# UK employers grow more cautious as unfair dismissal concerns accelerate labour market anxiety



Nearly nine out of ten employers in the UK express significant apprehension about the upcoming ‘day-one’ unfair dismissal rights, with 86% stating that the risk of being taken to an employment tribunal for dismissals during probationary periods will make them more cautious about hiring. This concern emerges from the latest annual employment trends survey conducted by the Confederation of British Industry (CBI) in partnership with Pertemps, revealing a labour market under intensified pressure amid rising operational costs, new regulatory demands, and a challenging economic landscape.

The survey, which canvassed 407 firms, predominantly small and medium-sized enterprises, paints a troubling picture of business sentiment. A substantial majority of respondents—86%—feel that the UK labour market has become less attractive for investment and business activity compared to five years ago, with over half of these firms branding it ‘much less’ attractive. The principal threats undermining the UK’s labour market competitiveness are labour costs (cited by 73% of businesses), restrictive employment regulations impacting flexibility (65%), and difficulties in accessing skilled workers (58%).

Key drivers of cost concern include increases in national insurance contributions and the implementation of the Employment Rights Bill. More than two-thirds of businesses highlight national insurance as a pressure point, alongside 53% flagging the Employment Rights Bill. The apprehension regarding the bill’s consequences has notably intensified, with 78% now expecting it to negatively affect growth, investment, jobs, or discretionary employee benefits—a sharp rise from 54% in the previous year. Reflecting this unease, roughly a quarter of businesses anticipate downsizing within the next year, balanced by a similar proportion expecting growth, indicating a divided outlook within the market.

Matthew Percival, CBI’s director for the future of work and skills, urged policymakers to address these mounting pressures promptly. Speaking to Personnel Today, he underscored that without easing regulatory and cost burdens, the UK risks eroding its competitiveness, which would impede businesses’ willingness to invest and expand. Percival emphasised the need for a “pro-growth landing zone” in delivering the Employment Rights Bill, advocating for measures that preserve the meaningfulness of probation periods, offer practical management of variable working hours, and establish a fair balance between employer and trade union responsibilities.

Pay dynamics reveal further challenges. Only 11% of firms plan to grant pay rises above inflation in their next reviews, while 41% intend to align increases with inflation, and 11% are considering raises below the inflation rate. Investment in workforce skills appears cautious: although 54% aim to maintain current training levels, more organisations expect to cut skills investment (23%) than to increase it (13%) in the year ahead.

The survey also highlights concerns tied to the government's Growth and Skills Levy reform. Two-thirds of businesses indicated that the ongoing uncertainty about eligible training courses after April 2026 is hindering workforce planning. Half of the respondents feel that the existing inflexibility in levy regulations inhibits their ability to deliver targeted training to fulfil skills gaps. Carmen Watson, chair of Pertemps, called for the government to seize the opportunity offered by the recent cabinet reshuffle to reset the growth agenda and provide clearer direction on funding eligibility, asserting that greater transparency would empower firms to better invest in skills essential for future competitiveness.

Broader labour market data from CBI’s recent quarterly updates provide context for these sentiments. Employment rates have seen a modest increase, reaching an estimated 75% in the November 2024 to January 2025 period, with the unemployment rate edging up slightly to 4.4%. Wage growth remains relatively strong, with average regular earnings growing by 5.9% over the year to January 2025, although real-term gains after inflation adjustments are more modest at around 2.2%. Meanwhile, the number of job vacancies, while showing marginal increases on a monthly basis, remains significantly lower than the previous year, reflecting some cooling in demand for labour alongside the economic headwinds.

Overall, the combined findings from the CBI/Pertemps survey and labour market reports depict a UK business environment grappling with rising costs and regulatory uncertainty that dampen investment and growth ambitions. While a portion of companies remain optimistic about expansion, widespread concern about the impact of employment law changes and skills investment challenges casts a shadow over the medium-term outlook. The CBI’s calls for a balanced policy approach that supports both workers’ rights and business flexibility reflect a pressing need to stabilise and revitalise the UK labour market’s appeal to employers and investors alike.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.personneltoday.com/hr/day-one-rights-caution-cbi-pertemps-employment-trends-survey/)
* Paragraph 2 – [[1]](https://www.personneltoday.com/hr/day-one-rights-caution-cbi-pertemps-employment-trends-survey/), [[2]](https://www.cbi.org.uk/media-centre/articles/cbipertemps-employment-trends-survey-2024/), [[3]](https://www.cbi.org.uk/articles/opportunity-in-growth-cbipertemps-employment-trends-survey-2024/)
* Paragraph 3 – [[1]](https://www.personneltoday.com/hr/day-one-rights-caution-cbi-pertemps-employment-trends-survey/)
* Paragraph 4 – [[1]](https://www.personneltoday.com/hr/day-one-rights-caution-cbi-pertemps-employment-trends-survey/)
* Paragraph 5 – [[1]](https://www.personneltoday.com/hr/day-one-rights-caution-cbi-pertemps-employment-trends-survey/)
* Paragraph 6 – [[1]](https://www.personneltoday.com/hr/day-one-rights-caution-cbi-pertemps-employment-trends-survey/)
* Paragraph 7 – [[1]](https://www.personneltoday.com/hr/day-one-rights-caution-cbi-pertemps-employment-trends-survey/)
* Paragraph 8 – [[4]](https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-march-2025/), [[5]](https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-december-2024/), [[6]](https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-november-2024/)

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

## Bibliography

1. <https://www.personneltoday.com/hr/day-one-rights-caution-cbi-pertemps-employment-trends-survey/> - Please view link - unable to able to access data
2. <https://www.cbi.org.uk/media-centre/articles/cbipertemps-employment-trends-survey-2024/> - The CBI/Pertemps Employment Trends Survey 2024 reveals that 62% of employers anticipate a decline in the UK's attractiveness for investment and business over the next five years. This pessimism is attributed to factors such as a lack of detail about the government's 'Plan to Make Work Pay' proposals and potential unintended consequences. The survey also highlights that 39% of businesses currently view employment regulation's impact on flexibility as a threat to labour market competitiveness, a figure expected to rise to 58% in the next five years. Additionally, only 26% of businesses feel confident they can absorb the costs of the government's 'Make Work Pay' plan without negatively affecting growth, investment, jobs, or employee benefits. The survey underscores the need for government and business collaboration to address these challenges and support economic growth. ([cbi.org.uk](https://www.cbi.org.uk/media-centre/articles/cbipertemps-employment-trends-survey-2024/?utm_source=openai))
3. <https://www.cbi.org.uk/articles/opportunity-in-growth-cbipertemps-employment-trends-survey-2024/> - The CBI/Pertemps Employment Trends Survey 2024 highlights that 62% of employers predict a decline in the UK's attractiveness for investment and business over the next five years. This pessimism is linked to factors such as a lack of detail about the government's 'Plan to Make Work Pay' proposals and potential unintended consequences. The survey also indicates that 39% of businesses currently view employment regulation's impact on flexibility as a threat to labour market competitiveness, a figure expected to rise to 58% in the next five years. Additionally, only 26% of businesses feel confident they can absorb the costs of the government's 'Make Work Pay' plan without negatively affecting growth, investment, jobs, or employee benefits. The survey underscores the need for government and business collaboration to address these challenges and support economic growth. ([cbi.org.uk](https://www.cbi.org.uk/articles/opportunity-in-growth-cbipertemps-employment-trends-survey-2024/?utm_source=openai))
4. <https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-march-2025/> - The CBI/Pertemps Labour Market Update for March 2025 provides insights into the UK's labour market trends. In the quarter to January 2025, wage growth remained strong, unemployment and employment levels increased, and economic inactivity continued to fall, though it remains high. The UK employment rate was estimated at 75.0% for the period between November and January 2025, slightly up on the quarter and the year. The unemployment rate was estimated at 4.4% in the three months to January 2025, also up on the quarter and the year. The 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, though 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. 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. ([cbi.org.uk](https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-march-2025/?utm_source=openai))
5. <https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-december-2024/> - The CBI/Pertemps Labour Market Update for December 2024 provides insights into the UK's labour market trends. In the period between August and October 2024, wage growth across the economy remained strong, employment and unemployment levels both increased, while vacancies and inactivity fell. The UK employment rate was estimated at 74.9% in August to October 2024, marginally up on the quarter (+0.1%) but unchanged on the year. The UK unemployment rate was estimated at 4.3% in the same period, slightly up on the quarter (+0.1%) and the year (+0.3%). The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.8% between August and October 2024, slightly down on the quarter and the year (-0.2%). ([cbi.org.uk](https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-december-2024/?utm_source=openai))
6. <https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-november-2024/> - The CBI/Pertemps Labour Market Update for November 2024 provides insights into the UK's labour market trends. In the period between July and September 2024, wage growth across the economy remained strong, employment and unemployment levels both increased, while vacancies and inactivity both fell. The data continues to paint a mixed picture of the labour market, with conditions cooling but limited labour pool hindering business’s ability to grow. The UK employment rate was estimated at 74.8% in July and September 2024, up on the latest quarter but largely unchanged on the year. The UK unemployment rate was estimated at 4.3% in July and September 2024, above estimates of a year ago (+0.2%) and on the quarter (+0.1%). The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.8% between July and September 2024, slightly down on the quarter and the year. In July to September 2024, the estimated number of vacancies in the UK decreased by 35,000 on the quarter to 831,000. ([cbi.org.uk](https://www.cbi.org.uk/articles/cbipertemps-labour-market-update-november-2024/?utm_source=openai))