

UK Employers Maintain 3% Pay Increases

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Private-sector employers across the United Kingdom have kept median pay rises at 3 per cent in the three months to July, according to data from wage analytics firm Brightmine. This marks the eighth consecutive monthly report showing wage settlements at this level, reflecting continued caution among businesses amid economic uncertainty.

The data shows a slight slowdown compared with the same period last year, when median pay settlements stood at 4 per cent. Sheila Attwood, Brightmine's HR insights and data lead,

said employers are weighing economic signals carefully before committing to higher wage increases.

“Many employers are continuing to approach wage decisions with caution, keeping wage rises at 3 per cent, in the face of continued economic uncertainty and the looming autumn budget,” Attwood said.

The broader economic context is influencing these decisions. Official figures last week showed that the UK economy grew by 0.3 per cent in the second quarter, slightly above expectations. However, businesses remain concerned about inflationary pressures and the possibility of further tax increases.

Several sectors have reported financial pressure following the April tax rises, leading to tighter wage growth. The UK government has faced calls to address an expected shortfall in public finances later this year, adding to the uncertainty in wage negotiations.

The Bank of England is closely monitoring pay growth as it considers future monetary policy. Interest rates were reduced earlier this month, but the Bank of England has indicated it may proceed cautiously with further adjustments due to inflation concerns. Wage growth remains a key factor in determining the pace of monetary easing, as faster increases can feed into inflationary pressures.

Brightmine’s report analysed 19 pay settlements covering more than 600,000 employees across a range of industries. Sectors such as finance, professional services, and technology were included in the survey, highlighting a consistent pattern of cautious wage adjustments. Business leaders have emphasised the need to balance employee expectations with operational sustainability. James Riley, a director at a mid-sized manufacturing firm in the Midlands, noted that while staff retention is important, companies are mindful of maintaining competitiveness in a challenging economic climate.

“Pay rises need to be fair, but we must also ensure the business remains viable,” Riley said. “The 3 per cent level reflects what we can sustainably offer without risking long-term financial health.”

Trade bodies have expressed understanding of the approach. The Confederation of British Industry (CBI) acknowledged that businesses are navigating an environment marked by rising costs and cautious consumer spending. A CBI spokesperson said, “Companies are

making measured decisions on pay that reflect current economic realities. Wage restraint at this level is not unusual in such circumstances.”

Analysts suggest that while median pay settlements remain steady, headline inflation and the cost of living will continue to shape discussions between employers and employees. Consumer advocacy groups have urged firms to consider targeted support or bonuses to assist staff facing higher household expenses.

Looking ahead, the wage outlook for the remainder of 2025 may be influenced by the upcoming autumn budget, additional economic indicators, and the Bank of England’s monetary policy decisions. Brightmine expects that, unless economic conditions shift significantly, the cautious approach to pay rises will likely persist into the final quarter of the year. With wage settlements remaining at 3 per cent, businesses aim to balance financial prudence with workforce stability, signalling a steady but measured approach in an uncertain economic landscape.