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Recruitment roundup

2025 update

Q1 Performance overview

Welcome to the Cogent Staffing Recruitment Roundup Q1 2025

The UK labour market entered 2025 in a period of adjustment. Official data from the Office for National Statistics (ONS) offers a clear view of the challenges and transitions at play.

The employment rate for people aged 16-64 held steady at 75.1% between December 2024 and April 2025. This was a slight improvement on previous quarters but remained below pre-pandemic levels. Meanwhile, the unemployment rate rose to 4.6%, a modest increase from earlier in the year, but still well above historical lows. At the same time, the economic inactivity rate declined slightly to 21.3%, suggesting more individuals are re-entering the workforce or seeking employment.

However, payrolled employee figures revealed underlying weaknesses. Between March 2024 and March 2025, the number of payrolled employees dropped by 70,000, with a sharper monthly fall of 78,000 recorded in March alone. Yet, workforce jobs rose by 187,000 in Q1, indicating continued activity in specific areas, particularly the public sector, which saw modest gains.

Vacancy levels fell once again, marking the 33rd consecutive quarterly decline. The number of vacancies dropped to 781,000 in the January–March period, slipping below pre-pandemic levels for the first time in nearly four years. This signals reduced hiring appetite across many industries, with employers remaining cautious amid rising costs and broader economic uncertainty.

Despite the apparent stability in headline employment figures, the underlying data points to a loosening labour market. Fewer job openings, rising unemployment, and more modest gains in employment figures indicate a gradual shift in employer behaviour. According to the Bank of England, this reflects "a margin of slack" opening up, meaning a growing pool of available workers, reduced competition for talent in some sectors, and a need for a more strategic approach to workforce planning.

Q1 Labour market

Recruitment activity and employer response

Recruitment activity softened in Q1, aligning with wider market indicators. Permanent staff appointments fell once again, continuing a trend of reduced permanent hiring that began in late 2023. Temporary recruitment remained more stable, but still showed signs of cooling compared to previous quarters.

The latest Recruitment & Employment Confederation (REC) and KPMG Report on Jobs pointed to a decline in overall hiring, with permanent placements falling at a slower rate, and temporary billings dropping at their sharpest pace since the pandemic recovery period. Candidate availability, meanwhile, increased for both permanent and temporary roles, the fastest rate recorded since December 2020. This suggests that businesses are delaying hiring decisions, but that jobseeker activity is beginning to rise.

Employer confidence reflected these trends. According to the REC's employer survey, confidence in the UK economy dipped by 2 percentage points to a net rating of -43, while confidence in making hiring decisions fell to -8. These figures indicate a growing sense of caution, with many employers choosing to pause or slow recruitment activity while monitoring broader economic signals.

However, this doesn't represent a lack of intent. Many businesses are still hiring, but doing so more selectively, focused on roles with strategic impact or critical skills. This has placed greater emphasis on quality over quantity, and on securing candidates who not only meet technical requirements but align with company culture and long-term goals.

Recruitment strategies in this environment must be increasingly agile. While hiring may be cooling in general terms, there remains a clear demand for specific skill sets and sectors, opportunities that businesses and recruitment partners must continue to track and adapt to in real time.

Sector performance

While the broader labour market experienced a general cooling, several sectors continued to show resilience and even growth in Q1 2025.

The education sector remained a standout performer. Demand for both teaching and support staff has remained consistently high, underpinned by structural workforce shortages and growing pupil numbers. Recruitment in this area remained strong throughout the quarter, with agencies continuing to play a key role in meeting staffing needs across schools and higher education institutions.

In contrast, retail, hospitality, and manufacturing saw more mixed conditions. Hiring activity in hospitality declined sharply, reflecting reduced consumer spending and seasonal adjustments following the winter period. Retail faced ongoing pressure due to cautious consumer behaviour and high operating costs, while manufacturing activity remained steady but showed signs of softening.

The technology and digital sector remained relatively firm. Although investment decisions have become more cautious, demand for digital skills, particularly in AI, automation, and cyber security, remains high. This aligns with reports from the REC and private research bodies that identify tech roles as among the hardest to fill, despite the wider slowdown.

Indicator	Period (Q1 2025)	Value	Change Quarter-on-Quarter (QoQ)
Employment rate (16-64 years)	Feb-Apr 2025	75.1%	Up
Unemployment rate (16+ years)	Feb-Apr 2025	4.6%	Up
Economic inactivity rate (16-64 years)	Feb-Apr 2025	21.3%	Down
Pay-rolled employees	Mar 2025 (early est.)	30.3M	-78,000 (-0.3%)
Workforce jobs	Mar 2025	37.1M	+187,000 (+0.5%)
Number of vacancies	Jan-Mar 2025	781,000	-26,000
Working days lost	Feb 2025	52,000	N/A

Regional variation

Regionally, labour market performance varied. London and the South East continued to offer the highest volume of job opportunities, driven by financial services, public sector demand, and large-scale infrastructure projects. The North of England and Midlands experienced more modest activity, while the South West recorded one of the highest employment rates in the UK, largely driven by tourism, agriculture, and skilled trade roles.

Across regions, a common trend was the growing emphasis on workforce flexibility, with temporary and contract roles playing a key role in managing fluctuating demand and budget pressures.

Outlook & recommendations

Outlook and recommendations for employers

As we look ahead to the remainder of 2025, the UK labour market is expected to remain steady but selective. Employers are contining to exercise caution, particulary in permanent hiring, as economic signals reamin mixed. However, this period is also bring about meaningful shifts in how organisations think about their workforce, focusing not just on headcount, but long-term capability, retention, and adaptability.

Investing in retention and development

Early-stage attrition continues to be a challenge across many sectors, with reports of new hires leaving within their first three months. As a result, more employers are placing renewed emphasis on retaining the talent they already have. Internal development, clearer career progression, and improved onboarding processes are becoming core components of workforce planning strategies. This shift not only improves retention but also helps employers build capability from within, an advantage in a market where external competition for talent remains high in key areas.

Embracing flexible staffing models

Temporary, contract, and interim hiring remain valuable tools for navigating uncertainty. Businesses are increasingly using flexible staffing to respond to fluctuating workloads, seasonal trends, or project-specific needs without committing to long-term costs. This model allows organisations to remain agile, especially when full-time hiring is delayed or paused. For many, blending permanent and flexible recruitment has become the default approach for building resilience.

Leveraging technology and AI

The adoption of AI and automation in recruitment continues to accelerate. From applicant tracking systems and CV screening to predictive analytics and onboarding workflows, technology is helping streamline hiring processes and improve decision-making. Over 30% of UK employers now report using AI in their recruitment activities, a figure expected to rise. While some barriers remain, including budget and implementation concerns, the long-term benefits of speed, consistency, and candidate insight are becoming harder to ignore.

Focusing on selective, value-driven hiring

While fewer roles are being advertised overall, the hiring that is happening tends to be more targeted. Employers are looking for candidates who offer more than just technical fit - cultural alignment, adaptability, and long-term potential are increasingly important. With candidate availability on the rise, businesses have a broader pool to choose from, but the emphasis is shifting toward quality over quantity. This selective approach means that each hire carries more strategic weight, making the recruitment process more critical than ever.

Elevating the candidate experience

With competition for top talent still active in many sectors, how businesses present themselves during the hiring process is under greater scrutiny. Clear communication, realistic expectations, timely feedback, and flexible arrangements are all influencing candidate decisions. A strong candidate experience not only improves offer acceptance rates but also enhances employer brand, an important asset in a market where reputation plays a key role in attracting talent.

Legislative changes

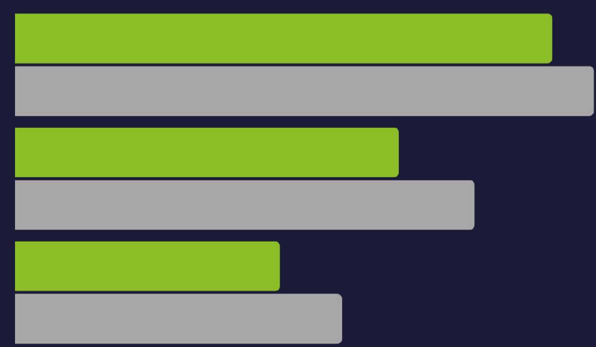
Legislative changes Q1 2025

The first quarter of 2025 brought a series of legislative changes and proposed reforms that are reshaping the UK's employment landscape. These developments reflect a continued effort to balance worker protections, cost management, and greater transparency. For employers, particularly those actively hiring or managing flexible

National Minimum and Living Wage increases

From 6 April 2025, both the National Minimum Wage (NMW) and National Living Wage (NLW) were raised across age groups:

- Workers aged 21 and over now earn £12.21 per hour (up from £11.44)
- Those aged 18–20 saw an increase to £10.00 per hour(from £8.60)
- Under 18s and apprentices are now entitled to £7.55 per hour(from £6.40)



These increases have had a direct impact on employer wage bills. Many organisations, particularly those operating in wage-sensitive sectors like social housing, have had to reassess budgets and recruitment plans. Some are also reviewing investment in training and exploring adjustments to workforce models to absorb rising costs.

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National Insurance contribution changes

Significant updates were also made to employer National Insurance Contributions (NICs) from April 2025:

- The employer's secondary Class 1 NIC rate rose from 13.8% to 15%.
- The threshold at which employer NICs become payable was lowered to £5,000 (from £9,100)
- Employment Allowance was increased from £5,000 to £10,500 and made accessible to all eligible employers, removing the previous £100,000 cap.

These changes are expected to affect around 1.2 million employers nationwide. The higher NIC burden, coupled with a lower threshold, has contributed to cautious hiring sentiment. Some employers are already exploring cost-mitigation strategies, such as expanding the use of temporary contracts or reducing discretionary training spend. In sectors such as tech, these changes are also reinforcing a shift toward flexible staffing arrangements.

New statutory leave and pay rights

Several new statutory rights were introduced or proposed in Q1, aiming to enhance employee wellbeing and support during challenging personal circumstances:

Neonatal leave and pay came into effect on 6 April 2025, offering up to 12 weeks of leave and statutory pay for parents whose newborns require neonatal care.

Miscarriage Bereavement Leave, included in the Employment Rights Bill, proposes two weeks of paid leave for mothers and their partners following a miscarriage before 24 weeks of pregnancy.

These changes require clear internal processes to ensure policies are compliant and staff entitlements are properly calculated and communicated. For many employers, they also reflect a broader move towards more compassionate, employee-centric workplace practices.

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Updates to flexible working rights

Legislation was updated to support more transparent and streamlined flexible working arrangements. A notable change includes the introduction of "rolled-up holiday pay," allowing certain employees, particularly those with irregular hours, to receive an additional amount in their regular payslip to cover holiday pay.

This reform is intended to simplify payroll administration and provide workers with consistent earnings. Employers should ensure internal systems and payroll practices are updated accordingly, alongside clear communication with affected staff.

Mandatory pay gap reporting

In January 2025, the government reiterated its commitment to mandatory pay gap reporting. Current requirements focus on gender pay gap data—including mean and median hourly pay differences, bonus disparities, and pay quartile distribution. There is growing momentum toward expanding these requirements to include ethnicity pay gap reporting in the near future.

Employers are encouraged to strengthen their data collection and reporting capabilities, ensuring readiness for increased transparency obligations. Beyond compliance, this shift provides an opportunity for businesses to lead on fairness and equity.

Financial Conduct Authority (FCA) changes

On 12 March 2025, the FCA and Prudential Regulation Authority (PRA) confirmed they would not proceed with planned rules to regulate non-financial misconduct within the financial services sector. This decision was influenced by wider government efforts to reduce regulatory burden and streamline compliance.

For firms in financial services, this has been viewed as a welcome development, easing concerns around overlapping responsibilities and new compliance frameworks in an already regulated space.

Employment Rights Bill proposals

The Employment Rights Bill continued its progress through Parliament in Q1 2025 and introduced several significant proposals that, while not yet enacted, have influenced employer planning:

Unfair Dismissal Reform:

The Bill proposes removing the two-year qualifying period for unfair dismissal claims, except in cases where a job offer has been made but employment has not yet commenced. A new "initial employment period" of nine months would allow employers to dismiss on grounds of conduct, capability, or qualifications via a simplified procedure.

Restrictions on overseas hiring:

A proposal to ban employers from recruiting overseas workers who have previously committed serious offences, such as visa violations or wage breaches, has also been tabled.

Extended Tribunal timeframes:

The time limit for submitting most Employment Tribunal claims would increase from three to six months, potentially leading to longer windows of legal exposure for employers.

These proposals are contributing to a broader sense of caution among employers. While they are intended to improve protections for workers and increase accountability, they may also introduce uncertainty into hiring and dismissal processes, especially if introduced without sufficient lead-in time for operational adjustments.

What this means for employers

Taken together, the legislative changes and proposals in Q1 2025 signal a more dynamic and employee-focused regulatory landscape. Employers are encouraged to stay informed, assess the implications for their workforce models, and ensure internal processes are aligned with new and upcoming requirements.

For recruitment partners, it is more important than ever to support clients not just with talent acquisition, but with practical guidance around compliance, workforce planning, and cost management in a fast-changing environment.

Looking ahead

Recruitment and staffing solutions

As this report highlights, the UK labour market in Q1 2025 has been shaped by shifting employer priorities, legislative change, and evolving workforce expectations. While broader hiring trends show signs of softening, opportunities remain, particularly for organisations that take a strategic, informed approach to recruitment and retention.

At Cogent Staffing, we understand that successful hiring is about more than just filling vacancies. It's about aligning talent strategies with long-term business goals, navigating change with confidence, and building teams that drive sustainable growth.

Whether you're facing challenges in attracting skilled candidates, adapting to regulatory updates, or looking to future-proof your workforce, our team is here to support you. We provide flexible, insight-led recruitment solutions across temporary, permanent, and contract placements, with specialist knowledge across manufacturing, logistics, commercial, and professional services.
With a deep understanding of market trends, a consultative approach, and a commitment to quality, we help our clients make informed decisions that deliver real results.

If you'd like to discuss your hiring plans, explore a more flexible staffing model, or simply talk through the latest developments in your sector, we're here to help.

Get in touch with our team today to find out how Cogent Staffing can support your business in the months ahead.

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