

2025/26 employment rates and limits: Are costs increases having a negative impact on the job market?

02 May 2025  Charlotte Hart

The new employment rates

In April 2025, several significant changes to statutory rates and employment law rules came into effect in the UK.

From 1 April 2025, all UK employers must now pay increased National Minimum Wage and Living Wage rates. Of particular significance, the National Living Wage will now apply to workers over the age of 21 years (rather than 23 years and over) and therefore will mean that this higher wage will be applicable to a larger number of workers going forward. The increases in wages are as follows:

- National living wage (21 and over): increased from £11.44 to £12.21.
- 18-20 year olds: increased from £8.60 to £10.00.
- 16-17 year olds and Apprentices: increased from £6.40 to £7.55.

In addition, the new increased statutory payments rates and limits came into effect from 6 April 2025 as follows:

- Statutory sick pay increased from £116.75 to £118.75.
- Statutory maternity pay, statutory paternity pay, statutory adoption pay, statutory shared parental pay and statutory parental bereavement pay increased from £184.03 to £187.18.
- The limit on a week's pay increased from £700 to £719.

Further, from 6 April 2025, employers are also now responsible for paying a higher rate of National Insurance Contribution (NIC) rates with Secondary Class 1 employer NICs having increased from 13.8% to 15% and the Secondary Earning Threshold (which employers must pay NICs on an employee's earnings) having reduced from £9,100 to only £5,000 per year.

What does this mean for employers?

Whilst these pay increases will undoubtedly be welcomed by employees/workers, there is concern that the growing employment costs are weakening the demand for workers. The Office for National Statistics (ONS) has published that the total number of estimated job vacancies are down by 13.8% compared to a year ago, which is the first time since May 2021 that they were below the pre-coronavirus (COVID-19) pandemic figure.

The average UK pay continuing to rise coupled with the employer NIC increases coming into effect this month means that it is more expensive for employers to employ staff and this could impact on recruitment decisions. More particularly, employers may be persuaded to hold back on hiring, which means that any increased work may need to be absorbed across the current workforce and this could create tension in itself.

However, for those employers that are looking to recruit, it is an employer's market at the moment and this means there is likely to be a higher number of applicants interested in vacancies and less competition with other employers for the good candidates.

Contact



Charlotte Hart
Senior Associate

charlotte.hart@brownejacobson.com
+44 (0)330 045 2914

Related expertise

Services

Employment	Employment services for corporates	Employment services for healthcare
Employment and pensions for public sector	Employment services for financial services and insurance	