

31% of UK Employers Have Slowed Down Hiring Due To Rising Employment Costs

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The latest research from global talent solutions partner [Robert Walters](#) finds 1 in 3 UK businesses have rolled back hiring plans in 2025 due to rising business costs.

These challenges are also impacting pay rises and pension contributions, as companies grapple with stubborn inflation and increased tax obligations.

“In the final quarter of 2025, UK employers are facing multiple challenges. More recently, increased employer national insurance contributions are further limiting businesses’ ability to recruit beyond essential needs, with hiring concentrated in areas experiencing skills shortages or for replacement roles rather than growth.” Chris Eldridge, CEO of Robert Walters UK&I comments.

Hiring and Pay Rises Put on Hold

When asked about how they are managing increased costs, over half (52%) of UK employers stated they are delaying pay rises.

On the flip side, 40% of professionals state they aren’t expecting a pay rise next year. While 53% already feel underpaid.

“It’s common to see pay rises put on hold as companies try to offset spiked costs. However, [delayed pay rises](#) can significantly knock employee confidence. This could quickly lead to mounting dissatisfaction among staff, even triggering increased turnover rates.” Chris remarks.

A further two-fifths (41%) of UK employers have said they are even enforcing hiring freezes, intensifying

tensions in sectors with low job openings and skills shortages.

Chris adds: "While delayed pay rises may be increasing turnover, hiring freezes and other cautious hiring strategies are having opposing ripple effects on jobseeker sentiment. Resulting in some professionals now prioritising job stability over satisfaction - a trend which could have serious repercussions on productivity levels."

Pensions Under Pressure

One quarter (26%) of UK companies now offer their staff statutory minimum pension contributions of 3% - while only 11% award pension contributions above 10%.

This year has seen a +13% increase in UK Small-to-Medium Businesses (SMEs) contributing the statutory minimum to employee pensions (44% in 2025 vs. 31% in 2024).

Additionally, only 12% of SMEs now offer pension contributions between 7-10%, compared to 20% in 2024. Meanwhile, 29% of larger companies offer their staff this amount, a -3% decline from last year.

Chris continues: "Tighter budgets are forcing businesses to cut back on pension contributions at a time when saving for retirement has never been more critical.

"The sharp declines in SMEs offering enhanced pension benefits reveal the ongoing impact to smaller businesses with less infrastructure to buffer ballooning cost bases."

Interestingly, 61% of UK professionals now state that their pension uses a salary sacrifice scheme (also known as SMART schemes). These initiatives allow employees to contribute part of their pre-tax salary toward pensions, reducing tax obligations for both parties.

Chris comments: "Salary sacrifice schemes are increasingly seen as a key measure to both grow employee's pension pots and help protect businesses from increased tax obligations. We will likely see their usage increase, particularly following April's hike in employer national insurance contributions.

"Businesses continue to look for strategies to save on employment costs and still progress. We've noted other cost-saving tactics like some London-based companies 'northshoring' offices or shared service centres to lower cost cities like Manchester and Birmingham."

Chris concludes: "With inflation remaining high and the possibility of further tax increases looming in the Government's upcoming Autumn Budget, the financial pressure on UK employers looks set to persist. As a result, strategies like salary sacrifice schemes, small spot bonuses, and enhanced workforce planning will be critical for balancing cost management with talent retention and business growth over the next 12 months."