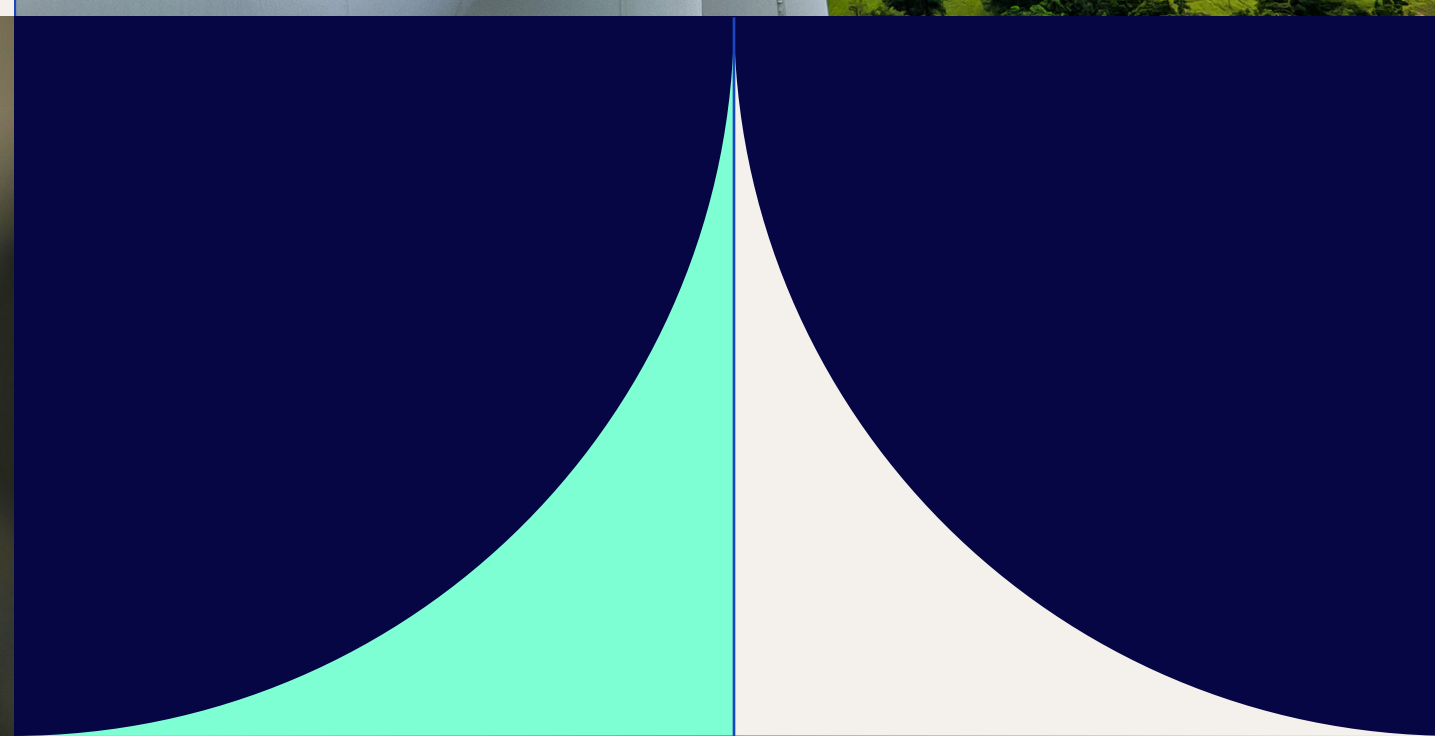
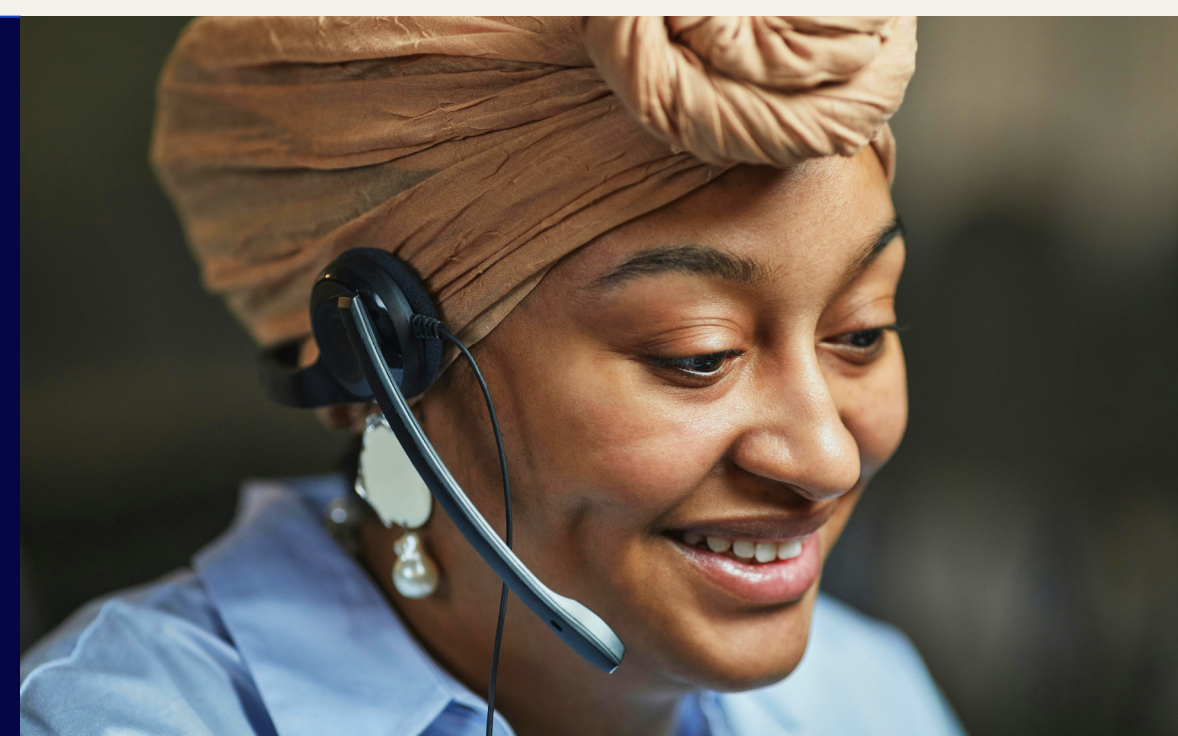
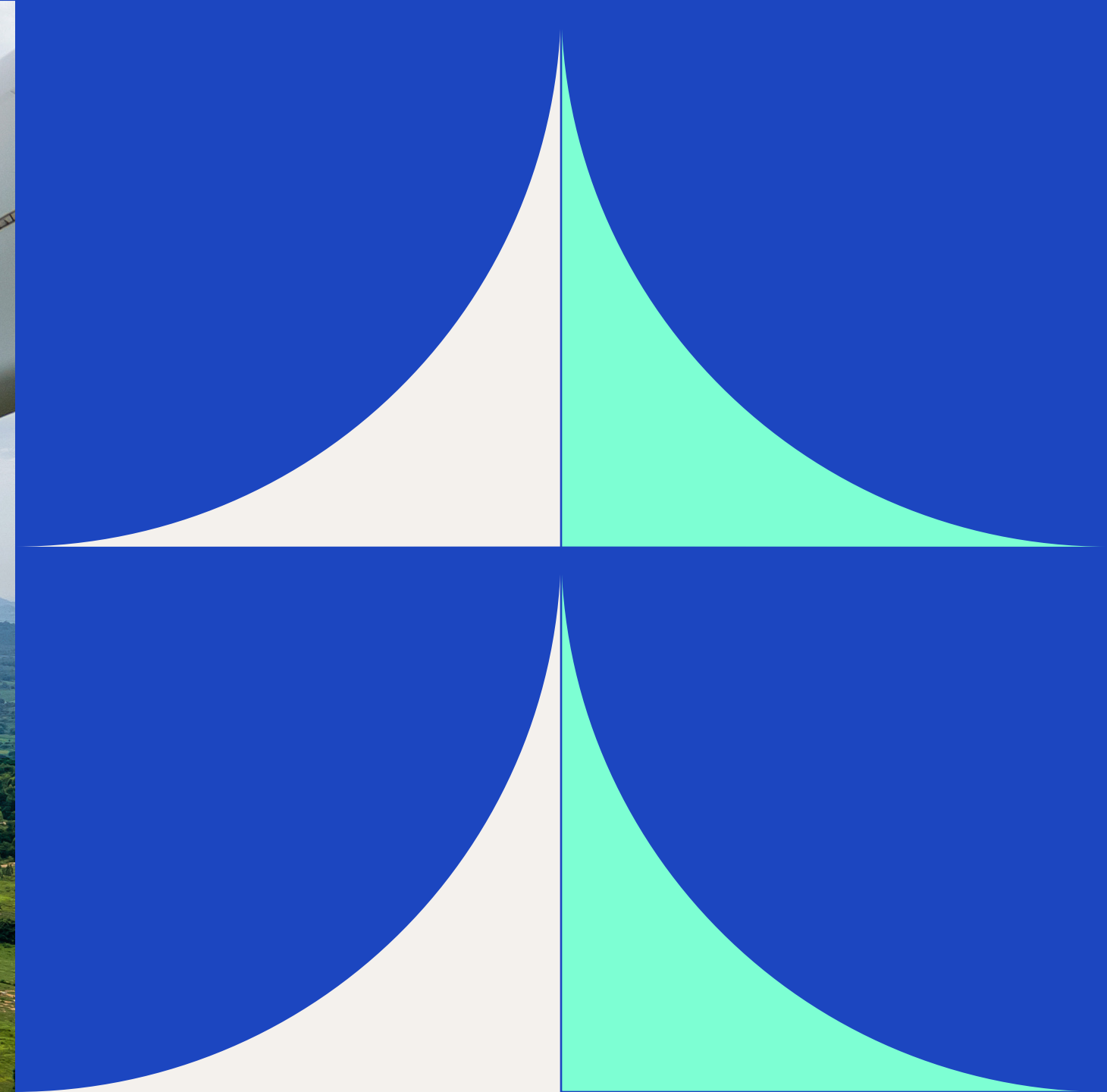
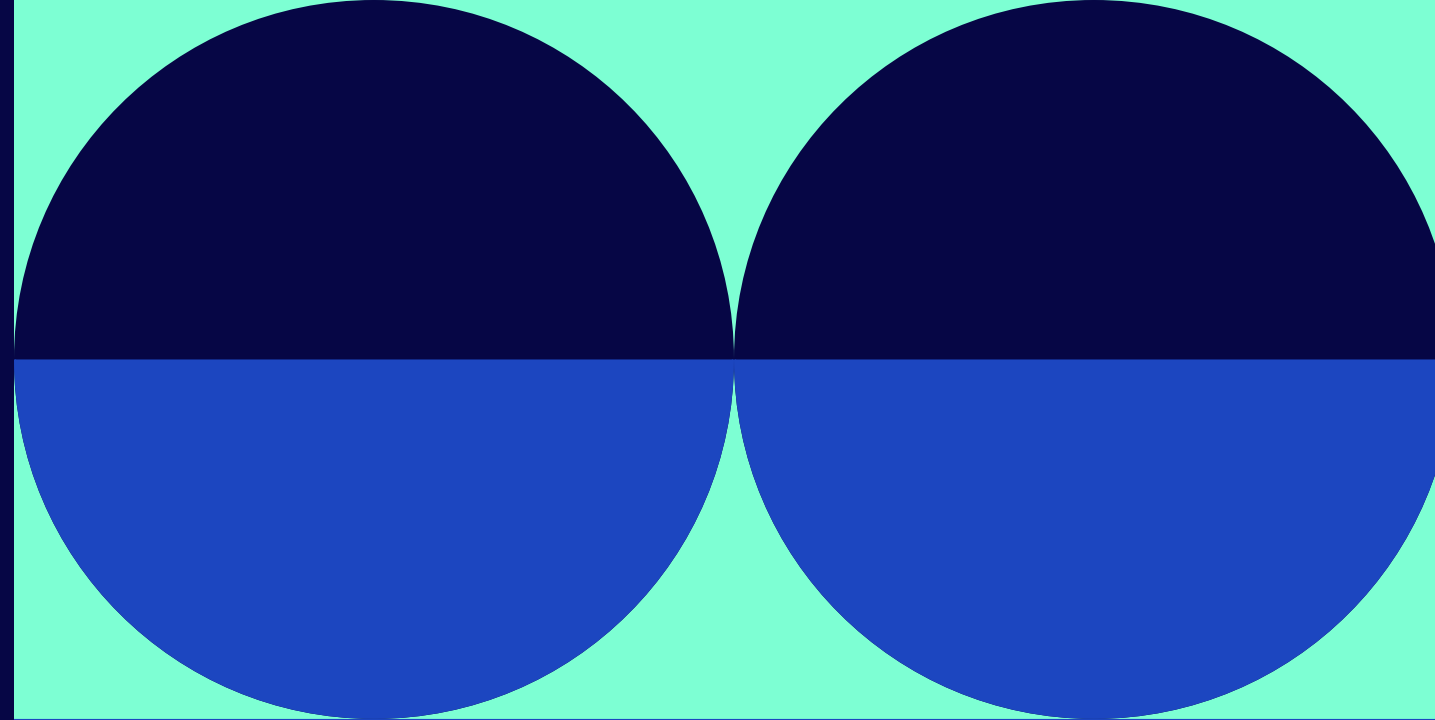


Business Barometer

2025

Skills for today and tomorrow: How employers can plan for future skills



Contents



Foreword

We are at a critical juncture. The pace of technological and societal change demands more from all of us - and employers, in particular, hold the key to shaping a workforce that is resilient, inclusive, and fit for the future.

Young people today are ambitious, connected, and ready to contribute. But they can't do it alone. They need clear, practical routes into meaningful work - supported by employers who

are willing to invest in long-term talent, not just short-term fixes. That means providing training pathways that open doors, not close them; creating environments that welcome diversity in all its forms; and embracing change, not resisting it.

This year's Business Barometer lays bare the cost of inaction - and the opportunity that comes with bold leadership. The smartest businesses

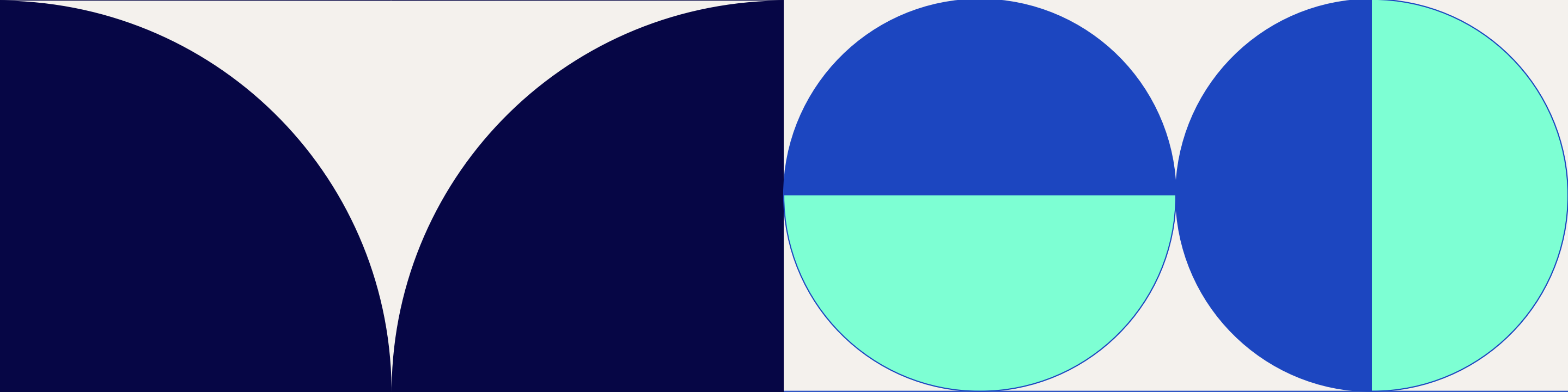
aren't waiting for skills to materialise; they're building them from the ground up, shaping a future workforce that reflects the world we want to live in.

The Open University is leading the charge to help employers close this gap and shift from talk to action. To build, not just react. The talent is there. Let's give it the support it deserves.



Baroness Martha Lane Fox CBE
Chancellor of
The Open University





With young people being pivotal to employers' skills strategies, it is important their views are considered.

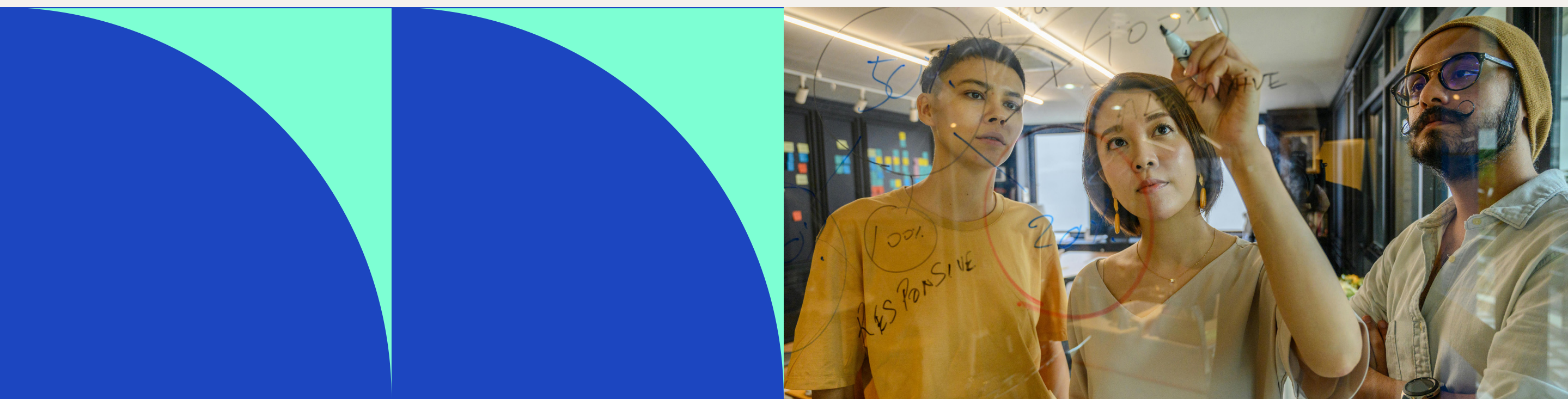
Executive summary

The 2025 Business Barometer highlights that skills shortages are an ongoing issue for the majority of organisations in the UK. These shortages are impacting organisations' ability to plan ahead and deliver their business objectives.

Based on a survey of organisational leaders, the report explores employers' views on the causes of the skills shortages and the impact they are having. It also looks at how employers can address current and future skills shortages in

key areas such as AI and sustainability through strategies such as training and upskilling and tapping into a more diverse talent pool.

With young people being pivotal to employers' skills strategies, it is important their views are considered. For that reason, the Business Barometer examines Gen Z's expectations of employers and highlights where younger generations and employers could be better aligned.

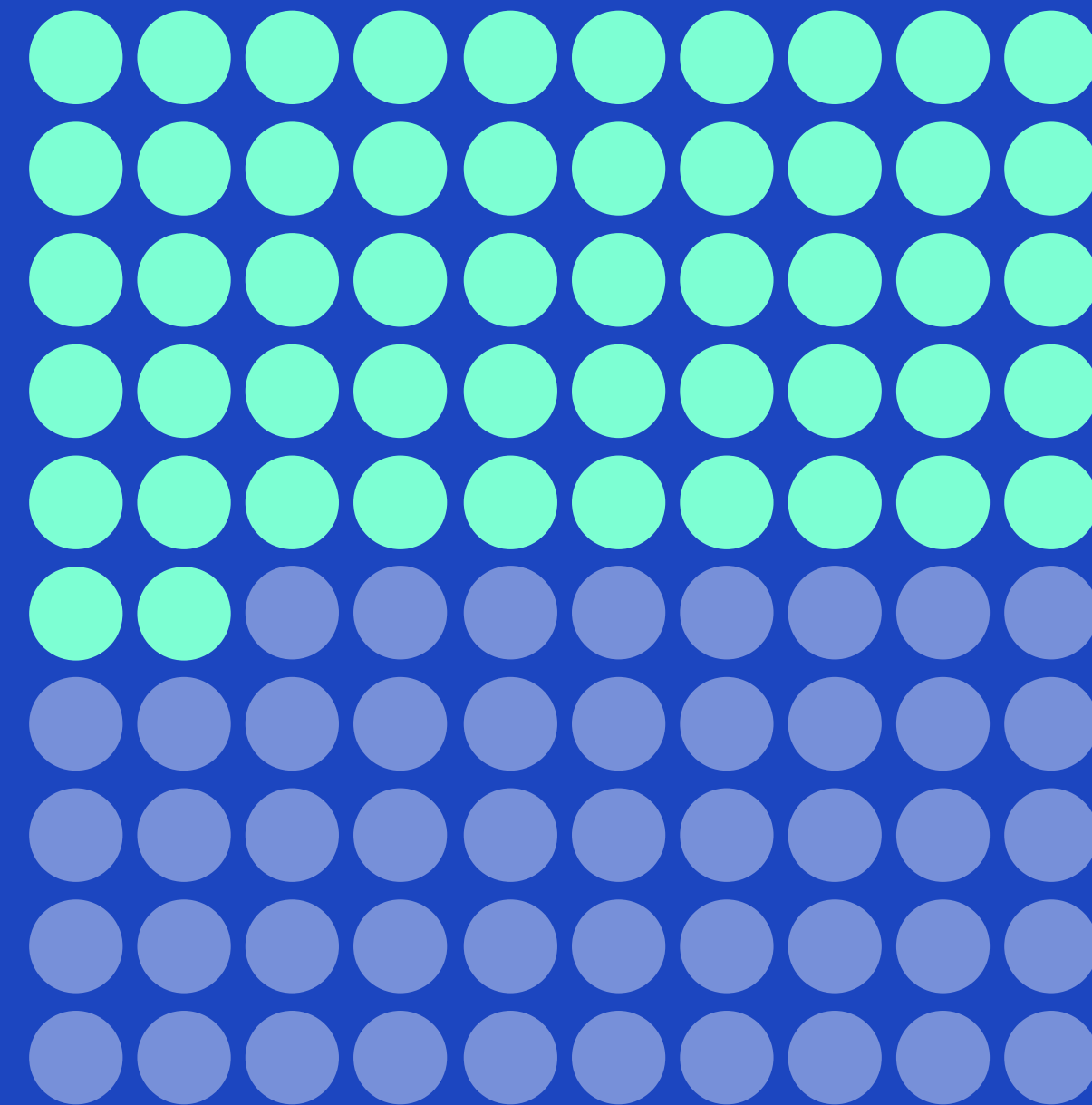


20000

senior
decision-makers
were surveyed

52%

represented
small and
medium-sized
businesses



Methodology

Employer data from the Business Barometer was collected by Opinium Research in an online survey of more than **2,000 senior decision-makers** with responsibility for recruitment in UK businesses of 2+ employees. The survey was conducted in May 2025. Respondents were drawn from all sectors and geographies of the UK. Just over half (**52%**) represented small and medium-sized businesses (fewer than 250 employees).

Additionally, **1,000 members of Gen Z** (aged between **18 and 24**) were surveyed for the report, using an online survey. The survey was conducted in May 2025 by Censuswide.

The quantitative data gathered for the report was supplemented by nine in-person qualitative interviews with business and HR leaders in different sectors across the UK.

10000

members of
Gen Z (aged between 18 and 24)
were surveyed
for the report

UK key findings

54%

of organisations
have a skills
shortage

32%

believe the
shortage will
worsen over the
next five years

35%

believe that a
lack of work
readiness in young
generations is
one of the biggest
factors affecting
skills in the
economy over the
next five years

40%

of those
experiencing
skills shortages
say the impact
will be increased
workload on
other staff

70%

state that
economic
uncertainty has
made recruitment
and training more
difficult in the past
12 months

84%

believe that ED&I is
important within their
organisation, with
50% believing it will
become even more
important over the
next five years

23%

do not offer
any specific
recruitment,
retention or training
initiatives for
underrepresented
or disadvantaged
groups – despite
a clear employer
focus on ED&I

20%

are not confident
about being able
to deliver their AI
technology plans
over the next
five years

England key findings

54%

of organisations have
a skills shortage

31%

believe the shortage
will worsen over the
next five years

36%

have hired fewer
staff over the last 12
months compared with
previous years

43%

of those
intending to use
apprenticeships
expect to hire
or train more
apprentices in the
next 12 months
than in the past

34%

offer specific
recruitment,
retention or training
initiatives for those
under 25 years old

45%

believe that
employers should
be primarily
responsible for
funding employees'
work-related training

42%

have used AI to
upskill or train
employees

Northern Ireland key findings

48%

of organisations have a skills shortage

37%

believe the shortage will worsen over the next five years

39%

blame a lack of work readiness in younger generations for exacerbating skills shortages

47%

have hired more staff over the last 12 months compared with previous years

44%

of those intending to use apprenticeships expect to hire or train more apprentices than in the past

36%

believe that employers should be primarily responsible for funding employees' work-related training

34%

are not confident about being able to deliver their AI technology plans over the next five years

Scotland key findings

56%

of organisations have a skills shortage

39%

believe the shortage will worsen over the next five years

50%

of organisations have a written skills plan to address their skills shortages

56%

of those intending to use apprenticeships expect to hire or train more apprentices than in the past

35%

offer specific recruitment, retention or training initiatives for those under 25 years old

33%

say that budget constraints/lack of funding are barriers to offering more training

51%

believe that employers should be primarily responsible for funding employees' work-related training

Wales key findings

58%

of organisations have a skills shortage

38%

believe the shortage will worsen over the next five years

60%

of those experiencing skills shortages say the impact will be increased workload on other staff

45%

blame a lack of work readiness in younger generations for exacerbating skills shortages

47%

have hired fewer staff over the last 12 months compared with previous years

32%

offer specific recruitment, retention or training initiatives for those changing career or sector

45%

believe that employers should be primarily responsible for funding employees' work-related training

Future skills disconnect

The two surveys highlighted a disconnect between many employers and young people when it comes to skills:

54%

of employers cite a current skills shortage in their organisation... while 71% of Gen Z say they have been considering their career prospects based on which skills are currently lacking in the UK.

71%

of Gen Z believe that employers should be responsible for providing workplace training and upskilling... while just 45% of employers believe it's primarily their duty to fund employee development.



35%

of employers cite a lack of work readiness in younger generations for exacerbating skills shortages... and yet 61% of Gen Z have not been told by either an employer or a careers advisor that they lack certain skills.

26%

of employers fear that employees will leave after training... yet 69% of Gen Z say they are more likely to stay with an employer that offers training and career development.

33%

of employers have specific recruitment, retention or training initiatives in place for workers under 25 years old... but 54% of Gen Z would consider changing their career path if they knew of high demand for skills in another field.

20%

of employers are not confident they will be able to deliver on their artificial intelligence (AI) plans in the next five years... and yet 48% of Gen Z are already working in or interested in AI.

The UK skills landscape in 2025

Skills shortages have been an increasing problem in the UK in recent years. The challenge has become particularly pronounced since 2020.

Some key demographic factors that are contributing to the shortages include Brexit (which has reduced the availability of both skilled and unskilled workers) and an ageing population that is nearing retirement age¹. Furthermore, the Covid-19 pandemic accelerated early retirement trends². Office for National Statistics (ONS) analysis in 2023 found that more than one million older people had left the workforce since the Covid-19 pandemic and an estimated 13.4% of all people aged 16 to 24 years in the UK were not in education, employment or training (NEET) in October to December 2024.

Meanwhile, mental health is a major issue that is preventing people from being in work and developing skills. Each year, 18 million workdays are lost to poor mental health³. Economic inactivity is also a growing

problem. Over a fifth of the UK population aged between **16 and 64 (21.4%)** are not in employment or actively seeking work. People can be economically inactive for various reasons, from caring responsibilities through to illness, early retirement or a lack of confidence in their ability to secure work⁴.

In addition to these demographic trends, other powerful forces are impacting employers' ability to access the skills they need. Widespread economic and political uncertainty is discouraging people from switching employers or retraining in new careers, especially if that involves taking on a lower paid role during a period of transition.

The ongoing technological revolution, including the rise of artificial intelligence technologies, is causing employer demand for strong digital skills to outstrip supply. A greater focus on sustainability – as part of the transition to a net-zero economy – is also heightening employer interest in sustainability skills.



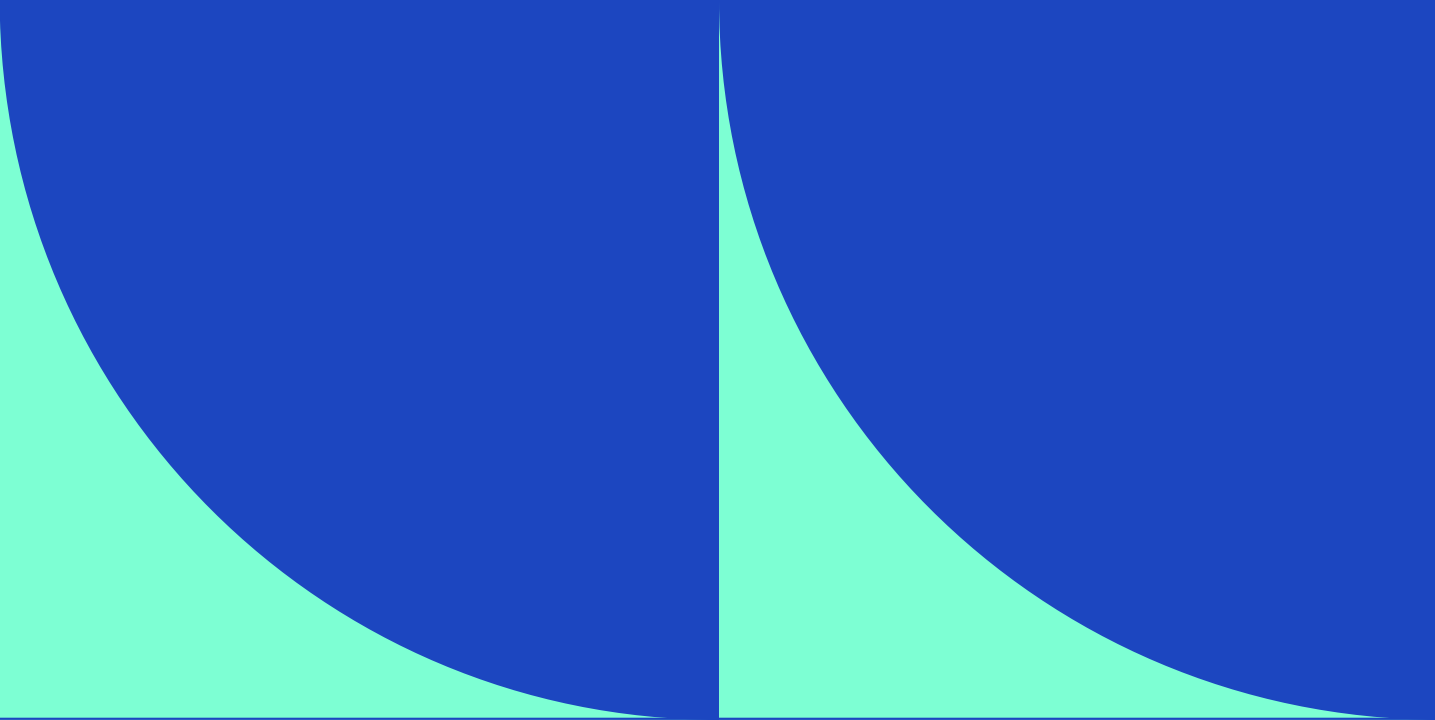
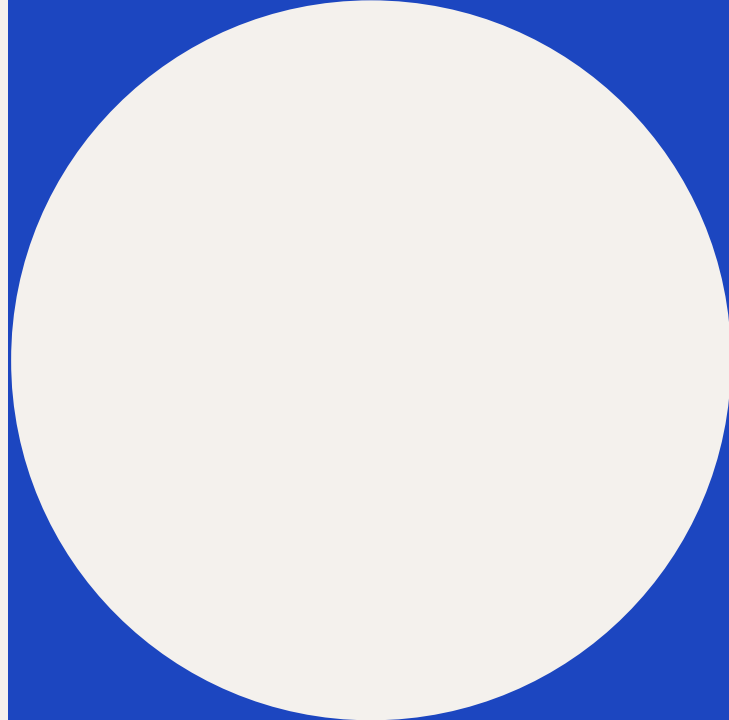
Some key demographic factors that are contributing to the shortages include **Brexit and an ageing population that is nearing retirement age.**

¹ Source: [The Standard \(2024\)](#)

² Source: [County Councils Network \(2023\)](#)

³ Source: [British Safety Council \(2024\)](#)

⁴ Source: [House of Commons Library](#)



Increasing business costs are impacting on employers' ability to source vital skills.

Employment costs have risen due to the recent increases in employer national insurance contributions and the National Living Wage (the government's legal minimum wage). It is expected that, over the longer term, most of the increase in employer national insurance will be absorbed through lower wage costs, but there will be an adjustment period in the short term⁵.

With employment cost rising, it is more expensive for employers to fill their skills gaps and harder for them to offer attractive packages to existing and potential employees. Meanwhile, the UK Government's immigration white paper, published in May, aims to **reverse the long-term trend of increasing international recruitment** – a trend the UK Government says has come "at the expense of skills and training"⁶. What's more, the UK Government's pre-election manifesto included a commitment to "ensuring that migration

to address skills shortages has triggered a plan to upskill workers and improve working conditions"⁷.

In addition to all these factors, skills shortages are being compounded by ongoing economic and geopolitical uncertainty. Worries about a global trade war – including the introduction of higher tariffs in the United States – are causing some impacted employers to tighten their budgets. For example, a survey by manufacturing organisation Make UK and business advisory firm BDO, published in March 2025, found that **half of companies were freezing recruitment, with more than a quarter considering job cuts**⁸.

Nevertheless, the pursuit of economic growth remains critical on the UK Government's political agenda, with skills being crucial for achieving this.

⁵ Source: [Oxford University Centre for Business Taxation \(2024\)](#)
⁶ Source: [HM Government \(2025\)](#)
⁷ Source: [Labour Party \(2024\)](#)
⁸ Source: [BDO \(2025\)](#)

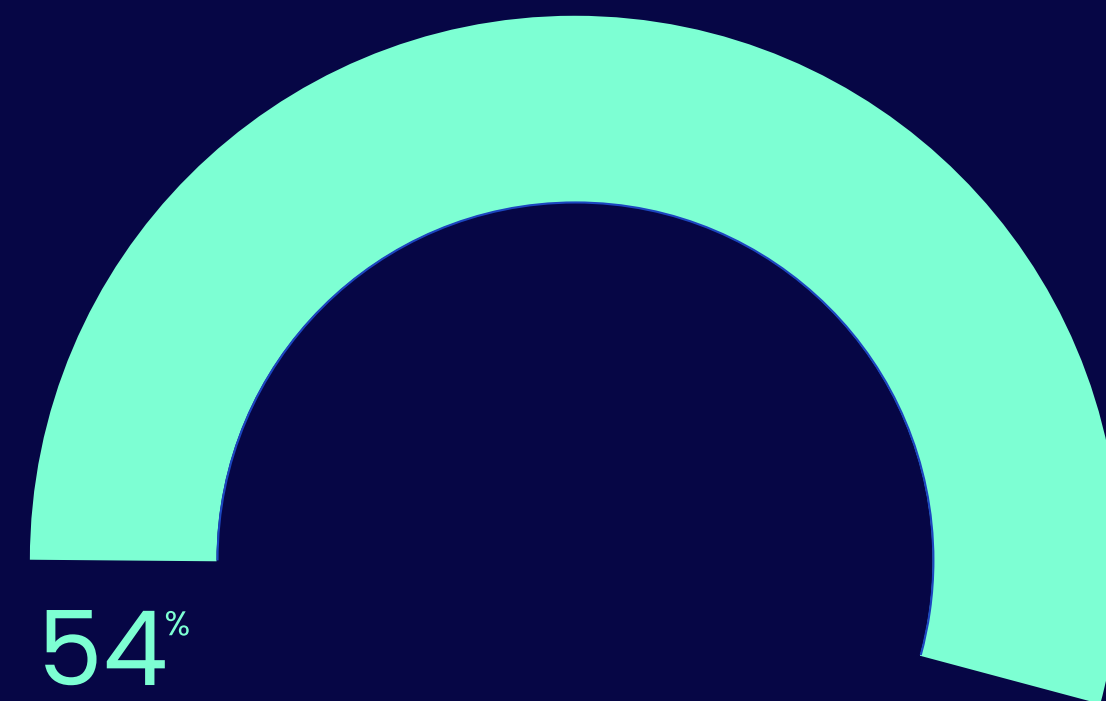
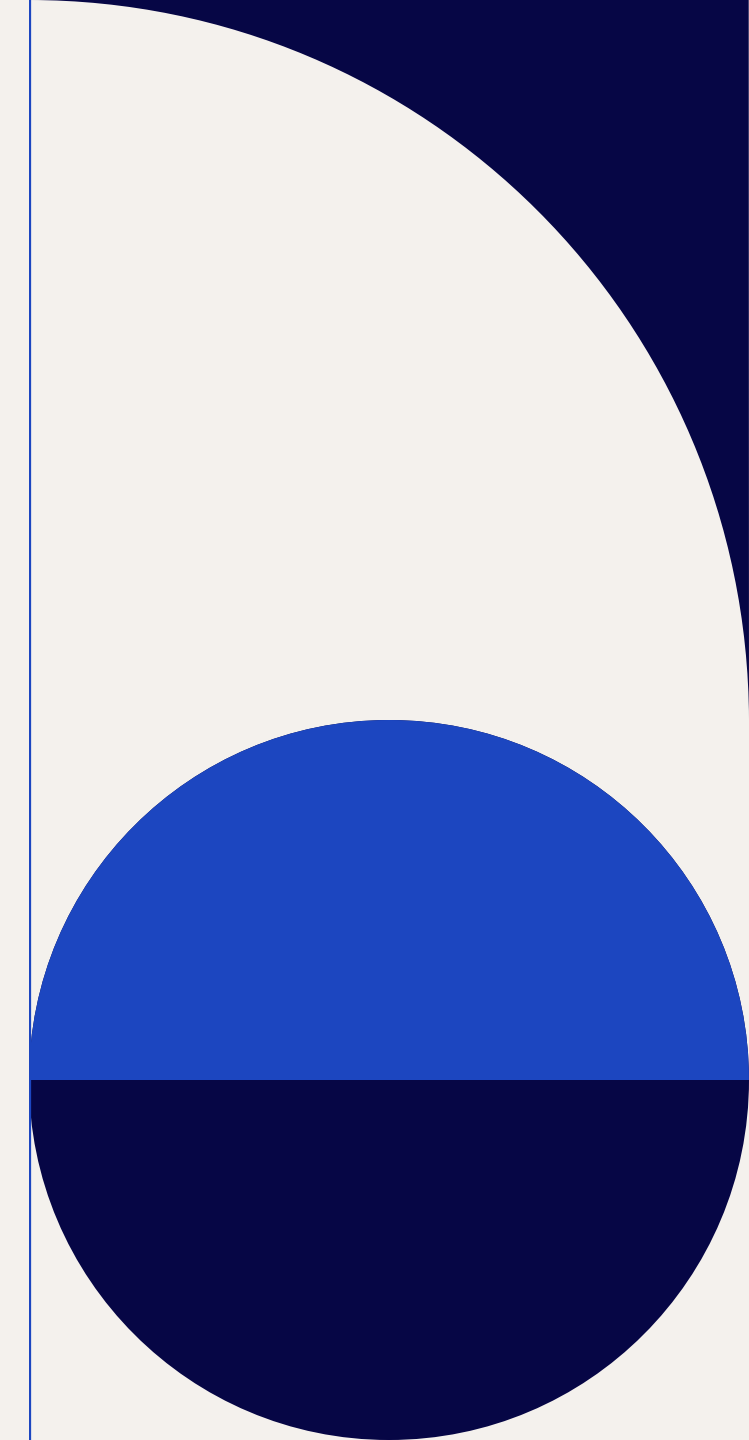
Impact of skills shortages

Due to the current challenging economic conditions, the UK labour market appears to be loosening. The estimated number of vacancies fell by **42,000**, or **5.3%**, between February and April 2025⁹. Nevertheless, over half (**54%**) of employers surveyed for this report agree that there is currently a skills shortage within their organisation. The problem is felt across businesses of all sizes, in every industry, across all four nations of the UK.

⁹ Source: [Office for National Statistics \(2025\)](#)
¹⁰ Source: [The Register \(2024\)](#)

Artificial intelligence (AI) skills and other IT-related skills, including skills in computer programming, cybersecurity, data analysis and website design, are particularly sought after by employers. Accountants, chefs, healthcare professionals and teachers are also in demand.

The shortage of AI skills reflects trends highlighted in other surveys. A survey by tech recruitment specialist Harvey Nash, published in May 2024, found that more than half of UK tech leaders (**52%**) have suffered an AI skills gap over the past 12 months, up from **20%** the previous year¹⁰.



54% of employers reporting a current skills shortage in their organisation

32%

of employers
fearing the skills
shortage will
worsen

40%

of employers
saying skills
shortages will
increase
staff workload

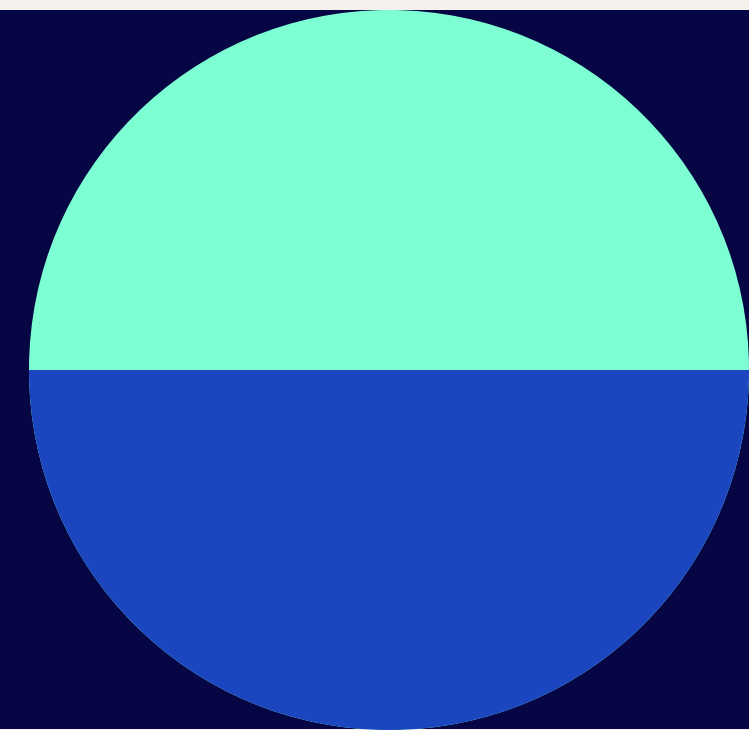
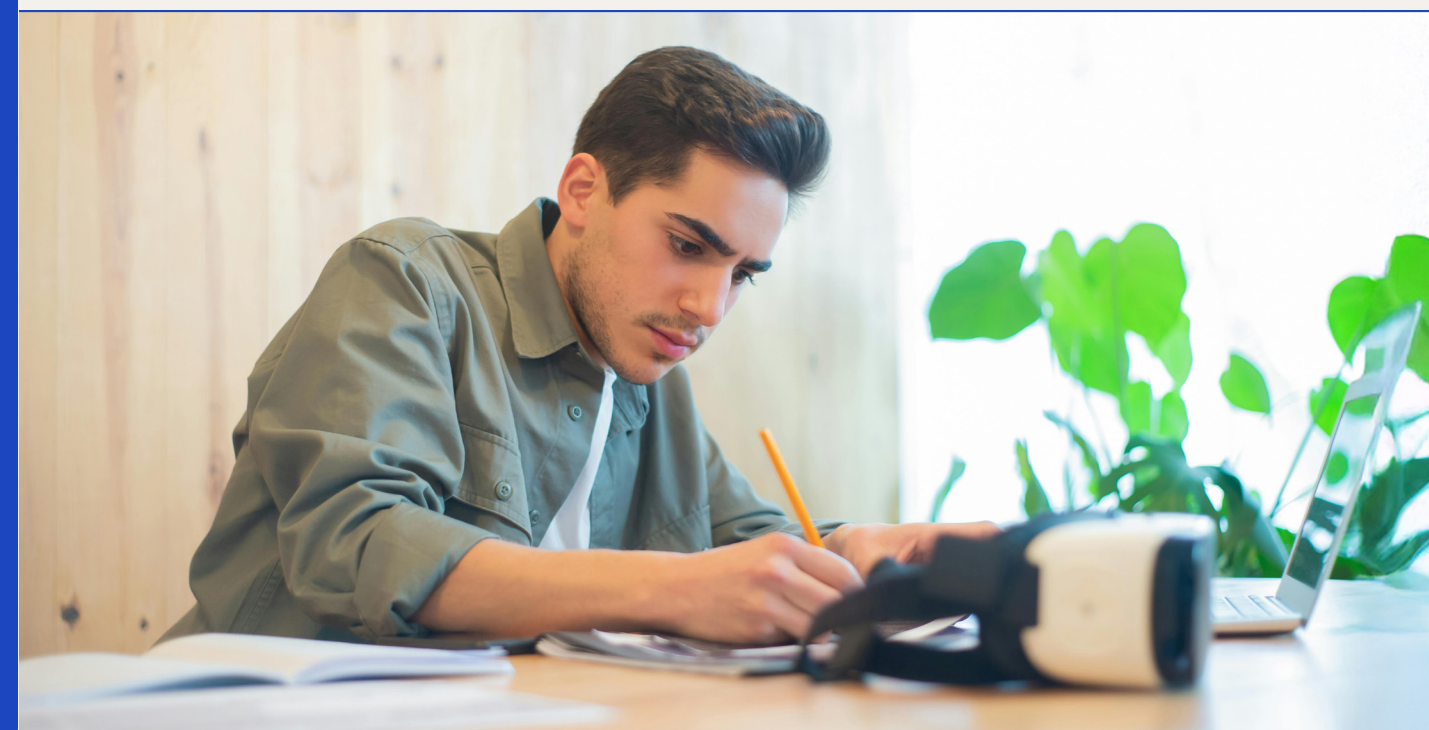
Will the skills shortage get better or worse?

Of those employers that are experiencing a skills shortage, the majority (52%) are optimistic that the shortage will ease at least somewhat over the next five years. Nevertheless, nearly a third (32%) believe that the shortage will actually worsen.

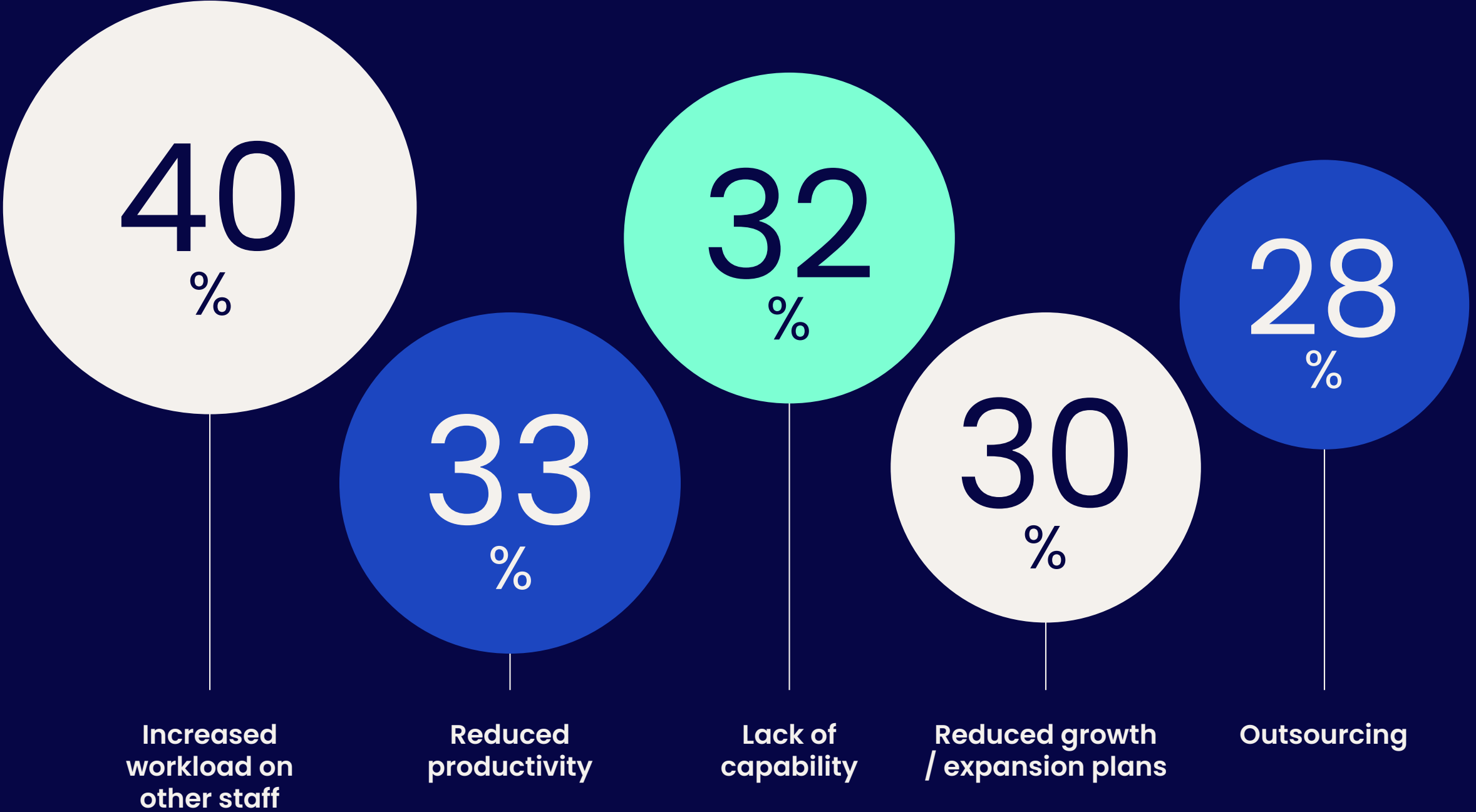
Employers in Scotland (39%), Wales (38%) and Northern Ireland (37%) are more likely to think this way than those in England (31%). In England's North West, however, the percentage of employers fearing that their skills shortage will worsen is 38%.

When asked about the likely impact of skills shortages on their organisation over the next five years, employers that are currently experiencing shortages identified increased workload on other staff (40%) as the biggest issue. This is particularly the case in certain sectors including scientific and technical activities (54%) accommodation and food services (52%), education (50%) and tourism (50%).

According to employers, the impact of skills shortages will also be seen in reduced productivity (33%), lack of capability (32%), reduced growth/ expansion plans (30%) and outsourcing (28%).



Top 5 ways that skills shortages will impact organisations in the next five years



The skills shortage is impacting on employers' ability to deliver their plans. A fifth (20%) say they are not confident about being able to deliver their AI technology plans over the next five years, while 16% lack confidence in their ability to deliver their plans relating to sustainability and non-AI digital products and services.

Despite the prevalence of skills shortages as a business issue, less than half (46%) of employers have a written skills plan to identify and address current or anticipated skills shortages. Respondents in the public sector are most likely to have a written plan (49%).

20%

are not confident about being able to deliver their AI technology plans

46%

have a written skills plan to identify skills shortages



35%

of employers believe young people's lack of work readiness will impact UK skills the most over the next five years

29%

of employers think that younger generations are not interested in their sectors

What's exacerbating the skills shortage?

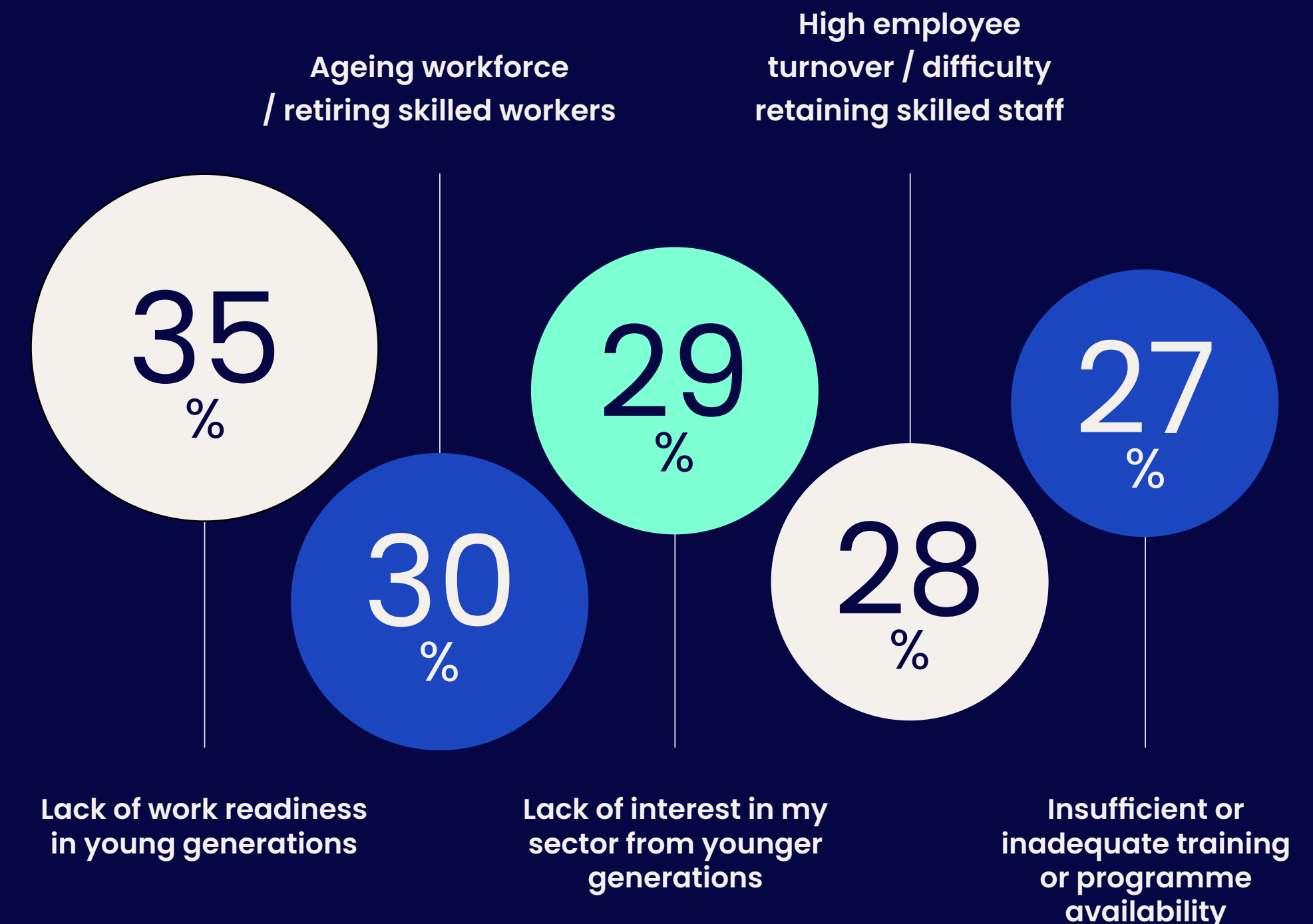
Employers think that a lack of work readiness in young generations will be among the biggest factor affecting the availability of skills in the UK economy over the next five years. More than a third (35%) believe this to be the case, with employers in Wales far more likely to have this view than those in the other nations. Larger employers (those with more than 500 employees) are marginally more likely to see work readiness as a concern than SMEs.

As well as believing that young people aren't ready for work, 29% of employers think that younger generations are not interested in their sectors. Sectors where employers are most likely to hold this view are manufacturing and automotive (43%),

mining, energy and water supply (43%) and accommodation and food services (40%). Wales is the nation where employers are most likely to cite a lack of interest in their sector from younger generations (34%).

Employers identify several other considerations as important factors that will affect the availability of skills in the economy over the next five years. These are an ageing workforce, with skilled workers retiring (30%), high employee turnover/ difficulty retaining skilled staff (28%) and insufficient or inadequate training or programme availability (27%). Over a quarter (26%) cite the rapid pace of technological change, with employees' skills not keeping up with the advances in systems and tools.

Which factors will affect the availability of skills in the economy in the next five years



How Torbay and South Devon NHS Foundation Trust worked with the OU to widen access to nurse education in the local area.

[Read story](#)

Business costs weigh on hiring and training

Hiring new staff is one way that organisations can plug the skills gap they face. More than a quarter of organisations (28%) have hired more staff over the last 12 months, compared with previous years. Nevertheless, rising employment costs – including increases to National Insurance contributions and National Living Wage – may be weighing on employers since 36% say they have actually hired fewer staff compared with previous years.

Going forward, employers plan to hire more people, however. Nearly two out of five respondents (38%) say that over the next five years they expect to hire more staff than they have in previous years.

“
We need to hire people who are technically skilled and that’s been really challenging for us. Following Covid there’s not been enough people joining the workforce with environmental health skills.
”

– Leader in local government

“
The main workforce threat is finding the level of talent we need because there is a very, very finite pool of engineering resource in the UK.
”

– Leader in the engineering industry

“
Skills shortages are one of the top three issues for SMEs.
”

– Small business leader in Wales

“
There’s a brain drain of people leaving Northern Ireland to go to England or elsewhere.
”

– HR leader in Northern Ireland



A case for talent development in the workplace

Employers have two principal options for addressing their skills shortages: hiring new employees or training existing employees. In many cases, they are likely to use both options to plug their skills gaps.

The survey indicates that rising business costs and challenging economic conditions have made it harder for employers to recruit and train people over the past 12 months, however. Three in five respondents (61%) say that the increase in National Insurance has made

recruitment or training more difficult while 54% say the same of a higher National Living Wage.

Nevertheless, economic uncertainty has been the greatest challenge, with 70% stating that it has been a barrier to recruitment and training. The sectors most affected by economic uncertainty include tourism (83%), business administrative and support services (80%), manufacturing and automotive (74%) and transport and logistics (73%).

70%

say economic uncertainty has been the biggest barrier to recruitment and training.

Recent legislation and challenging economic conditions have made it harder for employers to recruit.

Benefits of training versus hiring

While hiring and training both require investment, studies show that training is typically a far more cost-effective way of filling skills gaps than hiring. For example, a 2022 study of HR and IT leaders by training provider ILX found that while the average cost of replacing an HR manager stood at **£13,079**, upskilling an incumbent employee to take on the role was much cheaper – at **£3,107**. In other words, upskilling was **76% cheaper than hiring**¹¹.

Another study, by employee experience provider Culture Amp, estimates that the cost of replacing an employee starts at **30%** of an average employee's salary, rising to **200%** for top performers. Since the average UK full-time salary in 2024 was approximately **£37,400**, employers could therefore face costs of between **£11,200** and **£74,900** per employee to replace departing talent¹². In contrast, employers typically spend between **£1,500** and **£2,000** on training annually, depending on their location¹³.

Cost savings are not the only benefits of investing in upskilling existing employees compared with hiring new staff.

Managers save time because they don't need to interview potential candidates who may not be suitable for the role. Furthermore, existing employees are already onboarded, known to the organisation and familiar with its people and processes, which helps to maintain productivity.

The results of the Gen Z survey that help to inform this report also show that greater loyalty is a benefit of training. People are more likely to stay with an employer that is invested in them.

Policy changes at UK-level also emphasise the importance of training. The UK Government's immigration whitepaper specifically calls for employers to invest in training their domestic workforce, rather than rely on recruitment from overseas. It says that the UK Government will "explore new options to incentivise and invest in training"¹⁴. Furthermore, in June 2025, the UK Government launched Skills England, an executive agency sponsored by the Department for Education, that will work with partners to equip the national workforce "with the skills to power economic growth"¹⁵.

£13,079 is the average cost of replacing an HR manager, while upskilling an existing employee for the same role costs only

£3,107

Source: ILX, 2022



¹¹ Source: People Management (2022)

¹² Source: Personnel Today (2024)

¹³ Source: New Economics Foundation (2024)

¹⁴ Source: HM Government (2025)

¹⁵ Source: HM Government (2025)

The employer's role in talent development

Employers have a critical role to play in talent development – especially given the severity of the UK's skills shortage, which cannot be solved by education providers alone. While universities, colleges and schools equip people with valuable skills, **they also need practical experience and on-the-job training to complement the skills learned in formal education.**

27%

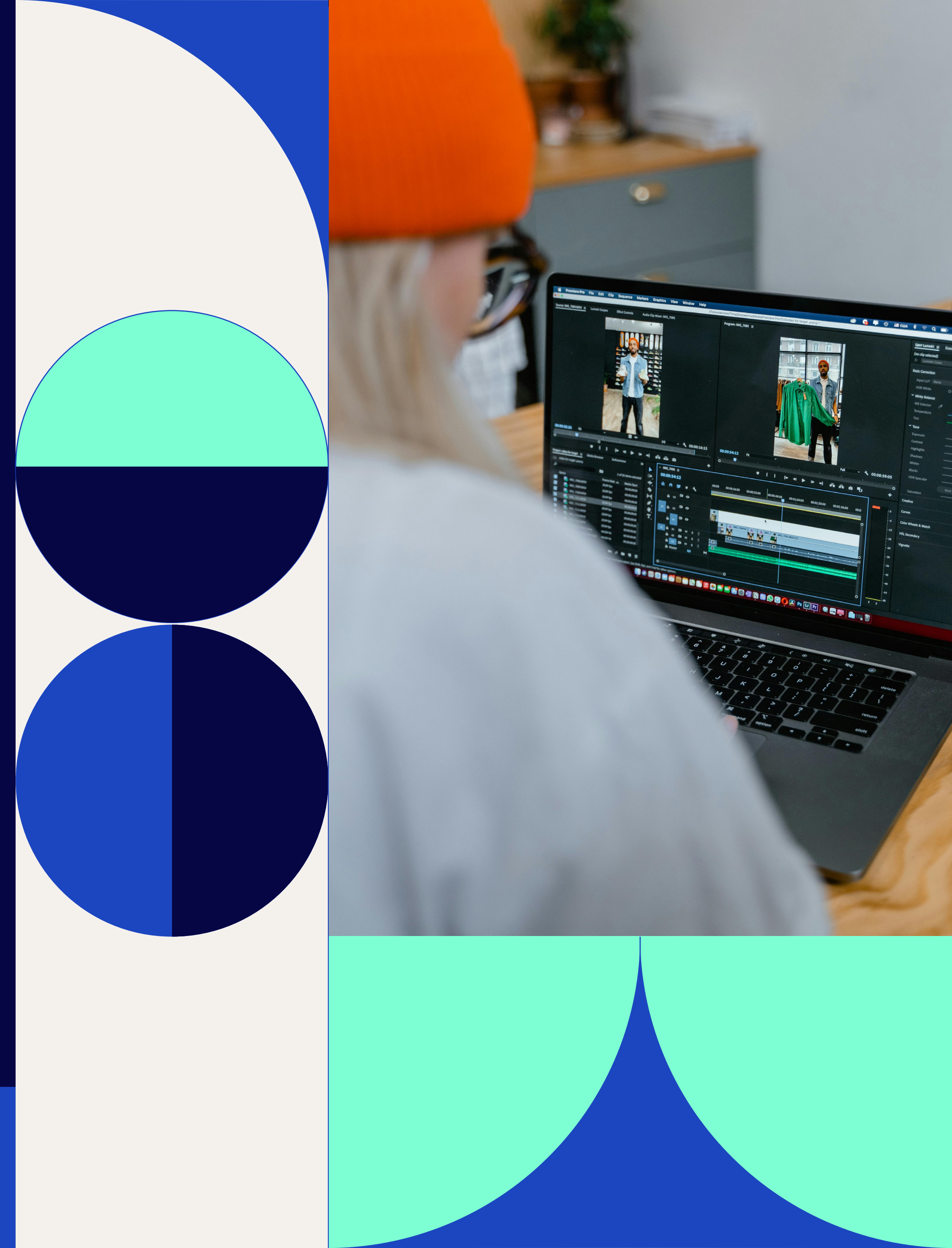
of employers believe the **Government should fund** work-related training

Learning tends to be most useful when it is relevant to the employee's job and they can immediately apply what they've learned in a workplace setting.

Yet despite them needing to be involved in talent development, many employers do not believe that they should be primarily responsible for funding work-related training of employees. Less than half (**45%**) of respondents think this should be the case, with **27%** believing that the Government should mainly fund work-related training and **13%** stating that it should be the employees themselves.

13%

of employers believe it should be the **employees themselves** that fund training



Training and upskilling options

There are many options for employers looking to train and upskill their staff. These range from work placements and apprenticeships through to formal adult learning and upskilling programmes, including coaching, online courses, short courses, vocational qualifications and university degrees. Additionally, employers can offer informal knowledge-sharing practices in the workplace, such as mentoring, internal webinars and “brown bag lunches” (combined learning and eating events).

To address their skills shortages, while supporting employees to reach their potential, **employers should commit to active upskilling of staff members throughout the time they work within the organisation.** They will reap the benefits of this investment through greater

efficiency, productivity and innovation, as well as lower staff turnover. Additionally, they will be developing a pipeline of talent to plug their skills gaps. A study by technology company IBM found that **84%** of employees in best-performing organisations are receiving the training they need – compared with **16%** in the worst-performing organisations¹⁶.

When asked which types of training their business intends to use over the next 12 months, mentoring and coaching comes top, cited by **38%** of respondents. Other popular options are short courses with certification (**30%**), work experience placements (**29%**), university degrees (**26%**), Levels 2 and 3 apprenticeships (**24%**), vocational qualification (**24%**) and apprenticeships at Level 4 upwards (**23%**).

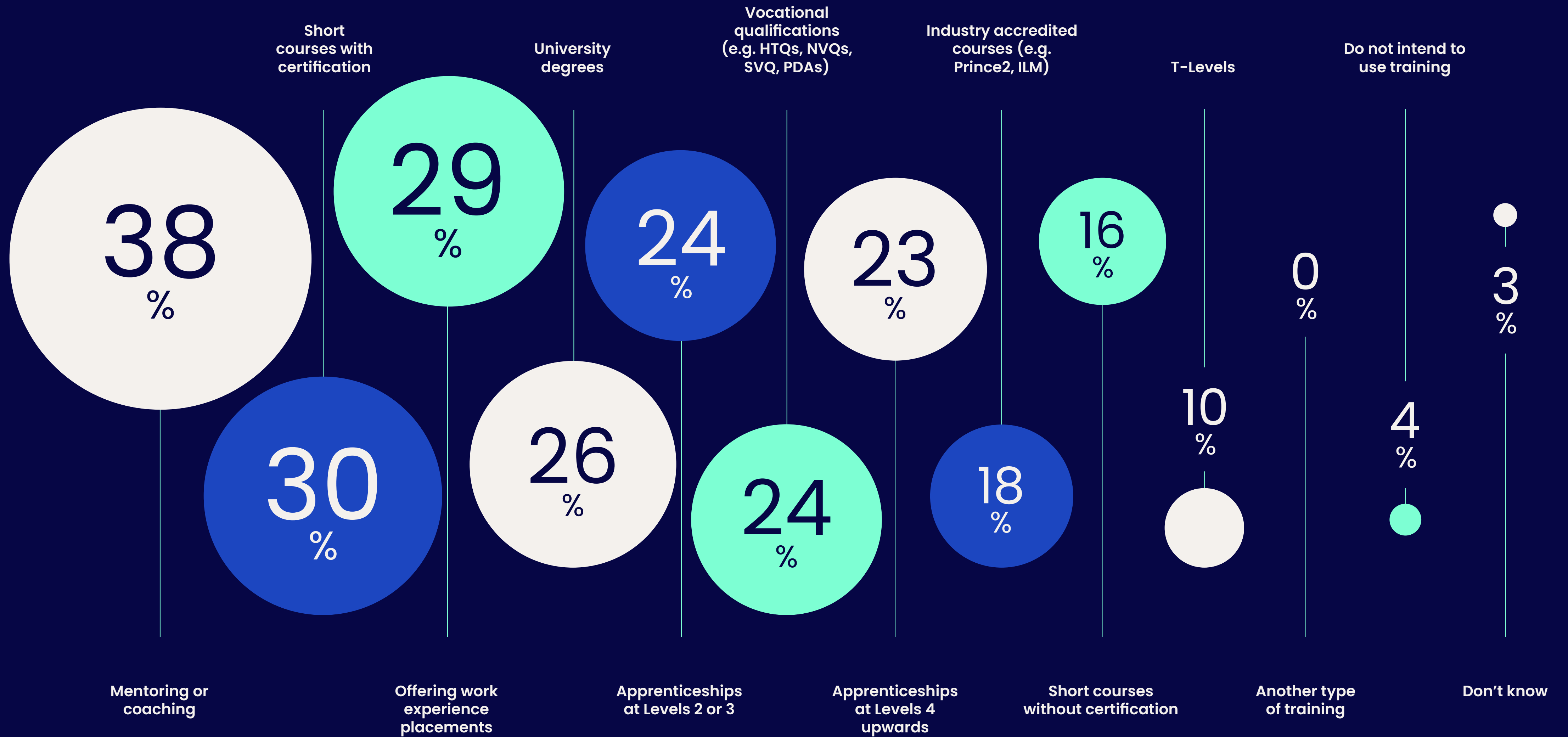
Of those employers that plan to use apprenticeships, more than two in five (**43%**) say that they intend to train more apprentices than they have in the past. More than half (**56%**) of employers in Scotland are more likely to hire and train more apprentices than in the past – higher than in any other nation.

Overall, **41%** of respondents say that their organisation has used artificial intelligence (AI) technology to upskill or train employees. This reflects recent advances in AI technologies and their increasing usefulness for education and development purposes.

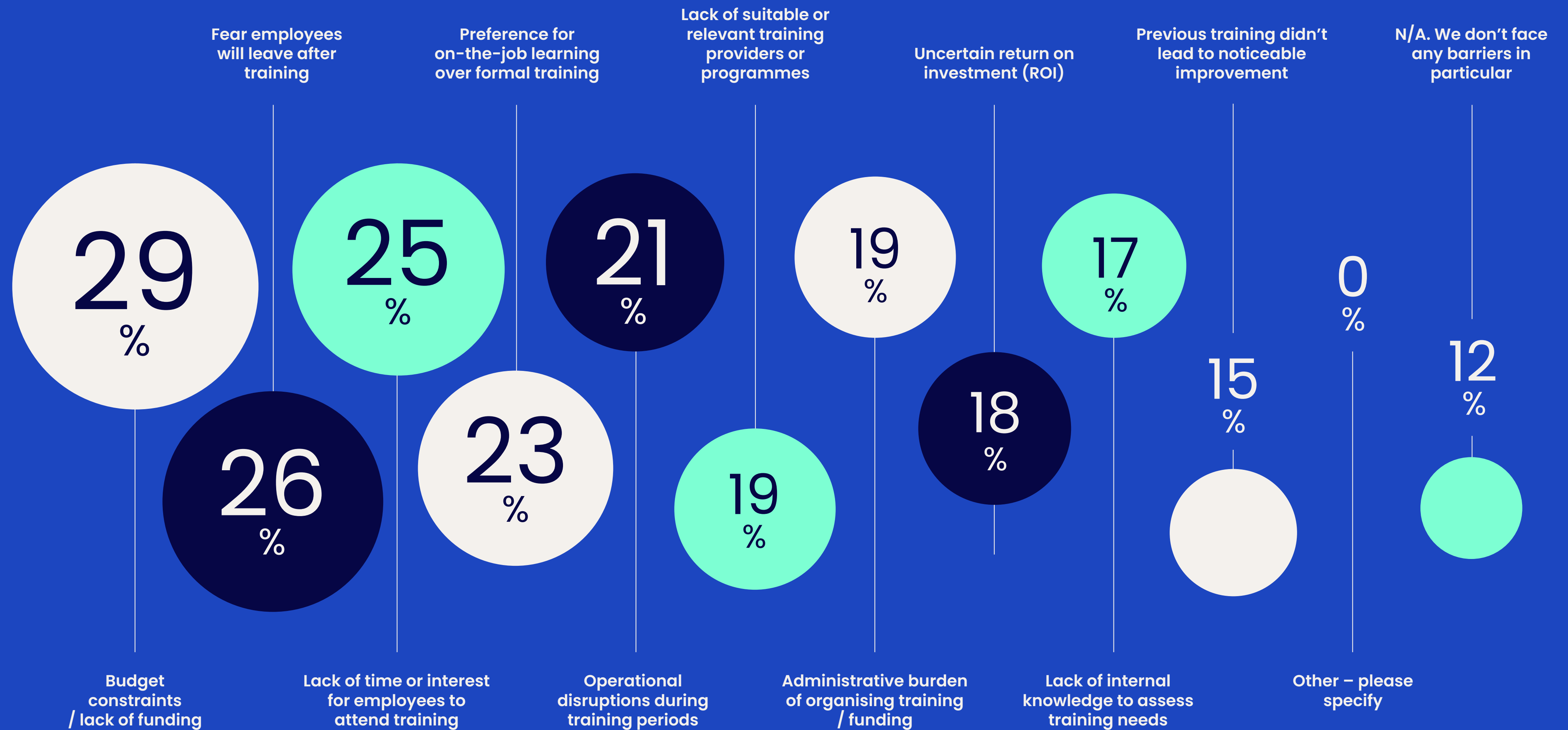
¹⁶ Source: IBM (2014)

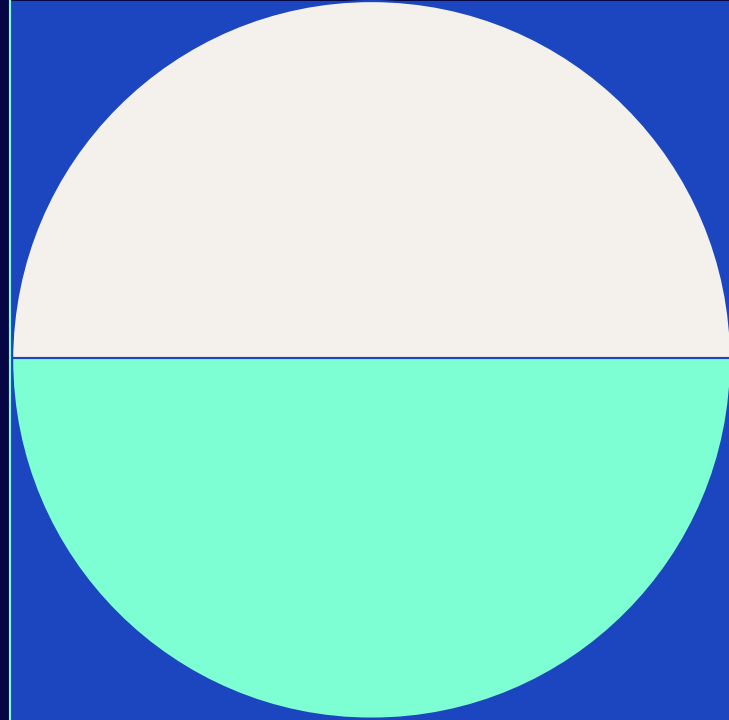


Which types of training does your business intend to use over the next 12 months?



Which barriers does your organisation face to offering more training to your employees?





Barriers to investing in training

In reflection of the challenging economic conditions, budget constraints/lack of funding is the biggest barrier faced by employers looking to offer more training to their employees (**cited by 29%**). Employers' other main fears are that employees will leave after training (**26%**), lack of time or interest for employees to attend training (**25%**), preference for on-the-job learning over formal training (**23%**) and operational disruptions during training periods (**21%**).

OU case study

Find out how The Open University works in partnership with Cornwall Council to develop its own council workers.

[Read more](#)

“
We’ve got a training hub for clinical staff, which is funded by the university.
”

– Leader in healthcare

“
We are putting together a plan in terms of different areas in which we can train people and are creating a programme.
”

– Leader in the construction industry

“
We’ve taken on apprentices. We also recruit people with a niche set of skills from the private sector and then train them in a wider breadth of skills.
”

– Leader in local government

“
There’s an opportunity to improve links between business and education providers. This often relies on individual relationships – it’s not so structured, which is a missed opportunity.
”

– Small business leader in Wales

Diversity and inclusion as a driver of talent strategies

84% say that ED&I is important within their organisation

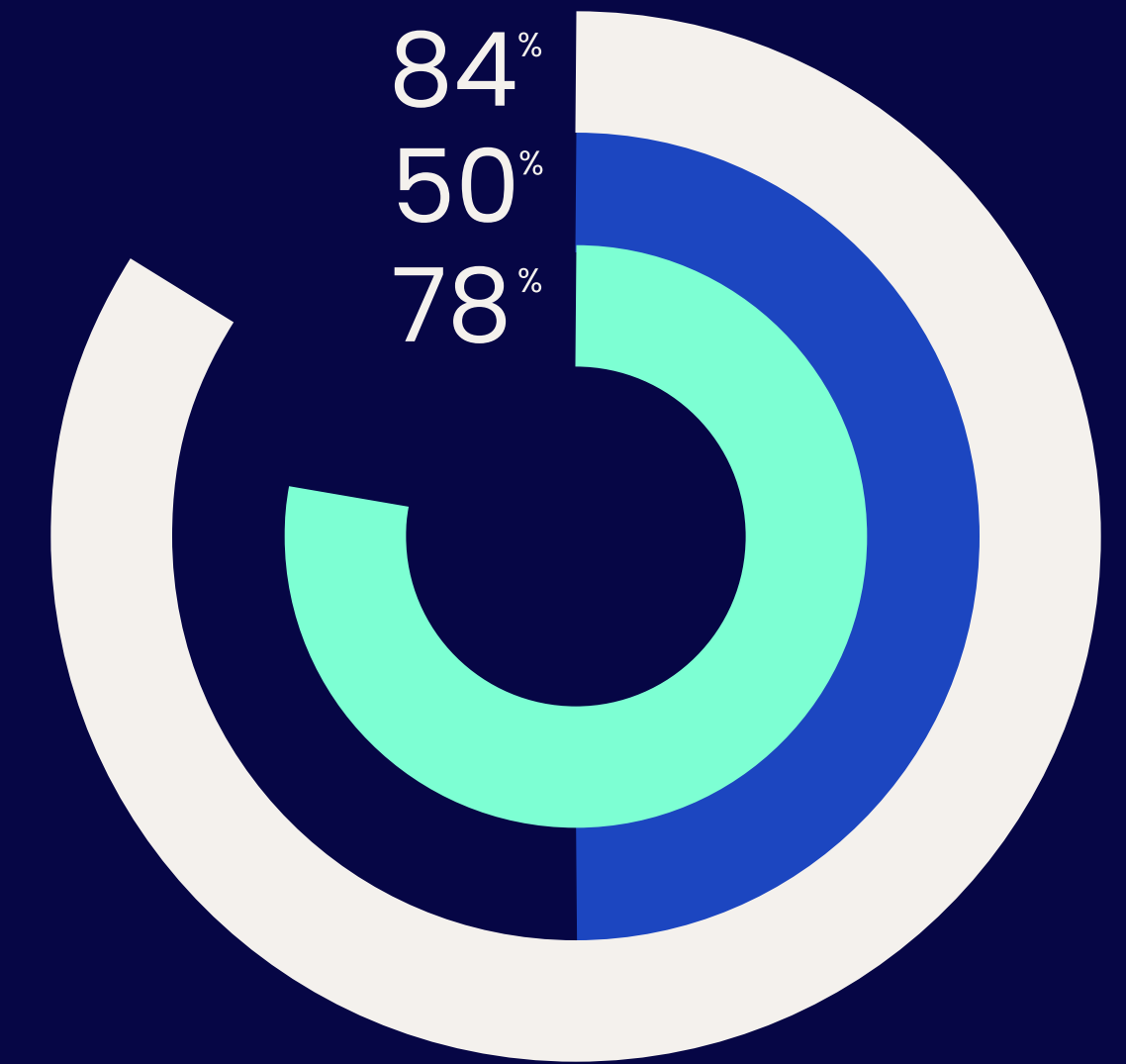
The news agenda can imply that there has been a backlash against equality, diversity and inclusion (ED&I) in the UK and internationally. Nevertheless, the survey shows that organisations' focus on ED&I in the UK is not slipping – in fact, they see it as a priority, both now and going forward.

More than four in five respondents (84%) say that ED&I in the workplace is important within their organisation, with 50% believing it will become even more important over the next five years. In comparison, 78% say ED&I was important to their organisation 12 months ago.

Yet despite their apparent belief in the value of ED&I, almost one in four organisations (23%) don't offer any specific recruitment, retention or training initiatives for underrepresented or disadvantaged groups, some of whom may have high levels of economic inactivity. These include workers aged under 25, people from diverse ethnicities, disabled people, people who are ex-armed forces or reservists, and workers over 50 years old.

Moreover, the same percentage (23%) don't plan to introduce any recruitment, retention or training initiatives for these groups over the next five years. As a result, one in four UK businesses are missing out on the opportunity to further harness the potential of their existing talent or uncover more diverse hidden talent pools.

Nevertheless, the survey shows that organisations' focus on ED&I is not slipping – in fact, they see it as a priority, both now and going forward.



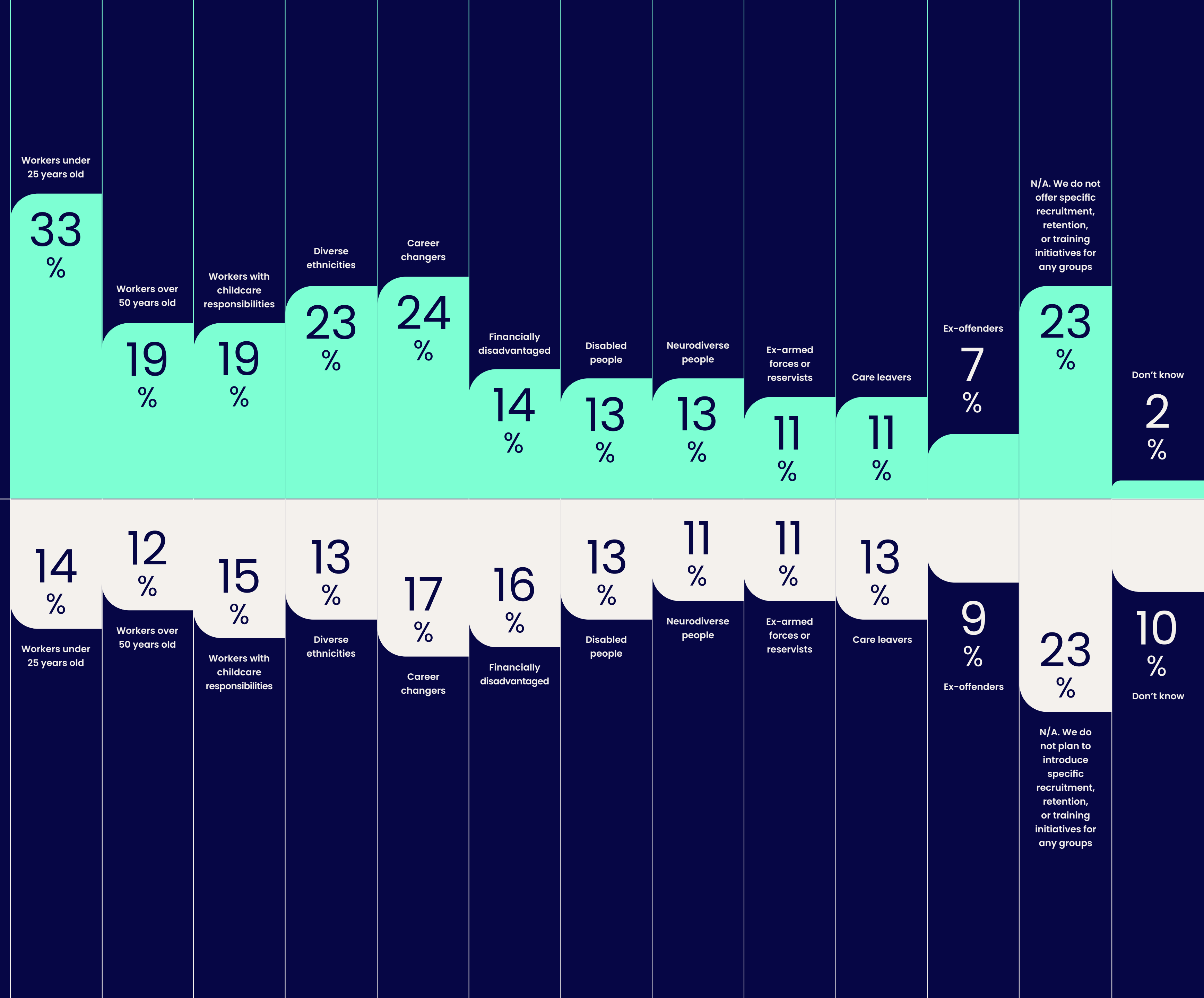
50% believe ED&I will become even more important in the next five years

78% said ED&I was important to their organisation 12 months ago

For which, if any, of the following groups is your organisation currently offering or likely to plan to introduce specific recruitment, retention, or training initiatives for?

Currently

In the next 5 years



It is estimated that around **15–20%** of the UK population is neurodivergent. Yet only **11%** of respondents have recruitment, retention or training initiatives for neurodivergent¹⁷ people, although this figure rises to **22%** for the professional services industry.

Furthermore, just **24%** of respondents have initiatives for workers who are changing career and sector, even though people increasingly expect to have multiple careers and to retrain at later life stages. Meanwhile less than a fifth (**19%**) have initiatives for workers with childcare responsibilities – despite mothers returning to work being an important source of potential talent.

To address their skills shortages, employers should take the broadest possible perspective of diversity and inclusion and commit to upskilling people from all backgrounds and at all life stages. Lifelong learning is vital given people are living longer, healthier lives and are likely to work increasingly longer before retirement.

¹⁷ Source: British Dyslexia Association (2022)

“
We have a veterans scheme for ex-armed forces [personnel] and we reach out to care leavers and other underrepresented groups, too.
”

– Leader in local government

“
The pool of people that we’re trying to pull in does feel like it’s getting smaller.
”

– Leader in the charity sector

“
We’re all fishing in the same pool
”

– Leader in healthcare

“
People don’t understand the skills they have. For example, if they’ve been working in contact centres, they say ‘All I’ve been doing is answering the phone,’ but they’re working in a highly pressured environment.
”

– Business leader in Scotland

Lifelong Learning Entitlement

The Lifelong Learning Entitlement (LLE) is the new post-18 student finance system which will be introduced (in England only) from January 2027. There will be significant benefits for employers as the LLE will be a lot more flexible than the current funding system.

This will make it much easier for people in work (up to the age of 60) to access a loan to combine study with their job to develop their skills, as well as provide many more options for study to be tailored to an individual’s skills development needs including through funding standalone modules of higher education courses.



Mothers returning to work

The OU’s new toolkit, **Momentum**, supports mothers and prime care-givers who are returning to work, as well as their employers.

[Find out more](#)

What does the next generation want from employers?

The report's two surveys highlight a major disconnect between employers and young people in relation to the UK's skills crisis. While employers believe a lack of work readiness in young generations is exacerbating skills shortages, younger generations say they are taking skills shortages into account when planning their careers.

Young people also say they are ready to learn in the workplace and commit to organisations who give them that chance. This suggests that young people are savvier – and more ready to contribute – than employers tend to think.

To gather the views of younger generations, 1,000 Gen-Z respondents aged 18-24 were asked their views on skills. The majority (57%) are aware that the UK is currently experiencing a skills crisis, with men more likely to have this awareness than women.

Nearly three-quarters (71%) of Gen-Z respondents say that they have been considering their career prospects based on which skills are currently lacking in the UK. Respondents in the East Midlands (78%), West Midlands (77%), South East England (76%) Greater London (74%) and Wales (74%) are mostly likely to say this. Furthermore, 45% of all respondents

agree that knowing about skills shortages has influenced their career decisions.

Over half (51%) are aware of skills shortages in the industry they want to work in. A similar amount (54%) say they would consider changing their career path if they knew there was high demand for skills in another field.

51%
are aware of skills shortages in the industry they want to work in

Percentage of young people who are aware the UK is experiencing a skills shortage, by gender

64%
men

54%
women

Workplace readiness

While the majority of young people (55%) feel prepared to enter the workplace when they either graduate or leave school, over two-thirds (67%) know they need to improve certain skills to feel fully work-ready. That said, three in five (61%) of Gen Z have not been told by either an employer or a careers advisor that they lack certain skills.

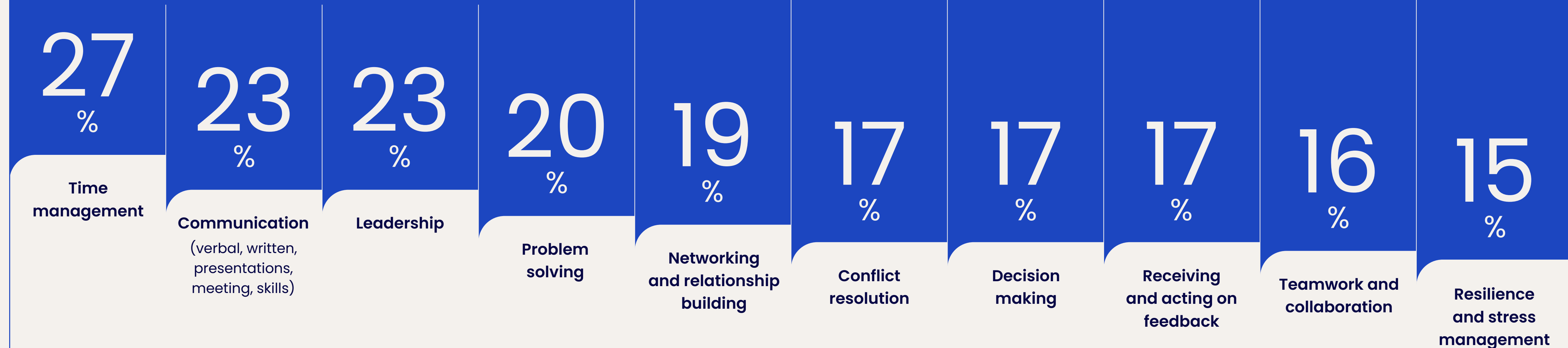
Time management is the skill most lacking among those who have been told they lack

certain skills, cited by 26%. Other skills that are lacking are communication skills (23%), leadership skills (23%) and problem-solving skills (20%).

Employers also believe that young people are lacking in key interpersonal skills such as communication and management. Nearly three-quarters (74%) believe young people are lacking in these areas.



Which workplace skills are young people lacking?



67%

of Gen-Z say that on-the-job training is an important factor for them in choosing where to work.

Training helps to retain younger workers

Young people realise the importance of skills for embarking on, and progressing in, their chosen career. That's why they want to work for employers that invest in developing their skills. Around two-thirds (67%) of Gen-Z respondents say that on-the-job training is an important factor for them in choosing where to work.

The vast majority (71%) of Gen Z respondents believe that employers should be responsible for providing workplace training and upskilling, with this being particularly the case in Yorkshire and the Humber (81%) and Wales (74%). Nevertheless, employers will be rewarded for making this investment with greater loyalty from their younger employees. Over two-thirds (69%) say they are more likely to stay with an employer that offers training and career development. That figure climbs to 79% in Northern Ireland and 71% in Scotland.

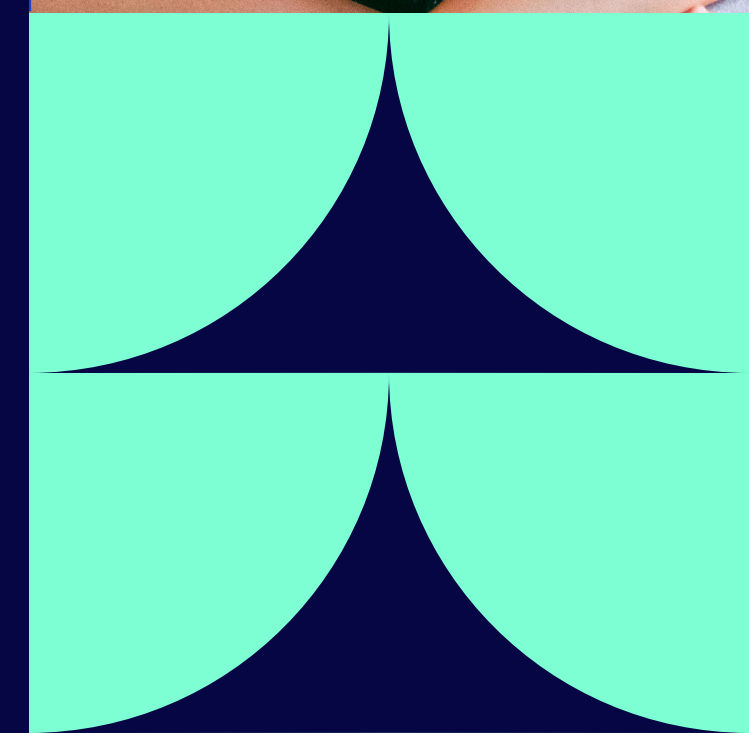
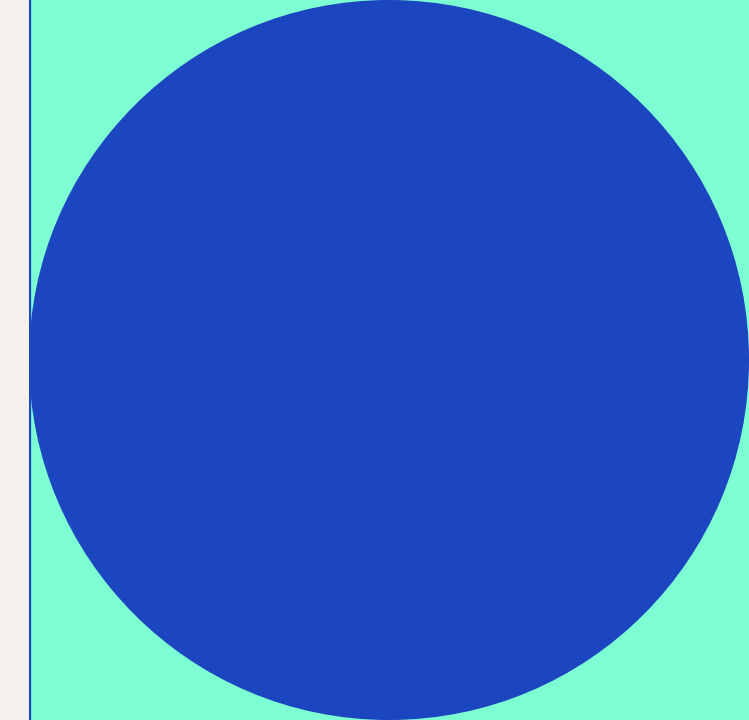
Preference for online learning

The survey highlights the appeal of online learning to younger generations, who have grown up in the digital age. Nearly half (47%) agree that they prefer to learn new skills via online courses or training sessions rather than in-person workshops.

When it comes to developing new skills, young people face several barriers. The biggest is lack of time (cited by 60%). Other barriers are financial constraints (56%), lack of access to resources (42%) and not knowing where to look to develop new skills (47%). Employers can play an important role in helping young people to overcome these barriers and either make their first step onto the career ladder or progress to the next rung.

47%

prefer to learn new skills via online courses or training sessions rather than in-person workshops



Opportunity for employers

Supporting young people to grow and develop is a good way for organisations to address their skills shortages, especially if it becomes harder for them to recruit from abroad. This survey shows that young people are motivated to gain the skills and experiences that will enable them to pursue fulfilling careers.

Critical focus areas for many businesses today include AI, non-AI digital products and services and sustainability, although some lack confidence in their ability to deliver plans in these areas.

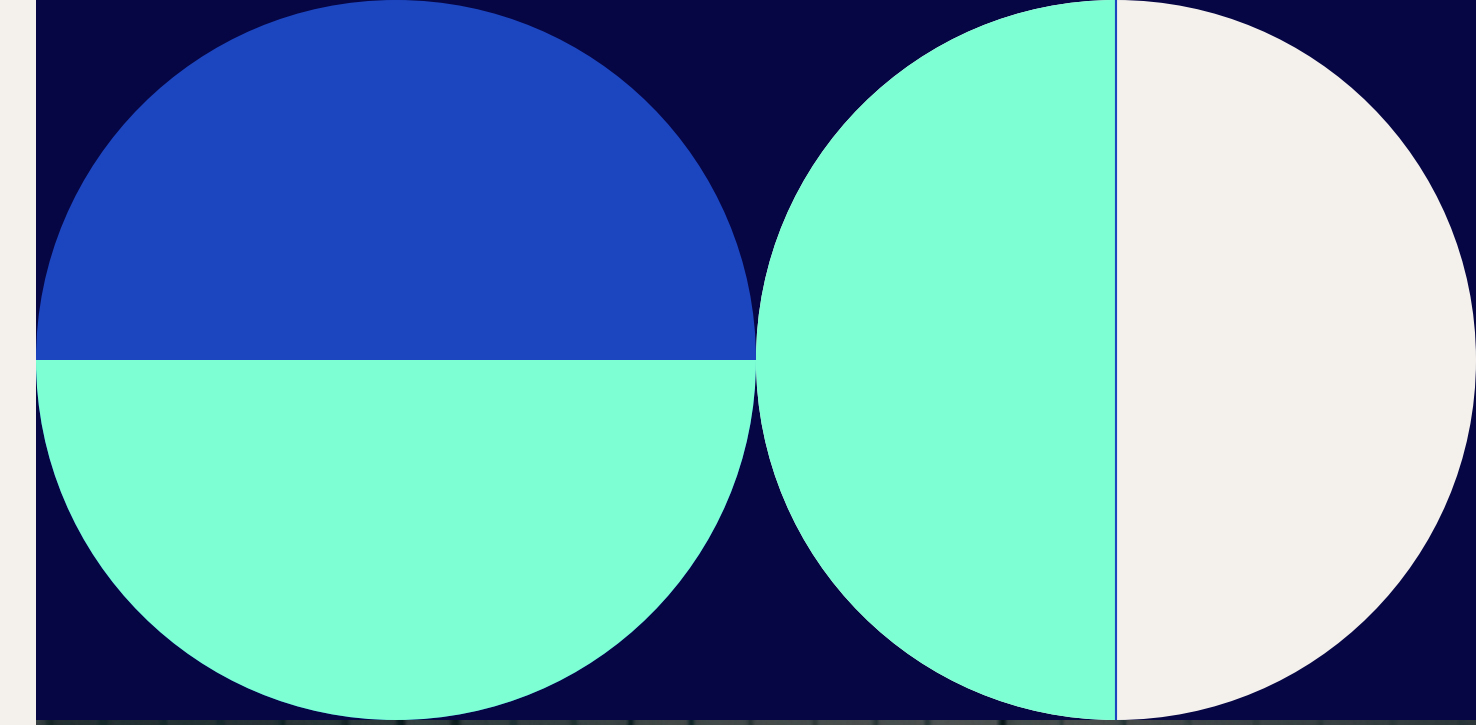
Young people are enthusiastic about working in AI, digital and sustainability, however – so organisations should capitalise on their interest to pursue their business plans. Nearly half (48%) of Gen-Z respondents are already working in or are interested in working in AI. Three out of five (61%) are already working in or are interested in sustainability while 55% say the same the same about working in non-AI digital products and services. Significantly, over two-thirds (68%) of Gen-Z respondents are interested in working in social impact or are already doing so.

In the UK, an estimated 13.4% of all people aged between 16 and 24 were not in education, employment or training (NEET) in October to December 2024. That equates to nearly one million people. Employers have an opportunity to tap this talent pool and equip them with the skills and training to progress in their careers.

Working with people who are NEET and setting them on a pathway to further qualifications is also a way for organisations to have a positive social impact – which, in turn, should enhance their employer brand, especially among younger generations. A study by charity Impetus found that young people who are from low socio-economic backgrounds, have low qualifications and have special educational needs and disabilities (SEND) are almost three times more likely to be NEET than the average.

13.4%

of 16 and 24 year olds were not in education, employment or training in Oct to Dec 2024



Future of the workplace

It is clear from the surveys that, despite their reservations around work readiness, employers do see young people as the future of the workplace. A third (**33%**) have specific recruitment, retention or training initiatives in place for workers under 25 years old. Furthermore, **75%** say they are prepared to train up young people entering the workforce if needed. Additionally, **71%** would consider working with local colleges and universities to create more opportunities for young people entering the workforce.

33%

of employers have **specific recruitment, retention or training initiatives** in place for workers under 25 years old



50%

of the Gen-Z respondents surveyed would like to start their own business in future

Improving visibility to young people

Employers should communicate these commitments as part of their strategy for attracting and retaining young talent. **They also need to be proactive about reaching out to younger people** – for example, by offering work experience placements and apprenticeships, liaising with university careers departments, schools, colleges and attending careers fairs.

As the survey highlights, young people have a strong entrepreneurial streak that employers can tap into to drive innovation within their organisation. Half (**50%**) of the Gen-Z respondents surveyed would like to start their own business in future. Furthermore, **42%** say they already juggle an entrepreneurial side-hustle with studying or working.

Supporting entrepreneurial success

Find out how The Open University enabled two young entrepreneurs to make a big impact in the football merchandising industry.

[Find out more](#)

“
A lack of junior talent means senior talent can't move on to do what they see as the more exciting stuff. This then leads to retention issues. I call it 'shark-infested waters' – there are lots of predators prowling around, looking to steal good engineers away.

– Leader in the engineering industry

“
Entry-level talent does lack communication skills and the confidence to talk to members of the public in a face-to-face conversation.

– Leader in local government

“
We go out to colleges and say to young people 'Come and work with us' and offer them apprenticeships.

– Leader in healthcare

“
While young people might lack soft skills, they might be adapted to digital technology. They may just have different strengths compared with other generations.

– Small business leader in Wales

Harnessing young talent

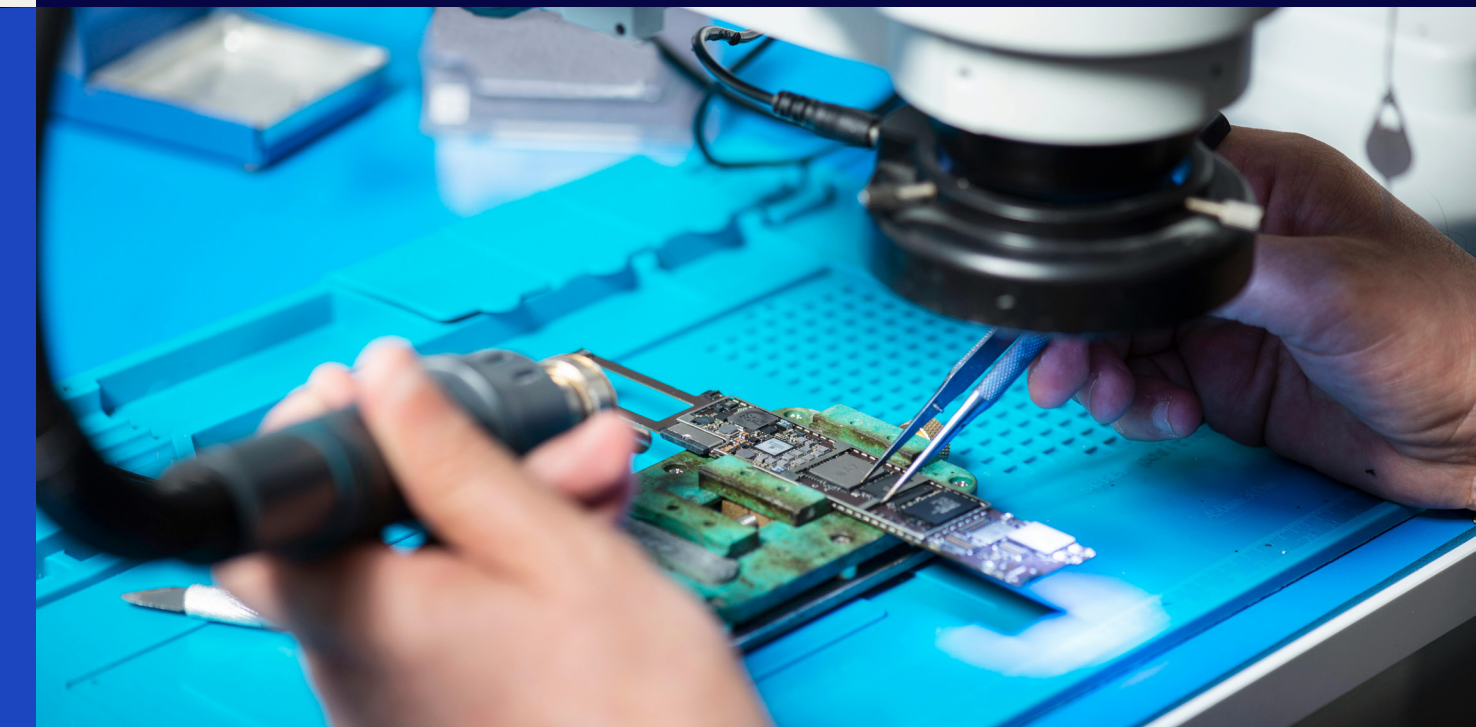
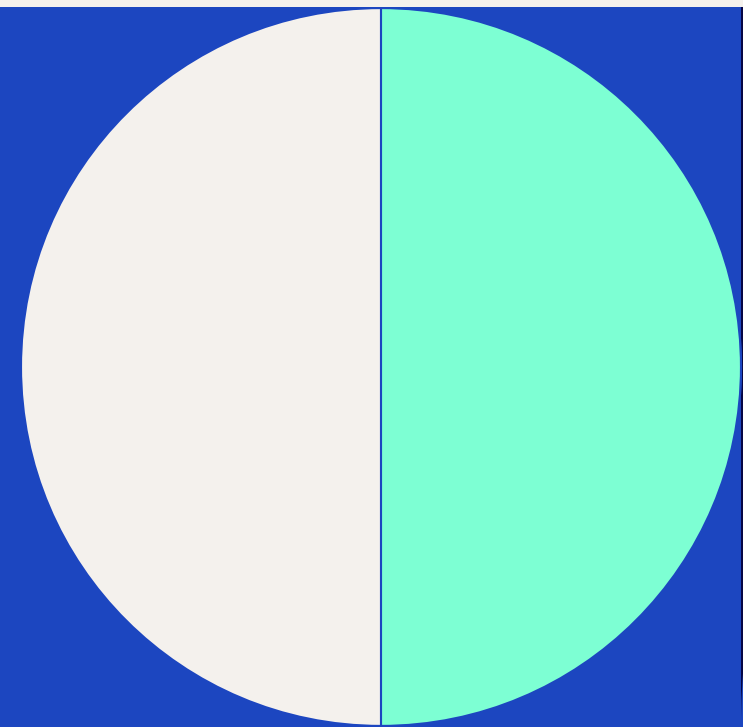
The Open University runs initiatives for employers on how they can effectively attract, develop and grow young talent. It also runs free online courses to support young people to be work ready. These include courses in digital skills and leadership, collaborative communication and building trust and change management.

[Find out more](#)

Enabling future young leaders

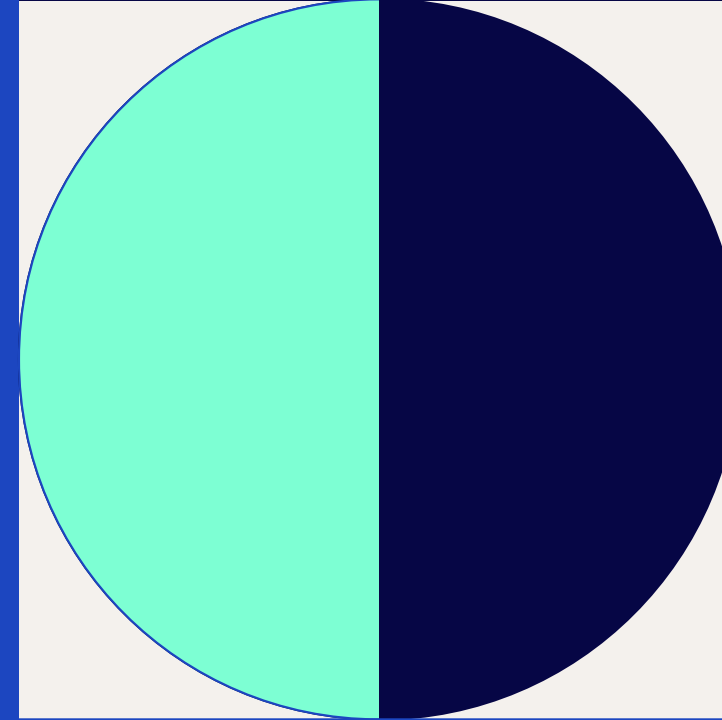
The Open University is working in the West Midlands with the Young Leaders Club to widen its training offering to young people from diverse backgrounds who are interested in pursuing a leadership role in the future.

[Find out more](#)



Five ways to develop the skills of today and tomorrow

Given the ongoing skills shortage within the UK, what should employers do to address their skills gaps? Based on the evidence presented by this report, our recommendations are:



02

Tap into diverse groups to fill your skills gap

The UK has a wide pool of talent that is not being well tapped by employers at present. Address your skills shortages by proactively and strategically targeting underrepresented and disadvantaged communities and demographics. Open up opportunities for older workers to reskill and change careers and ease the pathway for mothers and primary caregivers to return to the workforce.

01

Use training to drive people development

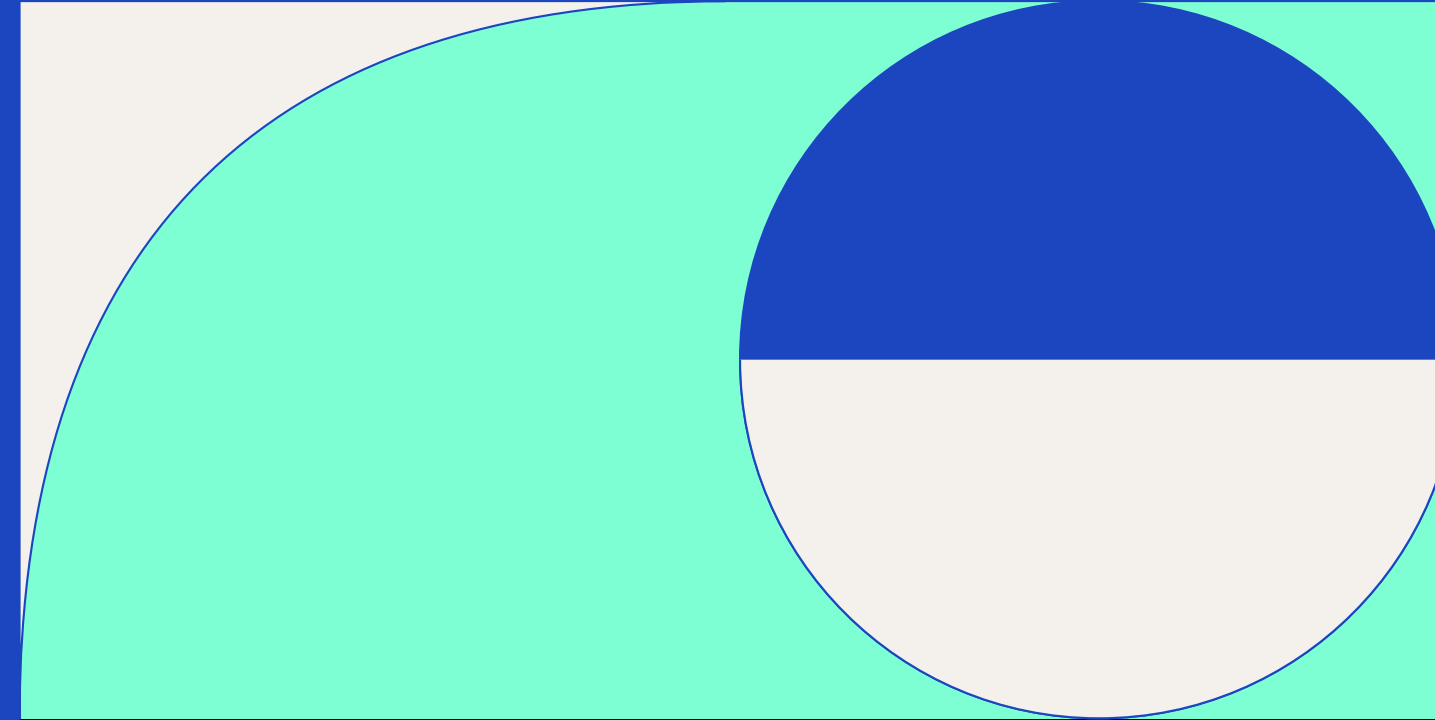
Not only is training more cost-efficient than hiring, it helps you to retain valued employees so you don't lose their skills and potential to other employers. People actively value and seek out lifelong learning, driving loyalty. Develop a written skills plan for your workforce and work with education providers to implement it.



03

Reach out to young people

Tell them about the opportunities in your organisation and sector, including the skills gaps you face. Offer them work experience, training and development in technical and soft skills. Look for opportunities within schools, colleges and universities to educate young people on the skills needs in your sector and explain how it has a positive societal impact.



04

Create opportunities in AI, digital, sustainability and social impact

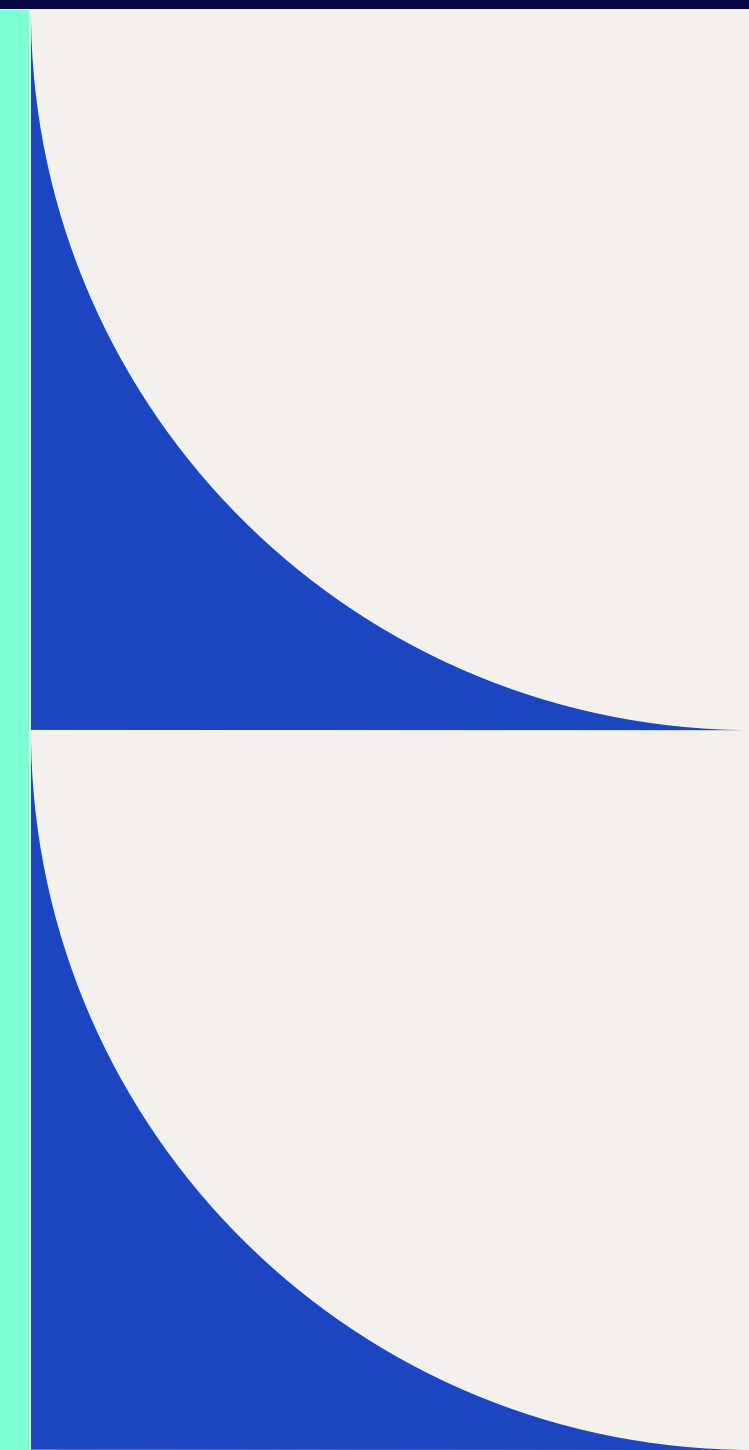
Young people want to work in these areas – which may also be areas where your organisation is struggling to deliver on its future plans. Bringing in young people, and training them up, could enable your organisation to achieve its business objectives.



05

Partner with educational institutions

By partnering with educational institutions such as colleges and universities, you can influence the training and educational programmes that meet the specific needs of your organisation and sector. Start conversations on what could be offered remotely if travel time or local availability are barriers.



About The Open University

The Open University (OU) is uniquely placed within the UK skills landscape, providing educational opportunities across all four nations and internationally.

The Open University (OU) is uniquely placed within the UK skills landscape, providing educational opportunities across all four nations and internationally. We work with more than **2,700 organisations** to provide undergraduate and postgraduate programmes, apprenticeships, short courses and free learning through our OpenLearn platform.

The majority of our students are already in work, due to the OU's flexible, tutor-supported online learning model. Our open access policy means that prior qualifications are not needed for most courses. We also widen access to education through our various scholarships for under-represented groups and support diverse entrepreneurs through our Open Business Creators programme. Furthermore, almost 39,000 of our **200,000 students** declare a disability and **28%** OU UK undergraduates who live in the **25%** most deprived areas of the country.

With regards to quality, the OU is **1 of only 34 universities** to achieve overall Gold in the Teaching Excellence Framework 2023. The OU is rated **16th in England** for overall positivity in student satisfaction (based on National Student Survey 2024 analysis by Times Higher Education). The OU Business School is proud to be part of an elite group of just **1% of business schools worldwide** that are triple-accredited.

Our teaching is underpinned by quality research and the OU is in the top third of UK universities for research excellence with **82%** of our research assessed as world-leading in the Research Excellence Framework (REF) 2021 (Based on REF Times Higher Education Power Rankings).

If you would like to discuss how the OU could help to address your skills challenges, please get in touch.



Sally Percy
Business journalist
and editor

Report author

Sally has written for many leading media organisations including [Forbes.com](https://www.forbes.com) and recently authored *The Disruptors: How 15 businesses defied the norm*.

Survey data

Data from the Business Barometer was collected by Opinium Research in an online survey of more than 2,000 senior decision-makers with responsibility for recruitment in UK businesses of 2+ employees. The survey was conducted in May 2025. Respondents were drawn from all sectors and geographies of the UK. Just over half (52%) represented small and medium-sized businesses (fewer than 250 employees).

Additionally, 1,000 members of Gen Z (aged between 18 and 24) were surveyed by Censuswide, using an online survey. The survey was conducted in May 2025.

Opinium Research is an award-winning market research and insight agency, with teams in London, New York, Amsterdam and Cape Town.

Censuswide is an international market research consultancy headquartered in London, with offices in New York, Dubai, Bristol, and Glasgow.



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THE RESEARCH CONSULTANTS



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