Mind the Skills Gap

Key findings – 4 February 2025

About the research

The survey was carried out among UK SMEs (organisations with 10-249 employees) by Opinium Research on behalf of CIMA.

Fieldwork for employers and employees took place online between November and December 2024 to a sample of 1,000 SME decision-makers and a sample of 1,000 SME employees.

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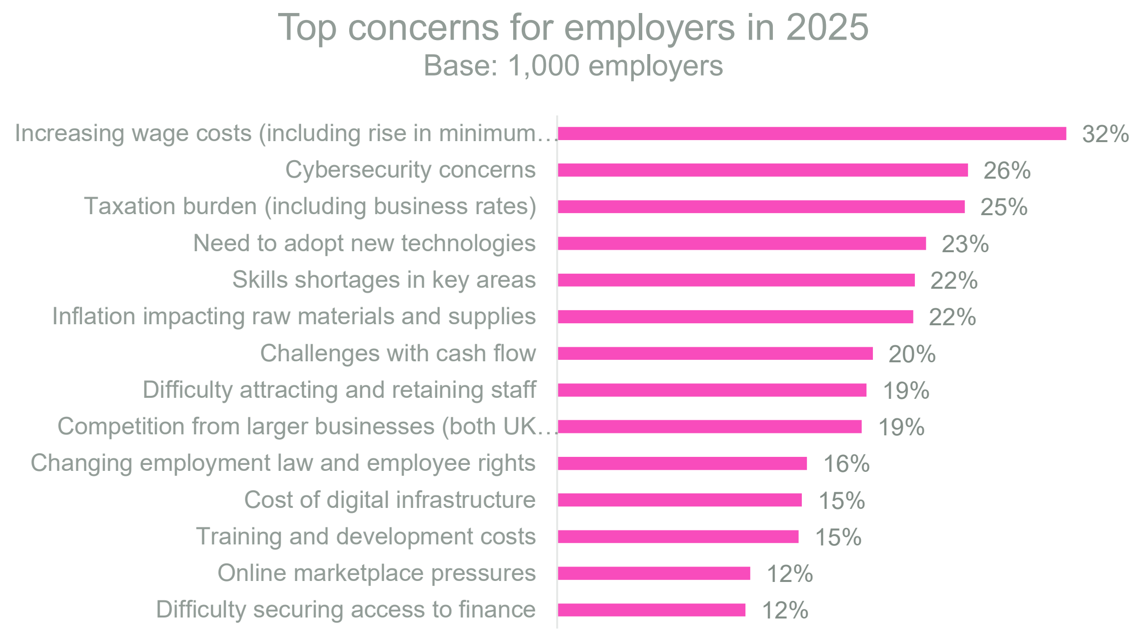
Key findings – employers

Rising wage costs and National Insurance top the list of concerns for SME employers in 2025

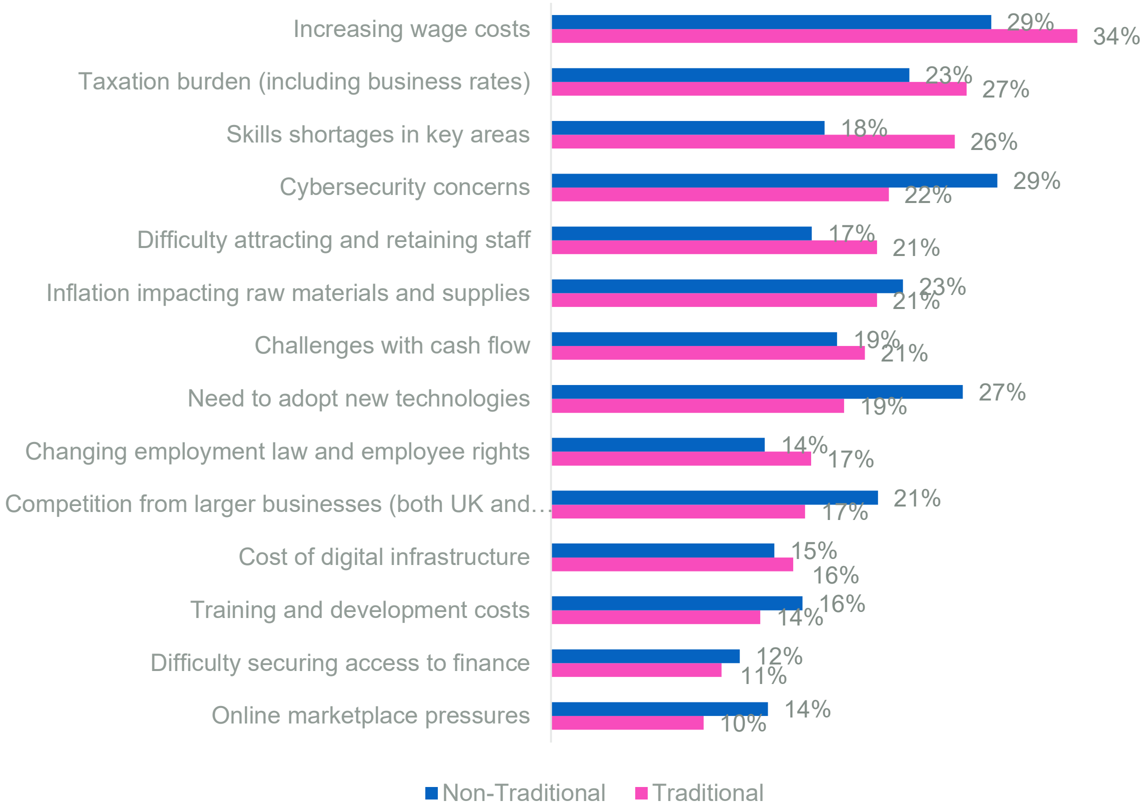
Looking to 2025, the key concern for a third (32%) of employers is increasing wage costs (including rises in minimum wage and national insurance). Senior leaders aged 55+ are more likely (41%) to list this as a concern, as are employers in Scotland and Wales (43%).

Cybersecurity is the second-biggest concern, cited by 26% of employers followed by taxation burdens (25%). Skill shortages in key areas was raised as a concern by 22% of employers, increasing to 27% of employers in traditional industries.



Levels of concern differed by industry. Whilst traditional industries were more concerned about increasing wage costs (34% vs 29%), taxation burden (27% vs 23%) and skills shortages in key areas (26% vs 18%), non-traditional industries harboured concerns about cybersecurity (29% vs 22%), the need to adapt to new technologies (27% vs 19%) and competition from larger businesses (21% vs 17%).

Top concerns split by traditional and non-traditional industries



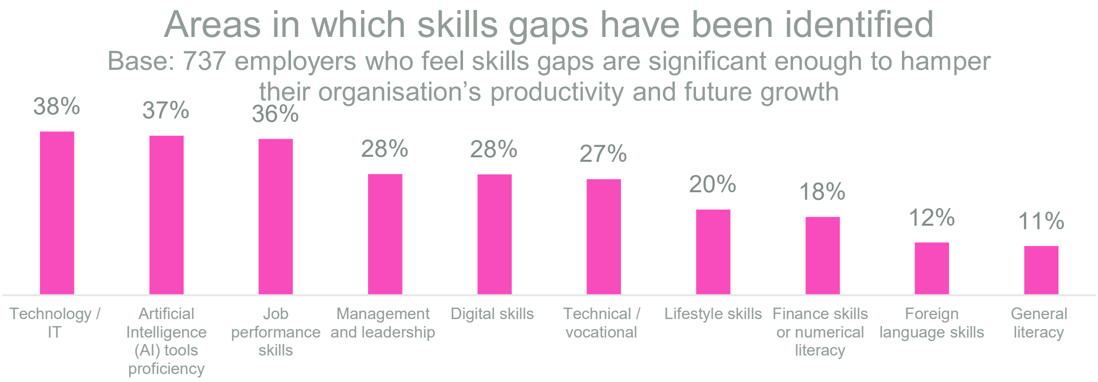
Definitions

Traditional industries include agriculture, construction, education, financial services, healthcare, legal services, manufacturing, transport, utilities, wholesale, retail, and franchising.

Non-traditional industries include business services, hospitality and leisure, food and drink, IT/Computing, Marketing/advertising/PR/market research, media, professional services, and real estate.

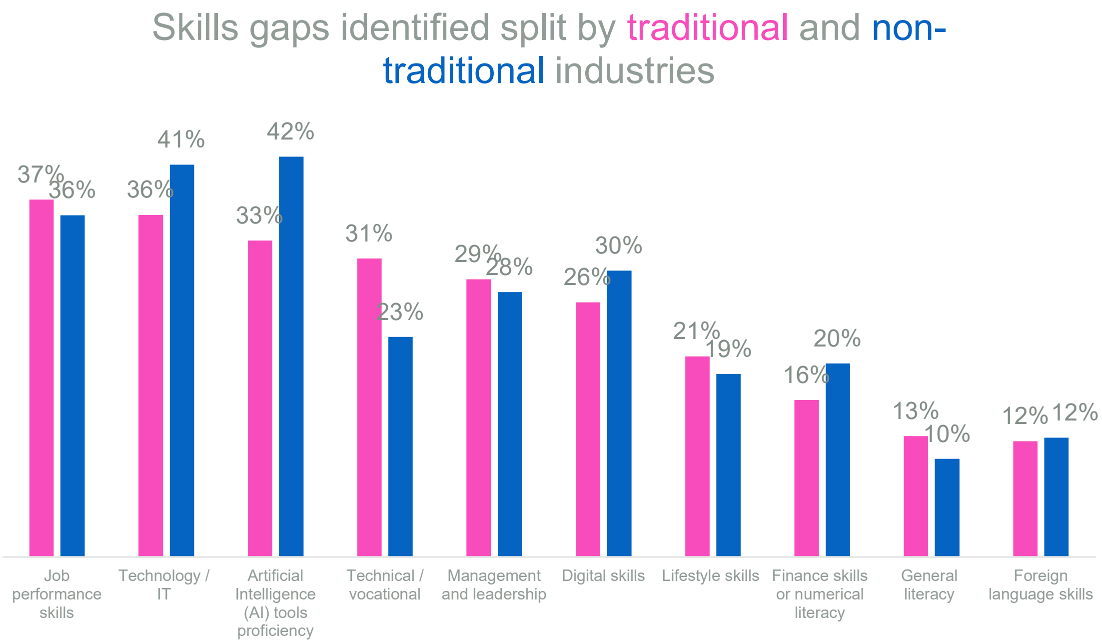
Four fifths of employers (79%) say that they have identified skills gaps in their organisation in the past 12 months. Skills gaps appear to be more prominent in larger SMEs – the figure increases to 85% for companies of 100-249 employees. This is especially true of technology / IT skills gaps such as cybersecurity and software engineering. This gap was identified by 32% of companies with 10-49 employees, and 43% of companies with 50-249 employees.

The primary gaps were identified in technology / IT (38%), AI (37%) and job performance skills (36%, up from 33% in 2022). Gaps in digital skills such as social media and SEO, decreased from 40% in 2022 to 28% in 2024, perhaps an indication that knowledge and adaptation to social media and other digital tools is growing.



The age of leadership appeared to affect the skills gaps identified. Leaders over 55s were most likely to identify technical / vocational skills (37%) as the main gap, whereas the 35–54 age group identified tech and IT skills as the most common gap (37%). The youngest cohort of leaders aged under 35 were most likely to cite AI (41%) as the biggest gap.

Skills gaps also varied by industry. Whilst traditional industries were more likely to cite technical/vocational skills as having a gap (31% vs 23%), non-traditional industries were more concerned about gaps in technology / IT (41% vs 36%), AI (42% vs 33%) and digital skills (30% vs 26%).

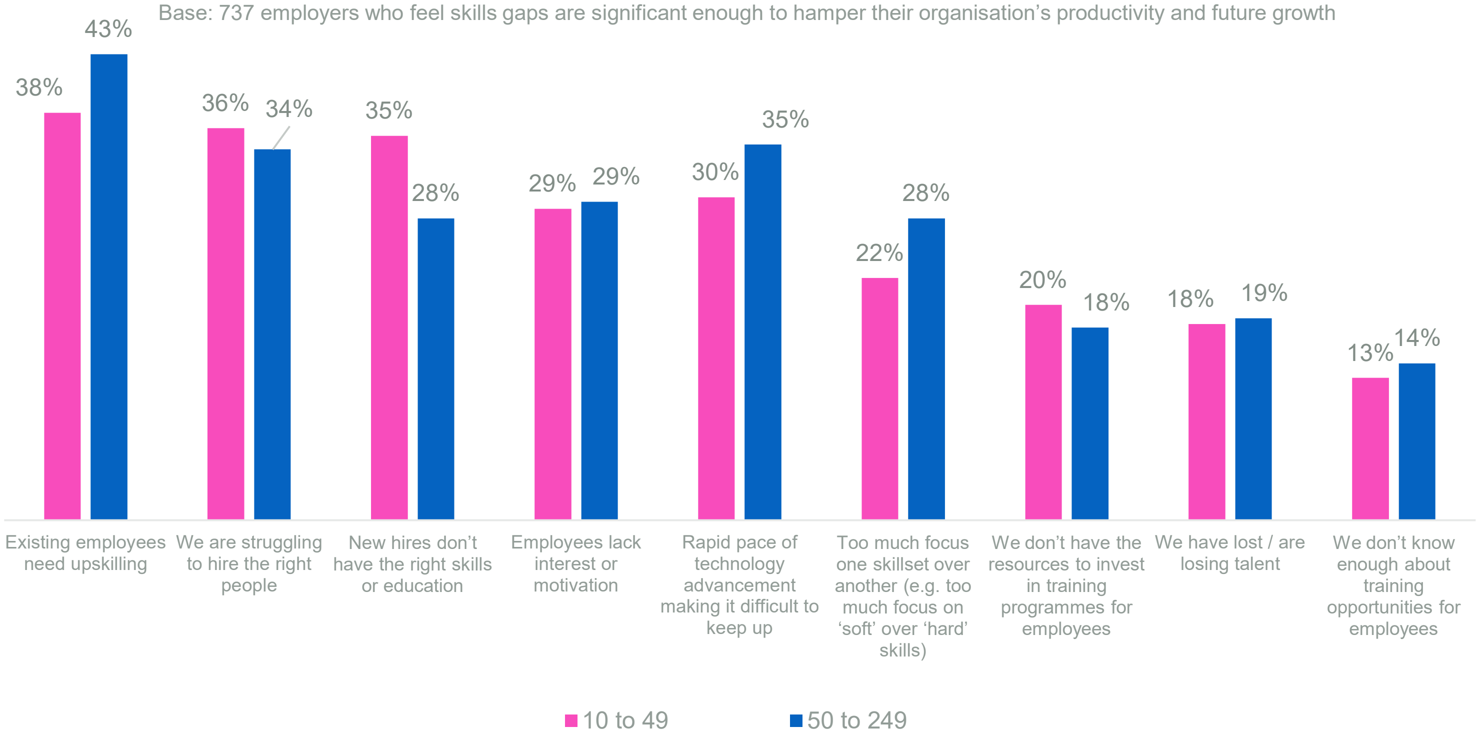


Employers cited the need to upskill existing employees as the biggest driver of this skills gap (41%), demonstrating the issue is not solely with new hires or younger additions to their organisations. This was however, followed by struggles to hire the right people (35%) and the rapid pace of technological development making it difficult to keep up (33%), demonstrating awareness among employers that external factors are influencing skills and their relevance both inside and outside of their workplace. Unsurprisingly, younger leaders were more likely to identify technological advancements as a gap driver than their older counterparts (38% compared to a 30% average among the two older age groups)

Elsewhere, three in ten (31%) said that new hires lack the right skills or education, whilst a similar amount (29%) said that employees lack interest or motivation.

Drivers of skills gap by company size

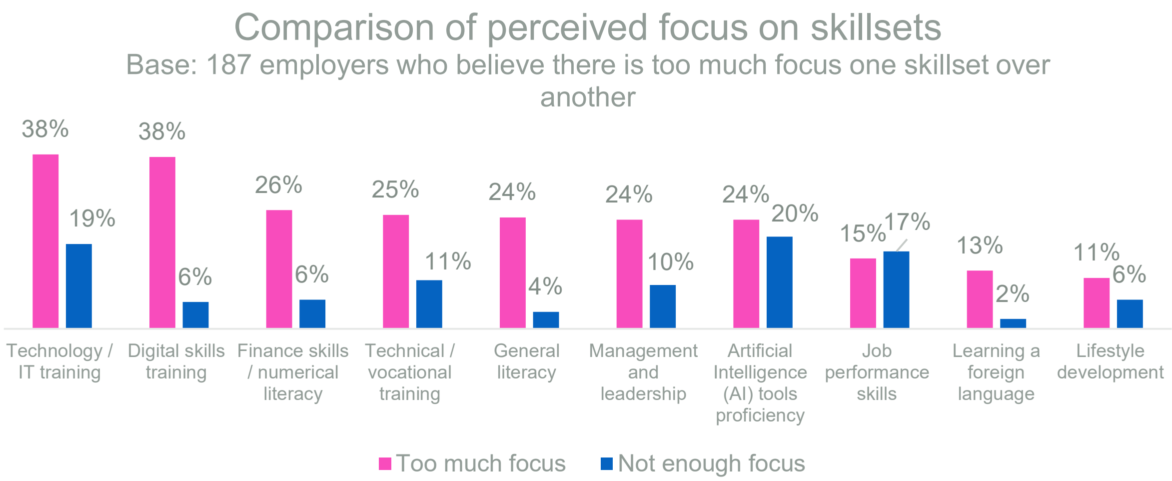
Base: 737 employers who feel skills gaps are significant enough to hamper their organisation's productivity and future growth



Twenty-six per cent (26%) of employers believe that one of the biggest drivers of the skills gap in their organisation is that there is too much focus on one skillset over another.

Thirty-eight per cent (38%) of these employers cited digital skills such as SEO and social media and technology / IT skills such as cybersecurity as the biggest offenders. Finance and numerical skills were also quoted as receiving too much focus by 26% and technical / vocational training and general literacy by 25%.

Conversely, a fifth stated that there was not enough focus on AI skills (20%), technology/IT training (18%) and job performance skills (17%).



Smaller companies are more reluctant to apply for funding for training due to perceived complexities

Since January 2024, the vast majority (82%) of employers have invested in formal training and professional development for their employees beyond mandatory training related to their job, compared to 17% who haven't. Perhaps unsurprisingly, larger companies are the most likely to have invested in this regard – the percentage drops to 74% for companies of 10 to 29 employees, 81% for those with 30-49 employees, and increases to 84% and 88% for companies sized 50 to 99 and 100 to 249, respectively.

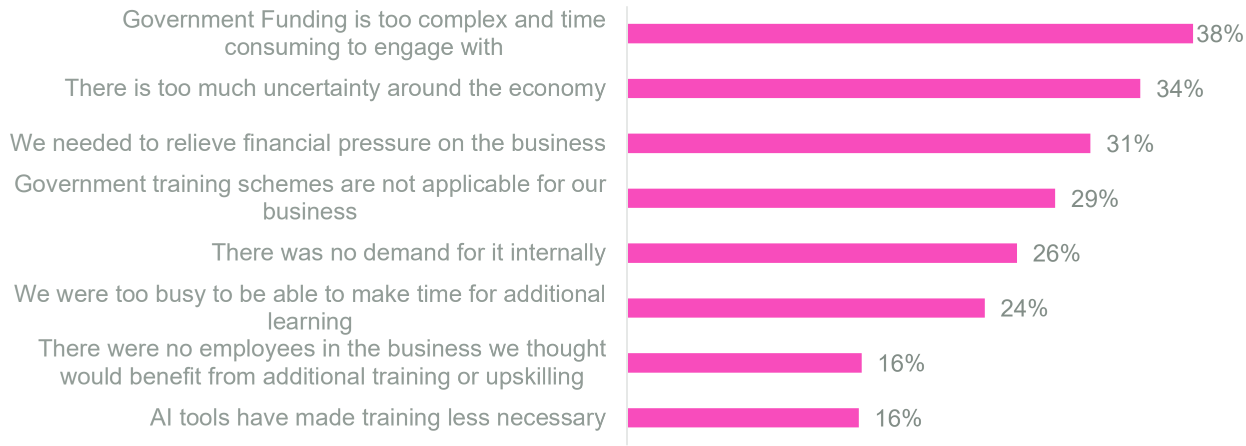
Half of employers (50%) say that they have accessed or applied for government funding for training and development beyond that which is mandatory, compared to 48% who haven't. Again, company size has a bearing on the likelihood to have applied or access said funding, with 55% of companies sized 100-249 having accessed or applied, compared to 39% of those sized 10-29. Almost three fifths (57%) of companies who have identified a skills gap have accessed or applied.

We asked employers who hadn't invested in formal training for employees or accessed government funding why they hadn't. Thirty-eight per cent (38%) said government funding was too complex and time-consuming to engage with. This is particularly unfortunate when we consider that this figure was higher (45%) among those employers who had identified skills gaps, and 46% among employers who claimed they do not have resources to tackle skill gaps.

Aside from the complexity of government funding, the biggest reasons for not investing in formal training or accessing fund were economic uncertainty (for 34% of employers) and the need to relieve financial pressure on the business for 31% of employers. In both cases, female employers were slightly more likely to cite these as reasons – 39% and 36% respectively. And just over a tenth (12%) of employers in traditional industries said AI tools have made training less necessary, compared to nearly a fifth (19%) of those in non-traditional sectors.

Reasons for not investing in training and professional development

Base: 508 employers who have either not invested in training or not accessed government funding



A quarter of employers do not have the resources to provide extra training for their employees

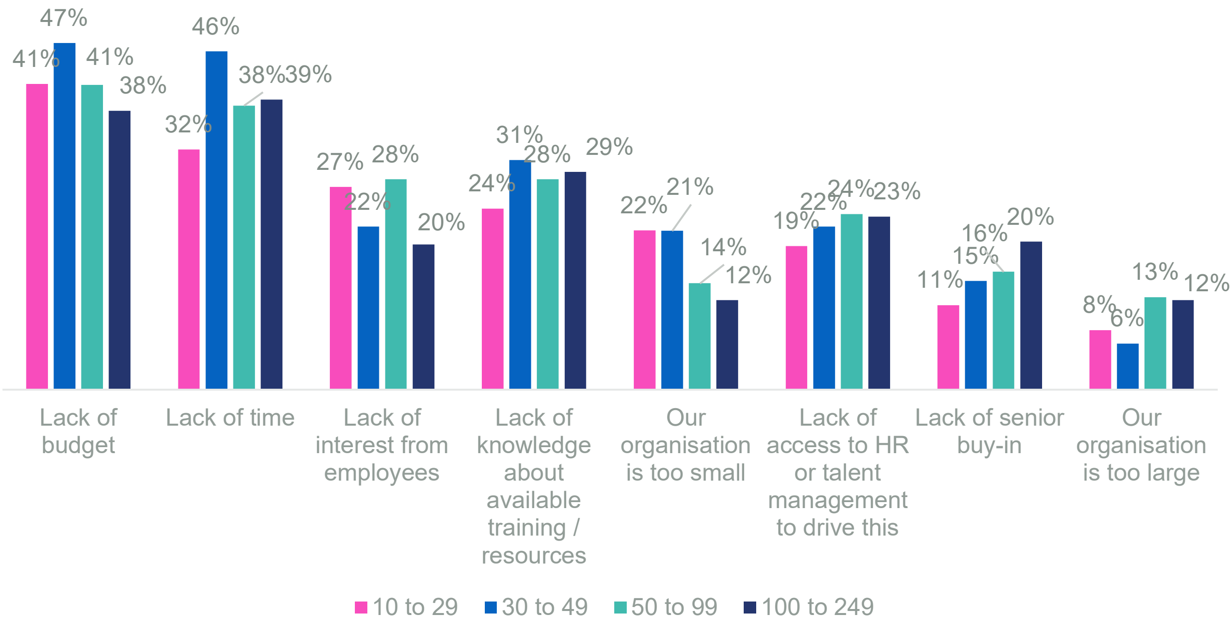
Employers overwhelmingly believe that their employees would support additional training and professional development to improve productivity. Eighty-six per cent (86%) of employers believe their employees would support this, of whom 41% said they would strongly support. The younger the age of SME leadership, the more likely they were to believe their employees would support more training and professional development, suggesting more awareness of worker needs in younger generations. The larger the company size, the more likely employers were to believe their workers would support more training opportunities, and encouragingly, employers who had identified skills gaps were slightly more likely to agree too (88%).

However, almost a quarter (23%) of employers said that they don’t currently have the resources to support extra development and training, increasing slightly to 25% amongst employers who have identified a skills gap.

Budget is a bigger barrier than before

Barriers to training and developing talent were – unsurprisingly – financial and time-specific. Forty-one per cent (41%) or employers pointed to a lack of budget as a barrier – up from 30% in 2022. Thirty-nine per cent (39%) pointed to a lack of time – up from 25% in 2022. Regional splits show a lack of budget is a particularly big issue in the West Midlands, where 51% of employers pointed to this barrier. Conversely, this was only an issue for 36% of employers in London. Lack of time was the biggest barrier in the East of England for 49% of employers, and less likely to be a barrier for employers in the East Midlands (26%.)

A quarter (25%) said that a major barrier was a lack of interest from staff – a slight increase on 23% in 2022. While on average, this came fifth in the list of biggest barriers, for the smallest companies of 10-29 employees, a lack of staff interest was in the top 3 biggest barriers.



The job market tips in employers' favour

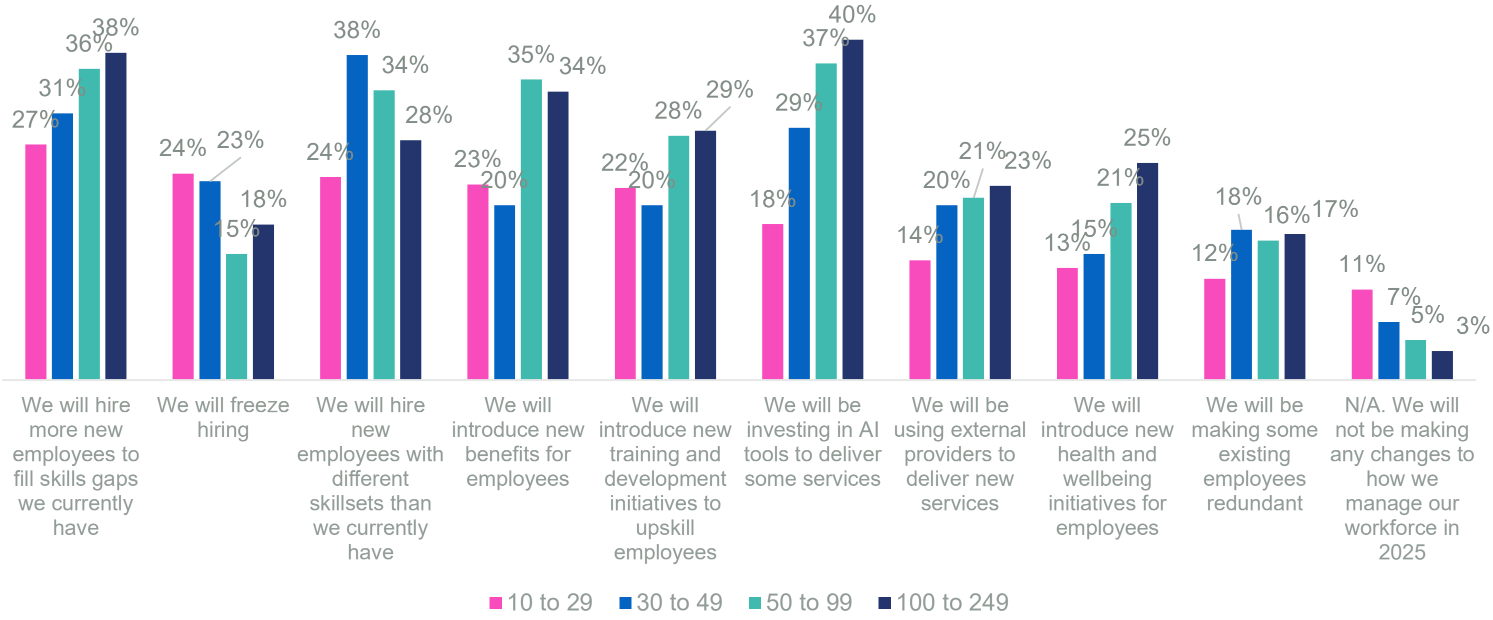
Over half (55%) of employers stated that they prefer recruiting people with the right personal qualities and attitudes to develop them when it comes to increasing talent within their organisation. This is a sharp increase from 30% in 2022. Meanwhile, the desire to develop their own employees over hiring new ones has dipped from 24% to 17%, suggesting employers are more willing than before to respond to pressures to fill gaps that are hampering productivity or success.

But this might be a challenge. Indeed, almost all (93%) say that they are needing to offer higher salaries to new recruits to attract the right talent. Of this majority, 27% say that they need to offer a lot more. While this is a slightly decrease from 31% in 2022, the overall percentage of employers who are paying premiums for the right skills has remained consistent.

A strong majority of employers (91%) recognize the need for increased skills training and professional development to retain talent, though the proportion planning *significant* increases has slightly decreased (29% vs. 35% in 2022). This suggests a slight easing of talent acquisition challenges compared to two years ago. As a result, employers are expecting to change how they manage their workforce going into 2025. A third expect to hire new employees to fill skill gaps (34%, up from 25% in 2022) and 32% plan to invest in AI tools to deliver some services. Thirty-one per cent (31%) plan to hire new employees with different skillsets – a slight increase from 29% in 2022. New benefits are also on the agenda for 29% of employers (up from 26% in 2022). Interestingly, investment in employee upskilling through training and development initiatives has decreased slightly (26% vs. 33% in 2022). Redundancies (16%) and a "no change" approach (6%) remain relatively consistent.

These figures differ depending on the size of the company in question, however. Whilst two fifths (40%) of employers from larger SMEs intend to invest in AI tools to deliver some services, only 18% of smaller SMEs say they will do the same. A similar number of larger SMEs (38%) also intend to hire more employees, compared to 27% of the smaller companies. What's more, whilst 11% of smaller SMEs will not be making changes to their workforce management in 2025, only 3% of larger employers say the same thing.

Expectations on how workforce management will change in 2025 by company size



A tenth of employers say their company never uses AI tools

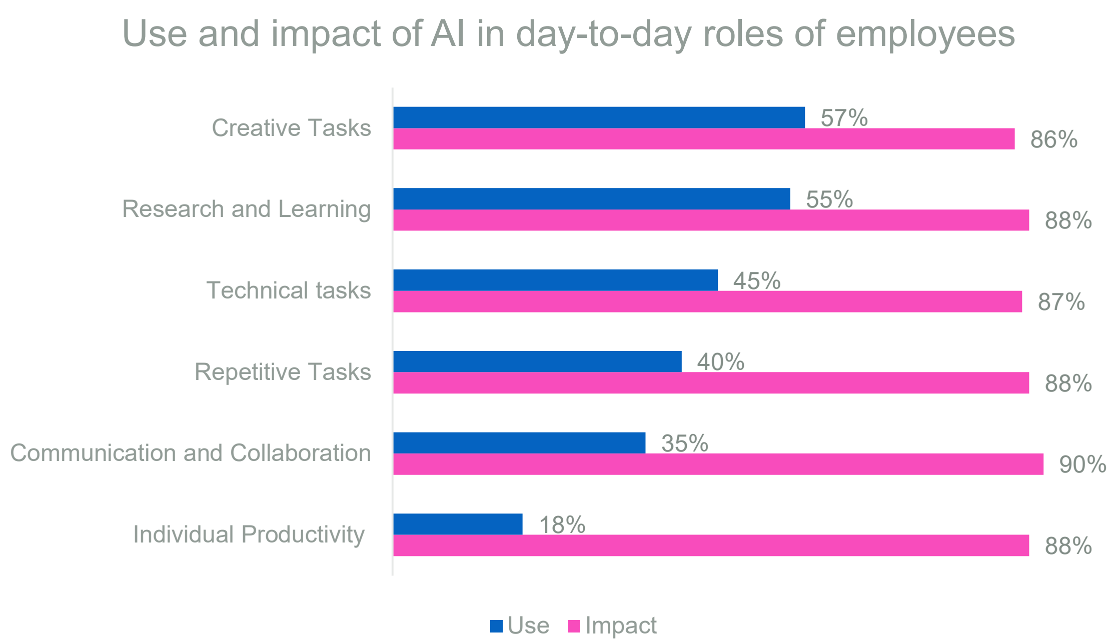
AI adoption is clearly linked to company size. While an average of 28% of employers report frequent AI use among their employees, this figure drops to 20% for smaller SMEs (10-49 employees) and rises to 35% for larger SMEs (50-249 employees), indicating a strong correlation between company size and AI integration.

Adoption is also linked to industry, with traditional sectors lagging behind. Only 25% of employers in these sectors report frequent AI use, compared to 32% in non-traditional sectors. Furthermore, a substantial 34% of traditional sector employers say their staff rarely or never use AI, significantly higher than the 22% reported by non-traditional sector employers.

Among employers reporting AI use, creative tasks (57%) and research/learning (55%) are the most common applications. Technical tasks are cited by 45% of employers, and repetitive tasks (e.g., data entry) by 40%. Mirroring employee feedback, only 18% of employers see AI being used to boost individual productivity. Interestingly, research and learning are the top AI use in non-traditional sectors (60%), while creative tasks lead in traditional sectors (57%).

We also asked employers how much of an impact they believe AI tools would have on different tasks within their business. Almost all of them (90%) believe it will have an impact on communication and collaboration, of whom over a third (35%) believe it will have a major impact. Perceived impact percentages were high across a variety of tasks, including research and learning, repetitive tasks and individual productivity (all 88%).

Typically, confidence in the potential of AI goes down as SME leadership get older or organisations get bigger. Several factors may be affecting this trend, such as familiarity with technology, and bureaucracy and adaptation to change.



The findings demonstrate that the skills gap presents a complex challenge for employers in the UK, driven by rapid technological advancements and compounded by financial constraints and time pressures. While the need to upskill existing employees is recognised, rising costs and lack of time for training is still creating significant barriers. Furthermore, the adoption of AI tools, crucial for navigating the evolving landscape, remains uneven across industries and company sizes

However, there are signs of hope on the horizon. A shift is occurring with employers increasingly prioritizing attitude and aptitude over pre-existing skills, demonstrating a willingness to invest in development for the right people. Addressing the UK's skills gap demands a multifaceted approach and for employers, it’s never been so important.

Key findings – employees

SMEs are missing a key opportunity: 82% of employees want to upskill, but less than a third have undergone formal training in the last 12 months

Over half of SME employees in the UK state that they want to upskill, both by improving their existing skills (56%) and by learning new skills (55%). This desire is not affected by how productive employees feel at work, or by whether they work in traditional or non-traditional industries.

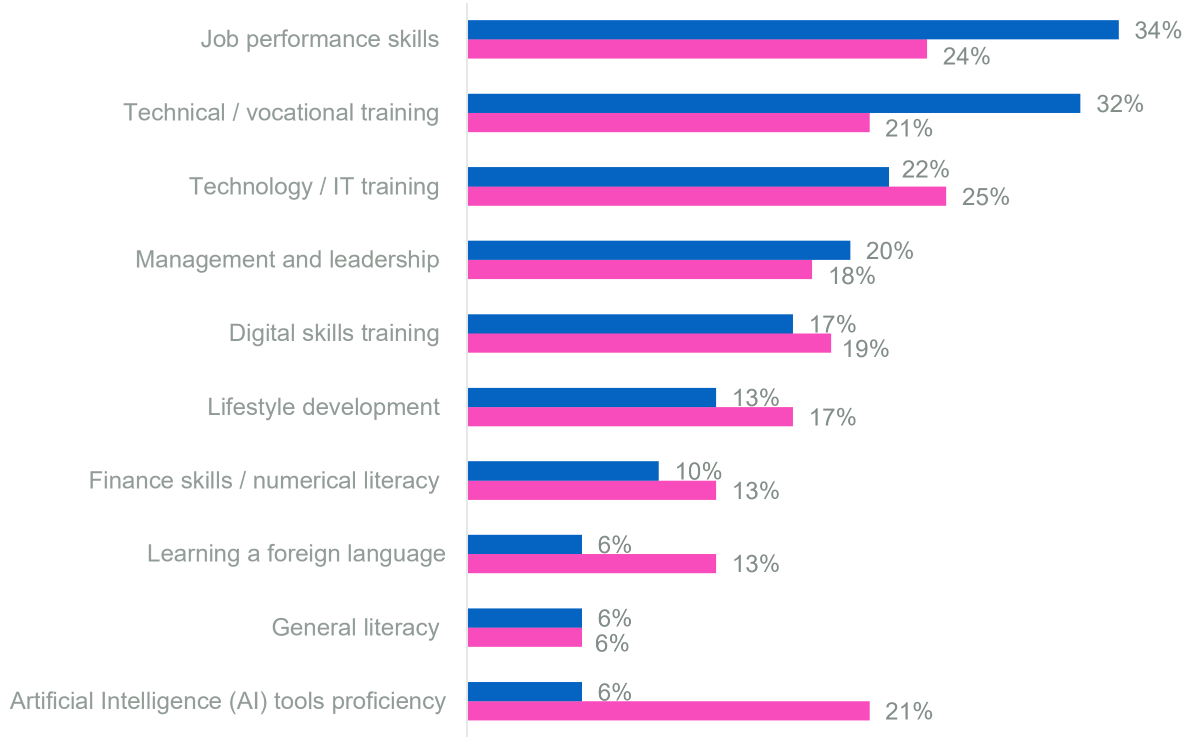
Age, however, does seem to have an effect and the data paints a clear picture. Younger workers are far more inclined towards upskilling than their older colleagues. A striking 69% of workers under 35 want to improve existing skills, and 63% want to learn new ones. For the 55+ age group, these figures drop to 41% and 47% respectively. This generational gap extends to views on career progression, with 76% of younger workers identifying a lack of skills training as a barrier, compared to 67% of 35–54-year-olds and just 54% of the oldest workers. This raises important questions about how organizations can better engage and develop the skills of all their employees.

Reflecting on 2024, almost a third (31%) of employees state that they had undertaken some formal training beyond the mandatory training required by their employer, a marginal decrease from 2022 (32%). Over two thirds (67%) however, report undergoing no formal training in 2024, with the figure increasing to 70% in smaller SMEs (10 to 49 employees) and decreasing slightly to 64% for larger SMEs (50-249 employees). Younger adults (18–34-year-olds) were more likely to have undergone formal training, with over two fifths (44%) stating they'd had additional training in 2024 – demonstrating that the desire for training is not solely driven by a lack of it.

Analysis of training data reveals a potential misalignment with employer-identified skills gaps. Job performance skills (communication, project management, problem-solving, etc.) represent the most common training area (34% overall, 42% for younger employees under 35), followed by technical/vocational training. Notably, employees in traditional industries receive more technical/vocational training than the average (40% vs 32%) and less tech and IT training than the average (19% vs 22%). This contrasts sharply with employers' reports of tech and IT skill shortages, suggesting a need for strategic review of current training programs.

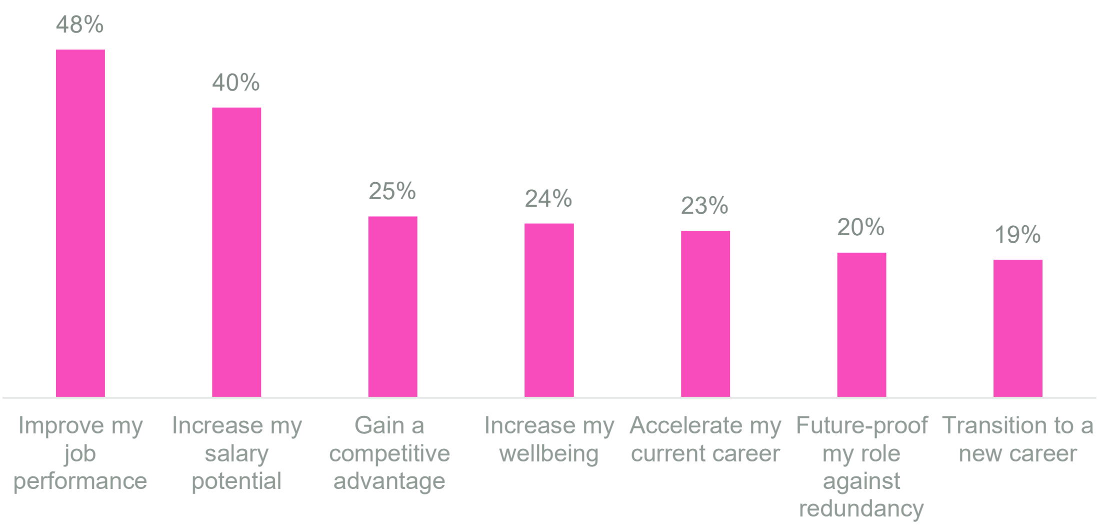
Last year, around one in five SME employees received training for technology/ IT skills (22%), management and leadership (20%), and digital skills (17%). Looking ahead to 2025, a similar proportion (21%) express a desire to train in AI proficiency. However, when it comes to the most sought-after training, job performance skills (24%) and tech/IT training (25%) top the list, particularly among younger age groups.

Types of trainings undertaken in 2024 and the most benefical training for 2025



In terms of what employees hope to achieve from training, almost half (48%) stated they wished to train in order to improve their performance at work, whilst two fifths (40%, rising to 52% for 18–34-year-olds) said they hoped that training would help them achieve an increase to their salary.

Outcomes employees hope to achieve through training



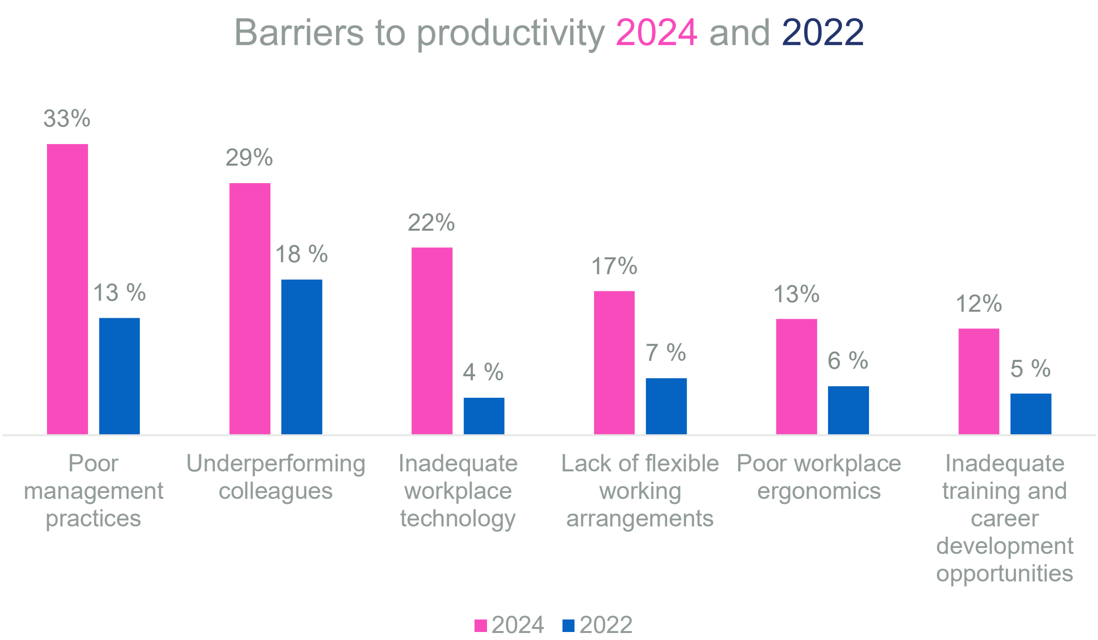
Eighty-five per cent (85%) of workers who hope to improve their job performance through training, believe training is necessary to achieve this goal. That figure rises to 94% among 18–34-year-olds.

Similarly, 91% of workers that hope to increase their salary potential or gain a competitive advantage through training, believe that training is necessary to get there. The importance that workers place on the value of training to their careers and developments cannot be understated with these figures in mind.

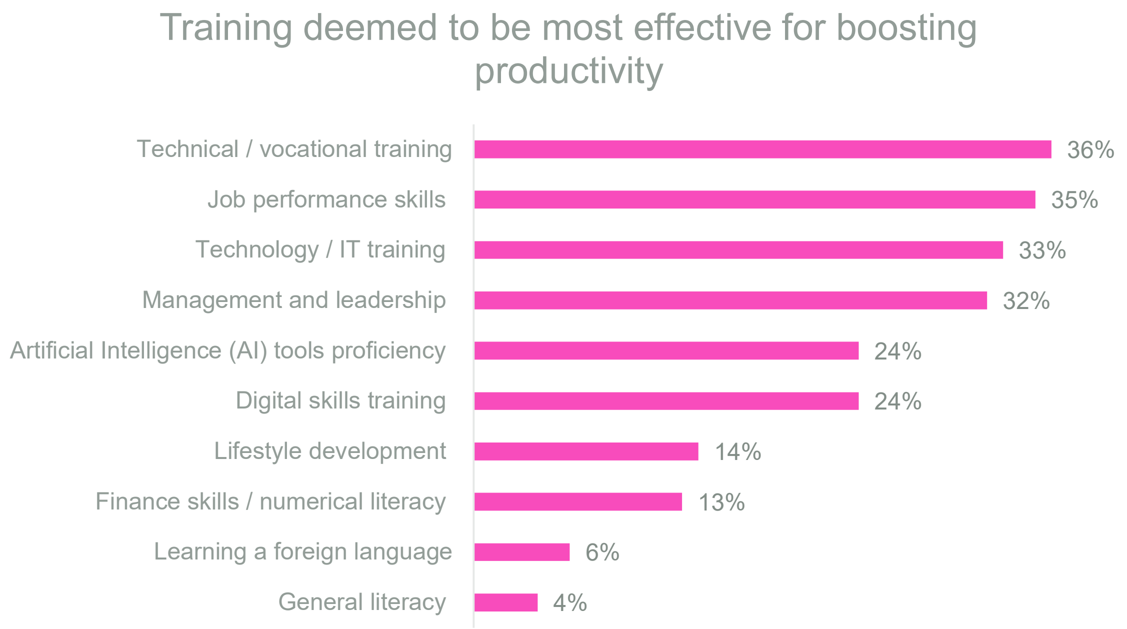
Employees feel more productive now than in 2022

Feelings of productivity have increased from 66% productive in 2022 to 70% productive in 2024. Older workers feel more productive than younger workers on average, with a 74% productive score for 55+ year-olds, compared to 70% for 35-54 and 66% for 18-34.

Alongside the increase in productivity, we also see an increase in awareness of barriers to productivity compared to 2022. When asked to identify barriers preventing productivity, percentages rose across all factors since 2022, with poor management (33%), underperforming colleagues (29%), and inadequate workplace technology (22%) topping the list of reasons. Poor mental health was one of the less prominent reasons on average (10%), except for 18–34-year-olds, where it made the top 5 (out of 10) reasons at 18%.



In terms of what training will be most effective in improving productivity, the desire for technical / vocational (36%), job performance, (35%) and management / leadership skills (32%) remain at the top - although a quarter want to be trained in AI proficiency and digital skills (each 24%).



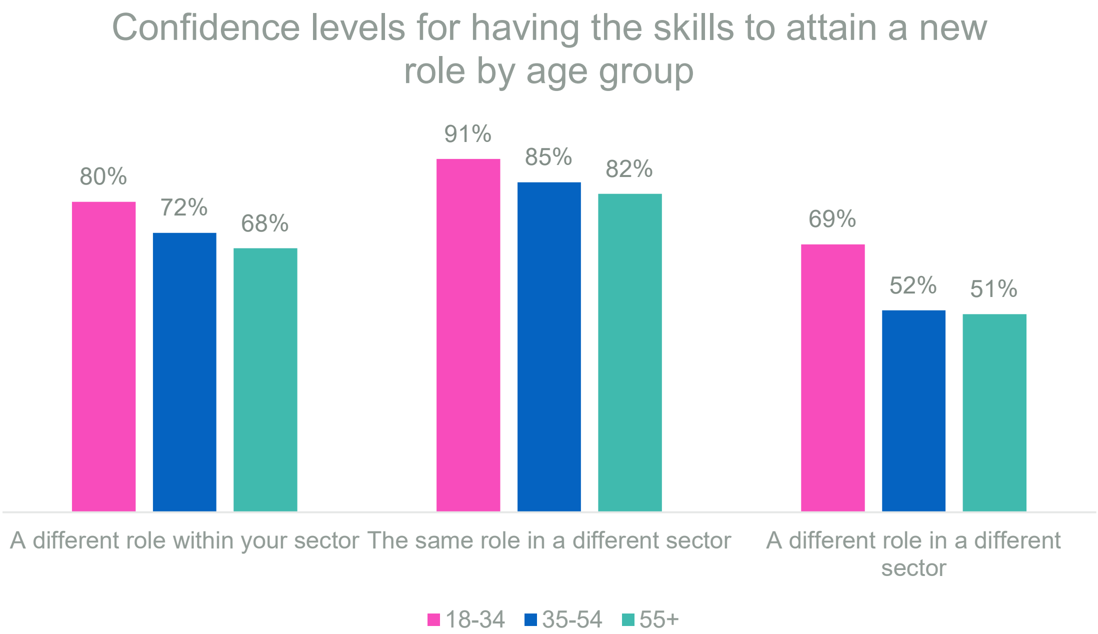
Two thirds of employees believe a lack of skills training is holding back their career progression

Two thirds (65%) of workers cite a lack of skills training since leaving school, college, or university as a barrier to career development, which remains consistent with 2022. However, this figure increases to 73% amongst those who report low levels of productivity.

Two fifths (42%) of employees rate their skills training as good, a slight decrease from 44% in 2022. Almost a quarter (23%) rate them as poor, a slight increase from 2022 (22%). Of those who think training opportunities are poor, two fifths say this is due to employers lacking awareness around training and resources (both 38%). Meanwhile, a fifth of workers (21%) believe they are seen as too old for training – a sharp increase from 11% in 2022. Two fifths of those aged over 55 cited that they are seen as too old – an increase from 29% in 2022. Despite this, 15% of employees who rate their skills training as poor state that they do not require any further training at all.

Employees are overwhelmingly in support of potentially receiving further training opportunities, as over three quarters (76%) stated that they would support their employer bringing in additional training to improve their personal productivity at work – an increase from 71% in 2022.

Whilst employees desire more training, that is not to say they aren't confident in their ability to secure new jobs. Over four fifths (85%) said they were confident they could secure the same role in a different sector, 72% were confident they'd be able to land another role within their current sector, and 55% were confident of attaining a new role in a different sector. And, despite the perceived lack of training, confidence ranks higher for the youngest age groups across all three groups. This may be a result of more awareness of the job market, and confidence in their ability to access and use information and resources to develop themselves when compared to their older counterparts. Social media and online platforms may also play a role here; it's possible that exposure to inspiring success stories and career paths online encourages the belief that career transitions are more attainable than they would otherwise believe.



Age plays a key role in how employees view job security

A stark contrast emerges when examining employee concerns about career futures. A significant 21% of 18–34-year-olds report feeling "very concerned," a figure dramatically higher than the 7% of 55+ year-olds. This disparity isn't simply a matter of proximity to retirement, as the 35-54 age group also reports a low level of concern (9%). Correspondingly, only 14% of younger workers feel "not at all concerned," compared to 24% of 35–54-year-olds and a substantial 40% of those 55 and older. This raises a crucial question: what is driving such pronounced anxieties among younger employees?

One possible answer appears to be concerns about company performance, with 19% of 18–34-year-olds citing this as their primary worry, compared to a 14% average for older age groups. Mental health also plays a significant role, with 12% of younger workers identifying it as a key concern - double the rate of older employees (6%).

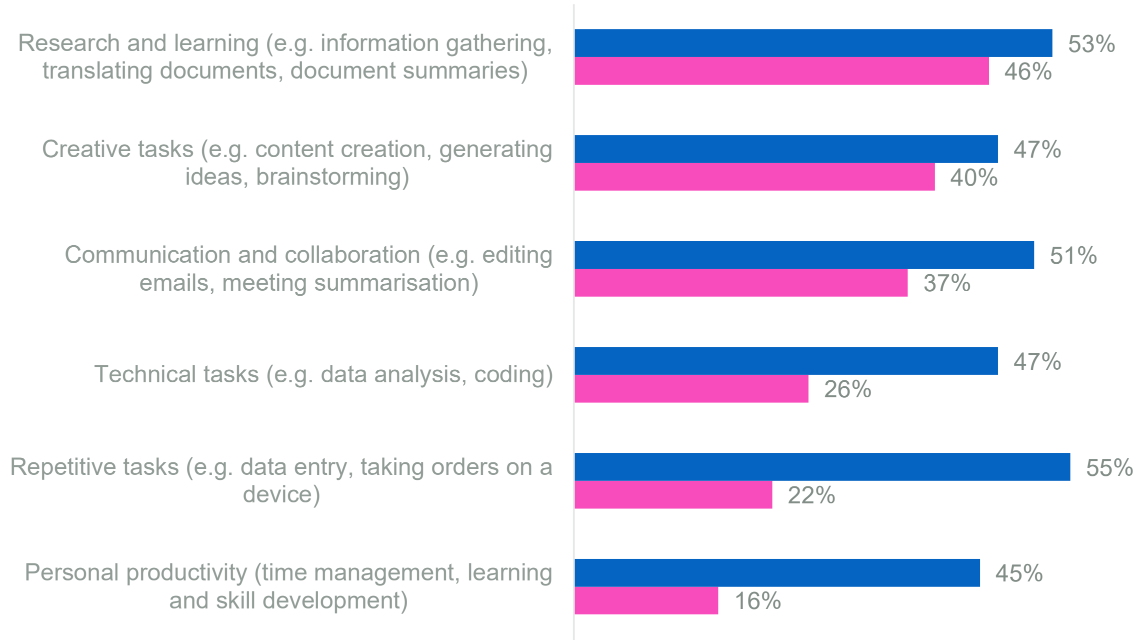
A second possible answer is the higher-than-average awareness and use of AI tools. We found that notably, younger respondents are more likely than older respondents to attribute their anxieties to feeling out of touch or having outdated skills (10%). This may reflect their concerns about the impact of AI, which they also rated slightly higher on their list of worries.

AI may be impacting career anxiety and demands for further training

The younger generation's higher desire for training, combined with their anxieties about AI, translates into greater adoption of AI tools. Usage among 18–34-year-olds reaches 32%, significantly higher than the 14% average for all SME employees.

However, a surprising gap exists between AI's potential and its actual use for personal productivity. For younger AI users, research and learning are the most common applications (46%), followed by creative tasks (40%) and communication/collaboration (37%). Only 16% use AI for time management, even less than those using it for repetitive tasks (22%). This suggests that while younger workers are eager to learn and use AI, more guidance may be needed to unlock its full productivity potential.

Use cases and percieved usefulness of AI tools



Conclusion

Despite a widespread desire amongst employees to upskill - particularly among younger generations - there is still a significant disconnect between the training employees want, the skills employers need and the development opportunities workers believe they're getting. This mismatch, coupled with perceived barriers to productivity such as inadequate technology and management issues, could hinder the potential for growth and innovation if left unchecked.

While the adoption of AI tools remains relatively low, their impact on those who do use them in just two short years since our last survey, suggests a developing potential for technology to revolutionise work practices and boost productivity. To navigate the evolving demands of the future, more effort is needed to bridge the skills gap, invest in relevant training, and embrace technology advancements as they come. By empowering employees with the skills and tools they need to thrive, SMEs can unlock their full economic potential and ensure a future where both individuals and businesses prosper.

About CIMA

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