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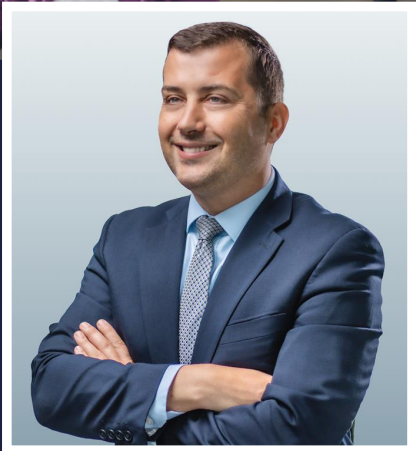


Employer Confidence Index 2025

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A word from Alan Price, Chief Operations Officer at Peninsula Group Global

"If I had to sum up 2024 in one word, it would be 'transitional'. Employers have experienced significant change; however, it feels as though this is just the beginning. The world of work is constantly evolving, and we are yet to reach the destination on this journey.

Here in the UK, the election of the new Labour government – brought to power on a promise of being both pro-worker and pro-business – has seen the promise of the biggest set of reforms to employment law in a generation. As part of the government's plan to 'Make Work Pay', the next 12 months will see various areas of the Employment Rights Bill undergo periods of consultation as they progress towards becoming law.

The impact these changes have had on small businesses can clearly be seen in the responses to our survey. While rising costs was cited as the biggest concern for businesses in all countries, the percentage of UK employers naming it as their top concern was head and shoulders above that of all other countries. And 64.3% of UK employers named legislative changes as their second biggest concern, compared to just 18.3% of Australian employers; the only other country where this ranked in the top three.

Whilst the pandemic may seem like a distant memory now, there is no denying that it has permanently changed the way that we work. Flexible working is here to stay, and many employers are still navigating this issue, trying to find a balance between business needs and employee wishes.

If recent history has proved anything, it is that British business is resilient. I have no doubt that, with the right knowledge and preparation, British businesses can and will make it through this period of transition and come out stronger.

This report will cover the current working practices of many organisations across many different industries, as well as their plans and concerns for the future. If you're an employer feeling as though you are the only one experiencing significant change, or that is struggling to navigate through the legislative minefield, I hope this report offers you some relief in knowing that you are not alone and a positive outlook on the future."

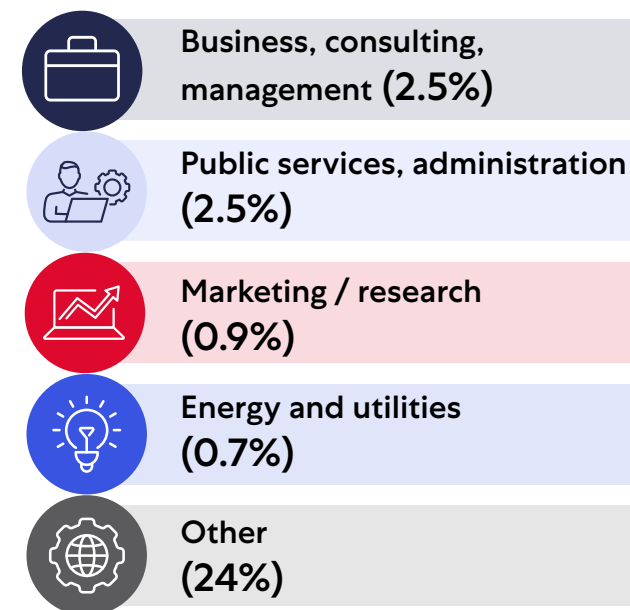
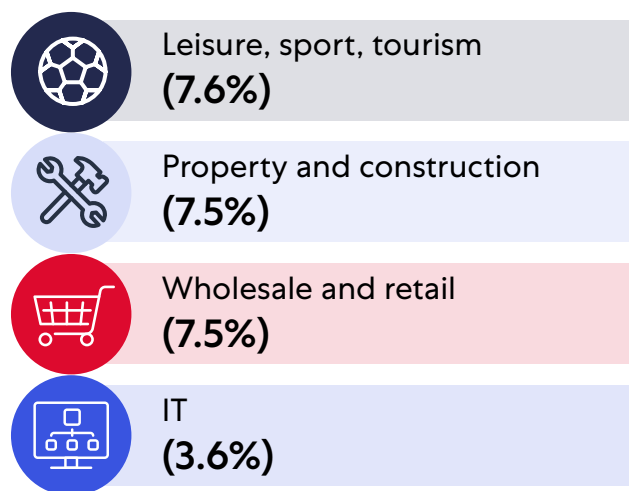
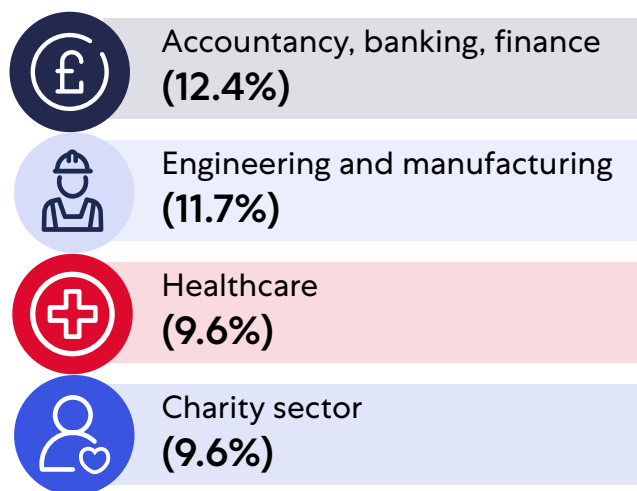
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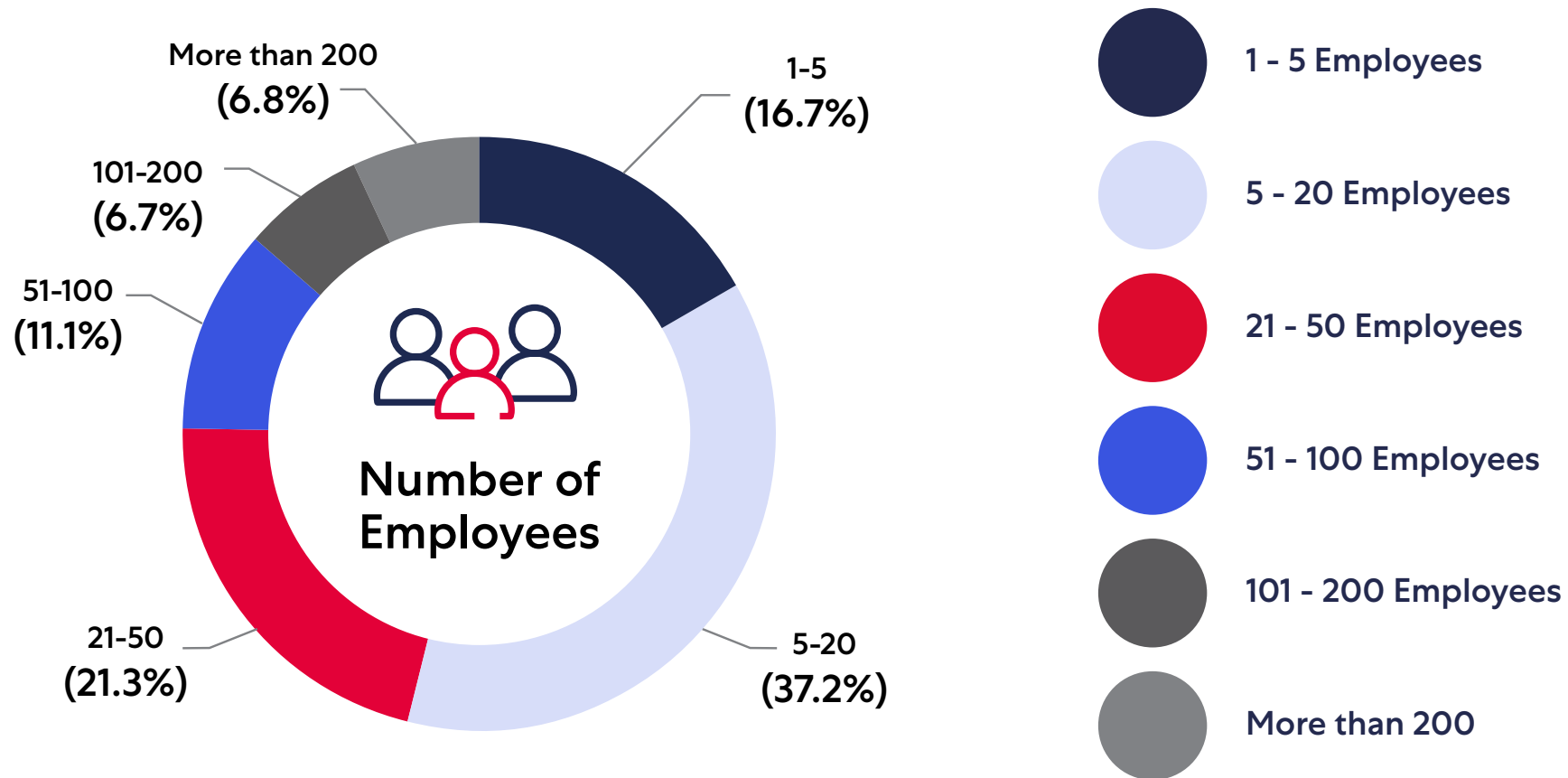
Since 2022, the Peninsula Group has conducted an annual survey of 79,000 businesses across Australia, Canada, Ireland, New Zealand, and the UK, to understand business sentiment and identify the latest trends.

A wide variety of businesses, both in size and industry, share details of their current employment practices and offer their perspective on the challenges currently facing employers. This report explores the UK results and how they compare globally.

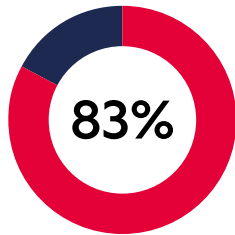
Questions are related to three key areas: business goals and concerns, staffing and ways of working.



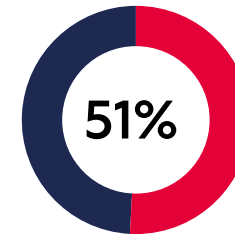
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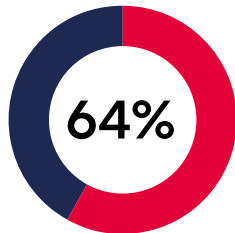
3. Results at a glance



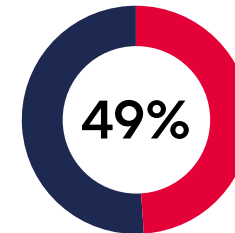
cited rising costs as a top concern for their business



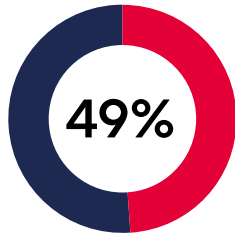
have offered employees flexible working hours to aid retention



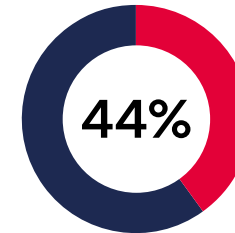
cited legislative changes as a top concern for their business



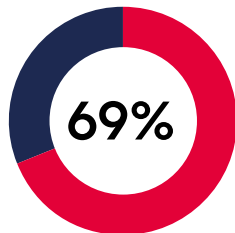
have implemented pay increases to handle the labour shortage



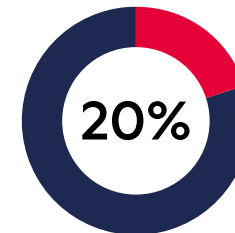
said growth is their top business goal for 2025



say all employees are working in the office full time



said increased payroll costs is their biggest challenge when it comes to staffing



have made hybrid working a permanent policy

4. Business goals and concerns

2024 was a year of change like never before for UK employers, with six legislative changes introduced in one day in April. Following the General Election, the new Government published its Employment Rights Bill in October and increases to National Insurance Contributions were announced as part of the Autumn Budget.

“

One respondent said,

“With Labour putting yet more financial pressure on employers and the cost of living rising, it will make it very hard for small businesses to survive. The future is looking very bleak at the moment, and unfortunately, it will be the big businesses that can afford to make a loss that will survive. In my trade, the Nationals are undercutting below the cost price, and we simply cannot compete because we cannot afford to make a loss. Customers do not want to leave because the service is so much better and they want to use local, but their rising costs mean they have no choice either.”

”

Therefore, it is no surprise that rising costs is cited as the top concern for UK employers in the year ahead for more than four in five businesses (83%).

Legislative changes came in close second, cited by almost two thirds of employers (64%). The proposed changes touch almost every area of employment law, including unfair dismissal, fire and rehire and flexible working. And small businesses are concerned about the impact of these changes on their operations.

On the other hand, employers seem to have increased confidence in the UK economy, compared to this time last year. Less than a quarter of employers (23%) cite inflation as their top concern, compared to 1

in 3 last year. Concerns around recession are also falling with less than a fifth (18%) of UK employers naming it as one of their top concerns, compared to just over a quarter in 2023 (27%).

UK employers' mixed feelings are also reflected in their business goals for the year ahead. Almost half (49%) of businesses feel optimistic, listing growth as their top business goal for 2025. However, the unique pressures businesses are under as we enter 2025 are taking their toll on many, with more than one in four (26%) simply hoping for survival, compared to 19% last year. In 2022, more than a third of respondents (38%) cited survival as their top goal, showing just how turbulent the last few years have been for British businesses.

Another key indicator that businesses are approaching 2025 with trepidation is that many are putting a hold on recruitment. Only one in twenty (5%) are planning to recruit over the next year, a significant decrease on 2023 (22%). It is likely that businesses are waiting to understand in more detail how changes to employment law will affect their workforce and considerations during the recruitment process.





**Peninsula Employment Services Director
Kate Palmer says:**

“With a new government set to transform UK employment, employers are anticipating significant changes to the way they run their businesses and employ staff.

But there is no need for employers to panic. The bill itself is not likely to become law until mid-2025, with many of the rights not becoming law for some time after. Consultation periods need to happen for most of the proposed changes, with some requiring further regulations to be made by the Secretary of State, which is not expected to happen before 2026.

However, employers should keep a close eye on the progress of the bill, to ensure that they are ahead of the curve and aware of the actions they will need to take in the not-too-distant future to remain legally compliant.

Employers will certainly have their work cut out over the next few years keeping up with all the proposed changes, but staying informed will be key to successful implementation.”

5. Staffing and Skills Shortage



Staffing issues have plagued almost all industries over the last few years, and this is not a UK specific problem.

Whilst the situation does seem to be improving, with total estimated vacancies down by 130,000 (13.6%) from the level of a year ago in August to October 2024, they still remain at 35,000 (4.4%) above pre-coronavirus (COVID-19) pandemic January to March 2020 levels.

Of course, employers will each face their own unique industry challenges when it comes to staffing this year, but there are some common themes.

Understandably the majority of employers (69%) are concerned about increased pay roll costs. It was announced during the Autumn Budget that, from 6th April 2025, the employer rate of National Insurance Contributions will rise by 1.2%, to 15%, and the employers' secondary threshold will reduce from £9,100 to £5,000 per annum.

“

Survey respondent,

“The NICs increase has meant that we have had to put all investment plans on hold and now are reviewing and sadly redundancies for some staff. We have also had to tell all existing staff there will no salary increases this year.”

”

“

Survey respondent,

“We will be making staffing cuts either through redundancy or natural wastage due to the increase in employers' NI. The property market is very sensitive, and we have already noticed a slowdown.”

”

“

Survey respondent,

“Huge percentage increases to minimum / living wage rates year-on-year are having a major impact on our business. These increases also force demand for wage increases from staff above the minimum wage level to 'keep their margin'. We can counter this somewhat with a price increase but not fully if we are to remain competitive in order to retain clients. The only other solution is for us to reduce costs which will include reduction in staffing level and working hours. It seems those in government are totally oblivious to the impact these forced and unaffordable wage rates have on small businesses; in our case it will result in job losses, and I am sure many thousands of businesses will be forced to act in the same way.”

”

5. Staffing and Skills Shortage

This far surpassed any other challenges highlighted within the survey as it will affect all employers, regardless of size or industry. Over a third (36%) of employers also said that the cost of living is posing a challenge in relation to staffing. Sadly, the impact of this could be increased redundancies in the year ahead as businesses look to cut costs.

“

Survey respondent,

“As a charity our concerns revolve around the increases in Employers NI payments and a further increase in the Real Living Wage. We may have to increase charges which could reduce visitor income or, as a last resort, reduce the number of employees. The employee numbers are just sufficient to handle our average workload...so any staff reduction will be keenly felt at busy times.”

”

“

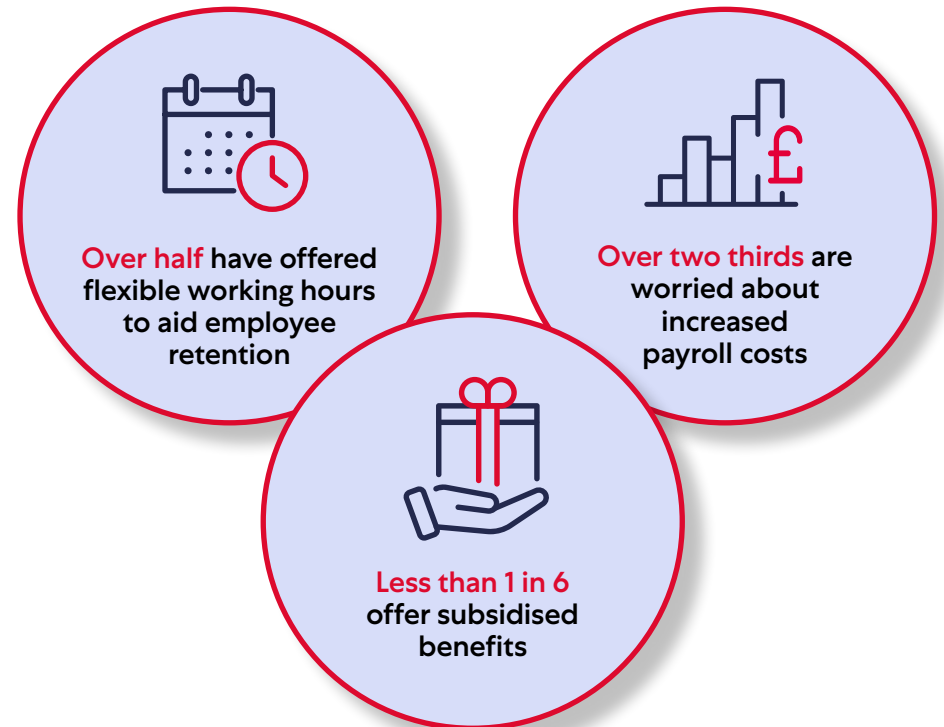
Survey respondent,

“We will be making redundancies straight after Christmas. This is due to making efficiencies in manufacturing as well as increases in NMW whilst trying to compete against the far east.”

”

And this is a stance that's being reflected across different industries.

Employee mental health is also a significant challenge for employers. According the latest HSE statistics, stress, depression or anxiety accounted for the majority of days lost due to work-related ill health in 2023/24, with 16.4 million working days lost in total. The employers we surveyed said they are finding both burnout (17%) and absenteeism (15%) a bigger challenge than this time last year.



5. Staffing and Skills Shortage



**Peninsula Health & Safety
Director Gavin Scarr Hall says:**

“Employers must recognise that mental health is a real problem within the workplace and put measures in place to adequately support their teams’ mental health and emotional wellbeing.

Burnout is the culmination of chronic, long-term stress, the point at which ultimately, we have no energy left to give. Our mental, emotional, and psychological resources are all dried up, and feelings of hopelessness, helplessness, and isolation ensue.

This leads to increased absences and attrition rates.

Focused training sessions on empathy and emotional intelligence and introducing mental health first aiders will allow businesses to identify those who may be struggling and provide early intervention to direct them to the help they need.

Additionally, an Employee Assistance Programme (EAP) is a great tool to provide professional, effective counselling and support. Our own client usage data shows a 22.2% improvement in the number of people returning to work after a period of absence after engaging with an EAP service.”

“

Survey respondent,

“As a business we have tried to make working with us as attractive as possible. We are very flexible but have found a growing complacency especially from younger colleagues.”

”

A happy and healthy workforce is a more productive one, so it’s vital that employers pay attention to and address this. Not only because they have an ethical and moral responsibility for their employees’ wellbeing, but also to ensure smooth business operations.

Employee retention also ranks as a significant challenge. Similarly to last year, some of the tools employers are using to aid retention include offering flexible working hours (51%), financial remuneration (51%) and reward and recognition (47%). Subsidised benefits are not as popular amongst survey respondents, with less than a sixth (15%) of employers choosing to offer them.

Sourcing talent with the correct skills for the job continues to prove challenging for employers. Research from The Open University found that almost two thirds of organisations agreed they faced skills shortages 62% in 2024 . To combat this, employers are offering pay increases (49%), upskilling and training (48%) and flexible working hours (39%) in a bid to secure talent with the right set of skills.

6. Ways of working

“Survey respondent,
“Remote meetings (Zoom/Teams etc.) are now the norm rather than the exception and none of my clients “expect” me to have an office or a physical presence. So, from my perspective I am now effectively a virtual business - something that I don’t think would have been possible or so readily accepted by my clients without the impact of covid to working practices.”

This year, there has been somewhat of a media storm around ways of working with many large companies, including Amazon and McKinsey, mandating that employees must return to the office full time.

It certainly appears as though in person working is becoming more commonplace again, following the post pandemic shift to hybrid and remote working. Almost half of those surveyed (44%) said that they are based in the workplace full time, far outweighing those working on a hybrid model (20%) or with a fully remote workforce

(5%). This could be for a variety of reasons, including concerns about productivity, to increase social interaction, promote teamwork, and communication between colleagues. Despite a shift towards in-person working, many employees do still have some flexibility in how they work, with a quarter of employees working flexible working hours (25%).

However, despite news headlines suggesting that many businesses are making a return to the office this year, our research found that almost four fifths of employers (78%) have made no changes to their working patterns in 2024.

Even more surprisingly, of those that have made changes, the most common has been moving away from full time in the office working towards a hybrid model (4%). In fact, only 1% of employers said that they have returned to the office after previously having either a hybrid or fully remote workforce.

“Survey respondent,
“Our office-based staff work full-time and more from the office and home. Often, they are asked to work from home outside of normal working hours. Our driving staff work on a 4 on 4 off shift pattern and are happy with the hours they have.”



A quarter of employees work flexible hours



Almost half of businesses are based in the office full time



Only 1% of businesses have returned to the office after previously being hybrid or remote

6. Ways of working

With that being said, it could be that larger employers have made changes to working patterns this year with SMEs set to follow suit in 2025. However, this would be largely industry-dependent, as, for many industries working from home is not always an option, such as healthcare or construction.

“

Survey respondent,

“Many of us never have had the option for remote or hybrid work. All our files are in the office. The computers are in the office on, around, and sometimes under the desks. The client records which are bulky are in the office. The office is just not set up for it.

Even during Covid we had essential tasks which required attendance pretty much daily and now Covid is in the background it remains as it always was before.”

”



Kate Palmer, says:

“Office vs remote working is a very divisive topic, with most people holding strong opinions one way or the other. And it can be difficult for employers to navigate.

Companies will need to consider the business needs and what works best for them, balanced with the wider implications of how any changes could impact on staff retention and recruitment. Some employees will still seek roles which give them flexibility, so if a business decides to move away from home working and require employees to work out of the office, it could lead to recruitment and retention difficulties.

Remember, however, flexible working does not just mean working from home. It also includes changes to start and finish times, job sharing, part time working, etc.

If a business does want to recall employees back to the office full-time, the first step is to consider the terms and conditions in their employment contracts. Consultation is likely to be needed and there could be a risk of unfair dismissal and discrimination claims, in some cases, if such a change takes place without employees' agreement.

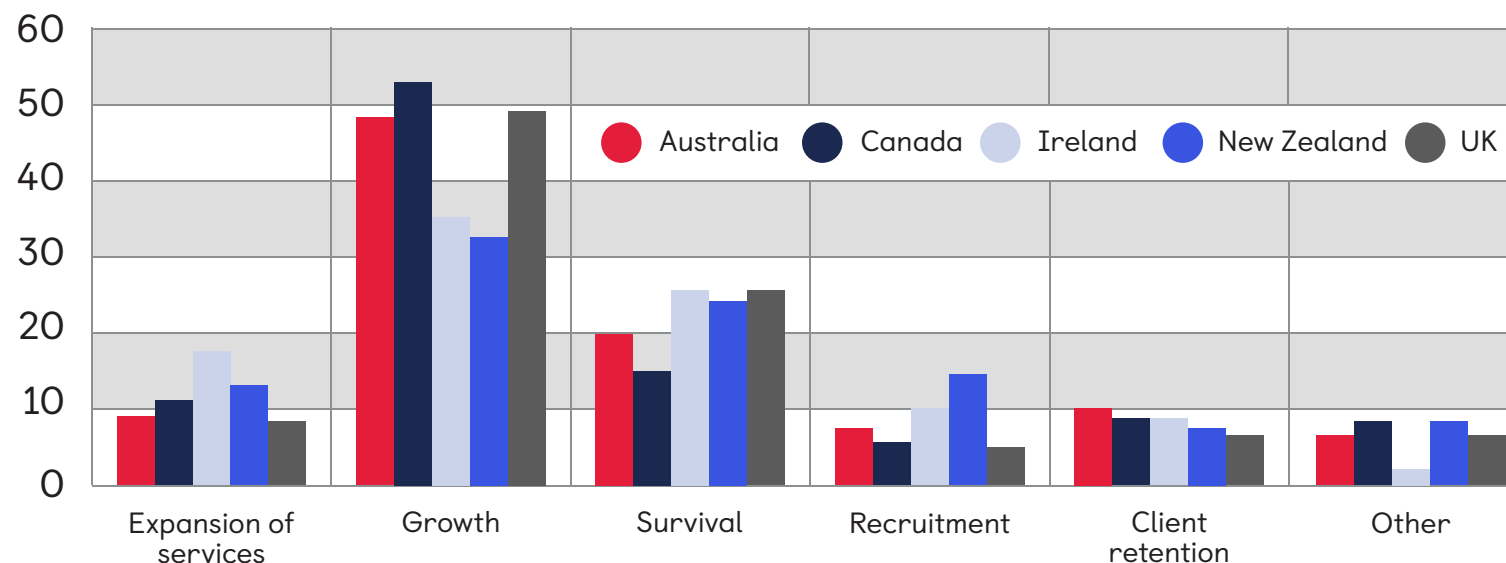
There is also the new statutory code of practice on dismissal and re-engagement that employers need to follow if a change to terms could result in the employee being 'fired and rehired' on the new terms. Failure to follow the principles in the code will result in even higher compensation to the dismissed employee.”

7. Global results



In addition to the UK, Peninsula Group surveyed employers in Ireland, Canada, Australia and New Zealand to understand how employer confidence differs based on the territory and identify any global trends. All countries are aligned when it comes to rising costs, which came out as the top concern across the board. However, UK employers (83%) far exceed New Zealand (24%) and Australia. The UK is also unique in its 64% concern around legislative changes, due to the Employment Rights Bill. Canada ranked second here, but only 36% cited it as a top concern.

What is your top business goal for 2025?

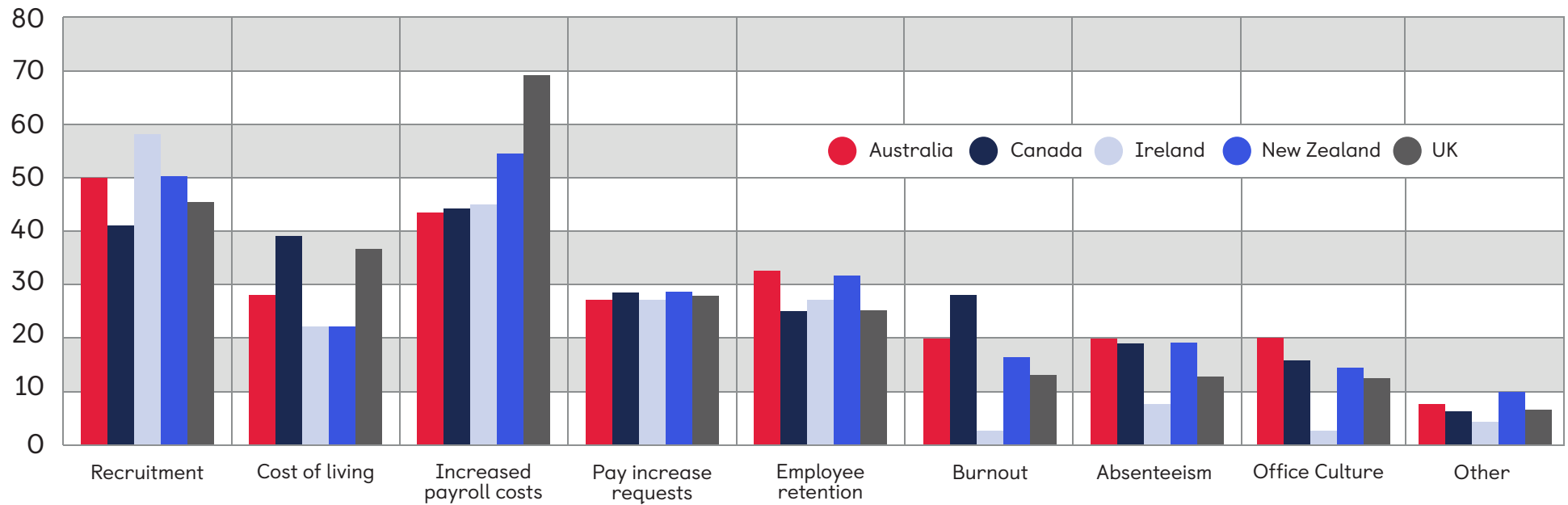


- Irish businesses are most optimistic around expansion of services
- Canadian businesses rank number 1 for growth
- The UK ranks highest when it comes to survival
- UK employers are least likely to recruit in the upcoming year

Again, globally, employers are generally aligned on their goals for the year. Growth came out on top for all countries, with the UK (49%) coming second to Canada. Survival also came in second across the board, however more UK businesses are aiming for survival (26%) than anywhere else.

7. Global results

What is your biggest challenge right now when it comes to staffing?

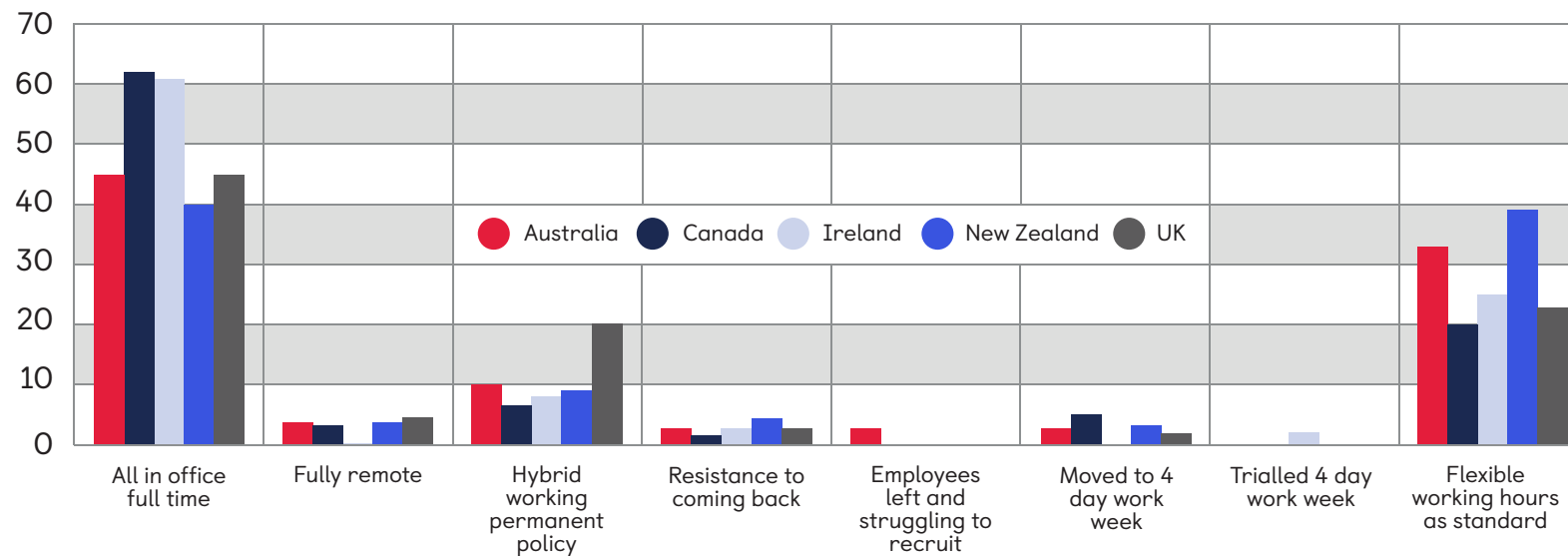


Unsurprisingly, the biggest difference between the UK and the other countries in relation to staffing challenges is the UK's concern around increased payroll costs, likely due to the increases to employer national insurance contributions. The UK (36%), along with Canada (38.7%), are also feeling the effects of cost of living more than anywhere else.

To aid employee retention, again the UK has taken a similar approach to its global counterparts. The top three measures implemented by all five territories were flexible working hours, financial remuneration and recognition and reward. Similarly, all five countries have also taken a similar approach to tackling the skills shortage, with the top three measures across all countries being pay increases, flexible working hours and upskilling and training.

7. Global results

Which statement best describes working practices at your business?



The results show that the UK has embraced hybrid working, with one in five employers (20%) having a permanent hybrid working policy in place, in comparison with Australia, the next highest at one in ten (10%).

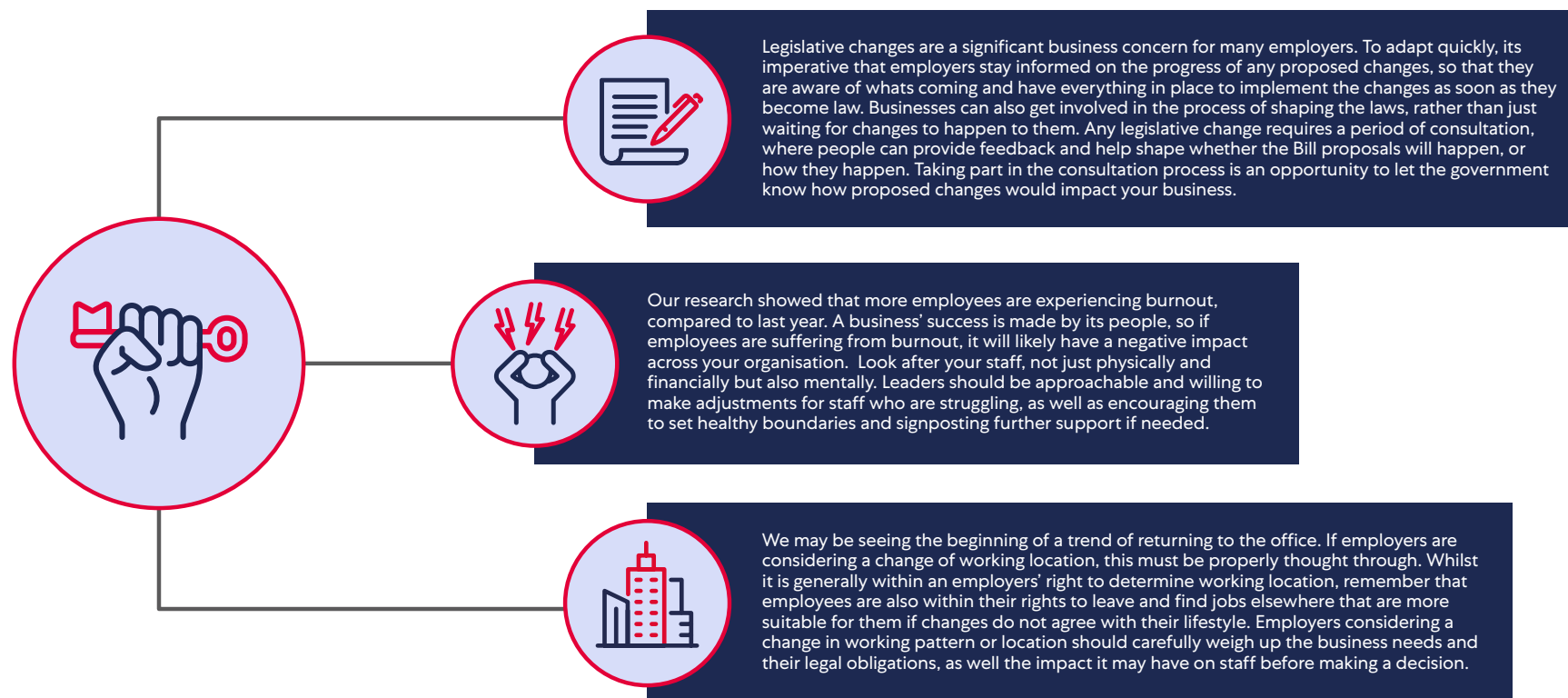
On the other hand, the UK is trailing behind when it comes to flexible working hours as standard, ranking fourth with only a quarter of businesses offering this (25%). New Zealand and Australia are more flexible with almost two fifths (39%) and over a third (34%) of employers offer flexible hours, respectively.

8. Key takeaways

Over the last year, employers have experienced significant change, but this only the 'tip of the iceberg' when compared to the changes we're anticipating over the next few years. There is lots of work to be done to ensure that employers remain compliant with updates to employment law, as well as making sure that employees are happy, healthy and productive throughout this period of transition.

Whilst this report has analysed several areas of concern for employers, it's clear the most important thing is for businesses to be agile, ensuring they have strong foundations in place that allow them to adapt to changes in both business and employee needs quickly and effectively.

We've highlighted our top three recommendations that employers should consider implementing based on our findings:



9. Peninsula Positivity Pulse



Alan Price, says:

“Having analysed all the results from our global survey, alongside the queries received from our clients, I would say business outlook for 2025 is cautiously optimistic. There are certainly challenging times ahead, and it would be remiss for us to gloss over the pressures that businesses are feeling, especially around increased costs and employer NI contributions.”

“While both opportunity and optimism remain high globally, when it comes to UK businesses the number just hoping to survive the year and negativity around recruitment make the outlook a lot more cautious.”

“Based on our analysis of these global results, Canada comes out on top as the best place to build a business in 2025.”

10. About Peninsula



Since 1983, Peninsula has been supporting UK businesses with their HR and Health & Safety. We started small ourselves, just a few people in a room.

So, although we've grown over the years, our values remain the same. We know what small businesses need because we are still a small business at heart.

When Peter Done launched Peninsula in 1983, it was the first of its kind...

Before then, employers didn't have access to round-the-clock employment law support. Instead, they had to either take a risk or invest in costly solicitor fees.

So, for 40 years since, Peninsula's consultants have guided employers through their toughest workplace challenges. And today, our services go beyond HR to cover Health & Safety management, legal insurance, employee wellbeing, and much more.





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