

Despite the hike in tuition fees in 2012, the subsequent freezing of fees means universities are currently estimated to be losing £2,500 per year per domestic student. The removal of the cap in student numbers in 2014, combined with changing demography, means demand for lower-tier institutions has also reduced since then. Compounding these effects with restrictions on international students bringing their family members with them to the UK while they study means universities are now unable to offset funding shortfalls. This has led to the financial demise of higher education. The net employment balance in higher education now stands at –24 this quarter, a clear outlier in our data.

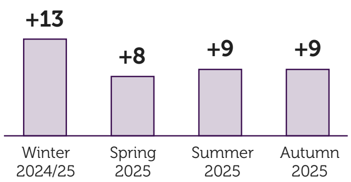
And finally, our survey finds overall pay intentions remain at 3% for the year ahead; however, pay rises in the 5%+ range are less common compared with 12 months ago. This is despite an uptick in inflation once again.

Read on for our latest labour market data and analysis on employers' recruitment, redundancy and pay intentions this autumn.

**James Cockett, CIPD Senior Labour Market Economist**

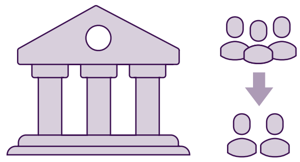
# 2 Key points

- The net employment balance – the difference between employers expecting there will be an increase in staff levels and those expecting there will be a decrease in the next three months – remains stable this quarter at +9. However, this remains an unprecedented low outside of the pandemic.




**Net employment balance**

- Employment intentions in the public sector remain below zero and have fallen to –8 this quarter. This means more public sector employers expect staff numbers to decrease rather than increase over the next three months.

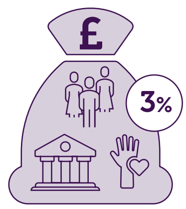


**Public sector expects staff decrease**

- Just 13% of employers are anticipating significant problems in filling vacancies in the next six months. This is the lowest level since first collecting this measure in winter 2022/23.

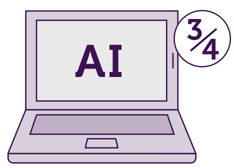

**Hard-to-fill vacancies have decreased**

- The median expected basic pay increase remains at 3% overall, and across all sectors.



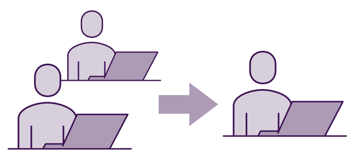

**Median expected basic pay increase at 3%**

- Employees in three-quarters of UK organisations are using AI tools. Half (49%) of employers expect AI to make no difference to their headcount in the next 12 months, while 17% expect the use of AI tools to reduce their headcount in the next 12 months.




**76% of employers allow use of AI, 17% expect this to reduce headcount**

- Among employers who believe there will be a decrease in headcount, a quarter expect the reduction to be greater than 10%. Clerical, junior managerial, professional and administrative roles are seen by employers as those most likely to be reduced.



**Headcount expected to fall in junior and administrative roles**

# 3 Recruitment and redundancy outlook

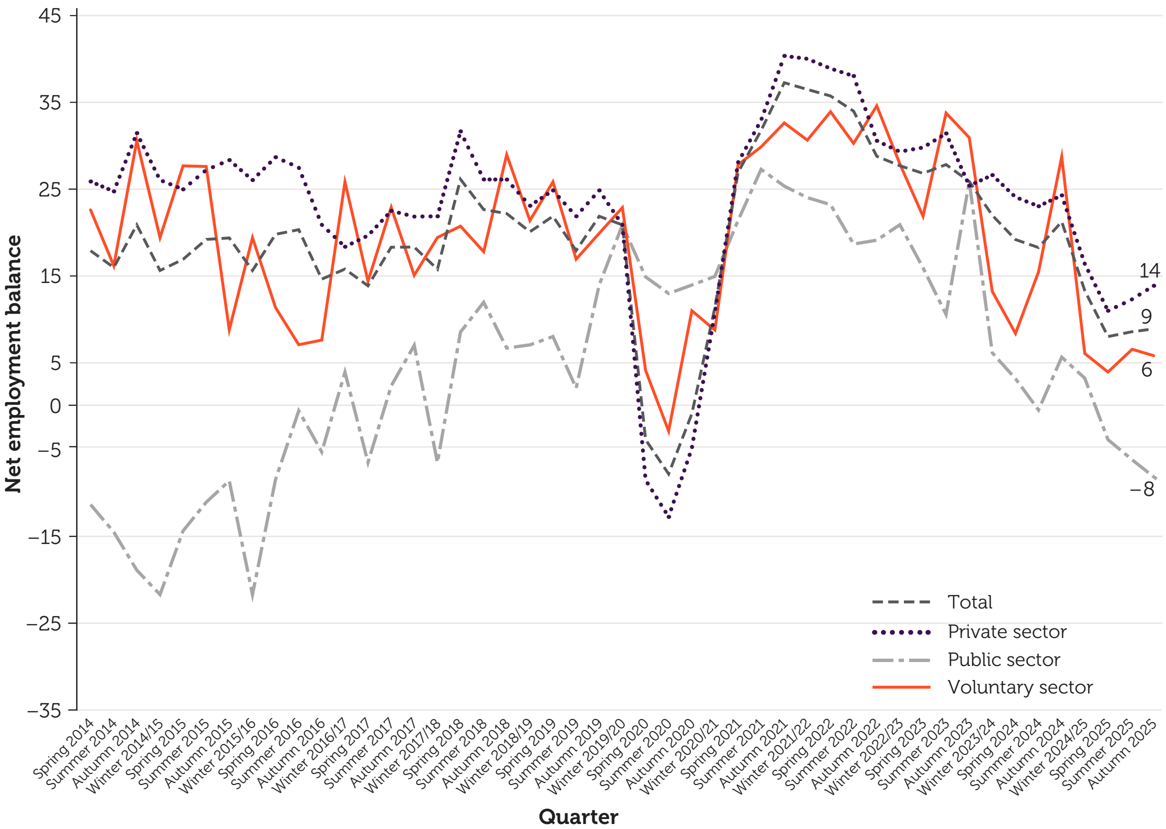
The net employment balance – the difference between employers expecting there will be an increase in staff levels and those expecting there will be a decrease in staff levels in the next three months – has remained stable again this quarter at +9. Employer hiring intentions, however, remain at the lowest level on record apart from during the first year of the pandemic.

Employment intentions in the public sector remain in negative territory, which means more employers in the public sector expect a decrease than an increase in staff levels over the next three months. The net employment balance has fallen to –8, from –6 last quarter and –4 in the spring.

Employment intentions continue to be stable in the private sector at +14, having fallen to a record low of +11 in spring 2025.

## Net employment balance low, but stable

**Figure 1: Net employment balance, by broad sector**




Base: autumn 2025, all employers (total: n=2,019; private: n=1,500; public: n=345; voluntary: n=174).

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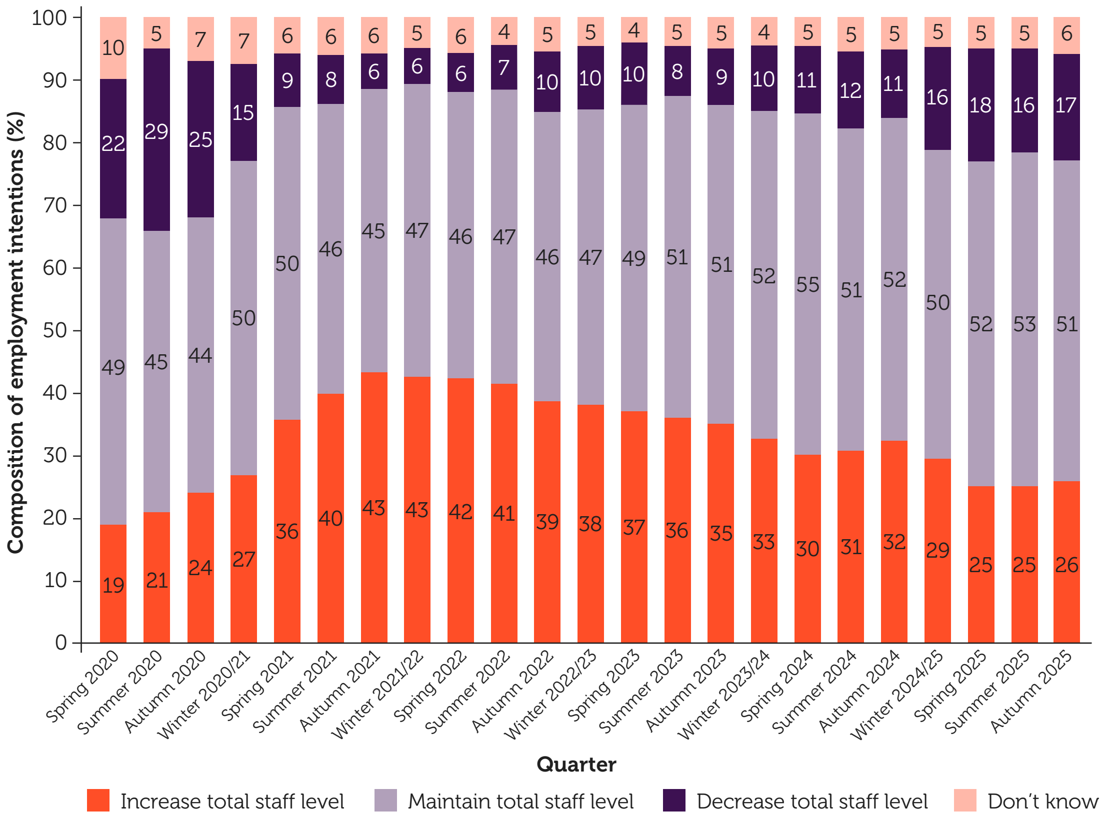
Twenty-six per cent of employers expect their staff levels to increase in the next three months. The proportion of surveyed employers expecting a decrease in staff levels over that timeframe is 17%, comparable with all quarters since the 2024 Budget. Half (51%) of all employers believe their staff levels will be maintained in the next three months (see Figure 2).

## Employment intentions show little change

**Figure 2: Composition of employment intentions (%)**



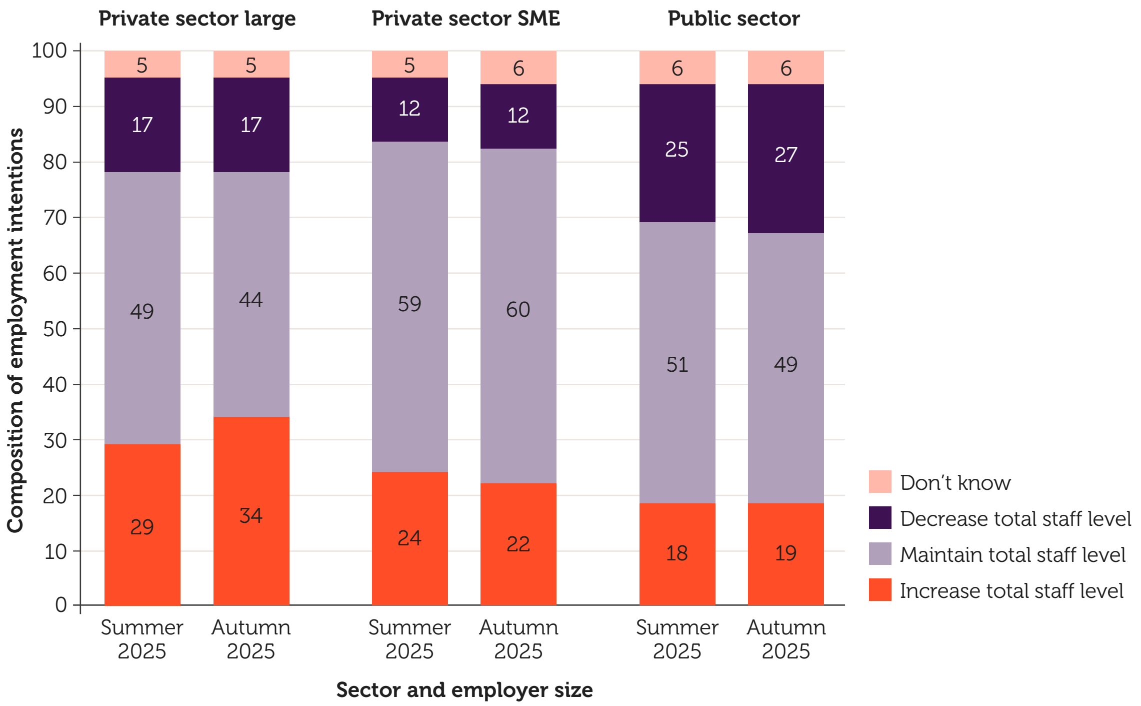

Base: autumn 2025, all employers (n=2,019).

Thirty-four per cent of large private sector organisations expect there will be an increase in staff levels in the next three months. This is significantly higher than the intentions among small and medium-sized enterprises (SMEs) (22%) and the public sector (19%). As a result, among large private sector employers, fewer plan to maintain staff levels.

Twenty-seven per cent of public sector employers expect a fall in staffing levels over the next three months. This is at a higher rate than both large private sector organisations (17%) and SMEs (12%).

## More than one in four public sector employers expect staff levels to fall

**Figure 3: Composition of employment intentions, by broad sector (%)**




Base: summer 2025 (private sector large (250+): n=498; private sector SME: n=1,002; public sector: n=326); autumn 2025 (private sector large (250+): n=581; private sector SME: n=919; public sector: n=345).

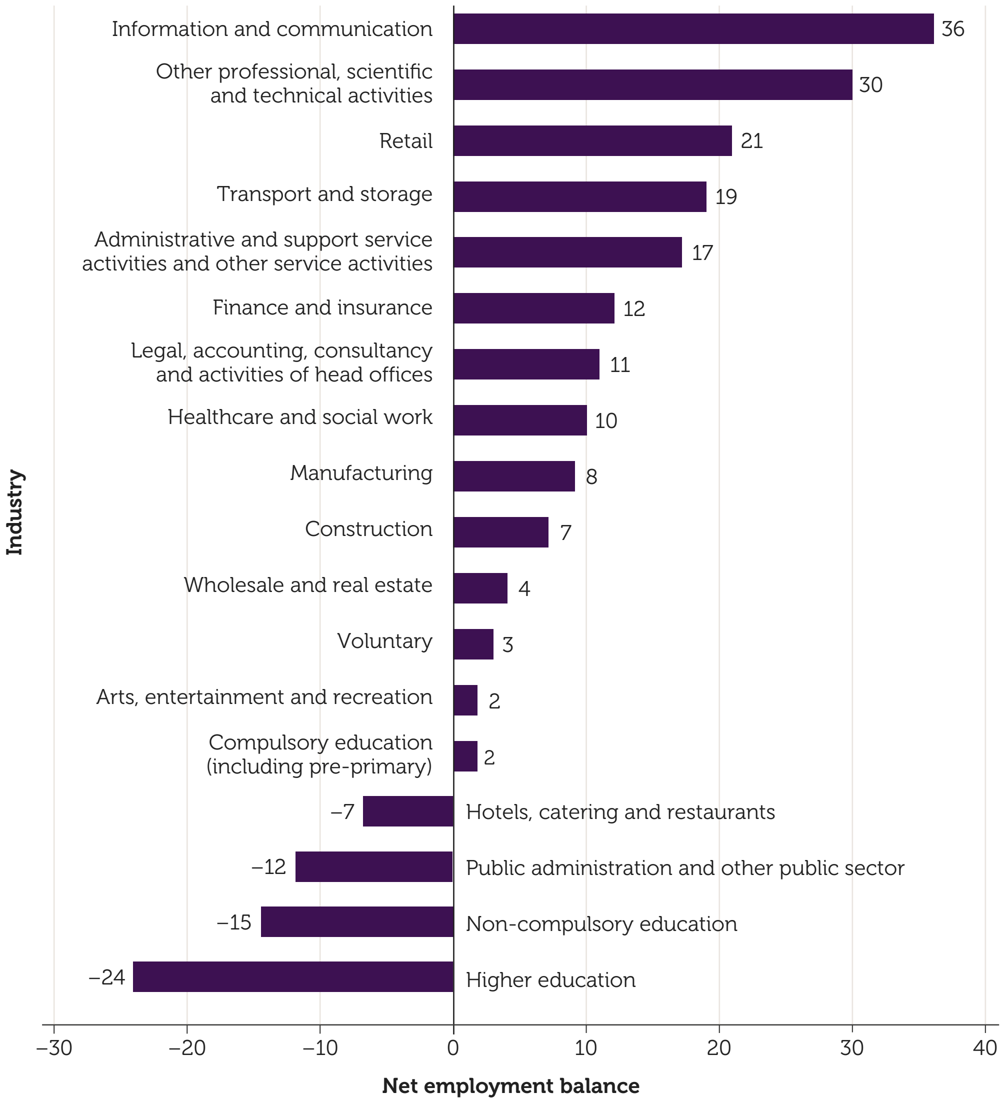
There are stark differences in employment intentions between industries. While there are positive employment intentions in IT (+36) and other professional and scientific activities (+30), several industries have either negative or very low positive net intentions, reflecting low confidence among employers.

The net employment balance has fallen in non-compulsory education – from –4 last quarter to –15 this quarter. Many higher education institutions are facing a financial crisis, with many laying off staff; this is due in part to a fall in international student numbers. Isolating this industry, we find the net employment balance to be –24.

The net employment balance also remains low among public administration and other public sector employers at –12, the same figure as last quarter. The net employment balance has also turned negative in hospitality, falling to –7 from +5 last quarter. Twelve months ago, in the lead up to the Christmas period, the net employment balance was +18 in this industry.

## Employers expect staff levels to fall in several industries

**Figure 4: Net employment balance, by industry (%)**



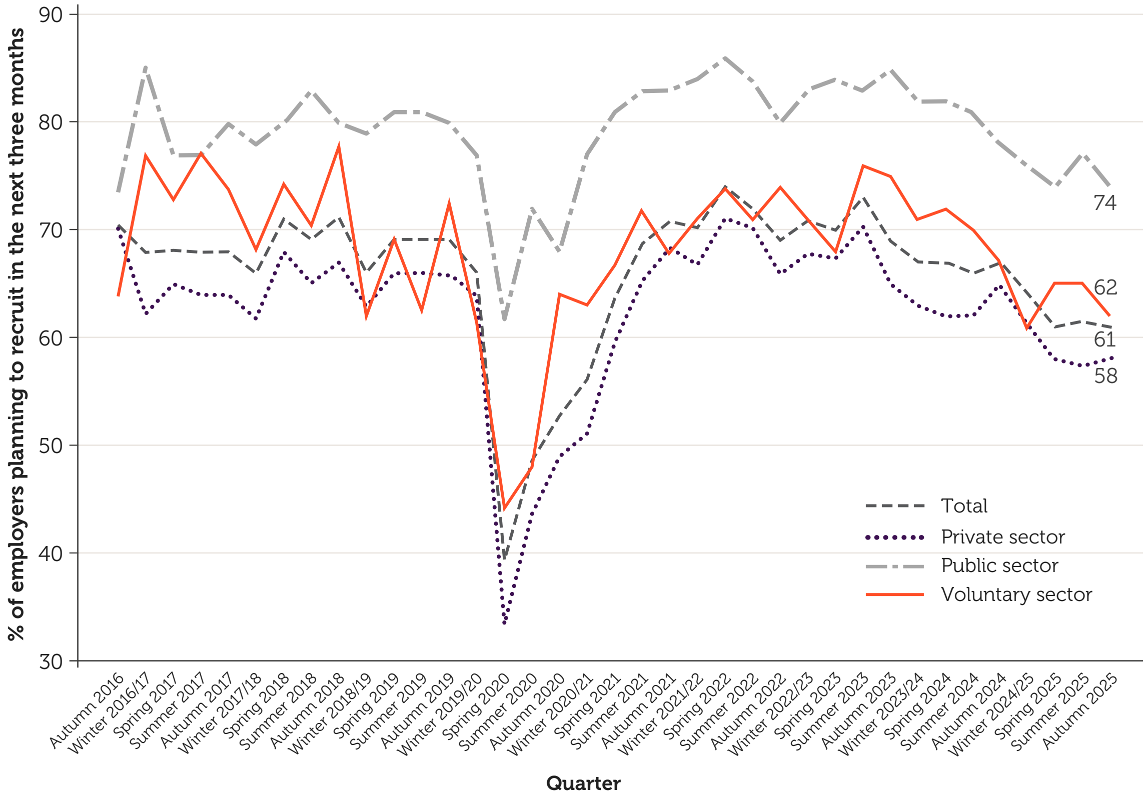

Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 4.

### Recruitment

Sixty-one per cent of employers plan to recruit in the next three months, unchanged in the last two quarters, but significantly lower than the 67% recorded 12 months ago. Recruitment intentions remain highest in the public sector, with 74% planning to recruit in the next three months. Fifty-eight per cent of employers in the private sector plan to recruit in the next three months (see Figure 5).

## Recruitment intentions remain stable

**Figure 5: Recruitment intentions, by broad sector (%)**



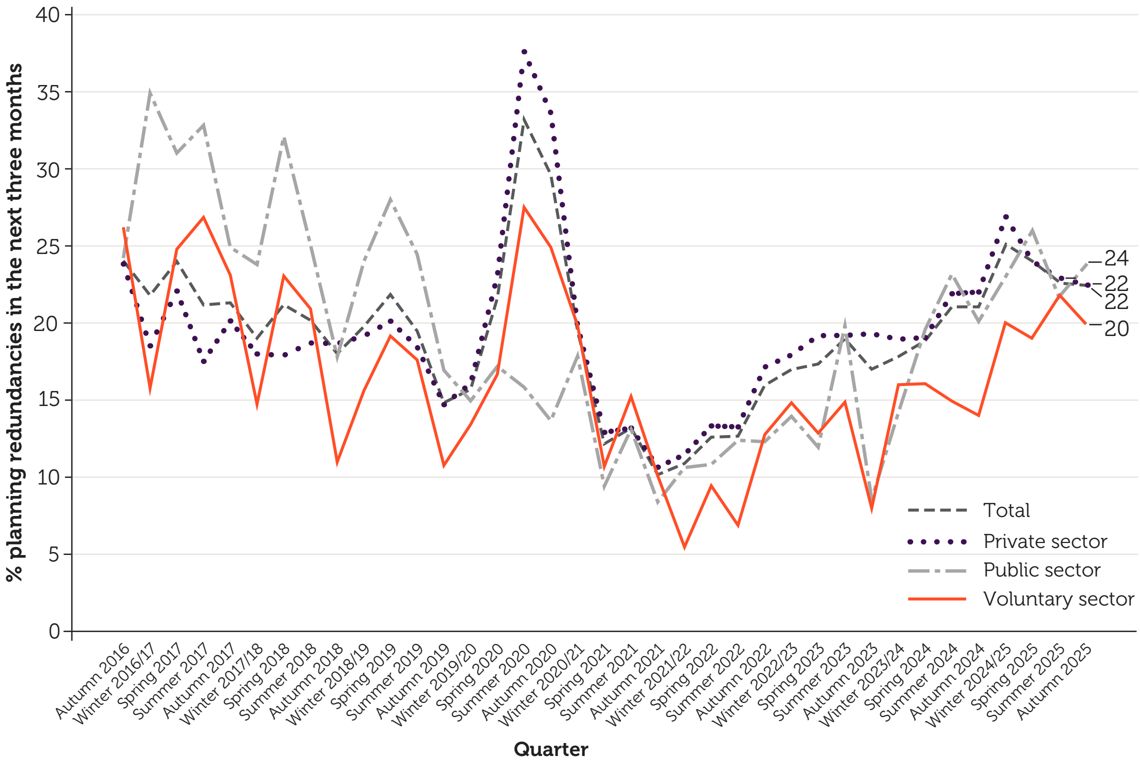

Base: autumn 2025, all employers (total: n=2,019; private: n=1,500; public: n=345; voluntary: n=174).

### Redundancies

Twenty-two per cent of employers are planning to make redundancies in the three months up to December 2025. There are no significant differences in redundancy intentions by sector.

## Overall, redundancy intentions stay the same

**Figure 6: Redundancy intentions, by broad sector (%)**




Base: autumn 2025, all employers (total: n=2,019; private: n=1,500; public: n=345; voluntary: n=174).

**Further reading and practical guidance**

- CIPD | **Managing redundancy**

A guide to help deliver fair, effective redundancy processes that protect your people and reputation.

- CIPD | **Inclusive recruitment**

Use our guidance to strengthen your talent pipeline with fair and inclusive hiring practices.

- CIPD | **Induction tools**

Set up new hires for success with our effective onboarding tools.

- CIPD | **Recruitment tools**

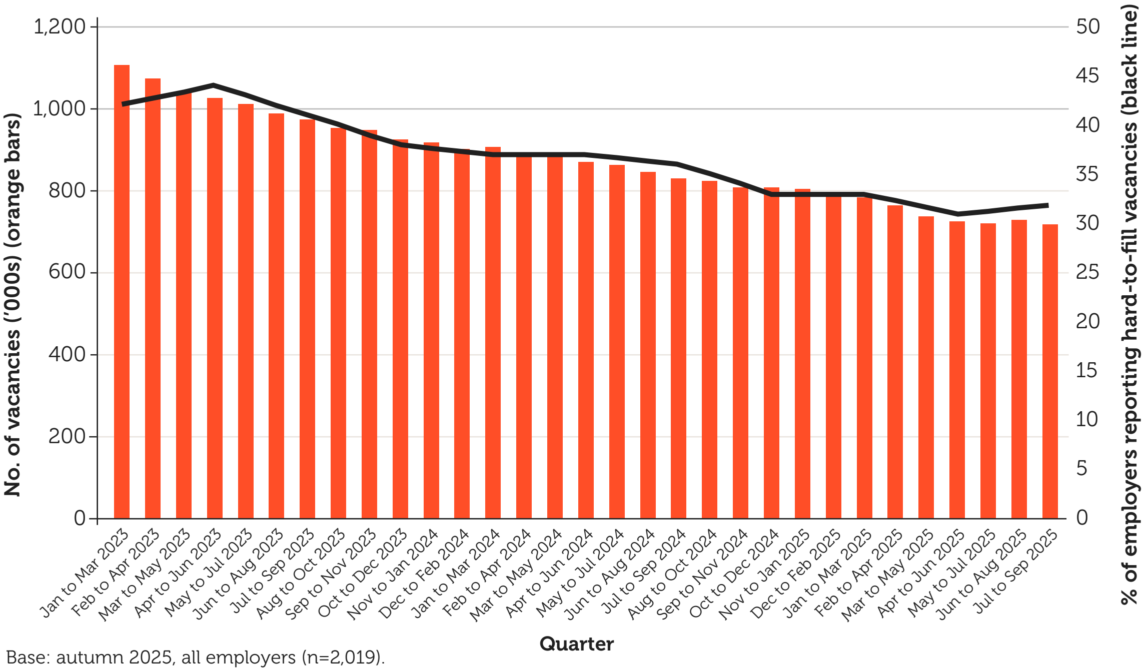
Practical tools to help you recruit the right candidate.

# 4 Job vacancies

The labour market continues to cool, with official data published in mid-October showing that overall vacancy levels have fallen for the last 39 consecutive months.[1] Comparing this official data against our measure of the level of employers reporting hard-to-fill vacancies shows both have tracked each other closely over much of that period (see Figure 7). Thirty-two per cent of employers reported hard-to-fill vacancies in the latest quarter.

## As overall vacancy levels have fallen, so have hard-to-fill vacancies

**Figure 7: Official vacancy data versus the level of employers with hard-to-fill vacancies (%)**

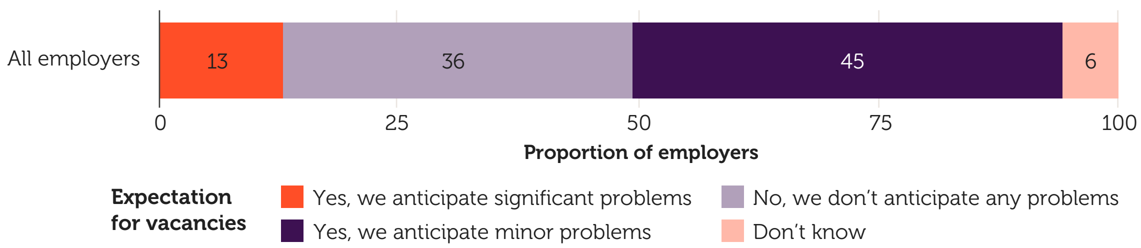



Base: autumn 2025, all employers (n=2,019).

Our data indicates that recruitment difficulties will continue to ease. Just 13% of employers are anticipating significant problems in filling vacancies in the next six months. This is the lowest proportion since we started asking this question in winter 2022/23. Forty-five per cent do not anticipate any problems.

## Fewer employers still anticipate significant problems in filling roles

**Figure 8: Expectation for vacancies in the next six months (%)**



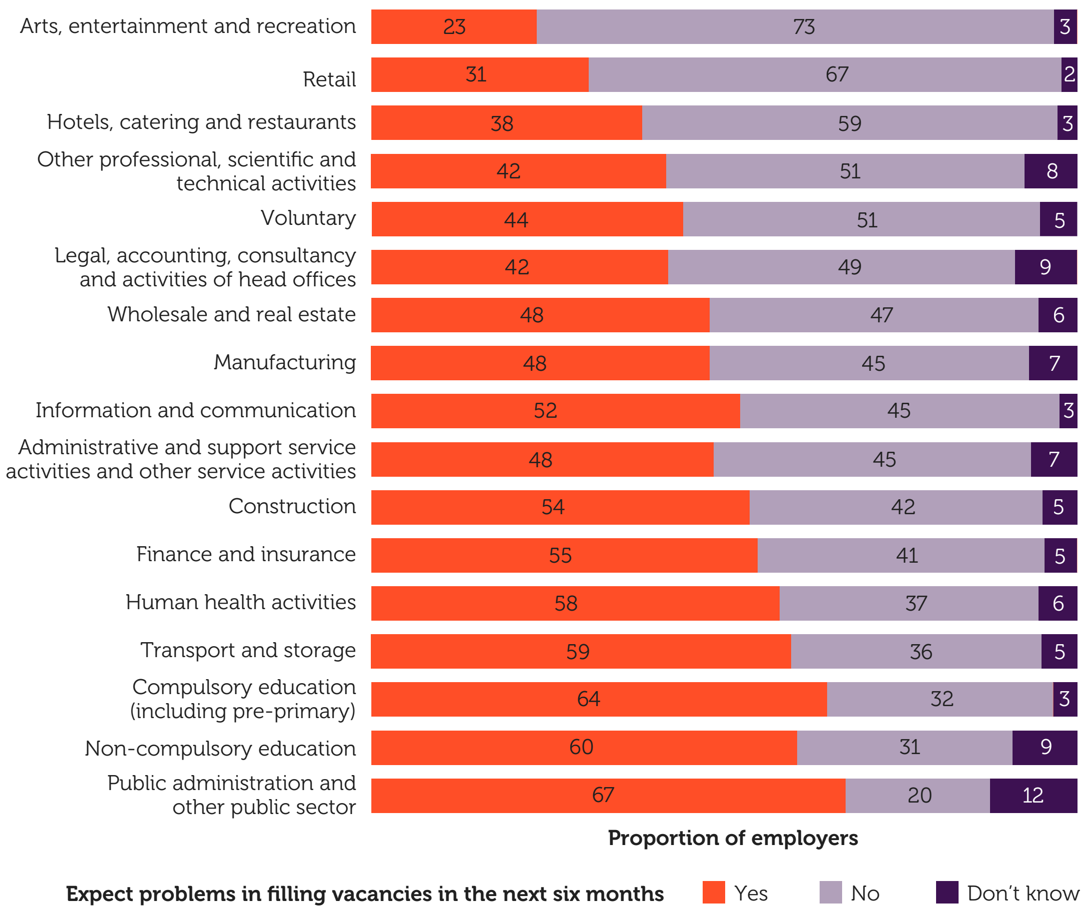

Base: autumn 2025, all employers (n=2,019).

[1] Office for National Statistics. (2025) *Vacancies and jobs in the UK: October 2025*.

Employers in a number of lower-paying industries report not anticipating problems in filling vacancies in the next six months. At least six in 10 employers in arts, entertainment and recreation (73%), retail (67%) and hospitality (59%) say this is the case. Increasing rates of pay, compared with other industries, is making these industries more attractive. And an increasing supply of available labour brought about by modest increases in the unemployment rate are easing anticipated recruitment pressures.

## Recruitment pressures have eased in lower-paying industries

**Figure 9: Expect problem in filling vacancies in the next six months, by industry (%)**




Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 4.

### Further reading and practical guidance

- CIPD | **Skills matching: Using and deploying people's skills effectively**

Use your people's skills effectively for job satisfaction and enhanced productivity.

- CIPD | **Employer brand**

Build a strong brand to attract and retain talent with our detailed factsheet.

- CIPD | **Responsible investment in technology**

Drive job quality and performance through smarter tech investments.

# 5 Pay outlook

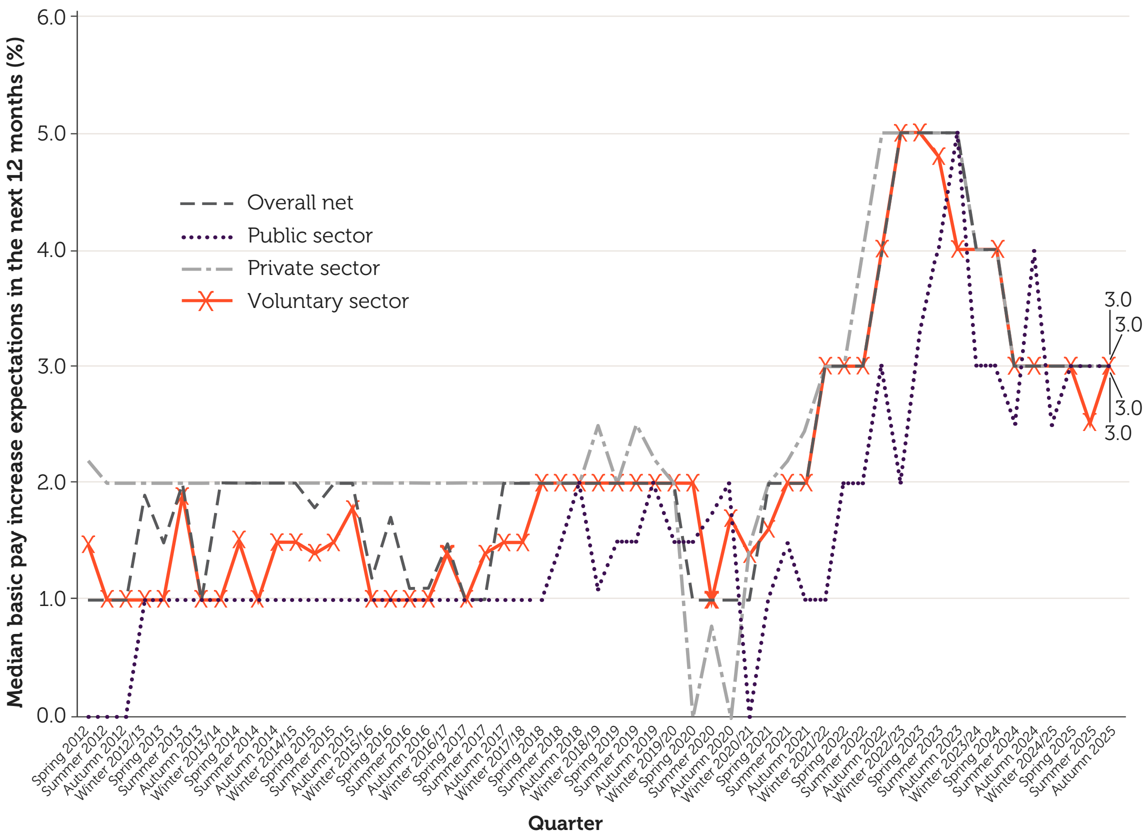
Among employers looking to increase, decrease or freeze pay in the next 12 months, the median expected basic pay increase for the next 12 months remains at 3% overall, for the sixth consecutive quarter. Expected pay awards held at a historic high of 5% between winter 2022/23 and autumn 2023, before falling to 4% in winter 2023/24 and spring 2024.

The median expected pay award remains at 3% in the private and public sectors. It has risen in the voluntary sector from 2.5% last quarter to 3.0% this quarter. To put the median expected pay awards into context, the Consumer Prices Index – the Office for National Statistics' preferred measure of inflation – on the release date of this report was 4.1%.

It should be noted that the average basic pay award covered in this analysis is only one component of pay growth. Many people will also benefit from incremental progression or promotion, bonuses or a pay bump when switching jobs.

## Average expected pay awards remain at 3%

**Figure 10: Median basic pay increase expectations – median employer**



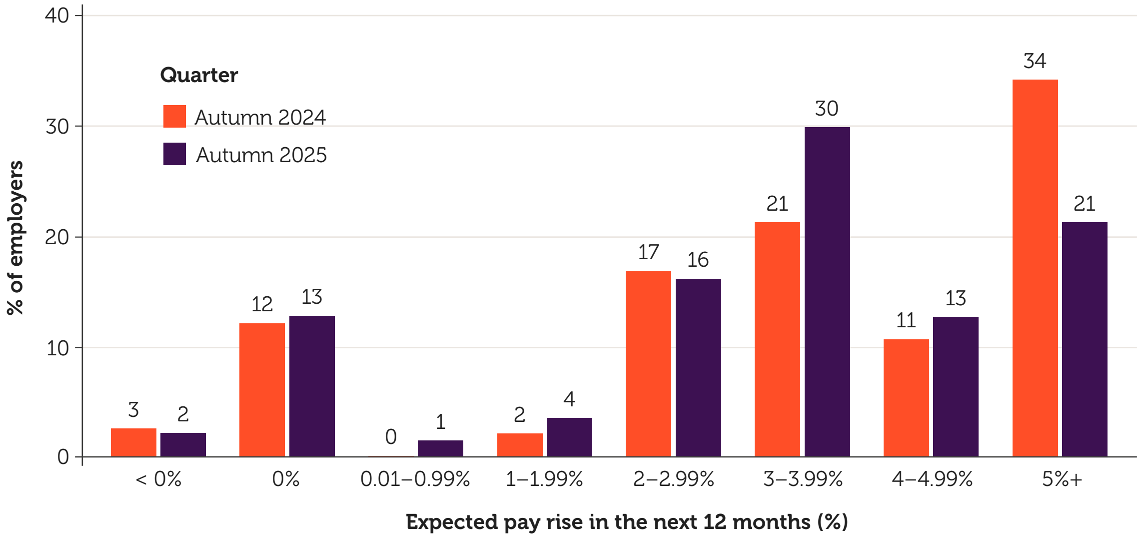

Base: autumn 2025, all employers expecting and able to estimate a pay award in the next 12 months (total: n=844; private: n=582; public: n=180; voluntary: n=82).

Even though the expected median pay award has not changed for some time, there have been downward shifts among many employers in the level of pay awards they plan to give. Whereas 12 months ago 34% of employers planned to offer a pay rise of 5% or more, this has fallen to 21% of employers this quarter. Instead, more employers are within the 3–3.99% range, rising from 21% to 30% of employers. Despite the current financial headwinds, few employers anticipate that they will have to cut pay or freeze it.

In terms of the distribution, the lower quartile is estimated to be 2%, with the upper quartile at 4%, the same value as last quarter.

### Fewer employers expect to offer pay awards in the 5%+ range

**Figure 11: Distribution of expected pay awards (%)**




Base: all employers expecting and able to estimate a pay award in the next 12 months (autumn 2024: n=805 and autumn 2025: n=844).

**Further reading and practical guidance**

- CIPD | **Pay fairness and pay reporting**

Use our factsheet to understand fair pay and legal reporting requirements.

- CIPD | **Strategic reward and total reward**

Develop a comprehensive reward strategy to support the needs of both employee and organisation.

- CIPD | **Performance-related pay**

Link pay to performance fairly and effectively with our factsheet.

# 6 Artificial intelligence

Recent developments in artificial intelligence (AI), particularly generative AI, have led to increased examination of its impact on the labour market.

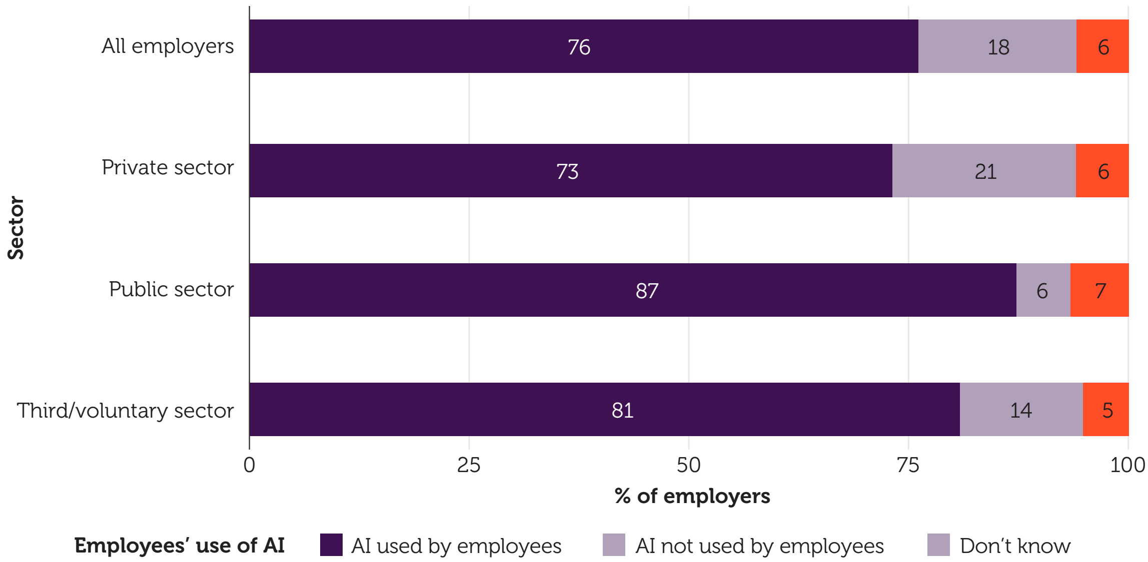
This section offers further employer evidence on how AI use may affect the workforce.

### Use of AI tools

Employees in three-quarters of UK organisations are using AI tools at work (76%). In the public sector, this figure rises to 87%. Employees in 73% of organisations in the private sector use AI tools, however, there is a marked difference between large private sector employers (82%) and SMEs (62%).

### Employees in three-quarters of UK organisations are using AI tools

**Figure 12: AI tool use in organisations, overall and by broad sector (%)**




Base: autumn 2025, all employers (total: n=2,019; private: n=1,500; public: n=345; voluntary: n=174).

Over half (54%) of UK employers said their employees use free AI tools (eg free versions of ChatGPT, Claude, Gemini, Microsoft Copilot, Meta AI, Grok, Google search AI overview feature). This is higher in the voluntary (67%) and public (63%) sectors than in the private sector (51%).

Roughly four in 10 (42%) employers said employees use AI tools that are paid for, either by the employee or by the organisation (eg enterprise versions of ChatGPT, Claude, Gemini, Microsoft Copilot, GitHub Copilot, Salesforce Einstein). This rises to half of employers in the public sector (48%). Employees among 41% of employers in the private sector use paid-for tools, compared with just 33% of employers in the voluntary sector.

Employers in the private sector are most likely to use customised AI tools. Nineteen per cent of private sector employers use AI in this way, compared with 15% of employers in the public sector and 8% of employers in the voluntary sector.

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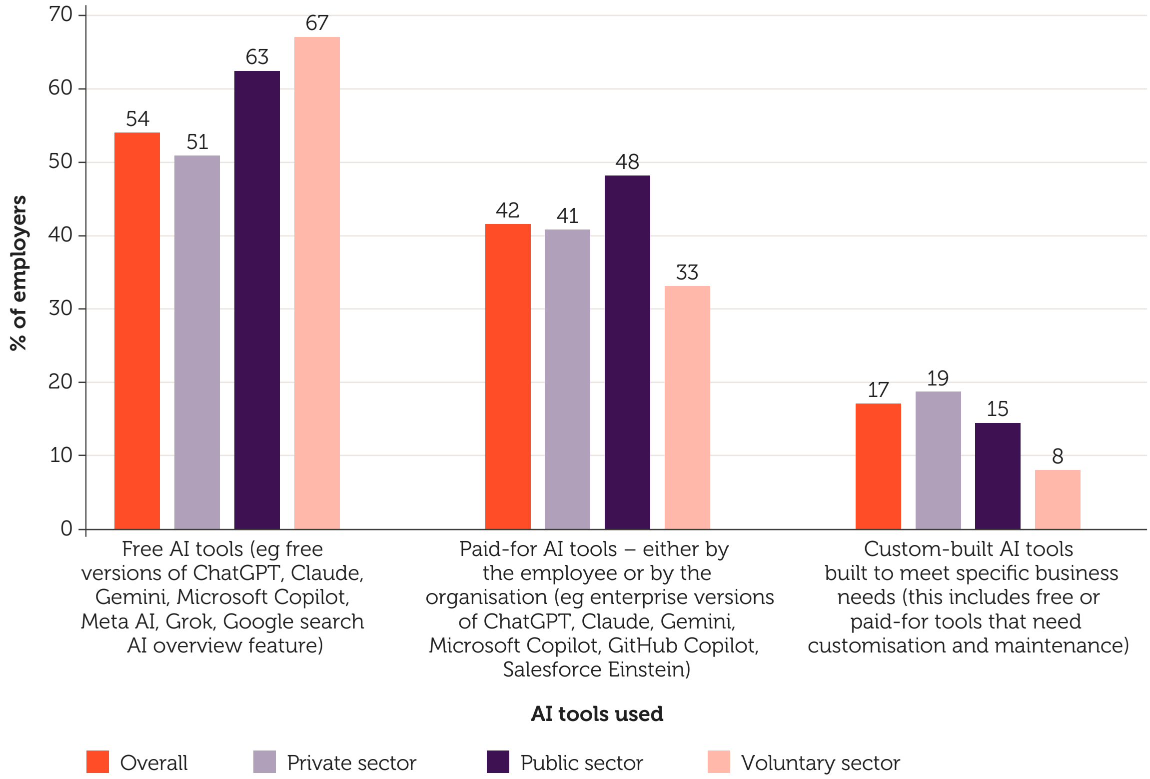
## Public sector leads on use of free and paid-for AI tools

**Figure 13: AI tools used within organisations, overall and by broad sector (%)**

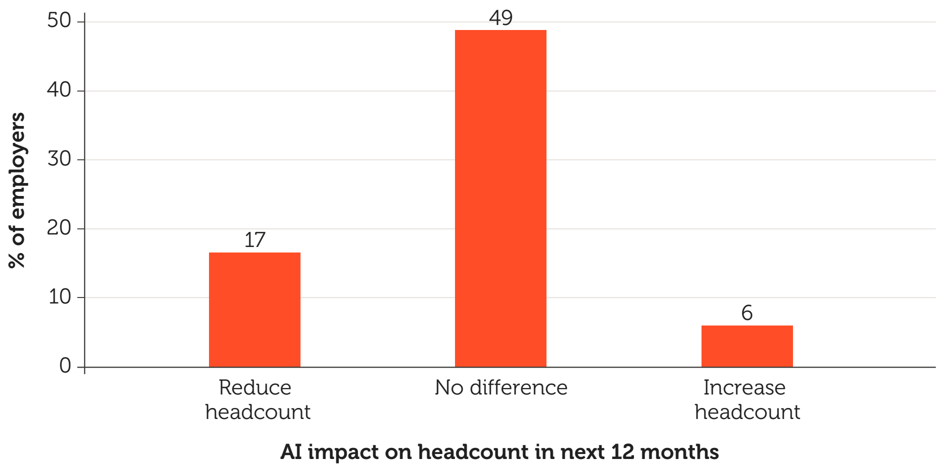



Base: autumn 2025, all employers (total: n=2,019; private: n=1,500; public: n=345; voluntary: n=174).

Figure 14 shows that half (49%) of employers expect AI to make no difference to their headcount in the next 12 months. While only a few (6%) expect an increase in headcount, more expect (17%) the use of AI tools to reduce their headcount in the next 12 months.

## One in six employers expect AI to reduce headcount in the next 12 months

**Figure 14: Impact of AI use on organisation headcount in the next 12 months (%)**




Note: 19% of respondents indicated AI tools are not used by employees in their organisation. A further 8% do not know the anticipated impact of AI on their headcount.

Base: autumn 2025, all employers who know if AI tools are used by employees (n=1,916).

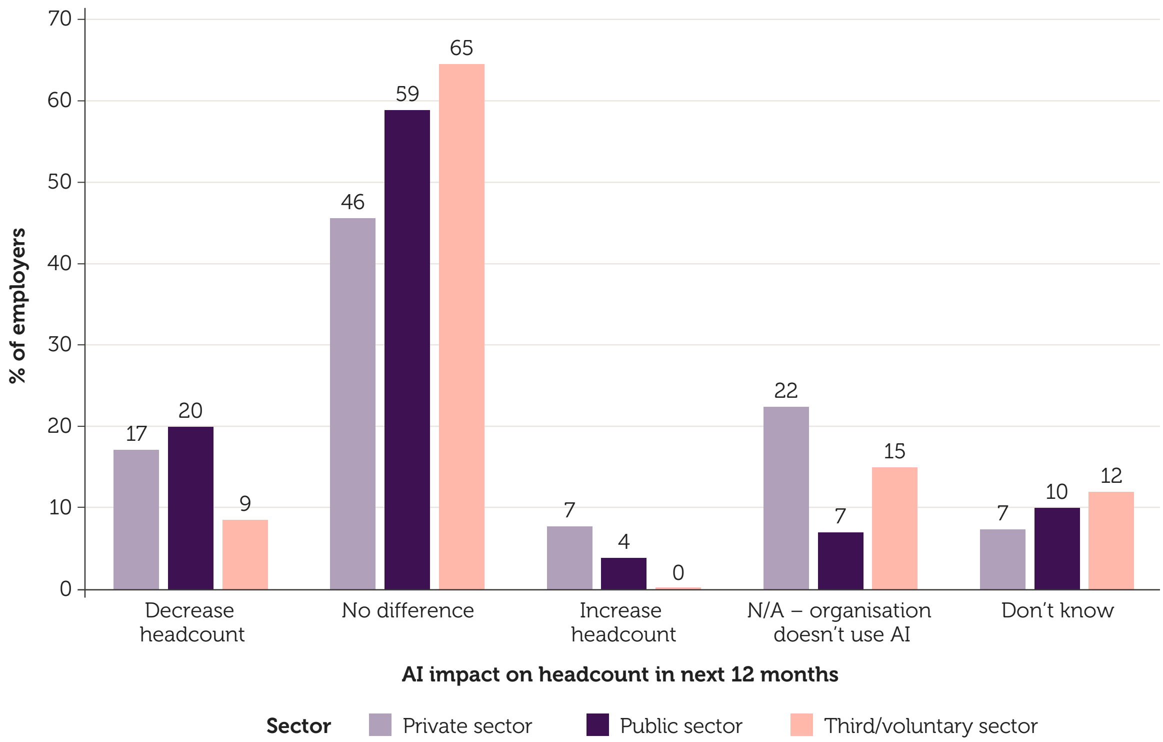
One in five (20%) employers in the public sector expect their headcount will decrease due to AI use in the next 12 months (see Figure 15). While fewer employers (17%) in the private sector believe there will be a reduction in their headcount due to AI, this masks differences by employer size. Twenty-six per cent of large private sector organisations believe AI use will reduce their headcount in the next 12 months, compared with just 7% of SMEs.

So, while SMEs appear to be doing more with the same number of people, large private sector employers appear to be streamlining. For example, employers in finance and insurance (37%), IT (26%), and legal, accounting, consultancy and activities of head offices (24%) believe their headcount will reduce due to AI at a higher rate than average in the private sector.

Only 9% of employers in the voluntary sector believe their headcount will decrease. Instead, two-thirds (65%) of employers in the voluntary sector expect no difference in their headcount. While overall 6% of employers expect an increase in headcount, this is more likely in the private sector (7%) than the public sector (4%), offsetting some of the job losses caused by AI.

## One in five public sector employers expect AI use to decrease headcount

**Figure 15: Impact of AI use on organisation headcount in the next 12 months, by broad sector (%)**

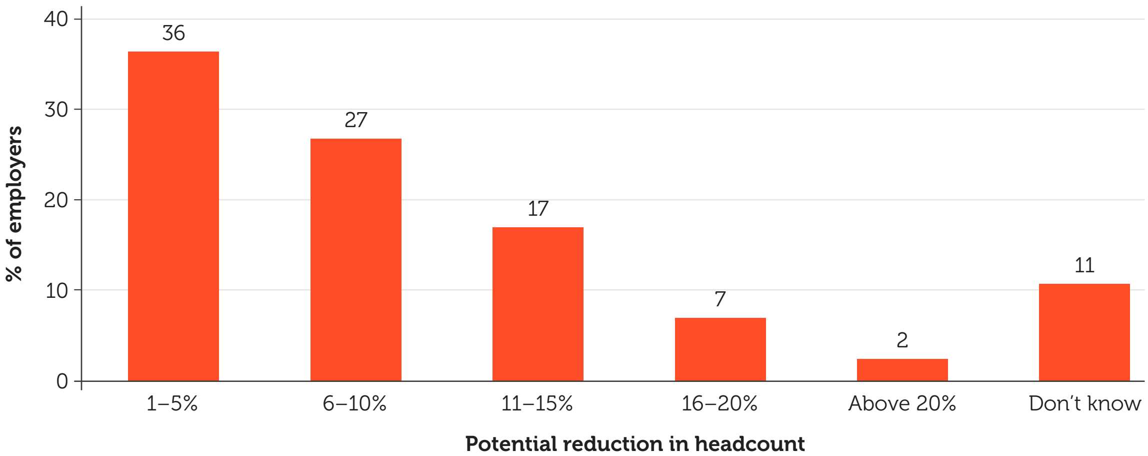



Base: autumn 2025, all employers who know if AI tools are used by employees (private: n=1,428; public: n=323; voluntary: n=165).

Among employers who believe there will be a decrease in headcount, 36% anticipate that less than 5% of jobs will be shed. However, a quarter of employers expect there to be a potential reduction in headcount greater than 10%, as seen in Figure 16.

## A quarter of employers reducing headcount due to AI believe the reduction will be above 10%

**Figure 16: Reduction in headcount due to AI use over the next 12 months (%)**




Base: autumn 2025, all employers who believe AI use will reduce their headcount in the next 12 months (n=295).

Figure 17 shows that clerical, junior managerial, professional and administrator roles are seen by employers as those most likely to be reduced (62%). These roles are evident across the economy. It is the largest group (32%) among chief income earners in households based on PAMCo[2] data. This category aligns with much of the theoretical understanding of the potential impact of AI. These roles are often undertaken by young people[3] and can be considered more junior. Recent research from the US has compared employment levels of junior and senior workers between AI- and non-AI-adopting firms, with a steeper decline in employment among junior employees in AI-adopting firms not seen elsewhere.[4]

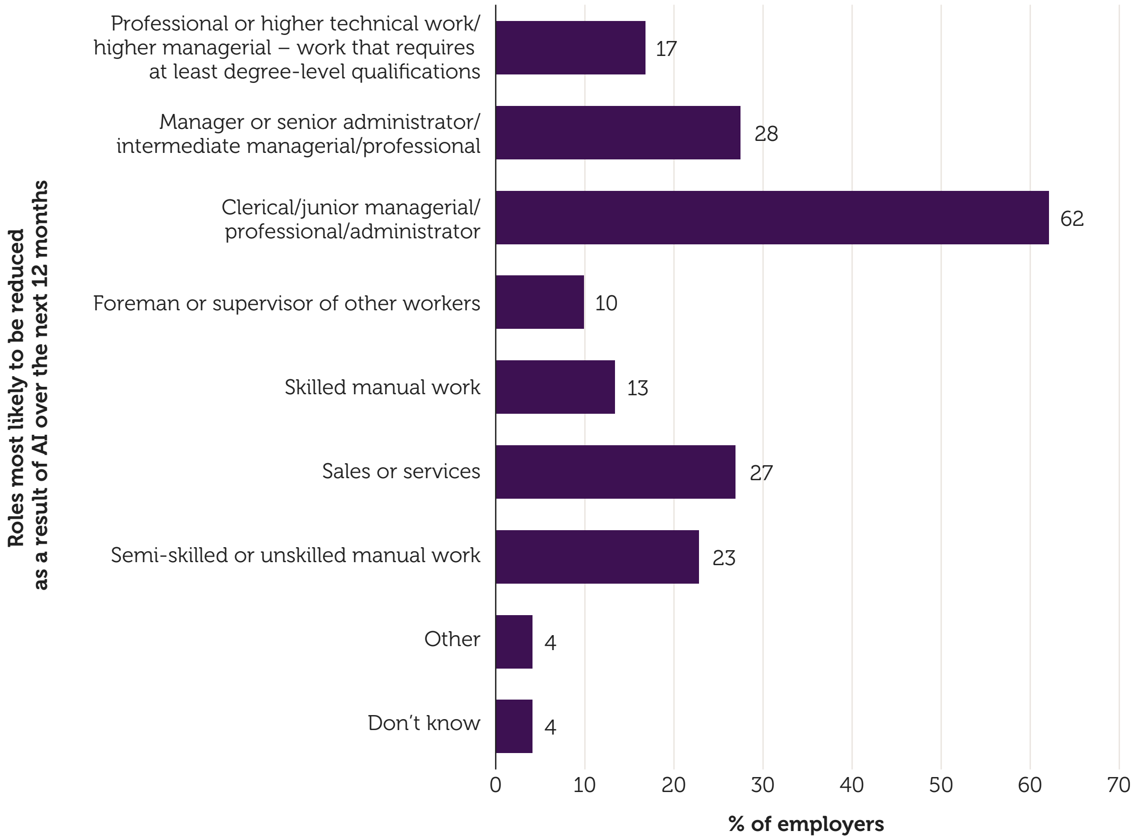
[2] PAMCo. Social grade.

[3] Office for National Statistics. (2021) Approximated social grade, England and Wales: Census 2021.

[4] The Economist. (2025) Can AI replace junior workers? *The Economist.* 13 October.

## Clerical, junior managerial, professional and administrator roles most at risk from AI

**Figure 17: Roles most likely to be reduced due to AI in the next 12 months (%)**




Base: autumn 2025, all employers who believe AI use will reduce their headcount in the next 12 months (n=295).

**Further reading and practical guidance**

- CIPD | **Infographic: Myths vs realities of AI in HR**

Dispel the myths and understand the realities of the impact of AI on HR.

- CIPD | **Guide: How to choose the right technology for your business**

Practical advice on adopting and responsibly investing in technology.

- CIPD | **Guide: Using technology responsibly: Guidance for people professionals**

How to lead on the responsible use of technology in your organisation.

# 7 Recommendations for employers and people practitioners

✓ **Take a strategic approach to workforce planning**
With employer confidence at record lows, prioritise forward planning over short-term cuts. Use skills audits and internal redeployment to maintain capability and manage costs sustainably.

✓ **Refresh attraction strategies as hiring pressures ease**
Falling vacancy levels create space to strengthen employer brand. Focus on job quality, inclusion and realistic role design to attract and retain good employees.

✓ **Make fair, transparent pay decisions**
With pay growth steady at 3%, link reward to organisational performance and communicate decisions clearly. Balance affordability with fairness to sustain motivation and trust. Consider a financial wellbeing strategy to help those with money concerns, such as paying for household essentials.

✓ **Use AI responsibly to support – not replace – people**
As AI use expands, ensure adoption decisions are transparent and well governed. Involve employees early and assess impacts on job design and wellbeing. Employers should focus on enabling a fair transition to new and evolving roles.

✓ **Reskill for an AI-driven workforce**
Identify roles most affected by automation and invest in training and redeployment. Align learning programmes to future skills needs so people can adapt and progress.

# 8 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,019 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 19 September and 14 October 2025. The survey was conducted online. The figures have been weighted and are representative of UK employment by organisation size, sector and industry.

## Weighting

Rim weighting is applied using targets on size and sector drawn from the BEIS *Business population estimates for the UK and regions 2025*. The following tables contain unweighted counts.

**Table 1: Breakdown of sample, by number of employees in the organisation**

| Employer size band | Count |
|---|---|
| 2–9 | 375 |
| 10–49 | 410 |
| 50–99 | 153 |
| 100–249 | 238 |
| 250–499 | 181 |
| 500–999 | 181 |
| 1,000 or more | 481 |

**Table 2: Breakdown of sample, by sector**

| Sector | Count |
|---|---|
| Private sector | 1,500 |
| Public sector | 345 |
| Third/voluntary sector | 174 |

**Table 3: Breakdown of sample, by region**

| Region | Count |
|---|---|
| Scotland | 116 |
| Wales | 69 |
| Northern Ireland | 33 |
| Northwest England | 178 |
| Northeast England | 63 |
| Yorkshire and Humberside | 119 |
| West Midlands | 133 |
| East Midlands | 112 |
| Eastern England | 130 |
| London | 415 |
| Southwest England | 165 |
| Southeast England | 273 |
| All of the UK | 213 |

**Table 4: Breakdown of sample, by industry**

| Industry | Count |
|---|---|
| Administrative and support service activities and other service activities | 218 |
| Arts, entertainment and recreation | 65 |
| Compulsory education (including pre-primary) | 126 |
| Construction | 129 |
| Finance and insurance | 138 |
| Healthcare and social work | 161 |
| Hotels, catering and restaurants | 61 |
| Information and communication | 171 |
| Legal, accounting, consultancy and activities of head offices | 139 |
| Manufacturing | 187 |
| Non-compulsory education | 104 |
| *Including higher education* | *56* |
| Other professional, scientific and technical activities | 100 |
| Police and armed forces | 10 |
| Primary and utilities | 45 |
| Public administration and other public sector | 95 |
| Retail | 58 |
| Transport and storage | 57 |
| Voluntary | 88 |
| Wholesale and real estate | 67 |

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