

Enginuity®

# SME Snapshot

January 2025



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# Rising employment costs could have damaging consequences for SME investment in skills

Rising costs will have a ripple effect throughout the supply chain

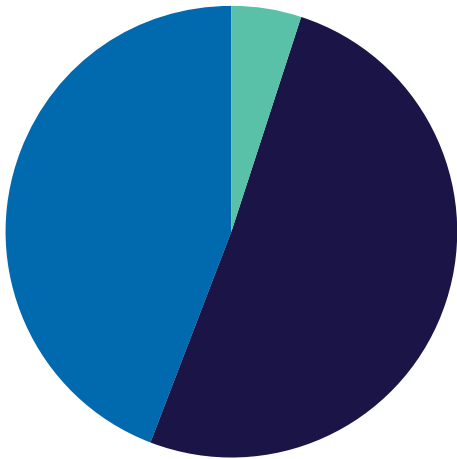
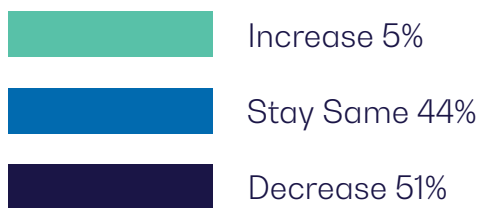
97.6% of employers expect employment costs to increase. When asked specifically about the increase to National Insurance Contributions announced in the Autumn budget, the average financial impact to the businesses in our sample was estimated to be £229,709. The knock-on effect of this future rise in employment costs is worrying, with 76% stating that they will pass on additional costs to their customers.



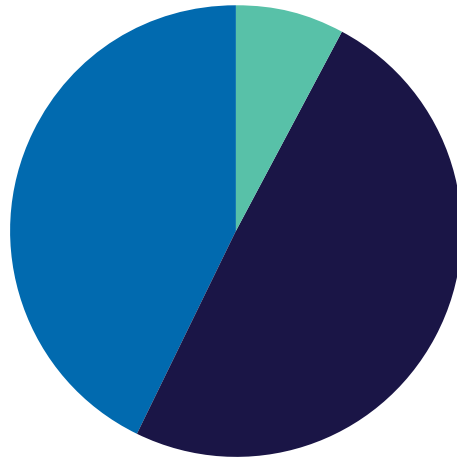
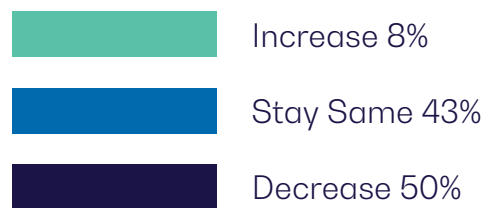
## Hiring intentions will cool and training budgets will take a hit

Half (51%) of the companies we spoke to expect their current workforce to decrease. When asked about their expectations for the recruitment of apprentices in comparison to 2024, a worrying 50% of employers said that they expect recruitment to decrease. In a further blow for the skills agenda, almost half (46.3%) said they expect their planned training budget to reduce.

We expect our current workforce to:



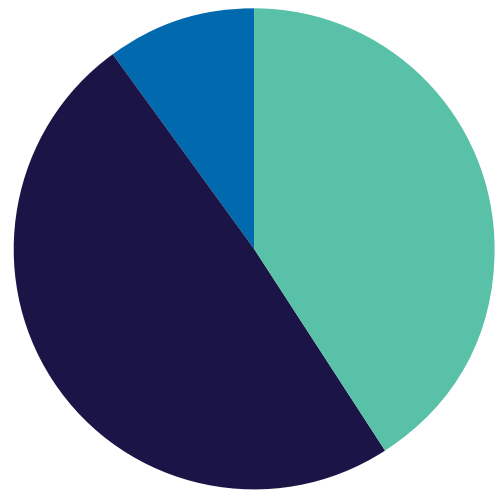
In comparison to 2024 we expect recruitment of apprentices to:



## Mitigating cost increases through productivity isn't an option for all employers

Only 2 in 5 (41%) employers agreed that they plan to tackle increases to their costs through productivity improvements. The barriers SMEs face when it comes to tech adoption and the low level of productivity growth in the UK is well documented. Both trends are recognised as a major drain on the overall performance of the UK economy (OECD, 2019). It is therefore no surprise to see that almost 3 in 5 employers we spoke to either disagree or don't know whether they will tackle increases to their costs with productivity improvements.

We plan to tackle any increase to our costs through productivity improvements:



## Business confidence is faltering

Despite an uptick in business confidence over the summer, sentiment has shifted with just 1 in 10 employers reporting that they feel optimistic about 2025. When asked about the challenges they face, employers most frequently cited increases to the employment cost base and the cost of energy in the UK compared to global competitors. Labour and skills shortages, as well as difficulties identifying appropriate skills training, followed in third as the most pressing issues employers were concerned about.

### Note on methodology:

41 employers responded to this snapshot survey, which spent 48 hours in the field during January 2025. Of the 48, the vast majority were SMEs. All those who responded operate within the broadest definition of Advanced Manufacturing and Engineering.

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