

## **Struggling to find a job? Three reasons why the UK labour market is stuck right now**

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# Struggling to find a job? Three reasons why the UK labour market is stuck right now

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Britain's jobs market appears to have entered a "low-hire, low-fire" freeze, creating stagnation that could affect everyone from school-leavers to professionals. But unlike recessions characterised by mass layoffs, this scenario represents a market in which workers cling to their jobs while newcomers find the door shut.

The number of [job vacancies](#) paints a stark picture. For 39 quarters in a row, they [have fallen](#), with just 717,000 open roles by mid-2025. This is well below pre-pandemic levels. [According to one survey](#), only 11% of British businesses plan to hire staff – compared to 28% last year.

Chancellor Rachel Reeves' budget in November attempted to address the UK's fiscal challenges. But it risks deepening the weakness in vacancies through measures that increase the tax burden on both workers and businesses.

Three factors help to explain why the UK jobs market is gridlocked, and how recent policy changes have left employers with tough choices.

## 1. Growing employment costs

There has been a fundamental shift in the economics of hiring. April's national insurance increase for employers added [£25 billion a year](#) in costs. This changes the cost-benefit calculation that businesses must make when considering new recruits. Combined with higher

minimum wages and other rising expenses, businesses have suddenly felt pressure to limit hiring.

The 2025 budget compounded this by putting extra pressure on wage negotiations. Freezing income tax thresholds until 2031 – extending what is known as [fiscal drag](#) – means many workers face declining real take-home pay even as it appears their wages are rising. With 780,000 extra people at the basic rate of income tax, 920,000 at the higher rate and 4,000 at the additional rate [by 2029-30](#), employees will demand larger gross salary increases to maintain living standards.

At the same time, the £2,000 cap on salary-sacrifice pension schemes from 2029, [raising £4.7 billion per year](#) for the government, removes another avenue for workers to reduce their tax bills. Businesses now face a dilemma – absorb higher wage demands and erode margins, or resist pay claims and lose talent.

Even before the budget, the proportion of private sector businesses planning to hire had fallen from 65% in 2024 to [just 57%](#) by mid-2025. As the cost of making a recruiting mistake rises, businesses become more risk-averse.

## **2. The rise of the ‘job hugger’**

There has been a shift in how organisations view their workforce. After the [“great resignation”](#) of the pandemic years, more workers are now [“job hugging”](#).

With tighter household budgets as fiscal drag erodes [purchasing power](#), workers have less financial cushion. This makes changing jobs riskier, as probation periods, loss of flexible arrangements or pension resets could leave them worse off.

This reflects more than fear, however. It also demonstrates the value that employers place on the knowledge and experience that builds up in an organisation. Businesses are reluctant to lose workers with valuable [tacit knowledge](#) – the unwritten expertise about how things actually get done. This knowledge cannot be simply replaced by employing someone with comparable skills.

So businesses are [taking longer](#) to make hiring decisions and offering [smaller salary increases](#), while candidates fret about job security and losing flexibility. This creates “[a matching problem](#)” – workers and jobs that might be better suited to each other cannot connect because neither party wants to move first.

### **3. Tech is reshaping entry-level hiring**

Automation and AI are [transforming business operations](#), particularly in relation to entry-level jobs. Businesses are rapidly replacing routine tasks once performed by junior staff, changing the traditional path to professional employment.

Entry-level vacancies [have dropped](#) dramatically in 2025. Even the IT sector saw a [significant drop](#) in the number of job adverts.

The government’s response, [£820 million](#) over three years for a “[youth guarantee](#)” programme, provides young people with guaranteed placements in college, apprenticeships or personalised job support. Yet at roughly £273 million per year, this cannot counteract the powerful economic incentives for automation.

Business hiring had already been declining over recent years, with recent drops spurred by [higher labour costs](#) and [economic uncertainty](#). Meanwhile, rising unemployment is creating a buyer’s market where employers can be selective. Rather than investing in training and development internally, businesses increasingly seek fully formed talent from competitors. Yet when everyone pursues this strategy simultaneously, the pipeline of talent development breaks down.

#### **A vicious cycle**

These factors interact – as employment costs rise, businesses become more cautious about hiring. Workers are less likely to leave when there are fewer vacancies, and reduced staff turnover implies fewer entry-level positions, which gives businesses an additional reason to automate instead of recruiting.

The budget’s approach reveals a fundamental tension. By increasing taxes by [£26 billion by 2029-30](#), Reeves created a tax-heavy consolidation that reinforces each element of the

gridlock. Squeezed household incomes lower workers' desire to change jobs, while businesses with tight margins become even more cautious about hiring.

This situation represents a stable state that no one chose but from which nobody can escape. Each business making rational decisions in its own interest contributes to an outcome that leaves everyone worse off. This prevents movement to [a better equilibrium](#).

Breaking this gridlock requires an understanding that job markets are more than just transactions and price signals. Addressing employment costs alone will not suffice if workers' fears remain and entry-level positions stay blocked. Costs need to be recalibrated in a way that encourages hiring without sacrificing workers' protections. Entry pathways must be preserved even as automation advances – and this requires interventions on a far larger scale than is planned.

Without this coordination, there is a risk that these temporary shocks create permanent scarring. Workers locked out now may never catch up and skills that deteriorate during prolonged unemployment may never recover.

In essence, the UK's job market freeze is a coordination failure where rational individual choices add up to a collective problem. Breaking free demands active intervention – before temporary paralysis becomes permanent damage.