# Uk employers face lowest confidence in years amid rising costs and trade turmoil



In April, the UK’s job market witnessed a marked acceleration in staff layoffs, a trend attributed to a confluence of increasing employment costs and turbulent global trade dynamics, notably the fallout from Donald Trump’s tariff policies. The Chartered Institute of Personnel and Development (CIPD) revealed that this culminated in an unprecedented slump in employer confidence, which has dropped to the lowest recorded levels outside of the pandemic. This downturn has instigated not only substantial job cuts but also an extensive hiring freeze throughout various sectors.

The financial implications of higher national insurance contributions and an increase in the national living wage—which both took effect in April—have contributed significantly to employer apprehension. The CIPD’s survey indicated a dramatic decline in the number of businesses anticipating an expansion of their workforce over the next three months, marking a significant downturn since the association's records began in 2014. In recent discussions, James Cockett, a senior labour market economist at CIPD, underscored the necessity for the government to engage constructively with employers. He noted, “Employers are navigating an increasingly complex landscape, which could deter investment in people, training and technology.”

In tandem with this, a separate survey conducted by BDO focused on small and medium-sized enterprises painted a similarly bleak picture. This report noted a fall in output among manufacturing and services firms, leading to historically low confidence levels reminiscent of those during national lockdowns. Scott Knight, BDO’s head of growth, poignantly remarked on the turmoil faced by UK businesses. He stated, “It's practically impossible for businesses to plan and invest with so much instability,” highlighting the crippling effect of regulatory burdens and rising operational costs.

Compounding these issues, employers in the public sector have also expressed grim outlooks, with more anticipating workforce reductions than expansions. The education and healthcare sectors have been especially hard hit by stringent government spending cuts. According to NHS Providers, over a third of NHS trusts are already enacting cuts to clinical positions in a bid to manage financial constraints.

As businesses wrestle with these rising operational pressures, there are indications that many firms might shift their investment focus towards technology, particularly artificial intelligence (AI). A recent poll revealed that more than half of UK business leaders intend to prioritise investment in AI over traditional hiring, as they seek to bolster productivity while managing escalating employment costs. This transition could lead to a future job market increasingly characterised by roles demanding AI-related skills.

Despite the gloomy forecasts, Chancellor Rachel Reeves remains optimistic about potential economic recovery, particularly following a recent interest rate cut by the Bank of England. However, experts remain cautious. Nicholas Beecroft, an economist with KPMG, cautioned that while demand for jobs has weakened, the broader impacts of cuts in minimum wage and payroll taxes could see a further contraction in employment. He added that it would take more than monetary policy adjustments to reverse the trend of dwindling job security.

In conclusion, while the UK government is making efforts to stabilise the economy, with measures like trade agreements with the US and India, the prevailing sentiment among employers reflects deep-seated concerns over rising costs and uncertainty in the global economic landscape. The CIPD has called for clearer guidance on impending labour reforms to help mitigate the pervasive anxiety gripping the business sector, but with mounting economic pressures, a swift recovery appears increasingly uncertain.

### Reference Map

1. Paragraphs 1, 2, 3, 4, 6, 7
2. Paragraphs 4, 5, 6
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4. Paragraph 5
5. Paragraph 6
6. Paragraph 4
7. Paragraph 6

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

* <https://www.theguardian.com/business/2025/may/12/staff-layoffs-in-uk-gain-pace-amid-trump-tariff-turmoil-and-labour-cost-increases> - Please view link - unable to able to access data
* <https://www.ft.com/content/83e46861-0db1-4be4-81e3-26784af18d88> - The UK jobs market is experiencing a slowdown, particularly affecting the education and healthcare sectors due to government spending cuts, according to recent surveys. A report by the Chartered Institute of Personnel and Development (CIPD) highlights historically low business confidence, driven by increases in the minimum wage and payroll taxes. In the private sector, hiring expectations have diminished significantly, and in the public sector, more employers anticipate reducing staff than increasing it. Retail, non-compulsory education, and healthcare are among the hardest-hit industries, with a significant portion of employers planning workforce reductions. A survey by the Recruitment & Employment Confederation reports a sharp decline in permanent vacancies for healthcare roles. NHS Providers revealed that over a third of NHS trusts are already cutting clinical positions to manage finances, with 40% considering additional cuts. Teaching unions also report staff reductions in schools, largely due to budget constraints. Additionally, teacher recruitment has fallen below usual levels, impacted by financial pressures and declining student numbers in London. The CIPD calls on the government to provide clarity on upcoming labor reforms to ease business uncertainty.
* <https://www.reuters.com/business/world-at-work/uk-employers-stay-downbeat-hiring-plans-surveys-show-2025-05-11/> - UK employers remain pessimistic about their hiring plans due to recent tax hikes and increased global economic uncertainty, according to surveys released on Monday. The Chartered Institute of Personnel and Development (CIPD) reported a fall in its employment intentions gauge from +13 to +8 for the next three months—a record low excluding the COVID-19 period—based on a survey of 2,000 employers. Large private-sector firms were primarily responsible for the decline. Supporting this trend, a joint survey by KPMG and the Recruitment and Employment Confederation showed decreasing job placements and an accelerating contraction in staff demand. These findings align with the Bank of England’s recent labor market outlook following its interest rate cut. Official data expected soon is likely to indicate annual wage growth of nearly 6%, though the CIPD recorded median pay settlements remaining at 3%, below the BoE’s recent expectations. Employer confidence continues to wane amid rising costs and economic challenges, with the BDO employment gauge reaching a 12-year low in April. Experts warn that the slight easing in recruitment downturn does not signal an imminent recovery.
* <https://www.ft.com/content/56da8149-d51a-43b2-8ed8-fff0ddb6005d> - According to a poll commissioned by Boston Consulting Group, 51% of UK business leaders plan to prioritize investment in artificial intelligence (AI) over hiring due to an increase in employers' national insurance contributions announced in the October Budget. The reforms introduced by chancellor Rachel Reeves are projected to significantly raise the costs of employment, prompting companies to explore AI for boosting productivity and containing costs. Additionally, the Labour government’s plans for workers' rights reforms are expected to further increase employer expenses, influencing 57% of executives to hire fewer people in 2025. This trend follows a backdrop of gloomy economic forecasts and a slowdown in hiring, with companies already facing macroeconomic challenges and adjustments following the Covid-19 pandemic. Nevertheless, there is growing demand for AI-related skills, indicating a shift in the job market towards positions tied to technological advancements.
* <https://www.reuters.com/world/uk/uk-firms-trim-wage-growth-expectations-boe-survey-shows-2025-02-06/> - A Bank of England (BoE) survey has shown a slight decline in wage growth expectations among UK firms, from 4.0% to 3.9% over the next year, partly due to an upcoming payroll tax increase. The survey, conducted by the Decision Maker Panel, also indicated a decrease in employment growth expectations. Over 50% of firms plan to reduce staff, and 38% anticipate lowering wages as a result of increased employer social security contributions set to begin in April. Additionally, 56% of businesses foresee raising prices, and companies expect consumer price inflation to rise slightly to 3.0%. The BoE's Monetary Policy Committee has responded by cutting the benchmark Bank Rate to 4.5%.
* <https://www.ft.com/content/fac4169d-bdc9-4654-9a08-e6259324c15a> - Low-paid workers in the UK will face significant challenges due to impending increases in national insurance contributions (NICs) and minimum wage rates. At a recent emergency meeting, over 100 delivery drivers for the largest Pizza Hut franchisee in Scotland had to choose between a pay cut, switching to an in-store role, or moving to self-employment. These changes aim to offset rising labor costs, which disproportionately affect low-wage sectors. From April 1 and 6, minimum wages and NICs rates will increase, raising labor costs for employers, particularly in low-wage sectors. Analysts predict these combined rises will impose a greater burden on the lowest earners, leading to job losses and reduced hours, with an estimated 85,000 employees affected. Major retailers like Sainsbury’s and Morrisons are already implementing job cuts and other cost-saving measures, highlighting the broader impacts on the labor market and low-wage workers.
* <https://www.reuters.com/world/uk/uk-pay-growth-holds-lowest-level-since-2021-brightmine-says-2025-02-19/> - British pay increases remained steady at the lowest level since 2021, with a median pay award of 3% for the three months to January, according to Brightmine. The survey signals restrained salary hikes as businesses face economic pressures. The British government's planned increase in social security contributions and a rise in minimum wage could further impact wage growth and hiring. Despite pay growth acceleration in late 2024, the Bank of England anticipates a slowdown due to economic weakness. The economy experienced slight growth by the year's end after stagnation. Turnover rates stayed consistent with prior years, but concerns about high turnover persist, potentially leading to increased resignations in 2025. Employers may need to balance cost control with competitive pay to retain staff.