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## UK Job Market Feels the Strain as Unemployment Rises to 4.7%

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The UK labour market continues to show signs of pressure, with the unemployment rate climbing to 4.7% between March and May 2025, according to the latest figures from the Office for National Statistics (ONS). This marks an increase from the previous quarter and is the highest rate since September 2021.

The employment rate for those aged 16 to 64 now stands at 75.2%, slightly lower than recent averages, reflecting a steady cooling of the labour market. Simultaneously, the country's economic inactivity rate, those neither in work nor actively seeking employment,

was estimated at 21% over the same period, indicating a persistent challenge in re-engaging a significant portion of the working-age population.

Further data from the ONS shows the number of payrolled employees fell by 0.4% year on year (YoY) and by 0.1% month on month (MoM) in May. The trend continued into June, with an estimated YoY decrease of 0.6% and a 0.1% MoM dip. Over the March to May quarter, payrolled employees dropped by 0.3% YoY and 0.2% quarter on quarter (QoQ).

In addition to employment numbers, job vacancies have declined sharply. Between April and June 2025, the number of vacancies dropped by 56,000 compared to the previous quarter, reaching a total of 733,000.

This represents the 10th consecutive quarter in which job vacancies have declined, a downward trend that began in mid-2022. According to the Office for National Statistics (ONS) vacancy survey, 14 out of 18 industry sectors have reported a decline in hiring activity. The findings suggest that many businesses are either refraining from recruiting new employees or opting not to replace departing staff, reflecting a broader sense of caution amid uncertain economic conditions.

These figures point to a broader economic reality: while the UK is not facing a crisis, many businesses are prioritising caution and cost-efficiency. The current labour market reflects a measured response to ongoing uncertainty, with employers placing greater emphasis on maintaining stability rather than pursuing aggressive growth or expansion.

Although the figures don't point to a dramatic downturn, they do underscore the need for pro-growth policies that can encourage job creation and workforce participation, particularly among those currently economically inactive. In a tight fiscal environment, measured reforms that incentivise productivity and private sector resilience will be key to reversing these trends.