



WHEN THE GOING STAYS TOUGH

2025 **LABOUR MARKET TRENDS**

It's time to stop filling roles and start building skills



Why this guide

The 2025 labour market trends report is an analysis of current and future issues impacting employee recruitment and retention across the UK. The information in this guide is designed to help business leaders mitigate the current skills shortage and to create a resilient, more productive workforce.



Issues that are driving and maintaining the UK's skills shortage



Agitation factors that are making a weak talent situation worse



Why the skills shortage will stay with us in 2025



How to bridge the talent gap and do more with what you have



Executive summary

Hiring challenges in the UK may have slightly eased, with [76% of businesses](#) struggling to fill roles, down from 80% in 2024, but the core issue remains – many industries, including **engineering, logistics, tech and manufacturing**, cannot find enough skilled workers for their needs. Factors such as changing job expectations, [early retirement of experienced workers](#) and rapid digitisation have intensified the demand for skilled professionals and **there simply aren't enough people to go round**.

For example:

- [77% of industrial and materials](#) business cannot find the skills they need
- [200,000 more HGV drivers](#) will be needed over the next five years
- [97% of manufacturers](#) say hiring challenges are hindering growth
- [54% of logistics companies](#) are expecting skills shortages to increase over the next five years.

No matter where you look, the UK's skill shortage is [damaging the nation's economy](#) and creating barriers to innovation and growth for tens of thousands of businesses.

Financial pressures

Adding to the problems are [economic pressures](#) and [escalating payroll costs](#) that may dampen investment and reduce profitability for many organisations in 2025. In turn, this may limit their ability to offer higher compensation to attract top talent. Without the carrot of higher pay, companies will be forced to **prioritise workforce job satisfaction, workplace culture and career development** to support recruitment and retention.



77%
of mid-market business leaders say the skills shortage is damaging their organisation's productivity

Source: Grant Thornton 2025

How to succeed in 2025

There are some rays of light, such as the government's [initiative to improve the nation's digital skills](#) from early school years, but ultimately, the UK skills shortage is deep-seated and unlikely to end any time soon.

With **no quick fix** in sight, businesses will need to explore every talent avenue and embrace a range of **innovative workforce solutions** to close the skills gap this year. **Manpower's labour market trends report provides the answers**. Read on to discover all you need to know.

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Overcoming the challenges is a task best shared

Contact us

Find out how Manpower can support your business in 2025.

A tale of two labour markets

General recruitment may be easier, but many businesses still can't find the skills they need

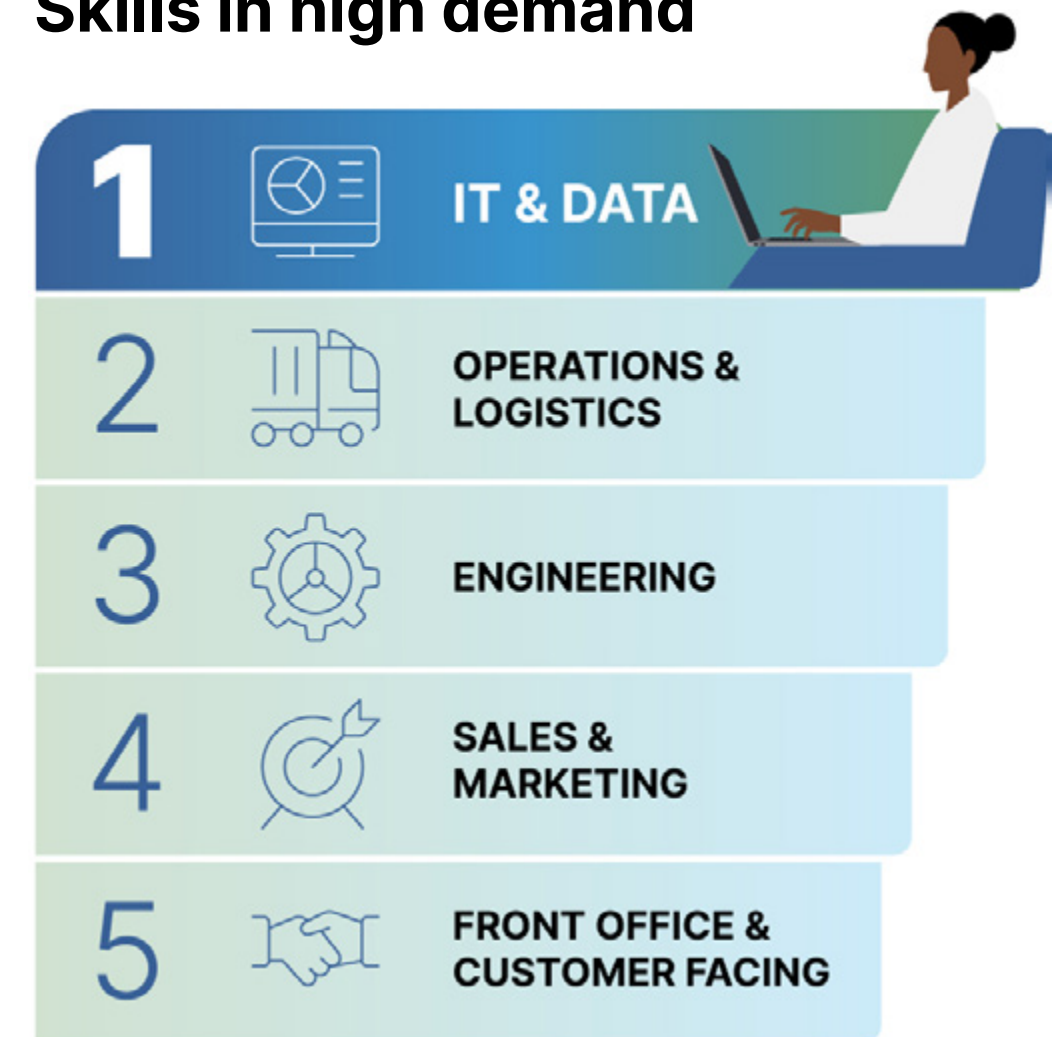
According to the [ManpowerGroup 2025 Talent Shortage survey](#) – an in-depth analysis of the UK labour market – the nation's long-running talent shortage may have peaked. In January 2025, overall hiring difficulties were lower, with 76% of surveyed firms reporting challenges in filling roles, down from 80% in 2024.

However, **welcome as this trend is, it highlights another glaring issue:** There may be more potential candidates per vacancy, but a wide range of industries – from engineering and logistics to manufacturing and tech – are **unable to find candidates who have the specific skills** they need. A heady mix of role complexity, [changing job expectations](#), [early retirement of experienced workers](#) and the rapid digitisation of the economy are driving high demand for workers who have the necessary skills to thrive in a transforming labour market.

To make things worse, these problems are intensified by the fact that many college leavers are not ready for the world of work. While UK educational institutions continue to graduate thousands of students per year, **more than 70% of surveyed employers report that these individuals are inadequately prepared for the demands of the workforce.**

Graduates often lack the skills to navigate complex, real-world challenges. The disconnect between academic training and industry needs is exacerbating the skills shortage, leaving businesses scrambling to upskill new hires or continuously compete for experienced professionals.

Skills in high demand



Source: ManpowerGroup 2025

The UK skills shortage: how tough is it?

Warehouse operatives, truck drivers, tech workers, accountants, farm hands, butchers, bakers, candlestick makers – it doesn't matter where your business is located, what your business does, or where your market is, the impact of the skills shortage is deep and wide-spread:

- [77% of industrial and materials businesses](#) cannot find the skills they need
- [200,000 more HGV drivers](#) will be needed in the next five years
- [49% of electrician businesses](#) were unable to find the skills they needed in 2023
- [58% of automotive aftercare operators](#) (garages) cannot recruit sufficient technicians
- [97% of manufacturers](#) say that hiring and retaining skilled labour presents a challenge to the growth of their business

- [54% of logistics companies](#) are expecting skills shortages to increase over the next five years, 21% are uncertain as to their future recruitment ability, and only 4% expect the skills shortage to improve
- [90% of employers](#) in the renewable energy and low-carbon sectors cited a lack of suitable skills as a barrier to growth.

There's no way to sugar coat it – the UK's skill shortage is [damaging the nation's economy](#) and creating barriers to innovation and growth for tens of thousands of businesses.

With no grand rescue plan on the horizon, many organisations will be forced to reshape their approach to workforce development this year. Robust reskilling and upskilling programmes, a hard focus on retention activities, fostering inclusive workplace cultures, and adopting [forward-thinking recruitment strategies](#) are just some of the initiatives that must be seriously considered – especially when the age-old tactic of offering elevated pay to attract scarce talent may be out of reach for many businesses in 2025.

The skills shortage affects a wide variety of jobs. The top 10 roles in need:

- Care workers and home carers**
- Sales accounts and business development managers**
- Metal working production and maintenance fitters**
- IT user support technicians**
- Senior care workers**
- Other researchers, unspecified discipline**
- Quantity surveyors**
- Physiotherapists**
- Farm workers**
- Electrical engineers**



Source: UK Government - September 2024

Higher business costs demand a different hiring strategy

A sluggish economy and changes to the NLW and Employer NICs will limit business options to attract and retain talent. Without the carrot of higher salaries, employers must find other ways to maintain their workforce

The laws of supply and demand are as true of the labour market as they are of coffee beans. Scarcity drives higher prices – which is why, when many businesses are competing for the same hard-to-find skills, the simplest way to secure top talent is to offer higher compensation.

However, that tactic may not be an option in 2025:

According to Goldman Sachs:

“The UK’s GDP will increase by 1.2% in 2025, which is slower than the Bank of England’s projection of 1.5%.” They further project “0.4% growth in the first three months of 2025 relative to the last three months of 2024, slowing to around 0.25-0.30% quarter-on-quarter in the rest of [the] year.”

With a sluggish economy most likely, many organisations may find it difficult or impossible to engage in a bidding war for talent, especially when they face added financial pressures brought by changes to the National Living Wage (NLW) and Employer NICs that were announced in [the October 2024 Budget](#).

Rising payroll costs may limit higher pay offers

As of April 2025, the National Living Wage (NLW) increases from £11.44 to £12.21 per hour for workers aged 21+. Additionally, Employer National Insurance Contributions (ENICs) rise from 13.8% to 15%, with the threshold for each employee reducing from the current £9,100 to £5,000 per year.

+940,000

Number of employers who will see their ENIC burden rise

Source: UK Government



Give workers what they want:

- Opportunity for career growth
- Fair pay & conditions
- Flexible working
- Meaningful work
- Strong DEIB policies
- Transparent management
- Leadership that shows empathy to worker needs

Source: ManpowerGroup – Accelerating Adaptability



The combined effect of these changes may limit businesses' ability to pay higher salaries. Moving forwards, strategies to attract and retain talent will need to **focus on job satisfaction** instead of compensation:

A persistent skill shortage, rising labour costs and a slowing economy will leave many businesses on a knife edge in 2025. Core to survival will be important market intelligence:

- **Understanding your local market's hiring trends**
- **Keeping track of talent competitors**
- **Understanding the true costs and efficiencies of your workforce.**

Plus... an ability to successfully navigate a mix of other factors.



Invest in career development:

- Reskilling and upskilling programmes
- Clear pathways to promotion
- Opportunities to mentor colleagues
- Support for employees who wish to move on

Digitisation makes its presence felt

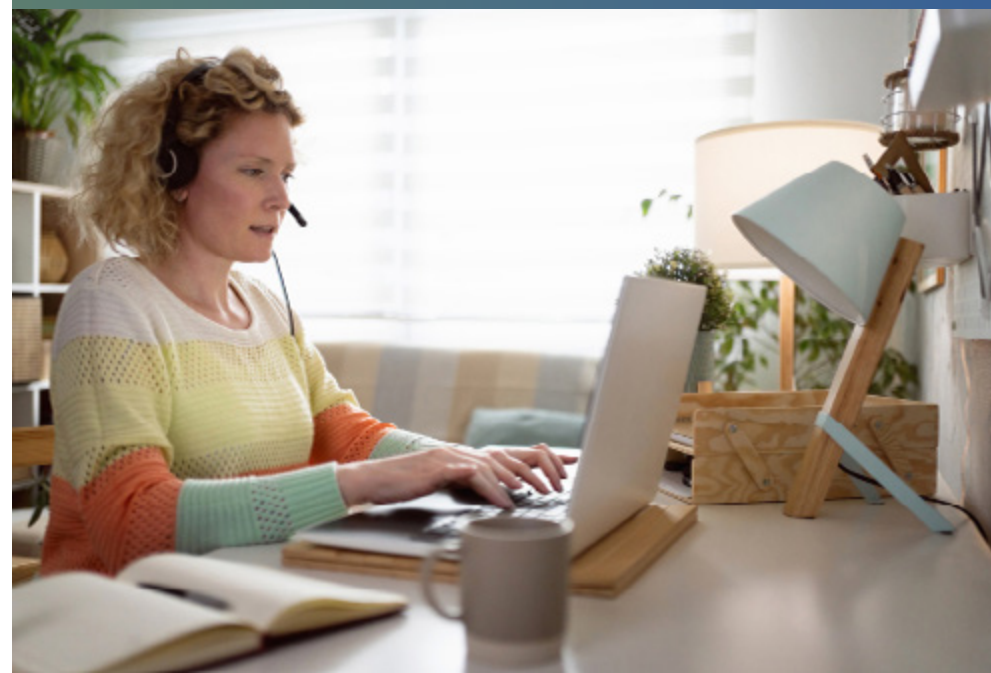
Advanced technologies are transforming the UK workforce, **altering both the skills businesses require and the way people work**. For example, [remote working and digital collaboration](#) have become standard (and expected), enabling employees to work from anywhere while maintaining seamless communication through cloud-based platforms.

At the same time, businesses are leveraging software to track productivity, measure engagement and optimise efficiency, while automation and AI are reducing repetitive tasks such as data entry and filing, [freeing worker time](#) to focus on higher-value activities. Similarly, automation is being applied in hazardous industries, [reducing risks](#) in sectors such as construction, mining and manufacturing.

41% 

of UK workers now work remotely at least part of the week

Source: Techround 2025



The downside

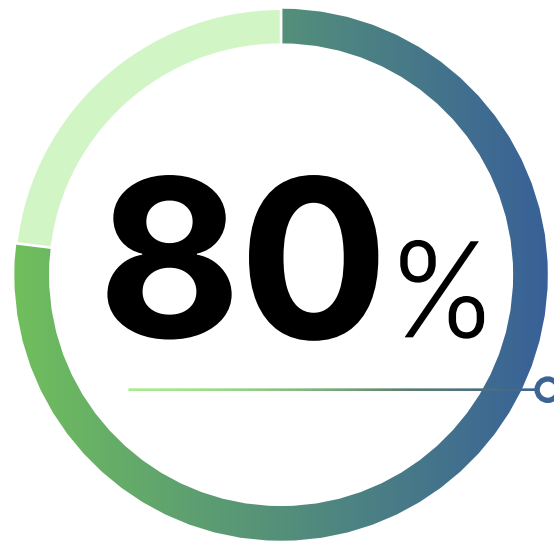
In most cases, the impact of technology on work has been beneficial, however, as routine tasks decline, demand for specialised skills grows. Employers now seek a higher mix of skills from candidates as the world of work becomes more complex. It isn't just hi-tech organisations; **almost every type of business now uses technology in their operations** and accordingly, employers require their workers to be able to do more, produce more and know more.

Unfortunately, finding a fast solution to this problem seems unlikely. The UK desperately needs more digitally proficient workers, but the core numbers just don't add up.

It's a digital skills chasm

The divide between the level of technological competence that businesses need and what's currently available is daunting:

Digital growth is accelerating...



of organisations fast-tracked their digital transformation during and after the pandemic

But...

10 million workers lack the basic digital skills to meet modern job requirements

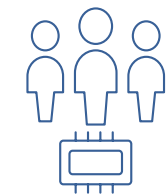
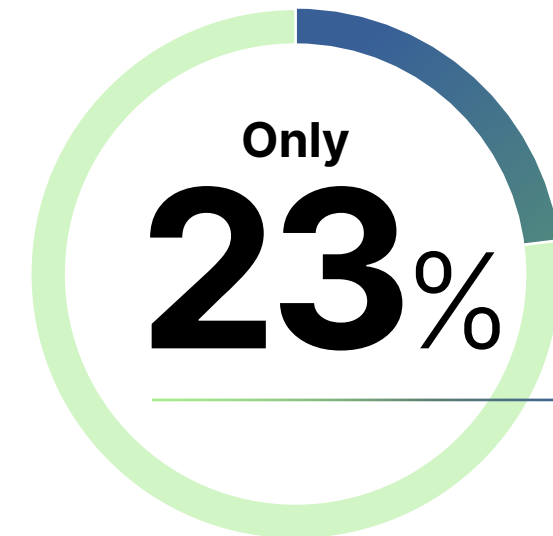


of young people do not think digital skills will be essential to their career

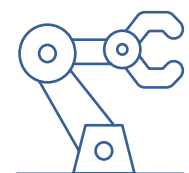
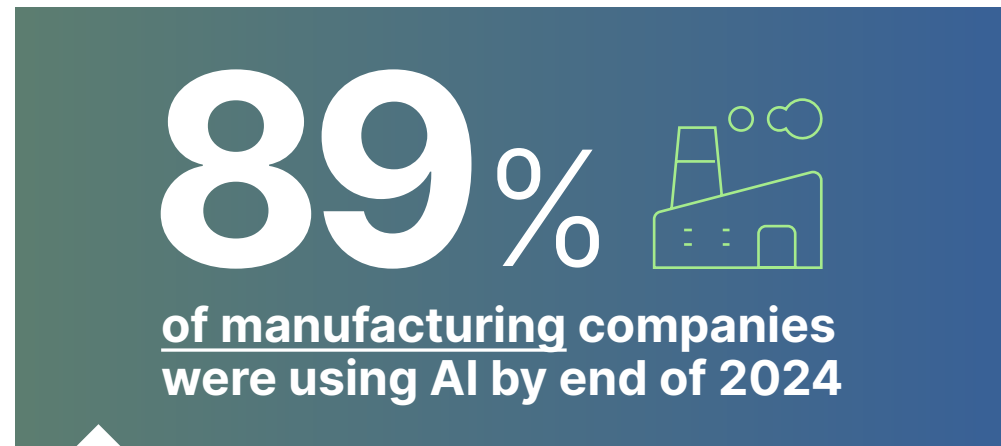
And...



The digital skills gap already costs the UK economy £63 billion per year



of the UK workforce report having had digital training from their employer



The machine-learning market is expected to grow by 34.8% per year to 2030



Ultimately, there simply aren't enough digitally competent workers to meet demand.

However, instead of seeking ways to counteract this problem, many businesses may be **unintentionally** making things worse

An inside job

The vast majority of UK businesses are struggling to secure the skills they need, but internal issues could be making the challenge more difficult

Macro and external issues are not the only drivers of the skills shortage. Often, internal HR problems are impacting hiring and retention – **although many business leaders may be unaware that they exist.**

Common problems include:

Not meeting the needs of early careers candidates

Early Careers (EC) candidates are individuals who are at the start of their career. Typically, this means anyone with less than three years of work experience and can also encompass anyone in education who is looking to build their industry experience and insight.

Unfortunately, businesses frequently overlook the unique preferences of EC candidates, an oversight that poses significant challenges as EC candidates represent the future leadership pipeline. Without attracting and nurturing this vital talent, organisations risk stagnation and irrelevance.

29% 

of Early Careers recruits leave their jobs within the first three years because employers do not meet their needs

Source: The Smarty Train 2024

What are Early Careers candidates looking for from an employer?

- Opportunities to kick start their career – which may include ‘sampling’ different roles
- Training to give them better ‘work relevant’ skills that complement or even supersede their educational learning
- A clear career path with opportunities for growth and promotion
- Positive workplace culture
- Strong DEIB policies and EVP

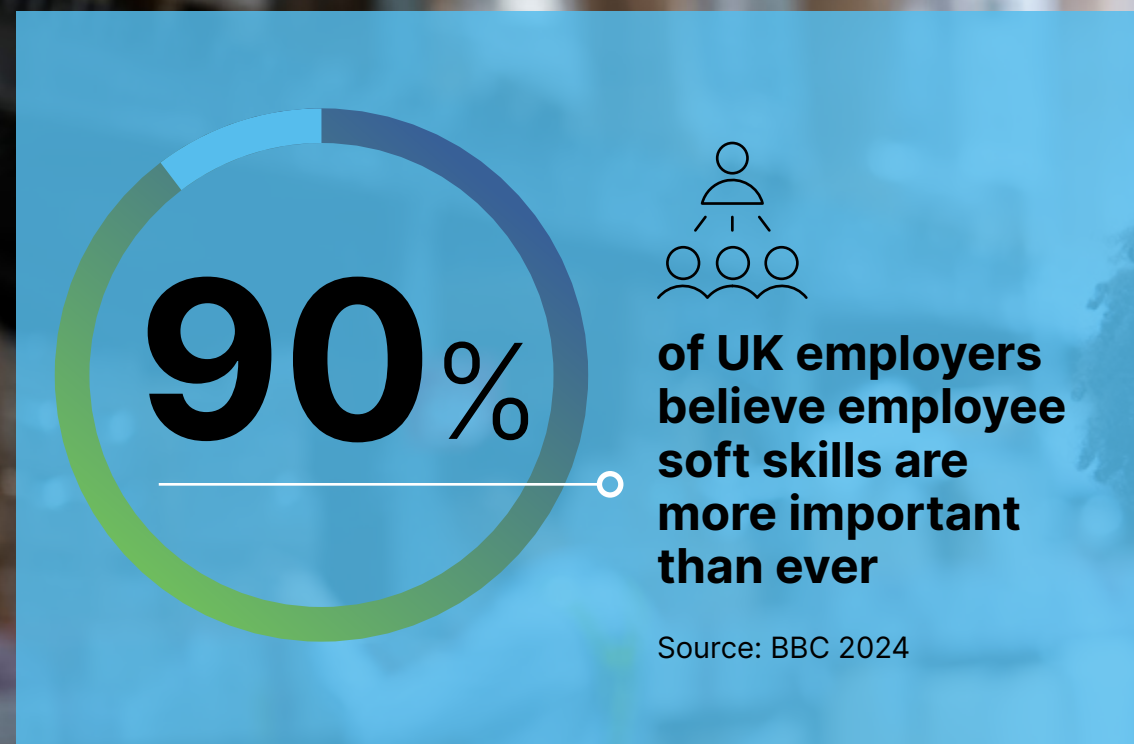
Source: ManpowerGroup – Accelerating Adaptability

Lack of a positive workplace culture

Workplace culture is one of the most important deciding factors when candidates consider a new job or when existing employees have the option to stay or leave. Businesses that have a poor workplace culture, one where employees are disengaged, grievances are left unresolved and management are aloof or deemed ‘uncaring’ about their staff, will typically struggle to hire and have above average employee turnover.

Still focusing on experience instead of skills

Many employers continue to prioritise candidate experience over an assessment of their skills. While a positive candidate experience is important, it should not overshadow the crucial evaluation of candidates’ competencies and aptitudes. Skills-based hiring instead of experience-based hiring can give employers an advantage in a talent shortage, allowing them to better fill the skills gaps in their workforce.



Systems and methods do not meet today's recruitment needs

People managers and hiring managers are facing escalating pressures due to the complexities of managing hybrid workforces and catering to candidates' heightened focus on purpose. Issues include:

- **Excessive reliance on artificial intelligence (AI) for candidate selection** can overlook the full potential of more seasoned workers and other underutilised talent pools, resulting in missed opportunities for diverse perspectives and skill sets – effectively overlooking the 'diamonds in the rough'.
- **Insufficient or outdated assessment experiences** can leave both candidates and companies in the dark regarding role fit and organisational alignment. Lack of clarity on job expectations, company culture and values can contribute to misalignment and dissatisfaction on both sides.
- **Hiring managers may lack an understanding of skills-based hiring**, an issue that can impact internal talent mobility and creating opportunities for new hires. Insufficient motivation factors, lack of internal policies/procedures and inadequate HR training can compound these challenges.
- **Confusing the competitive drivers unique to each talent landscape.** Many hiring managers still keep their recruitment focus on traditional competitors. Unfortunately, this approach does not consider rapid change in many other industries that may also impact their sector – for example, the need for retail businesses to hire more technical engineers reducing the potential talent pool for traditional engineering organisations.

42% 

of surveyed global enterprise businesses deploy AI to screen job applicants.

Source: BBC 2024

The science of skills – transformational workforce solutions

Thinking outside the box to find the skills you need is no longer good enough. It's time to invent a whole new box

Unfortunately, there's no silver bullet for current workforce problems.

Increasing role complexity, rapid digital transformation, mass retirements, a disconnect between academic training and real-world demands and a raft of common HR issues will continue to drive a damaging skills shortage this year. Meanwhile rising payroll costs and a sluggish economy may limit wage increases, making many traditional tactics to attract and retain talent less viable.

A difficult situation calls for different thinking. Organisations must explore **innovative solutions** to close the skills gap in 2025.

Identify skills trends as soon as they emerge

The business environment is evolving at an unprecedented pace, as disruptive technologies and innovative work methods reshape entire industries. Skills that are essential today will soon become outdated, while the skill sets for tomorrow are always over-subscribed.

The only solution to this conundrum is to be first to the party. Organisations must adopt a forward-thinking strategy – **continuously monitoring** market trends, competitor activities, technological developments and valuable feedback from employees and job candidates to **spot emerging skills trends early and adapt accordingly**.

Investing in training, upskilling and development programmes, refining recruitment practices and strengthening retention initiatives are also necessary steps to stay ahead in the skills race. By aligning their workforce strategies with future market needs, companies can maintain a competitive edge and foster an agile, adaptable workforce that's ready to tackle the challenges of tomorrow.

Key benefits:

- Avoid the last-minute rush for new skills
- Gain a competitive advantage
- Maintain productivity

Anticipate your future skills needs

To stay competitive, businesses must anticipate their future skill needs and shape their talent pipeline to meet those requirements. A **skills audit of your entire workforce** is essential to this task, as it's the only way to gain a clear picture of your existing capabilities and identify the gaps. Hard skills, soft skills and transferable skills should all be considered.

A skills audit may also reveal that the skills you need for future success already exist within your organisation and simply require further development. Additionally, evaluating transferable skills ensures key employees can adapt to changing business demands or may be better suited to different task or roles within the company.

Taking a strategic approach to skills development can strengthen workforce agility, enhance innovation and keep your business ahead of industry shifts.

Key benefits:

- Identify skills gaps earlier
- Discover hidden skill sets
- Make more of transferable skills across your workforce

Benchmark your EVP against your talent competitors to build a winning offer

Your Employer Value Proposition (EVP) is the secret sauce that makes employees and candidates love working for your organisation and **it can be the difference between a surplus of top job candidates and a dearth of much-needed skills.**

Ensuring your EVP matches up is essential. This means measuring your offer against your competitors. It's not enough for your EVP to match them – it must exceed them. Demonstrate and proof-point your EVP throughout the candidate and employee journey. Find creative ways to ensure people can confidently recognise and reference distinctive reasons to join and stay.

Assess how your EVP compares to your competitors in areas such as salary, benefits, work-life balance, learning opportunities and workplace inclusivity.

Identify gaps and proactively address them – whether by enhancing career development programmes, improving wellness initiatives or offering unique perks. Keep in mind that a compelling EVP isn't static; it's a moveable feast that must evolve to meet changing workforce expectations.

Key benefits:

- Make your business the employer of choice
- Increase employee engagement
- Support your brand proposition
- Present a winning case to your customers

Widen your talent search

Too many businesses keep a narrow focus on who they should hire and where they look for such talent, which often means fishing in the same talent pool as their competitors. All too often, the result is a lack of suitable candidates and slow and expensive hiring.

Instead, organisations must embrace skills-based hiring that goes beyond the usual parameters. This means cultivating a diverse and inclusive approach to talent to address the UK's changing demographics and searching untapped talent pools – mining closely aligned industries, considering candidates at different points in their careers (such as seasoned workers), and the targeted deployment of specialist contract workers for specified projects.

Key benefits:

- Stay ahead of your competitors
- Find skills the others overlook
- Achieve pinpoint accuracy in skills placement – the right skills in the right place at the right time
- Reduce hiring costs and time to hire

Prioritise skills over experience

Skills are assets that add value to your business, and they don't always come with time served. This is not to downgrade the value of experience, but it should be cast against the future potential that hard-to-find skills may demonstrate.

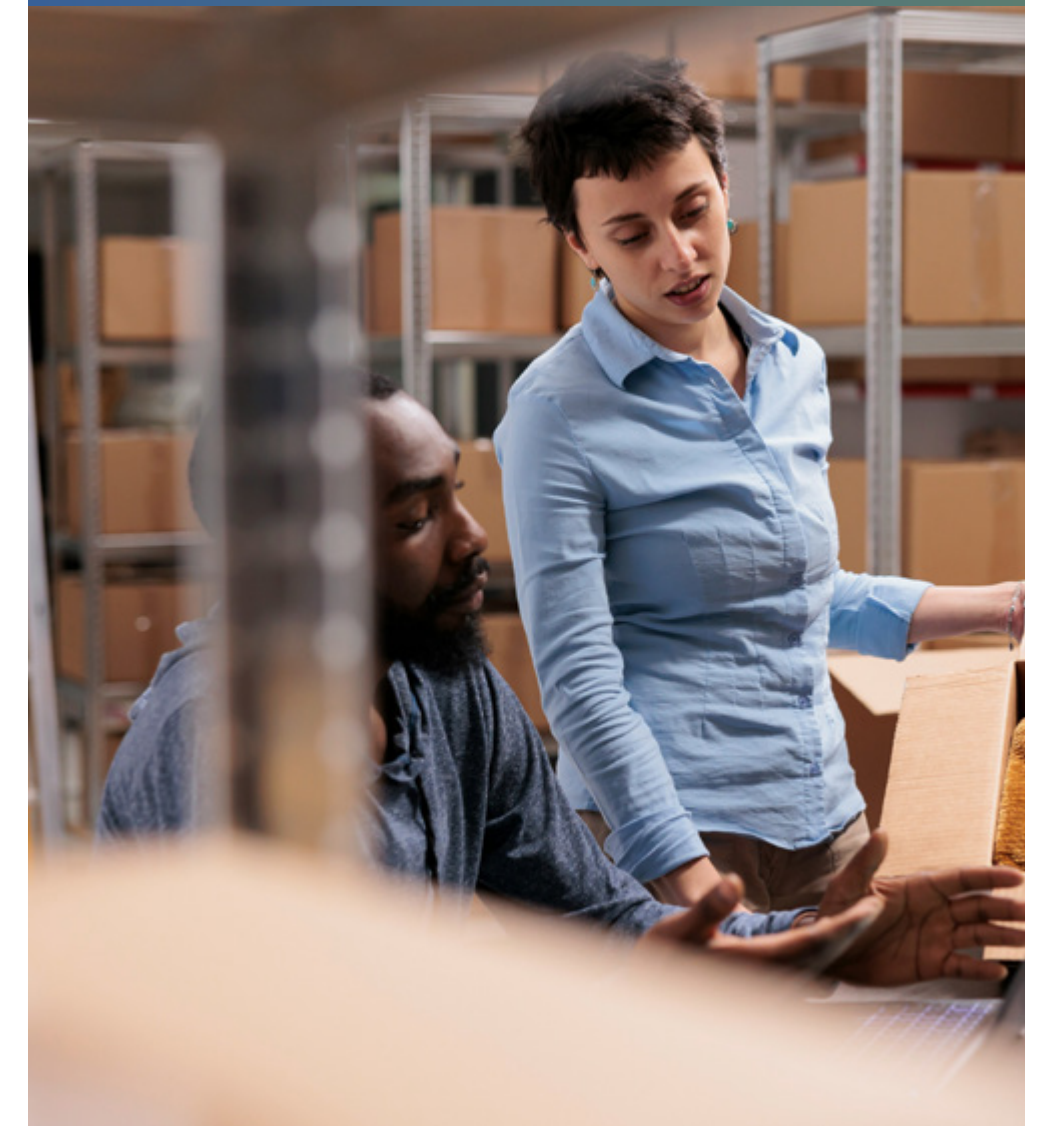
Prioritising skills over past experience can help your business stay competitive in a rapidly evolving landscape, as job experiences can become outdated as industries shift.

Focusing on what candidates can contribute today and in the future is key. Rather than relying on past roles, companies should assess the candidate's problem-solving abilities, adaptability and technical proficiency.

A skills-first hiring approach can unlock new talent pools, encourage innovation and deliver a workforce that is nimble and future-ready. By emphasising potential and capability over tenure, businesses can build teams equipped to drive growth and meet tomorrow's challenges head-on.

Key benefits:

- Stay on top of new and emerging skill sets
- Future-proof your workforce
- Expand your pool of potential candidates



Create apprenticeships programmes to support your talent pipeline

Apprenticeship programmes are a powerful way to develop a strong talent pipeline, ensuring businesses have the diverse skills needed for future success. By training employees from the ground up, organisations can tailor their development to align with company-specific practices, fostering higher productivity and reducing errors.

These programmes can also enhance employee engagement by offering structured career growth, making apprentices feel valued and invested in the business. Additionally, apprenticeships promote diversity by opening doors to a broader range of candidates, including those who may not follow traditional education routes.

By investing in apprenticeships, businesses not only future-proof their workforce but also cultivate a loyal, skilled team that drives long-term success.

Key benefits:

- Grow the skills you'll need in the future
- Fosters high employee engagement
- Gain access to a broad, diverse pool of talent
- Build company practices into the employee's skill set to boost productivity

Ensure your workforce operates with high efficiency to add value to your business

Greater workforce efficiency can drive down costs while enhancing business value. But this doesn't mean initiating blanket-policies where one size fits all. Instead, market-leading organisations prioritise efficiency at the individual level, a one-to-one system that ensures every employee works smarter, not harder. Workforce optimisation involves leveraging data to streamline processes, improve productivity and reduce waste.

By measuring output, businesses can identify inefficiencies and implement targeted improvements. Enhanced manager-worker communication ensures tasks are clearly defined, reducing errors and delays. Better employee scheduling and time management can prevent burnout while maximising resource allocation.

A strategic workforce optimisation approach can deliver lower operational costs, improved employee satisfaction and a more agile organisation – ultimately driving sustainable growth and a competitive advantage.

Key benefits:

- Reduce costs and boost productivity
- Reduce worker burnout
- Do more with what you have

Tools to help you succeed

Use Manpower's unique workforce tools and services to better navigate the road ahead

Market intelligence will be key in 2025. Manpower's workforce tools and services can give you the knowledge to stay ahead of your competitors and build a more efficient and successful business:

Pipeline Analysis Calculator	Use Manpower's Pipeline Analysis Calculator (PAC) to discover how small tweaks to your offering can unlock the talent you need.
Workforce Success Index	Your Workforce Success Index (WSI) is compiled by our team of data and candidate behaviour experts to assess your organisation and benchmark it against industry competitors by sector or region, focusing on key factors that matter to candidates. WSI also evaluates the critical talent and skills needed to manage and expand your business today, anticipate future demands and identify the best strategies for attracting and retaining top talent.
Total Cost of Workforce Calculator	Leveraging our proven success methodology framework, advanced data modelling tools and established development and operational efficiency initiatives, Manpower helps you navigate volatile market conditions by optimising your end-to-end workforce solution to drive down costs – demonstrated using our Total Cost of Workforce Calculator (TCOW).
Partnership frameworks	By harnessing our partnership relationships, we provide access to skills and talent in demographics not seen within normal recruitment practices. This helps businesses to diversify and realign social value objectives to match their goals and targets.
MyPath	The MyPath programme allows us to attract, develop, retain and redeploy exceptional talent, creating a dynamic pool of skilled professionals ready to meet client demands. MyPath gives our clients access to the highest quality in-demand talent.
End-to-end management	We support employers in finding talent, choosing and managing the training provider and end point assessor, as well as paying the training provider. We provide the important pastoral care to the learners and full support to clients throughout the journey.
Flexi-Job	Flexi-job services allow us to place apprentices at your location whilst employed by Manpower – perfect if you have a freeze on headcount or lack the resource or expertise to set up and manage an apprenticeship programme yourself. Through the Apprenticeship Levy, training of apprentices and end point assessments are covered or come at a reduced price.

Manpower – improving the way your workforce works

Finding the talent to transform your organisation today and the skills to fuel your future means thinking differently. Businesses must identify the people they need now as well as predict and preempt the skills they'll need tomorrow. Manpower can support you in this journey:

What we deliver

Manpower can help you to achieve real, long-term value from the skills that you build, buy and borrow. We have the experienced recruiters, leading data and insights to deliver qualified, in-demand talent at scale for today and tomorrow. We offer secure, flexible access to diverse, highly qualified talent pools in the simplest, most efficient way.

- **End-to-end workforce solutions:** We build connected, end-to-end workforce solutions that empower enterprise clients to meet complex people needs and deliver key organisational goals.

- **Skilled talent pools:** We have deep expertise in specialist talent markets with critical in-demand skills such as engineering, green technologies and supply chain.
- **Local talent markets:** With a network of locations nationwide and a talent pool of over 2.2 million candidates, we help employers to meet urgent and ongoing people needs by targeting and developing local talent markets.

Where we lead and excel

Experience, understanding, scale and our dynamic people networks allow us to deliver added value to your business.

- **In-depth expertise:** Our recruiters combine niche skills and sector expertise with on-the-ground local understanding and up-to-the-minute market knowledge. That means we have a proven track record of finding the right people to power your business.





- **Insights that unlock opportunities:** We have the experience, data and insights to help you benchmark and improve your staffing ROI, be more agile, respond to changing markets and drive continuous improvement. Tools such as our Workforce Success Index and our Total Cost of Workforce Calculator, give you the clarity to understand your performance and reach your goals
- **Progressive talent development:** Our commitment to ongoing learning and development means that we don't just place people in perm or temp roles. We give them the tools and support to develop new skills, progress their careers and add value to your organisation. Throughout, we're building strong relationships that help you engage and retain your talent.

- **Industry-leading reputation:** Our award-winning reputation in ESG and our expertise in Diversity, Equity, Inclusion & Belonging make it easier for you to reach your long-term people goals. With our strong compliance framework, we promote social mobility, reflect the communities you serve and work towards a fairer, more sustainable future.

Transform your business

Get access to qualified, in-demand talent at scale, for today and tomorrow.

Find out how Manpower can support your business in 2025

UK businesses will face persistent skills shortages in 2025, with organisations of all sizes struggling to secure essential talent. Organisations that embrace an **optimised workforce, foster adaptability and diversity** and **adopt a skills-based hiring plan** may be best positioned to succeed.

Stop filling roles, start building skills.

