

2026

Business Barometer

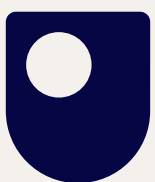
Harnessing young talent
pipelines in a digital world.





Contents





Foreword

The Open University's annual Business Barometer has charted the UK skills landscape since 2017. During this period, that landscape has evolved in many ways with factors such as the Covid -19 pandemic, the move to more hybrid working models, economic and political uncertainty, and changing rules around immigration all impacting skills availability.

Skills shortages across the four nations of the UK have remained a stubborn problem faced by many employers of all sizes and sectors – and this is reflected in this report. This may seem surprising on the surface when we see media coverage about rising unemployment, the impact of AI and automation, and a competitive job market that is difficult for many people to access.

The report also focuses on the huge societal challenge of more than one million young people aged 16-24 who are not currently in education, employment or training. Our survey shows that the vast majority of people in this group have real aspirations and want to learn and contribute to the economy.

The report reveals some potential impacts of AI on their early career prospects. We have to support and enable a future talent pipeline

as a society by giving them the opportunities to realise their potential. Young people are, of course; the digital experts, nurses and engineers of the future and we need to work together to build those vital future skills pipelines through innovative partnering.

Throughout the report, you will see links to many ways The Open University supports employers and young people build skills and employability through free and paid-for courses, entrepreneurial communities, scholarships and impactful partnerships and initiatives. As this report shows, there is much more to do, so do get in touch if you'd like to discuss how we can help.



Mark Durkin
Pro Vice Chancellor,
Partnerships and Enterprise
The Open University





Executive summary

The 2026 Business Barometer reveals that the majority of UK organisations continue to face skills shortages and challenges despite employers increasingly benefitting from a looser recruitment market. These shortages have a knock-on impact on employee wellbeing, which is likely impacting organisations' productivity and affecting their ability to retain valued staff.

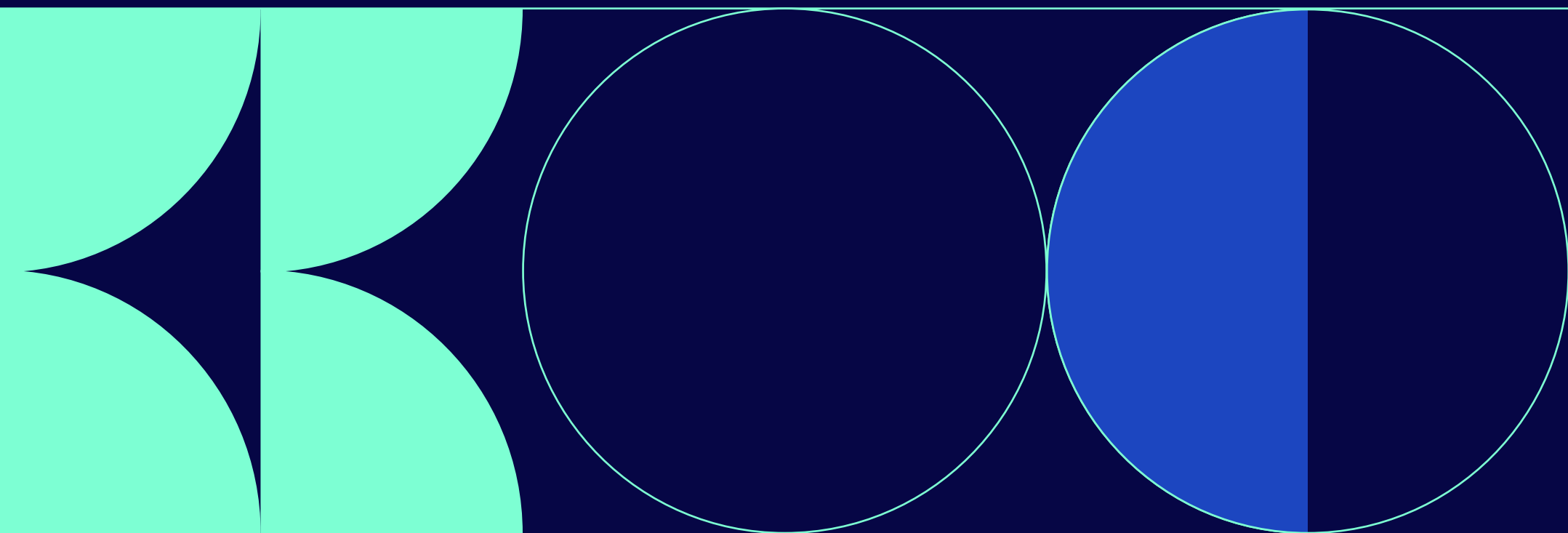
Based on a survey of organisational leaders, the report explores employers' views on staff retention, recruitment and training, as well as the role of young people in helping them to address their skills shortages going forward. It also looks at the impact of AI on early-career roles and future talent pipelines.

Unfortunately, many young people appear to be locked out of the labour market at present, with research by the Institute for Fiscal Studies

suggesting that structural factors may be driving a rise in young people being out of work, education and training.¹ Yet, they can potentially play a pivotal role in employers' future skills strategies. For that reason, the Business Barometer specifically explores the views of NEETs – people aged 16–24 who are not in education, employment or training – to understand how they could be better supported to enter the world of work.

The majority of UK organisations continue to face skills shortages and challenges.

¹ Source: [Institute for Fiscal Studies \(2026\)](#)





Perspectives on skills

What employers say...

What NEETs say...

57%

of employers agree there is currently a skills shortage in their organisation – up from 54% in 2025.

42%

believe the skills shortage will get worse in the next five years.

76%

say economic uncertainty has made recruitment or training more difficult in the past 12 months.

43%

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

38%

of NEETs want opportunities to learn new skills.

68%

would be willing to train or upskill if it helps them to get a job or progress at work.

34%

desire work that feels meaningful.

18%

want to progress quickly.

6%

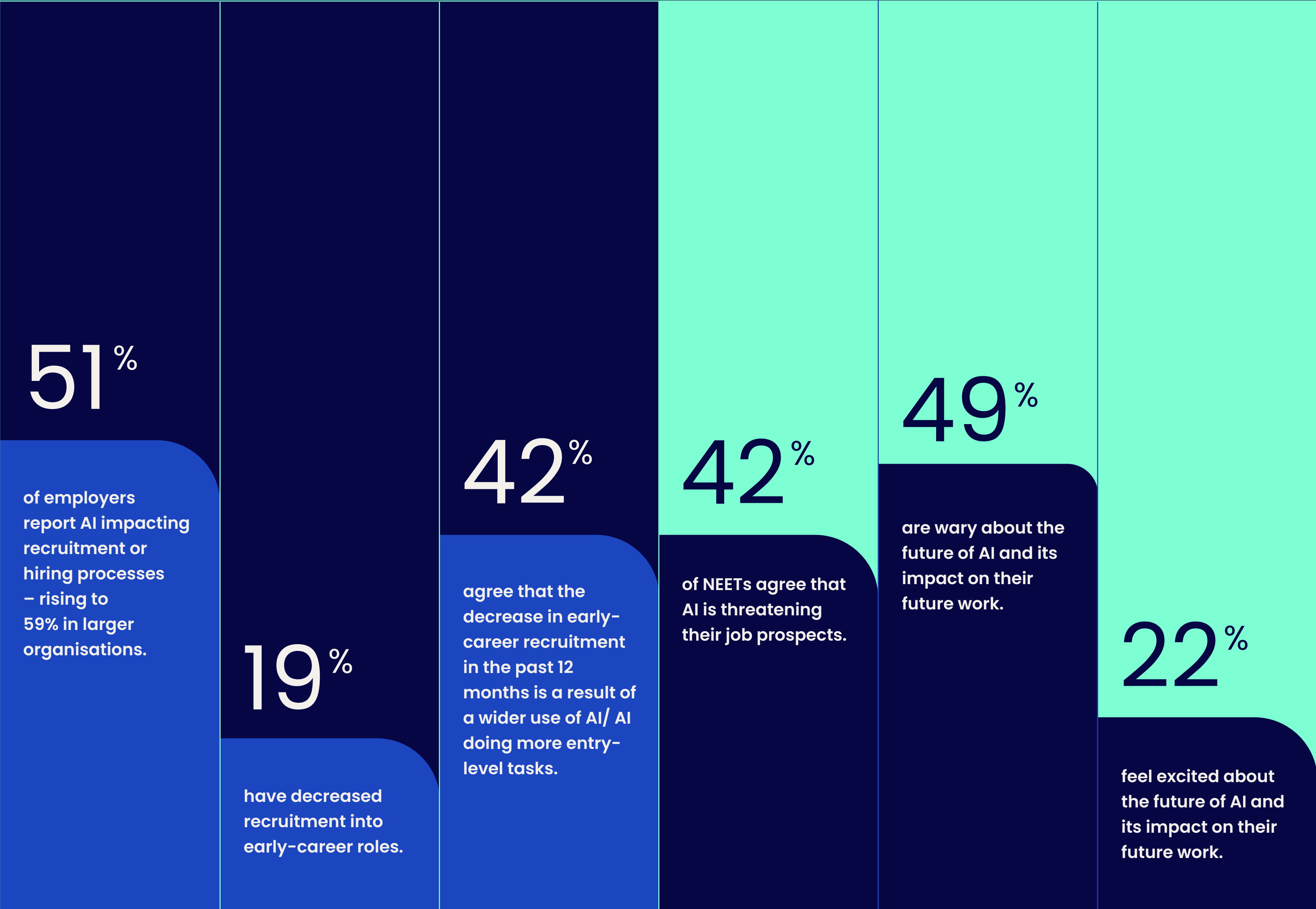
say they want to remain NEET – meaning the vast majority expect to be in education employment or training in two years' time.



Impact of artificial intelligence (AI) adoption on hiring

What employers say...

What NEETs say...





Nurturing the next generation

What employers say...

What NEETs say...

80%

of employers agree they are prepared to train young people entering the workforce – but their words are not always backed by action.

47%

say they are currently prioritising the recruitment of young people.

50%

agree that young people entering the workforce are not ready for the world of work.

82%

believe that young people need more training in soft skills, such as communication and management.

34%

offer specific recruitment, retention and training initiatives for workers under 25 years old.

24%

cite concerns that trained staff will leave the organisation as a barrier to offering training to entry-level staff.

78%

of NEETs would be more likely to stay with an employer long-term if they were given training, support and development beyond their job role.

40%

say mental health or wellbeing challenges have made it harder for them to find work or training.

62%

agree that 'young people like me are often unfairly stereotyped by employers'.

28%

are pessimistic about their future career prospects.

55%

do not feel supported by the UK/national Government to move into work or training.

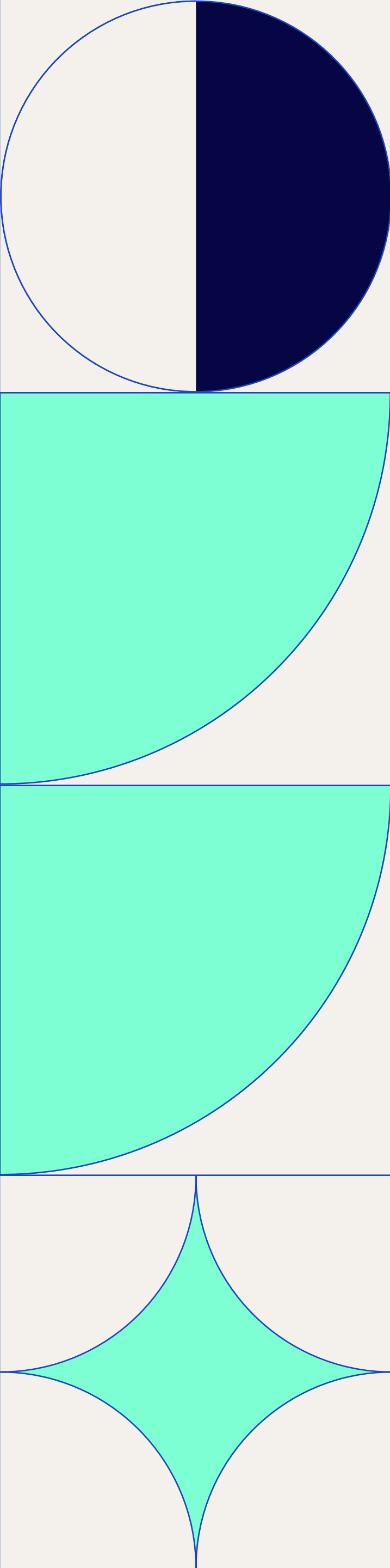


Methodology

Employer data for the Business Barometer was collected by Opinium Research in an online survey of 1,500 senior decision-makers with responsibility for recruitment in UK businesses with at least one employee. The survey was conducted between 23 April and 5 May 2026. Respondents were drawn from all sectors and geographies of the UK. Nearly half (48%) represented small and medium-sized businesses (fewer than 250 employees).

Additionally, 1,000 young people aged between 16 and 24 and classified as NEET (not in education, employment or training) were surveyed for the report, using an online survey. The survey was conducted in May 2026 by Opinium Research.

Throughout the report, the survey findings are broken down, where possible, to highlight the differences between each of the four nations of the UK.



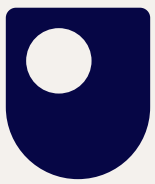
48%
represented small
and medium-sized
businesses



CHAPTER 1

The UK skills landscape in 2026





The findings of the 2026 Business Barometer highlight that skills shortages continue to be a challenge for the UK economy – and that, if anything, they are becoming worse rather than better (see chapter 2). At first glance, this may seem a slightly surprising situation given the significant cooling of the country’s labour market over the past couple of years.

As of March 2026, the UK unemployment rate was 5%², up from 4.3% two years previously.³ In total, 1.8 million people aged 16 and over were recorded as unemployed while vacancies reached a five-year-low⁴ of 705,000 in February to April 2026.⁵ The fall in vacancies suggests that employers are putting recruitment plans on hold while employees maybe fearful of compromising their job security by moving roles.

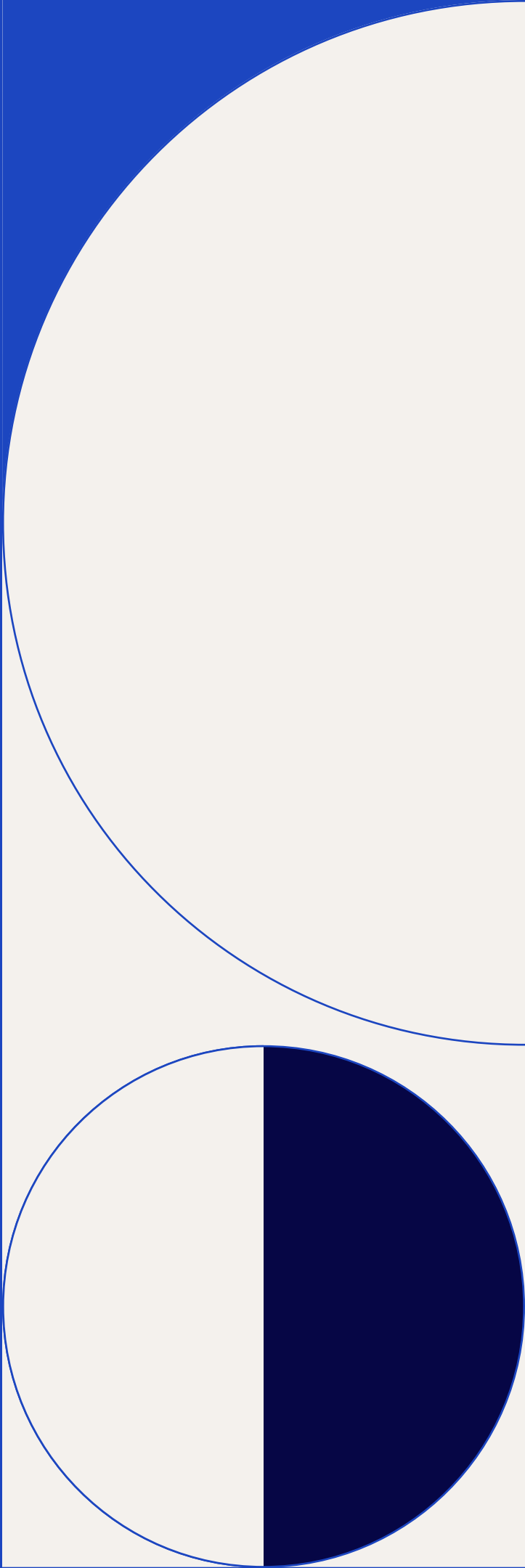
² Source: [House of Commons Library \(2026\)](#)
³ Source: [Office for National Statistics \(2024\)](#)
⁴ Source: [Financial Times \(2026\)](#)
⁵ Source: [House of Commons Library \(2026\)](#)
⁶ Source: [Employment Hero \(2025\)](#)
⁷ Source: [Office for National Statistics \(2026\)](#)
⁸ Source: [UK Government \(2026\)](#)

Research by HR platform Employment Hero in 2025 found that 55% of UK workers were prioritising job security over career ambition, with that figure rising to 65% among 18–34-year-olds.⁶

It is worth noting that unemployment rates vary across the UK, however, with England having the highest unemployment rate for people aged 16 and over at 5.2%. In Scotland the unemployment rate is 4.4%, while it falls to 3.6% in Wales and 2.1% in Northern Ireland.⁷

While there are differences in unemployment levels among the four nations, the overall decline in opportunities for jobseekers is a major contributing factor to one of the most pressing issues currently facing the UK Government: widespread youth unemployment. More than one million young people aged 16 to 24 years old are not in education, employment or training (NEET).⁸

More than one million people aged 16–24 are not in employment, education or training.





Why aren't employers hiring?

Today employers are navigating a testing business landscape, which is impacting on hiring intentions. Employers may not hire for various reasons including ongoing economic and political uncertainty, concerns about inflation and energy costs in the wake of the Iran war, and increased employment costs following recent increases to employer national insurance contributions and national minimum wage rates.^{9 10}

Young people have been disproportionately affected by the cutback on hiring as employers respond to cost pressures by prioritising the recruitment of more experienced and qualified staff.¹¹

Another trend that is significantly impacting on the UK labour market is the uptake of artificial intelligence (AI). As employers increasingly automate processes using AI tools, they are employing fewer people, particularly at early-career and junior levels where the focus can be on repetitive administrative work. Research by investment bank Morgan Stanley, published in January, found that AI was eradicating more jobs than it was creating, with net job losses among British companies down **8%** over the previous 12 months.¹²

⁹ Source: [The Guardian \(2025\)](#)

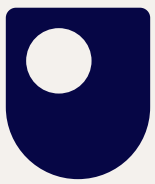
¹⁰ Source: [The Guardian \(2026\)](#)

¹¹ Source: [The Guardian \(2026\)](#)

¹² Source: [The Guardian \(2026\)](#)



Research by investment bank Morgan Stanley found that AI was eradicating more jobs than it was creating.



Causes of the skills shortage

Yet while labour market conditions may appear to favour employers in many respects, they are still wrestling with skills shortages. This is partly due to the mismatch between the skills needed by employers and those available within the workforce.

The rapid adoption of AI and other technological advances has resulted in high demand for digital skills, for example. Meanwhile, the ongoing transition to a more sustainable economy requires specialised skills and knowledge in areas such as renewable energy and advanced manufacturing.

There are several other reasons why skills shortages have been a stubborn problem in the UK in recent years. Several factors are contributing to the shortages, including a retirement wave among the Baby Boomer generation, stricter immigration policies post-Brexit that make it harder to recruit talent from overseas,¹³ and rising levels of long-term sickness.¹⁴

Mental health is a major contributor to long-term sickness. Furthermore, it is the top cause of long-term absence, according to the Chartered Institute of Personnel and Development (CIPD)¹⁵ – and is closely linked with unemployment. The prevalence of a common mental health condition in unemployed adults is twice that of employed adults.¹⁶

¹³ Source: [Global Business News \(2025\)](#)

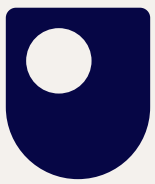
¹⁴ Source: [UK Parliament \(2022\)](#)

¹⁵ Source: [CIPD \(2025\)](#)

¹⁶ Source: [Mental Health Foundation \(2026\)](#)

The prevalence of a common mental health condition in unemployed adults is twice that of employed adults.





Economic inactivity rates across the UK (ONS 2026)

England	20.4%
Scotland	22.7%
Wales	25.1%
Northern Ireland	26.3%



Overall, skills shortages are potentially being exacerbated by economic inactivity – inactivity due to people being unemployed or choosing not to seek work. More than nine million people in the UK aged between 16 and 64 are economically inactive for various reasons, which may include caring responsibilities, illness, early retirement or lacking confidence in their ability to secure work.¹⁷ Inactivity rates vary across each of the four nations – from **20.4%** in England to **22.7%** in Scotland, **25.1%** in Wales and **26.3%** in Northern Ireland.¹⁸

Another challenge is the mismatch between the skills needed by employers and those available within the workforce. The rapid adoption of AI and other technological advances has resulted in high demand for digital skills. Meanwhile, the ongoing transition to a more sustainable economy requires specialised skills and knowledge in areas such as renewable energy and advanced manufacturing.

Given the structural barriers they face, UK employers will need to think creatively if they are to address their skills shortages. Instead of relying heavily on external recruitment strategies that tap established talent pools, they should look to develop their existing workforce through upskilling and better tap hidden talent pools, including NEETs and other young people. As this report highlights, harnessing young talent could be a highly effective strategy for building a future skills pipeline that is aligned to employers’ needs.

¹⁷ Source: [House of Commons Library \(2026\)](#)
¹⁸ Source: [Office for National Statistics \(2026\)](#)



CHAPTER 2

Perspectives on skills



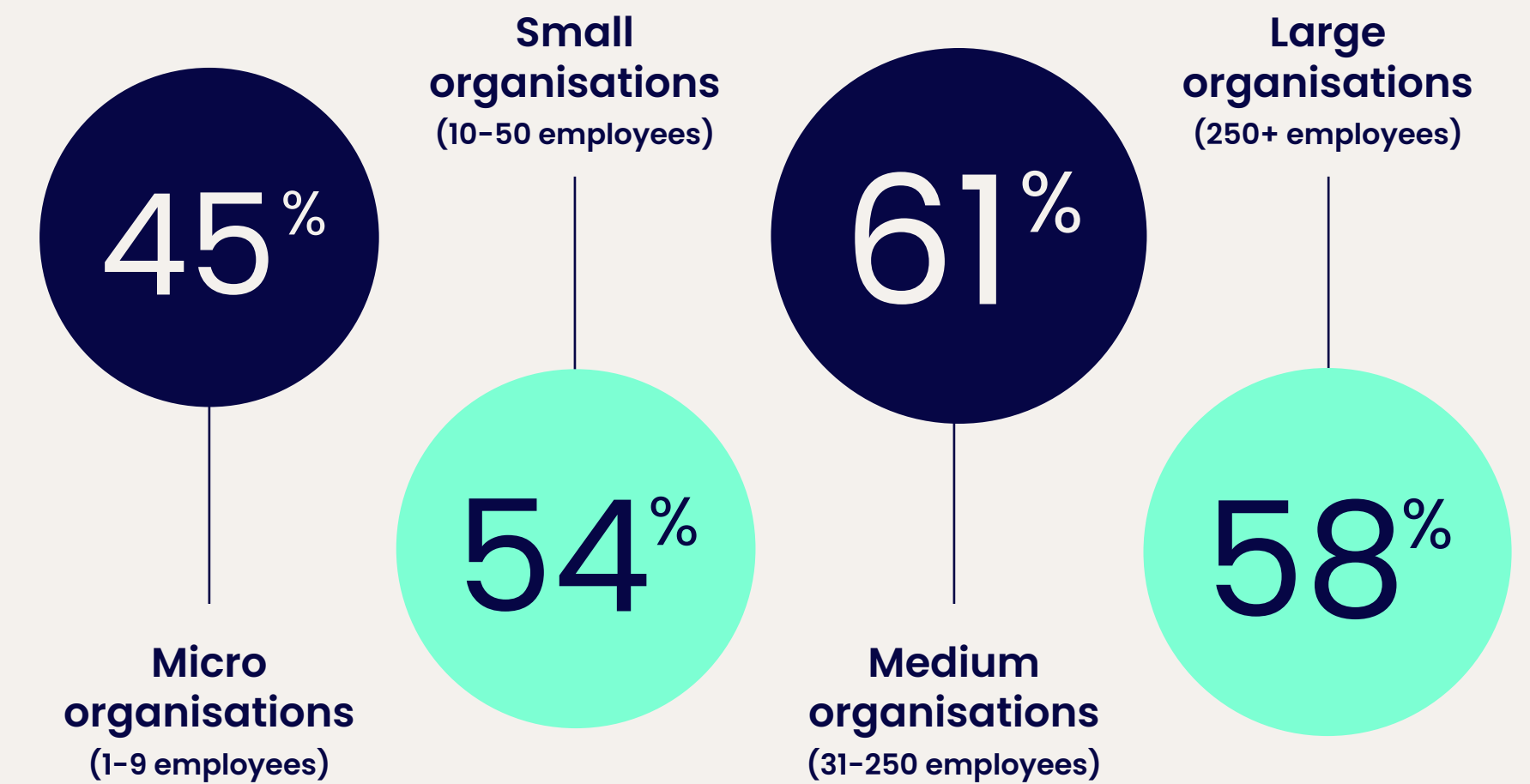


CHAPTER 2 – PERSPECTIVES ON SKILLS

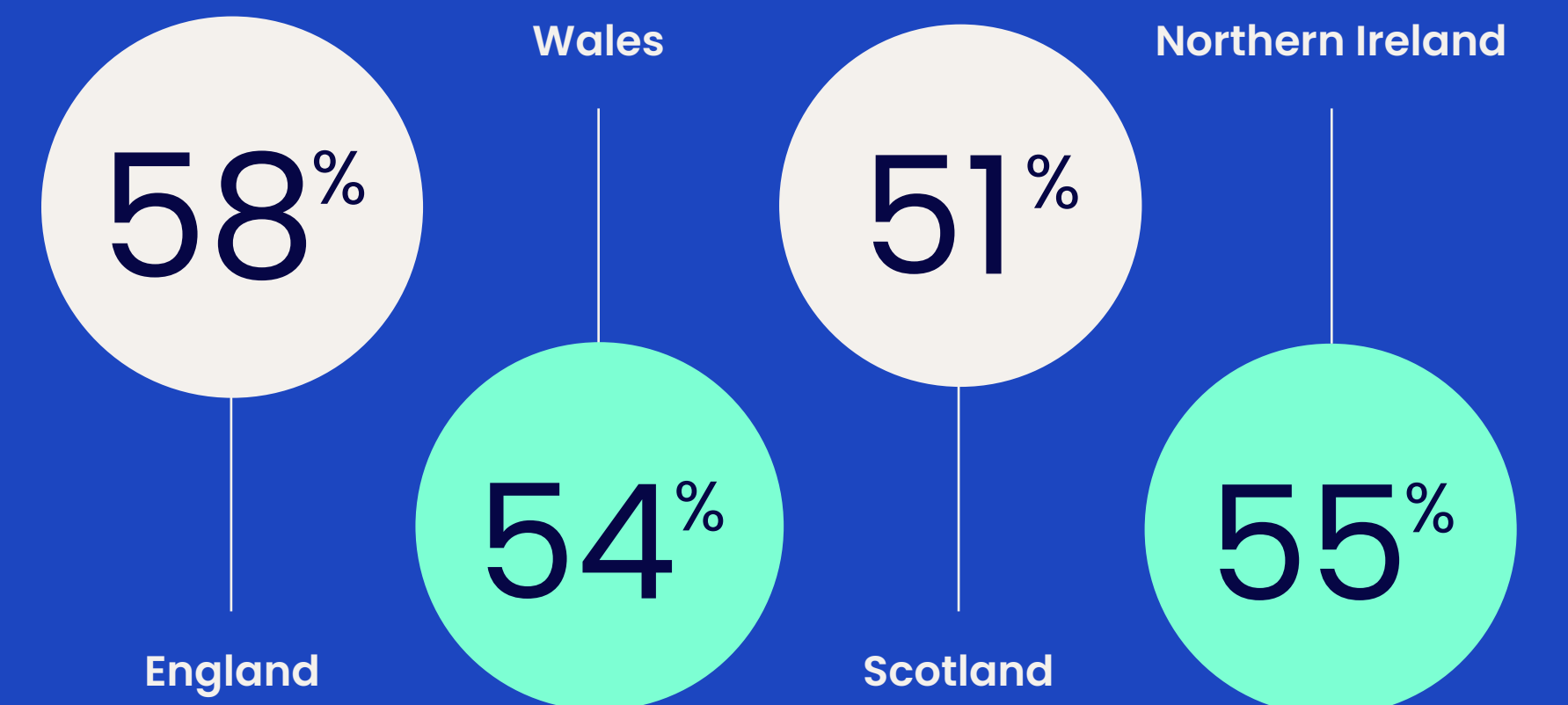
Despite job market conditions appearing to be in their favour, many employers are struggling to access many of the skills they need. More than half of employers surveyed (57%) say their organisation is currently experiencing a skills shortage. This is up from 54% in 2025, suggesting that the problem is slightly worsening, rather than improving. The issue of skills shortages is most acute for medium-sized organisations with between 51 and 250 employees (61%).

At a sector level, the manufacturing and automotive sector is more likely to report skills shortages, with around two-thirds of employers in this sector (67%) agreeing that their organisation is suffering from a shortage of skills. Employers in the financial and insurance activities sector are also likely to report a skills shortage (64%).

% of employer experiencing a skills shortage – by organisation size



% of employers reporting a skills shortage – by nation





Impact of skills shortages

Skills shortages have an impact on employees’ physical and mental wellbeing, which in turn impacts the productivity of UK organisations. Over half of employers (54%) report that their organisation has experienced increased workloads over the past 12 months while 44% say that lower staff morale or motivation has been an issue and 35% admit to a decline in staff mental wellbeing.

Given the challenges associated with skills shortages, it is no surprise that more than half of UK employers (54%) say their organisation has struggled with staff retention in the past 12 months. Northern Ireland is the most affected nation, with 66% of employers there agreeing that staff retention is an issue. The desire to retain skilled staff explains why 66% of UK employers say their organisation wants to prioritise staff retention over the next 12 months.

Challenges experienced by employers in the last 12 months

54%

Increased workload

44%

Lower staff morale or motivation

35%

Lower staff mental wellbeing

34%

Increased sickness levels

31%

Higher staff turnover than normal



76% of employers say economic uncertainty has made recruitment or training more difficult in the past 12 months.



CHAPTER 2 – PERSPECTIVES ON SKILLS

Barriers to recruitment and training

Recruiting new employees and training existing employees are the principal ways that employers address their skills gaps. Both approaches are likely to be part of an employer's overall workforce strategy and require financial investment. Yet employers face barriers to both recruitment and training due to the current business environment.

More than three-quarters of employers (**76%**) say economic uncertainty has made recruitment or training more difficult in the past 12 months. Furthermore, **72%** highlight the issue of UK growth challenges. Over half (**56%**) say political uncertainty and international conflicts have acted as a dampener on recruitment or training.

Across the four nations, respondents in Wales (**80%**) are most likely to see economic uncertainty as a barrier to recruitment or training. Of the four nations, they are also most likely to cite political uncertainty and conflict as an issue (**59%**). Meanwhile, UK growth challenges are more of a barrier to recruitment or training for employers in Northern Ireland (**82%**) compared with their peers in other nations.

Despite skills shortages being a pressing business issue, only around two in five employers (**39%**) have implemented a written skills plan to identify and address current or anticipated skills shortages. This is significantly down from **46%** last year. A further **39%** say they have a plan, but it is not in writing.



Hiring and upskilling trends

Overall, **43%** of employers say they have hired fewer staff members over the last 12 months compared with previous years. This is most likely to be the case for medium-sized businesses that have between 51 and 250 employees (**45%**). Higher employment costs – in particular, recent increases to employer national insurance contributions and national minimum wage rates – could have impacted employer hiring intentions.

Significantly, reduced hiring is not necessarily a short-term blip for many organisations either. Looking ahead to the next five years, **28%** of employers believe they will hire fewer staff per year compared with in the past.

This reduction in recruitment has important implications for employers looking to grow and innovate in an era of rapid change. If they are hiring fewer skilled staff members into their organisations for the foreseeable future, it is even more important they invest in upskilling and reskilling existing staff members by adopting a culture of lifelong learning.

A recent report by The Open University, entitled *In from the cold*, highlights that employers can build skills through a variety of methods. These include in-house training programmes and degree apprenticeships delivered in conjunction with higher education providers.¹⁹

Employers appear to appreciate the importance of investing in employee skills development, particularly at a time when it may not be feasible for them to recruit. More than half (**53%**) plan to increase the scope of employee training in their organisation over the next 12 months, with just **7%** saying they plan to decrease it.

Learning and development can be a very effectual way of filling skills gaps – and more cost-effective than hiring. 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 **76%** cheaper – at £3,107.²⁰



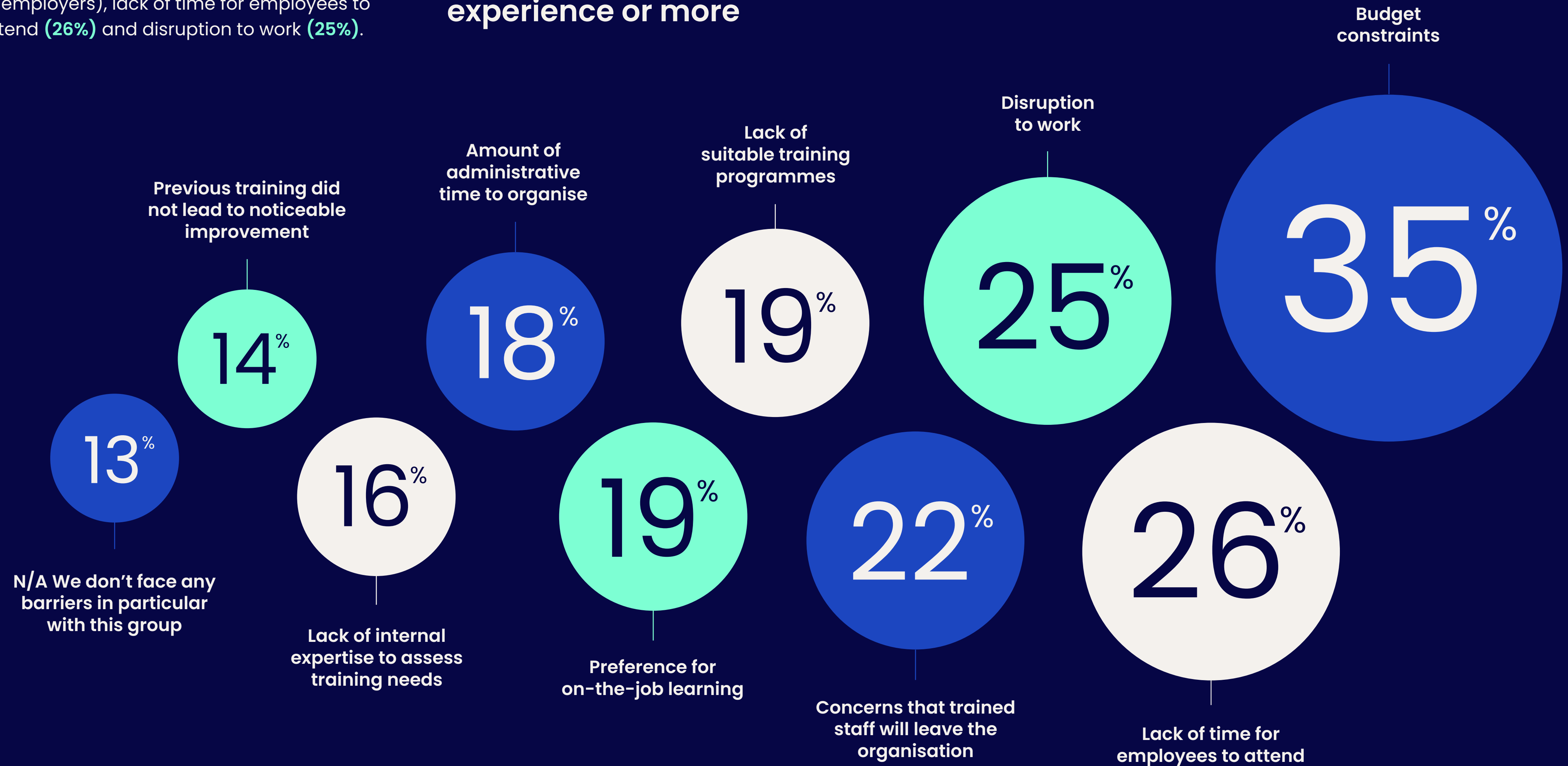
¹⁹ Source: [The Open University \(2026\)](#)
²⁰ Source: [People Management \(2022\)](#)



CHAPTER 2 – PERSPECTIVES ON SKILLS

The main barriers to offering more training to employees with two years' experience or more are budget constraints (cited by **35%** of employers), lack of time for employees to attend (**26%**) and disruption to work (**25%**).

Barriers to training employees with two years' experience or more





Employers' hiring expectations over the next five years – by organisation size

- Hire more staff
- Hire fewer staff



Micro organisations
(1-9 employees)

30%

28%

Small organisations
(10-50 employees)

35%

30%

Medium organisations
(31-250 employees)

41%

24%

Large organisations
(250+ employees)

41%

29%



Employers' hiring expectations over the next five years – by nation

- Hire more staff
- Hire fewer staff

England

Wales

Scotland

Northern Ireland

40%

37%

37%

30%

27%

31%

27%

32%



Will the skills shortage get better or worse?

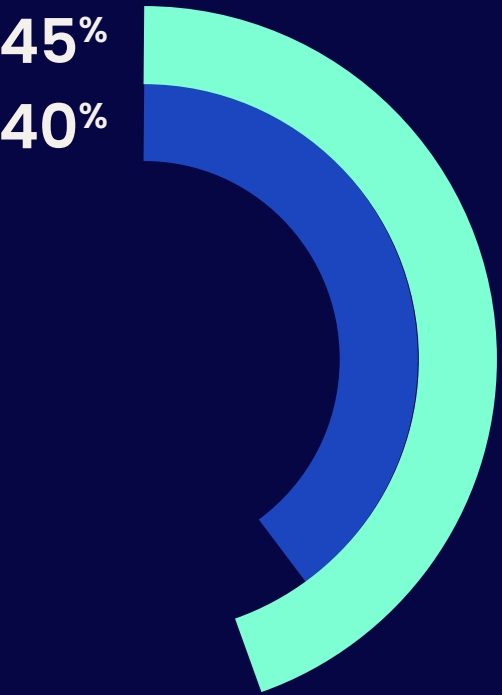
Employers are not necessarily confident that the skills shortage will ease in the near term. Two out of five employers who are experiencing a skills shortage (42%) believe that the shortage in their organisation will worsen over the next five years.

Employers are evenly divided on the issue of whether skills shortages will improve or worsen, however. Some 43% think the skills shortage in their organisation should ease over the next five years, at least to some extent.

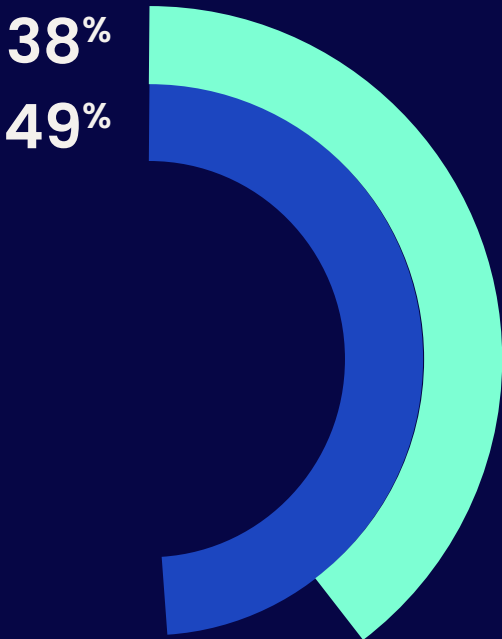
Will the skills shortage get better or worse over the next five years?

● Better ● Worse

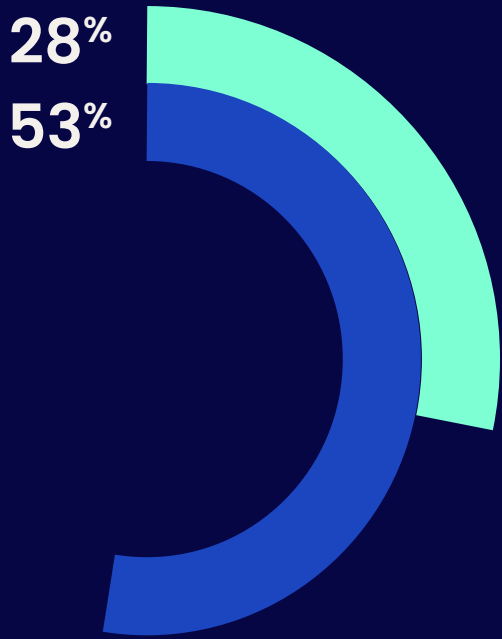
England



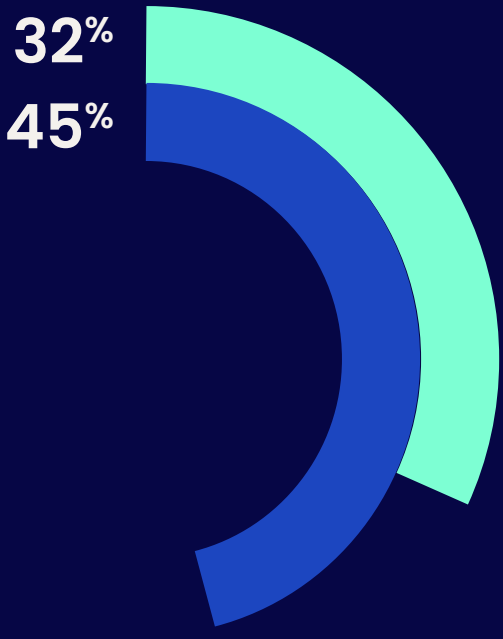
Wales



Scotland



Northern Ireland





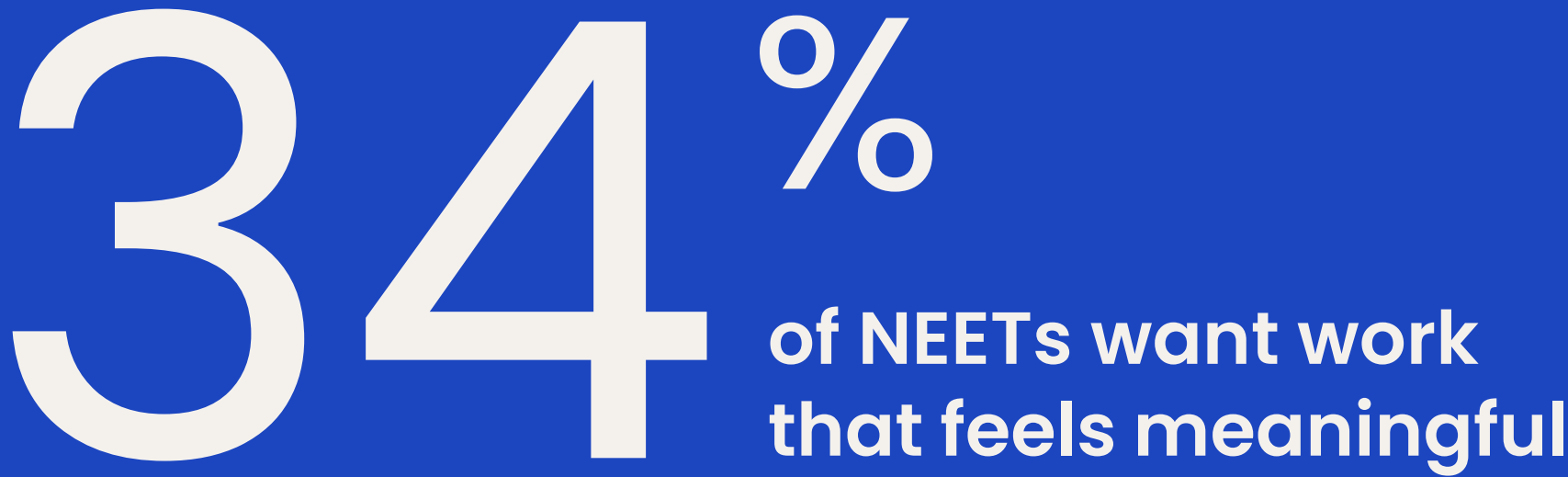
NEETs can help employers to address skills shortages

Our survey shows that many NEETs – people aged 16–24 who are not in education, employment or training – are keen to upskill and make a positive contribution to the workplace. The Open University has highlighted many reasons why young people are not in education, employment or training. These include a lack of confidence, disability or long-term health conditions, caring responsibilities for children and other family members, financial difficulties in accessing learning opportunities, and living in a local area with limited access to face-to-face learning opportunities.

Overall, 38% of NEETs surveyed say they want opportunities to learn new skills and 68% would be willing to train or upskill if it helps them to get a job or progress at work. By working with partners such as The Open University, employers can create those opportunities for young people while simultaneously building future-ready building skills pipelines. Only a very small proportion of NEETs (6%) say they don't want to be in education, training or employment at all over the next two years.

When hiring NEETs, employers should be conscious that they tend to look for work that aligns with their values. More than a third (34%) want work that feels meaningful, with male respondents more likely to say this than female respondents. Meanwhile, 31% would like to have flexibility over when and how they work. NEETs can also be very ambitious – around a fifth (18%) say they want to progress quickly, with male respondents likelier than female respondents to hold this view.

Two in five NEETs (37%) say they desire a stable job with security. When asked what they would like to be doing in two years' time, 42% say they would like to be in paid employment while 14% would like to run their own business or be self-employed. Nearly a fifth (20%) are unsure about what they'd like to do.





What NEETs ask from employers



Provide ongoing feedback and support, so young workers feel guided, rather than overwhelmed, as they transition into full-time work or training.



Have a system of employing both types (skilled and unskilled). Have a good interview and training process ready.



Invest more in training programmes for young people.



Open Business Creators

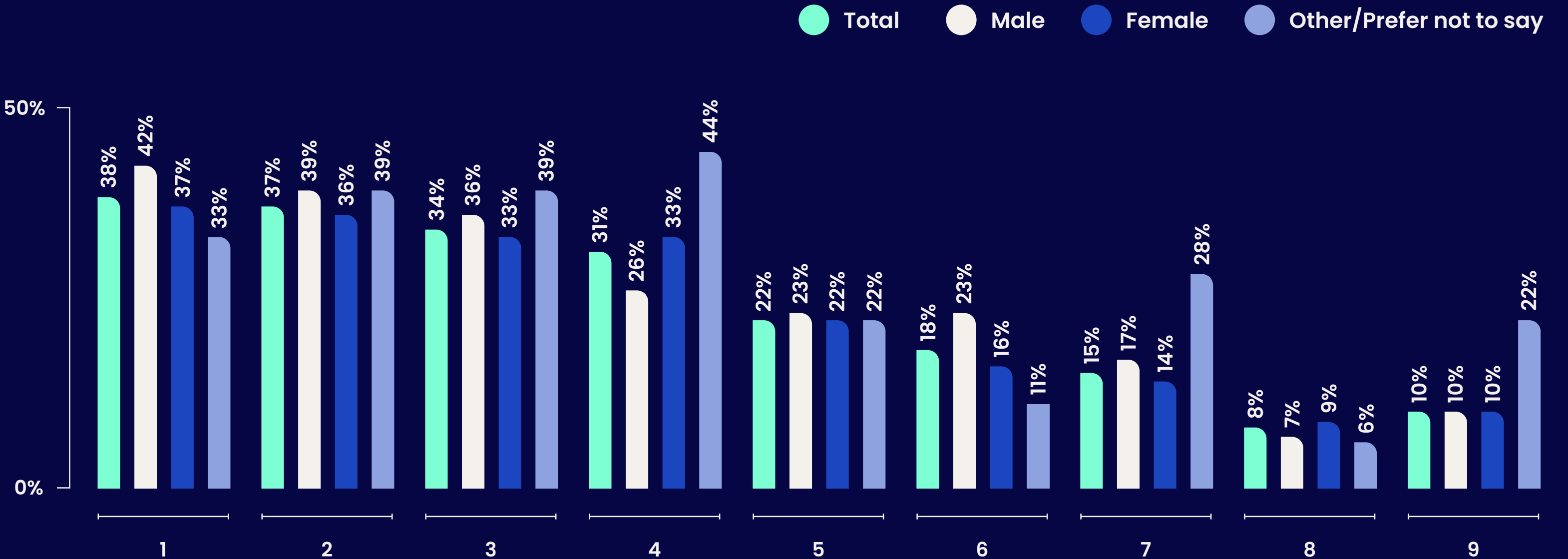
The Open Business Creators programme is an Open University initiative that aims to empower individuals across the four UK nations to embark and progress on their entrepreneurial journeys.

By equipping participants with tools and resources, facilitating virtual events, funding opportunities and offering guidance from academics and entrepreneurs in residence, the community aims to cultivate a new generation of business founders.



How do NEETs feel about work?

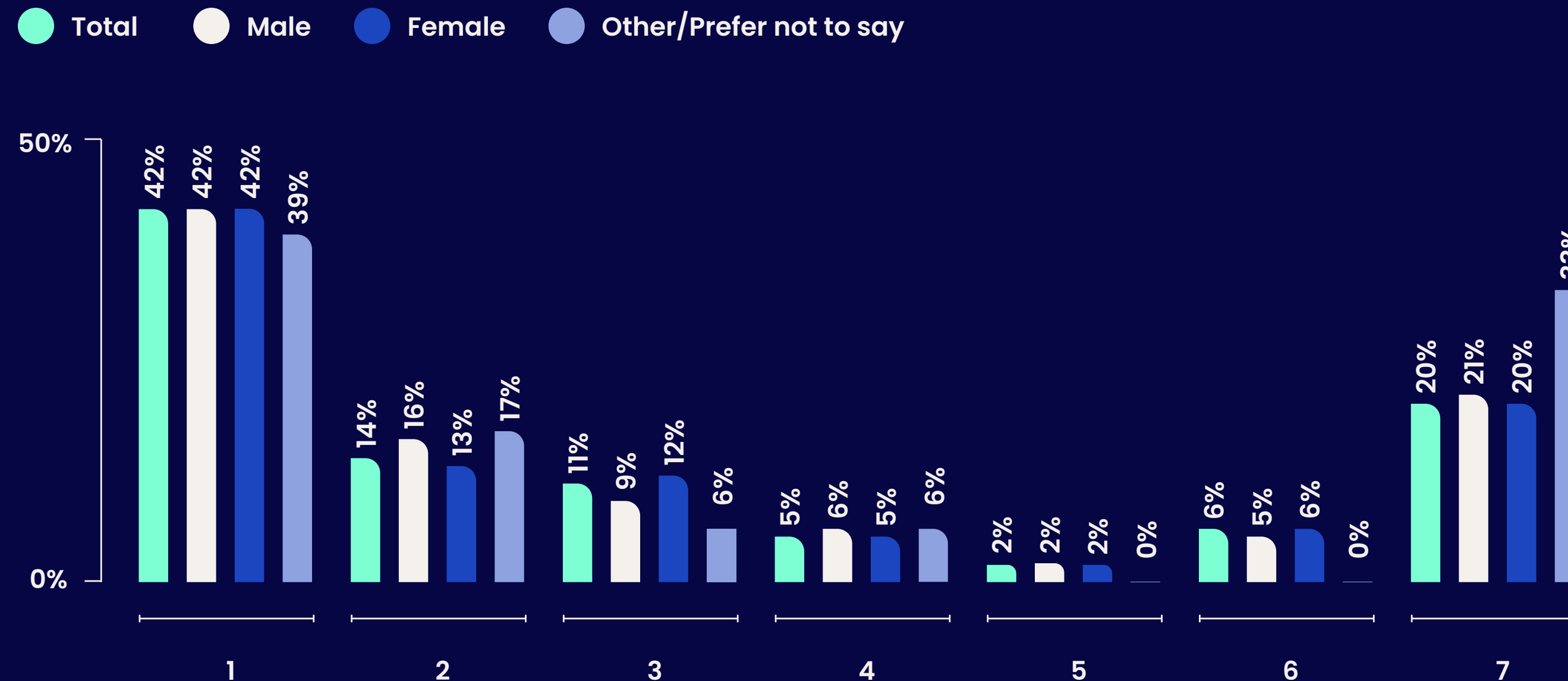
- 1 I want opportunities to learn new skills
- 2 I want a stable job with security
- 3 I want work that feels meaningful
- 4 I want flexibility over when and how I work
- 5 I don't want to have a traditional '9-5' job as it might not be for me
- 6 I want to progress quickly
- 7 I want to combine work with personal projects or side hustles
- 8 None of these
- 9 Don't know





What do NEETs want to be doing in two years' time?

- | | | | |
|---|--|---|---|
| 1 | In paid employment | 5 | Something else |
| 2 | Running my own business or self-employed | 6 | N/A I don't want to be in education, training or employment |
| 3 | Combining work with study or training (e.g. an apprenticeship) | 7 | I'm unsure |
| 4 | Enrol in studies or training but not in work | | |



Case study

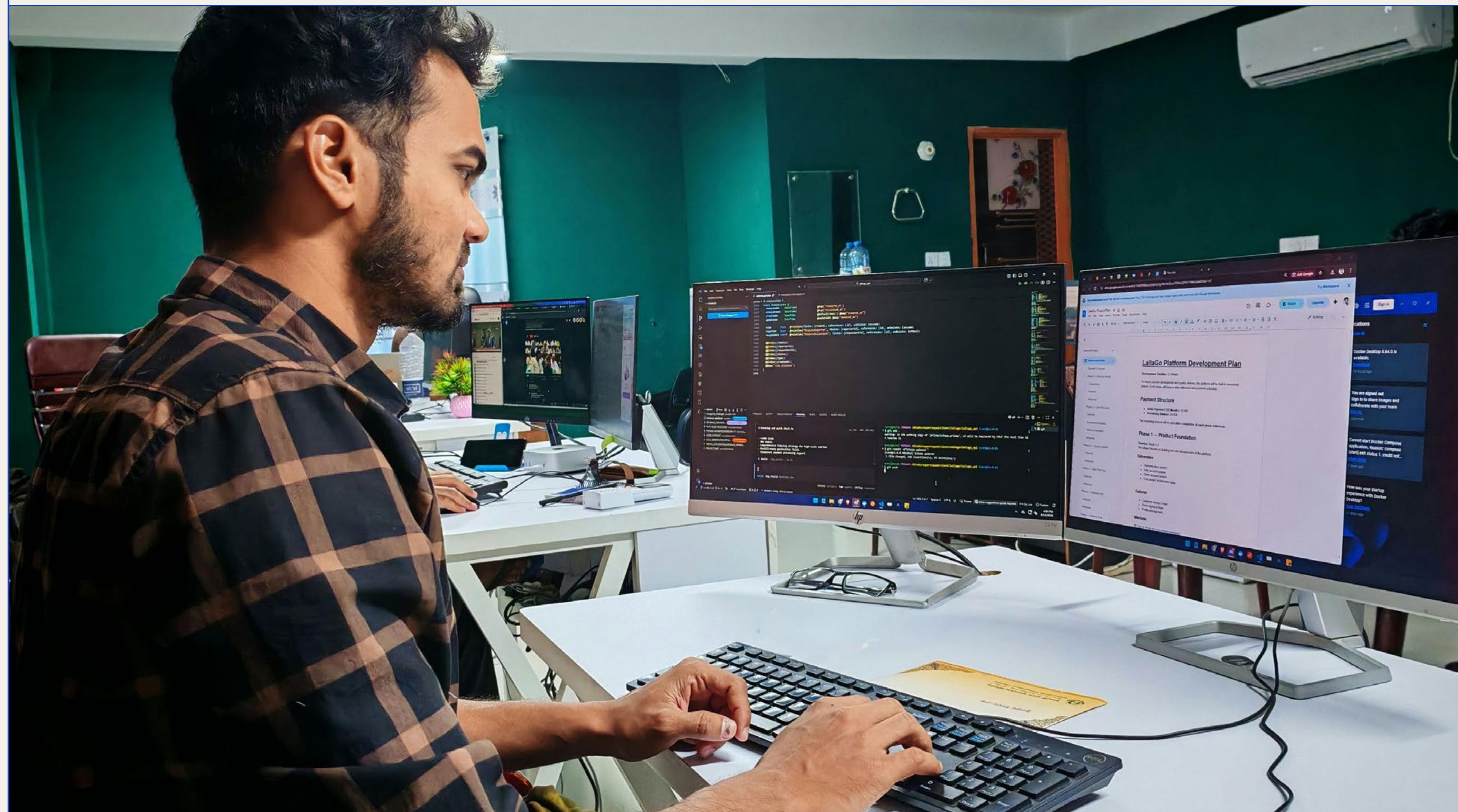
Erin | Flexible study pathway

Find out how Erin from Cardiff chose a flexible degree with The Open University after finding that studying at a campus university was not the right fit. Erin balances study around her role as a teaching assistant.



CHAPTER 3

Impact of AI adoption on hiring



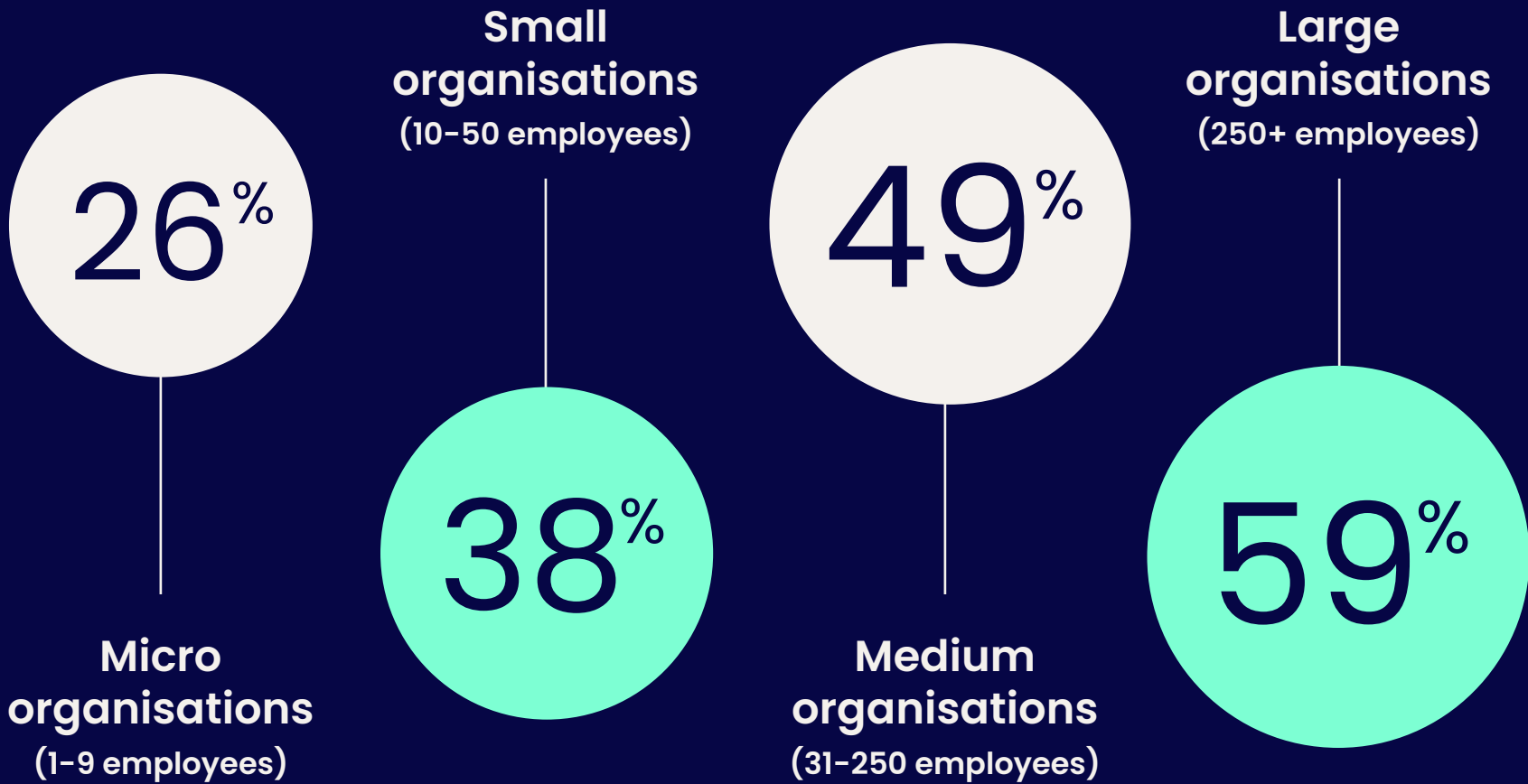


CHAPTER 3 - IMPACT OF AI ADOPTION ON HIRING

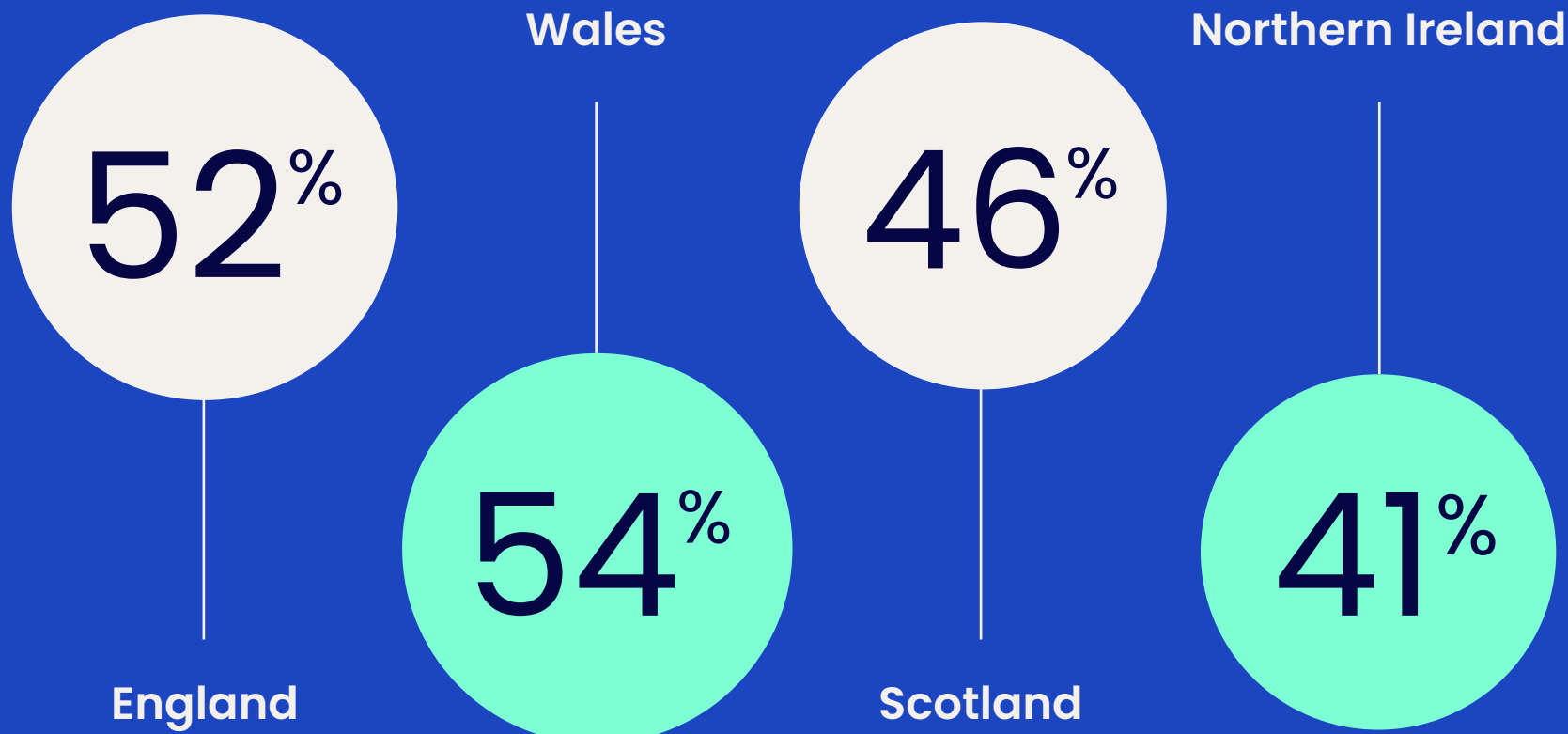
The survey highlights that AI is playing a pivotal role in employers' strategies for enhancing the skills of their workforce. More than half of employers (51%) say that AI is having an impact on their recruitment or hiring processes. This figure rises to 59% for large organisations with 250 employees or more.

Across the nations, employers in Wales are mostly likely to say that AI has impacted their recruitment and hiring (54%). Those in Northern Ireland are least likely to cite an impact (41%).

% of employers saying AI has impacted recruitment or hiring – by organisation size



% of employers saying AI has impacted recruitment or hiring – by nation



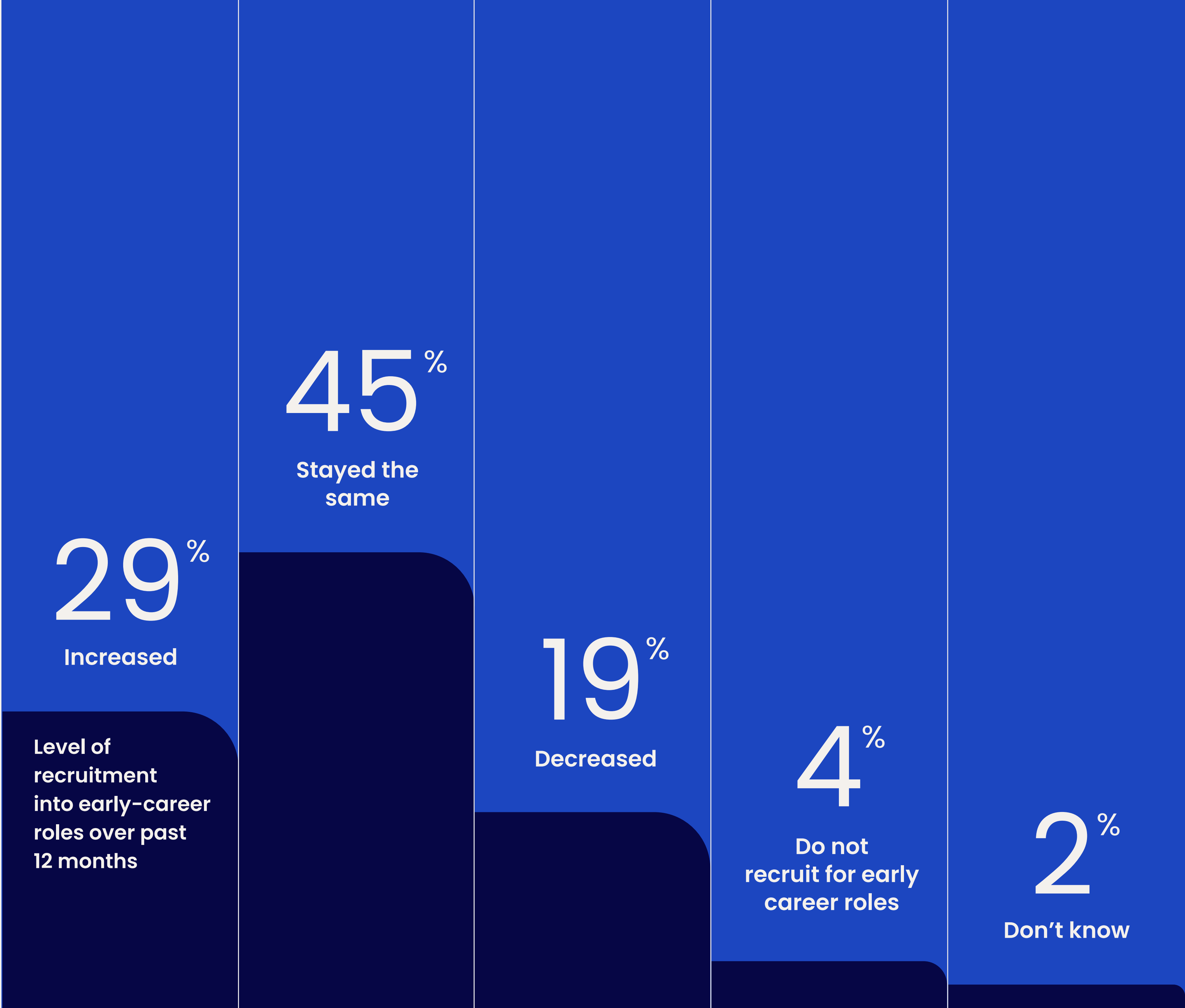


How is AI affecting early-career roles?

Employers continue to recruit staff into early career-roles, despite AI having the capability to automate administrative tasks previously performed by entry-level personnel. Over the past 12 months, **29%** of those surveyed have increased their recruitment into roles for people with less than two years' experience (including apprentices, graduates and trainees). Some **45%** have maintained recruitment at previous levels.

Nevertheless, it is notable that around a fifth of employers (**19%**) have decreased their recruitment into early-career roles. This may be the start of a shift towards lower entry-level recruitment in certain jobs and sectors. Research by the Institute for Fiscal Studies identifies the rise of AI as one of the 'structural changes' that may be affecting young people's employment opportunities, along with worsening youth mental health.²¹

²¹Source: [Institute for Fiscal Studies \(2026\)](#)





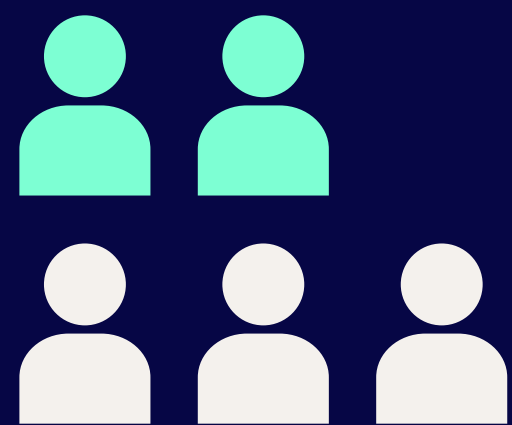
CHAPTER 3 – IMPACT OF AI ADOPTION ON HIRING

Of those who have made fewer early-career hires, **42%** say that their decrease in recruitment at this level is a result of the wider use of AI or AI doing more entry-level tasks. This finding correlates with other research. A survey by the Institute of Student Employers found that nine in 10 employers (**87%**) believe that AI will change graduate and apprentice roles, with **58%** expecting minor changes and **29%** major ones.²² Employers in larger organisations are far likelier than those in smaller organisations to attribute reduced entry-level recruitment to AI, with **48%** stating this to be the case.

NEETs are acutely aware that AI is affecting their job prospects. Nearly half (**49%**) say they are wary about the future of AI and its impact on their future work, with **42%** finding it threatening to their job prospects. Despite having grown up in a digital-first world, just **22%** say they feel excited about the future of AI and its impact on their future work.

AI can help to improve organisations' efficiency and productivity – which is important in this challenging economic climate – and enable them to create new products and services. Nevertheless, investment in AI alone is not sufficient to drive growth and innovation. Employers must invest in their people if they are to safely and ethically harness the full potential of AI. They should equip them with the skills and knowledge to effectively and responsibly harness AI tools. Also, it is essential that employers continue to recruit entry-level staff if they are to nurture a pipeline of future leaders and specialists.

²² Source: [People Management \(2026\)](#)



2 in 5 say their decrease in recruitment at entry-level is due to AI doing more of these tasks.



What NEETs ask from employers



Offer more accessible graduate schemes for people, not just those who graduated with 2:1.



Make sure they 100% look at the application and not just look for keywords.



Hire people who are willing to learn even if they don't apply with the skills required.



OU partnership in action

Microsoft | AI

The AI Hub from Microsoft and The Open University's OpenLearn platform offers free, accessible courses designed to build confidence and skills in AI. It's suitable for people who are just starting out, as well as those looking to deepen their knowledge of AI technologies.



OU partnership in action

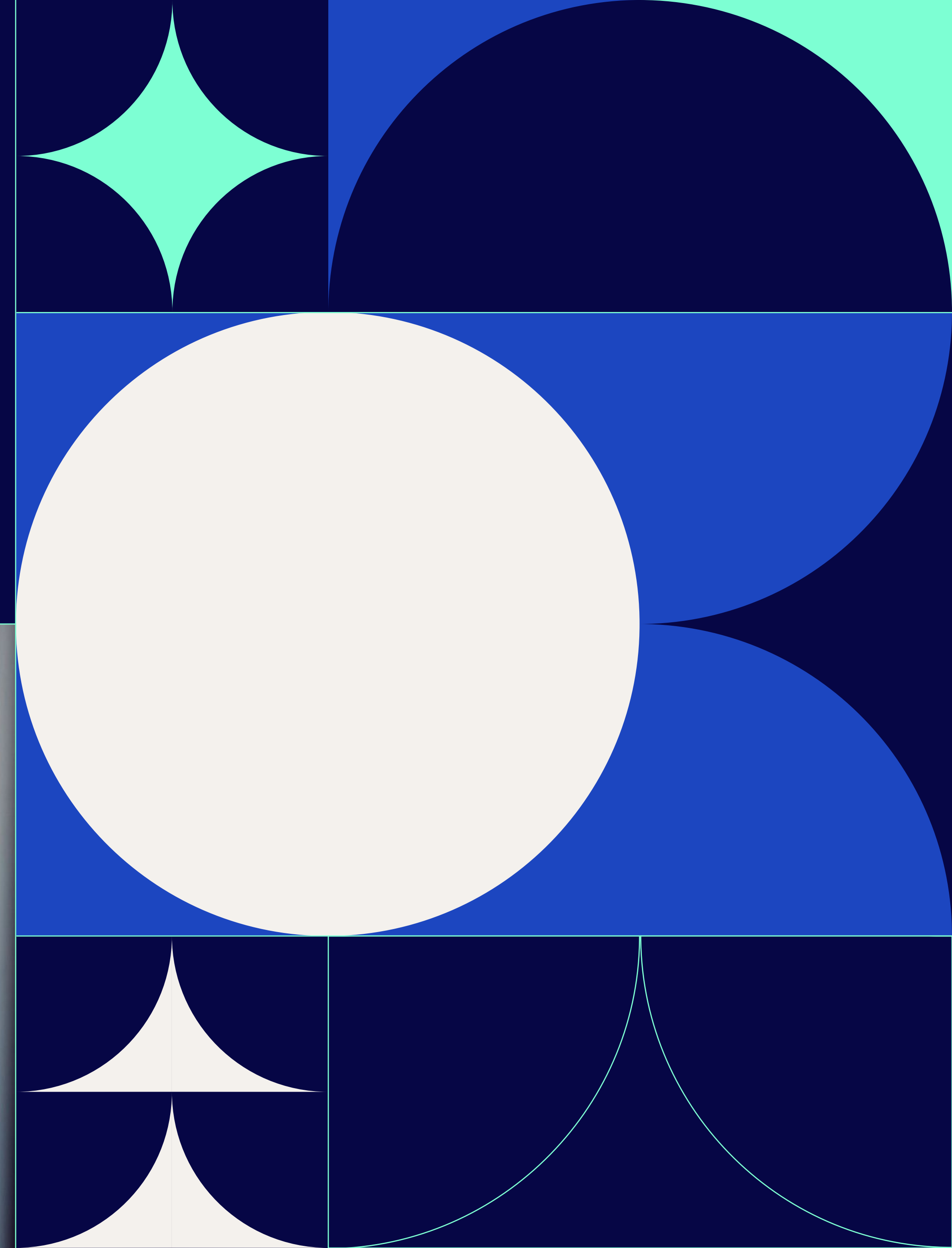
Phoebe | RDT | Building a career in digital

Find out how The Open University enabled RDT Ltd's Phoebe to pursue a career as a software engineer, despite not having had a formal academic pathway in computing at school. This interview was conducted by TechSkills, the organisation behind Tech Industry Gold, the UK's employer-led accreditation for tech education and training.



CHAPTER 4

Nurturing the next generation





CHAPTER 4 – NURTURING THE NEXT GENERATION

Employers have very good intentions when it comes to training young people. Four-fifths **(80%)** of employers agree they are prepared to train young people entering the workforce.

Furthermore, **75%** say they would consider working with local colleges and universities to create more opportunities for young people entering the workforce. Additionally, **60%** claim to be prepared to remove mandatory degree qualifications from a job description and sponsor an employee to obtain the qualification around their role.

In reality, however, employers' good intentions are not always backed by action – perhaps due to constraints in the current business and economic environment. Less than half **(47%)** say they are currently prioritising the recruitment of young people.

Cost is a major reason why employers may not currently be focused on recruiting young people. The minimum wage for younger workers has been sharply increased in recent years to ensure fair pay across generations, but it has been criticised for reducing entry-level opportunities.²² Without the financial incentive to hire younger people, employers appear to be opting for more experienced staff instead.²⁴

This survey highlights that employers also have concerns about young people's work readiness. Half of employers **(50%)** say that young people entering the workforce are not ready for the world of work. This finding continues the trend from last year's Barometer, when **35%** of employers said a lack of work readiness in younger generations was exacerbating skills shortages.²⁵

Employers also believe that younger people can lack some fundamental skills that underpin success in the workplace. Four out of five employers **(82%)** agree that young people need more training in interpersonal skills, such as communication and management.

²² Source: [The Guardian \(2026\)](#)

²⁴ Source: [Reuters \(2026\)](#)

²⁵ Source: [The Open University \(2025\)](#)

OU partnership in action

Milton Keynes College Group |
Groundbreaking degree courses

The Open University partners with further education colleges around the UK in a number of ways to maximise opportunities and pathways for learners in post-18 education – this includes validating higher education programmes delivered by those local colleges without degree-awarding powers.

Most recently, the OU has launched a validation partnership with Milton Keynes College Group who will now teach a range of degree programmes that are quality assured via the OU's rigorous process.





Youth upskilling strategies

Employers could be doing more to increase young people's skills, as well as their knowledge of the workplace and available career options. Work experience has been described by Amazon's UK country manager, John Bounphrey, as being "transformative" in helping young people learn the skills that employers are looking for.²⁶ Yet less than half (43%) of employers surveyed offer work experience placements. Furthermore, only around a third offer graduate schemes (34%) and paid internships (33%). More than one in ten employers (15%) don't currently offer any of the listed opportunities for early-career positions.

Micro and small companies trail considerably behind their medium and large peers when it comes to offering these opportunities.

²⁶ Source: [BBC \(2026\)](#)

15%
don't currently offer any of the listed opportunities for early-career positions

What NEETs ask from employers



Provide opportunities for those without or with little experience in fields. It's the best way to open the door for many to get into the working world.



Offer training without needing minimum two years' experience in a specific sector.



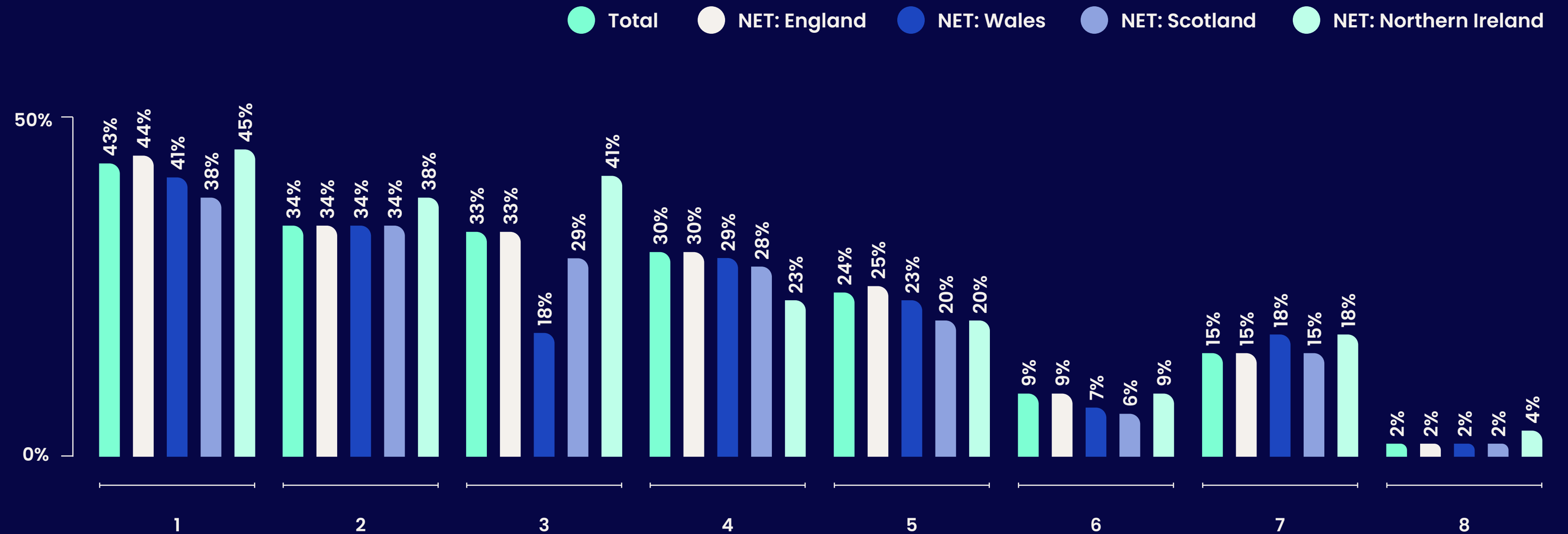
Be ready to train young people by default.





Opportunities for early-career positions – by nation

- 1 Work experience placements
- 2 Graduate schemes
- 3 Paid internships
- 4 Apprenticeships (Levels 2-3)
- 5 Apprenticeships (Levels 4+)
- 6 Unpaid internships
- 7 None of these
- 8 Don't know



The NEETs in our survey say that the work and training options most of interest to them are paid internships (46%), Level 2 and 3 apprenticeships (31%) and Level 4+ apprenticeships (25%). Just 11% are interested in graduate schemes, probably because a large number have not attended university.



Responsibility for work-related training

A lack of skills can prevent organisations from growing and innovating. Nevertheless, many employers do not believe they hold primary responsibility for equipping their employees with essential skills.



While there are many examples of good practice across the UK, far too many employers see themselves solely as a customer of the skills system rather than as an investor or collaborator in it.

Fiona Aldridge,
Chief Executive of the Skills Federation,
Quote from The Open University's
recent report, *In From the Cold*.²⁷



54%

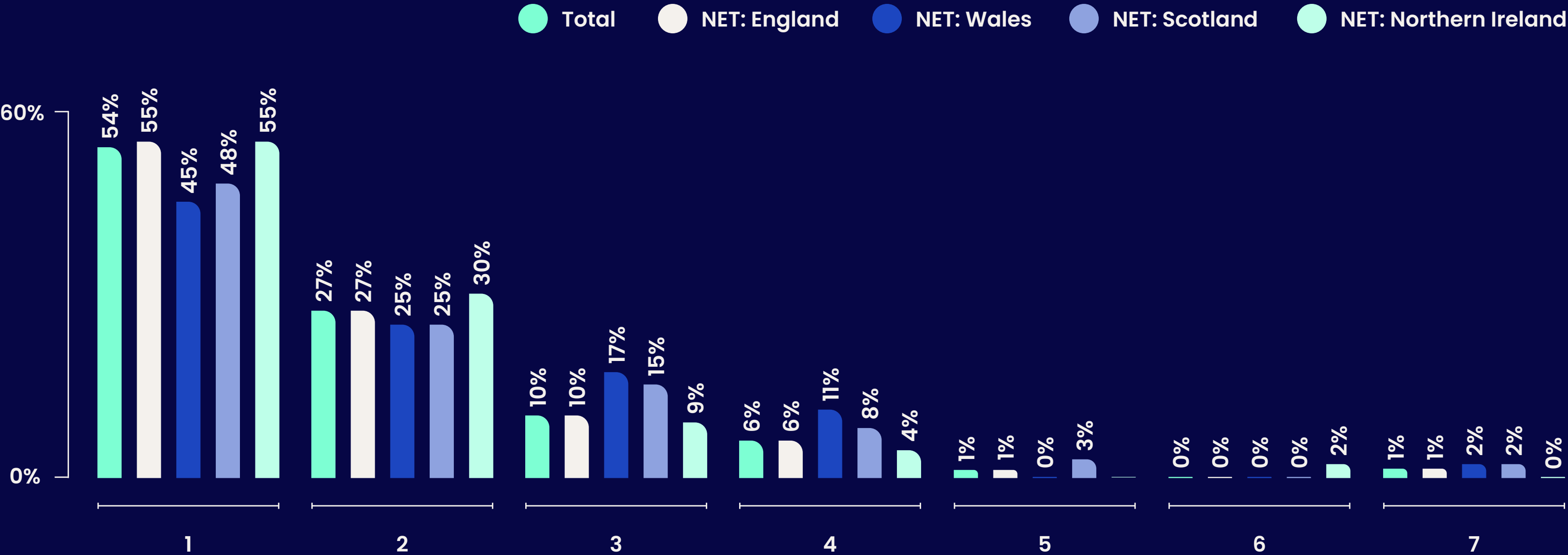
of employers surveyed for this year's Barometer think they should be primarily responsible for funding the work-related training of employees.

²⁷ Source: [The Open University \(2026\)](#)



Who do you think should be primarily responsible for funding work-related training of employees?

- 1 The employer they work for
- 2 UK or national governments
- 3 The employees themselves
- 4 Local authorities
- 5 Other organisations in the sector or supply chain
- 6 Other, please specify
- 7 Don't know



Only a small proportion of NEETs (7%) believe employees should be primarily responsible for funding their work-related training. They are most likely to believe that UK or national governments should be responsible for funding the work-related training of employees (32%). Nevertheless, 27% say that it should primarily be the responsibility of the organisation that the employees work for.



Barriers to training entry-level staff

When it comes to investment in training for employees with fewer than two years' experience, employers' top two barriers are the same as for employees with two years' experience or more. These barriers are budget constraints (42%) and lack of time for employees to attend (27%).

Budget constraints are even more of a concern for employers with entry-level staff, compared with more experienced staff. This likely reflects the fact that entry-level employees can require substantial training to get up to speed in their roles, particularly if they have remote or hybrid working arrangements that restrict their ability to learn face-to-face from colleagues.

Another issue to make employers' top three in relation to training entry-level staff is the concern that trained staff will just end up leaving the organisation (cited by 24%). This concern is not borne out by the attitudes of NEETs themselves, however – 78% of NEETs surveyed say they would be more likely to stay with an employer long-term if they were given training, support and development beyond their role.



78% of NEETs surveyed say they would be more likely to stay with an employer long-term if they were given training, support and development beyond their role.



Barriers to training employees with less than two years' experience





Barriers to work and training for NEETs

NEETs cite a variety of reasons for why they are struggling to find work or training. Mental health and wellbeing challenges (cited by 40%) is the greatest barrier, suggesting that many NEETs may be suffering from depression and anxiety, conditions that could be exacerbated by them being out of the workplace. Female respondents are significantly more likely than male respondents to cite mental health and wellbeing as an issue.

The [Young people and work: Interim report](#), authored by former health secretary Alan Milburn, outlines that there is “no singular explanation to the NEET problem”, but points to work-limiting health – particularly mental health – as a key factor in young people remaining outside work, education or training.

The report says this has interlocked with a “participation issue” with young people becoming an decreasing share of the labour market even as employment has increased – with entry-level roles declining. Milburn has called for greater investment in young

people, pointing out that they are a “potential source of labour” who could help employers to address their skills shortages.²⁸

The review proposes the system asks the key question of “what enables young people to remain engaged in education, work and ordinary life?”

Here’s where more flexible approaches to skills delivery, such as that offered by The Open University’s supported distance learning offer, can play a key role in partnering with employers to ensure NEETs are not locked out and can be brought back into work and training if they exit.

Alongside mental health and wellbeing, other barriers work or training cited by NEETs include ‘employers asking for experience I don’t have’ (37%) and ‘being underqualified’ (35%). The Open University’s [Career Ready Courses](#) on OpenLearn can help young people to develop the skills and qualities that employers are actively seeking, including skills in communication, teamwork, problem-solving, and professional etiquette.

²⁸ Source: [The Times \(2026\)](#)

OU partnership in action

Verbal | supporting young people’s mental health

Derry/Londonderry-based charity Verbal partners with The Open University to support young people by combining applied storytelling with research-led skills development.

Through programmes like PEACE of Mind, it builds emotional resilience, confidence and communication skills among 9-25 year-olds in deprived areas in Northern Ireland and the border counties of Ireland. The OU contributes academic insight and evaluation, helping equip participants with coping strategies and employability capabilities crucial for entry into work and supporting smoother transitions into sustained careers.



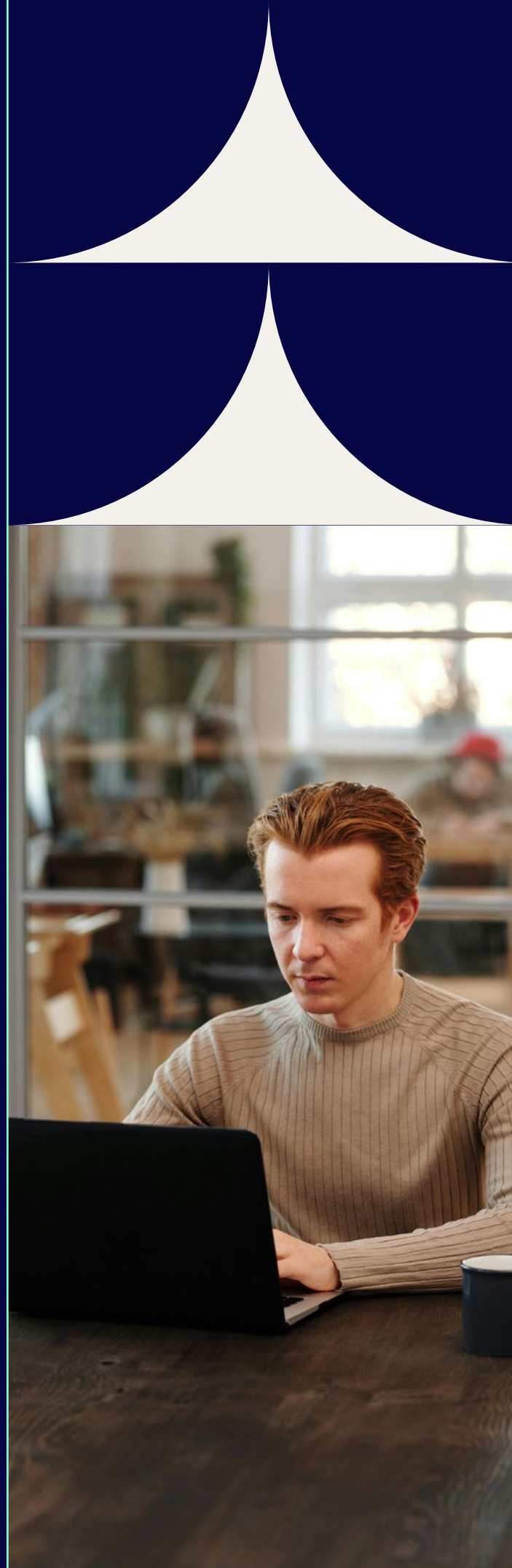
CHAPTER 4 – NURTURING THE NEXT GENERATION

In our report, a fifth of NEETs (19%) say they feel judged or stereotyped while 62% agree that ‘young people like me are often unfairly stereotyped by employers’. Accordingly, stereotyping is an issue that employers should be sensitive to during the hiring process.

Overall, NEETs feel disillusioned with the workplace and their future career prospects. Nearly a third (28%) describe themselves as pessimistic about their prospects while just 22% feel optimistic. In general, NEETs do not feel supported by any of the principal entities that could help them move into work or training. More than half (55%) feel unsupported by the UK/national Government, with 51% saying the same of local authorities. Meanwhile 47% feel unsupported by sector bodies and 47% feel unsupported by potential employers.

Essential skills for entrepreneurs

The Open University has released a series of courses for would-be entrepreneurs on OpenLearn. Topics include innovation, idea realisation and developing an entrepreneurial mindset.



What NEETs wish for from employers:



We need more opportunities available from the moment you leave school. I had no help when I left. I didn't know, and still don't know, what I'm going to do.



More mental health support would help me personally alongside more entry-level opportunities within a reasonable commute.



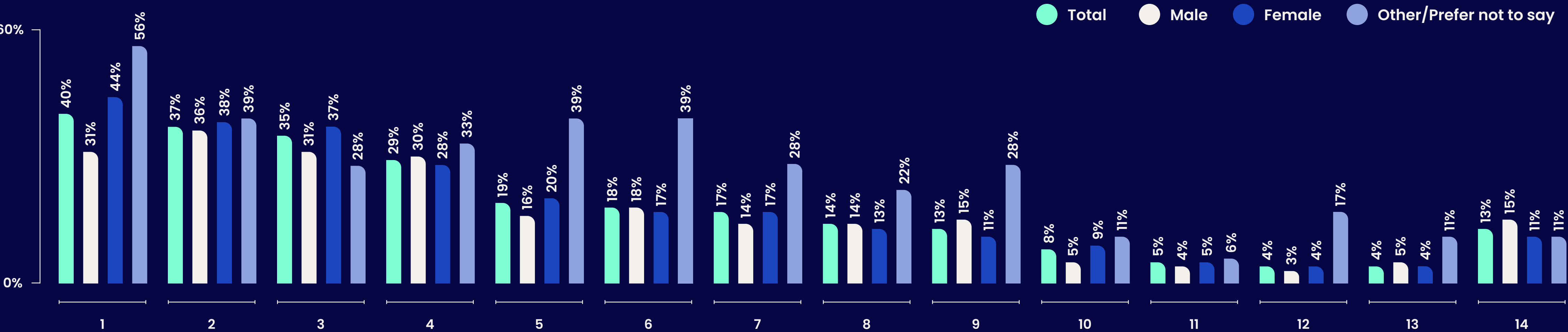
Give us a chance to prove ourselves.





Which, if any, of the following have made it harder for you to find work or training?

- | | | | |
|---|---|----|---|
| 1 | Mental health or wellbeing challenges | 8 | Lack of careers advice or guidance |
| 2 | Employers asking for experience I don't have | 9 | Current economic / political uncertainty |
| 3 | Being underqualified | 10 | Being held back due to caring responsibilities |
| 4 | Lack of jobs that I would want to do | 11 | Being overqualified for available roles |
| 5 | Feeling judged or stereotyped | 12 | Other |
| 6 | Lack of suitable work which offers flexible hours | 13 | N/A - Nothing has made it harder to find work or training |
| 7 | Financial pressures | 14 | Don't know |





Hidden talent pools

The UK is missing out on opportunities to build skills because of a societal tendency to overlook the potential of certain demographic groups. Despite the UK's severe youth unemployment crisis, only around a third of employers (34%) offer specific recruitment, retention and training initiatives for workers under 25 years old. Furthermore, just 11% offer such initiatives to NEETs. As well as offering workplace initiatives, employers could also liaise with local schools and colleges to raise awareness of the opportunities that exist in their organisations, as well as the skills they require.

Around a fifth of employers (19%) have recruitment, retention and training initiatives targeted at disabled people while even fewer (17%) have initiatives for neurodiverse people. Caregivers could also be supported more with just 21% having initiatives for workers with childcare responsibilities, such as programmes to help women return to the workplace after having children.

Other groups with transferable skills that could also benefit from targeted initiatives include ex-armed forces personnel or reservists, and ex-offenders. Just 12% of employers surveyed have specific recruitment, retention and training initiatives for ex-armed forces personnel or reservists while only 6% offer them to ex-offenders.

The Open University has developed a return-to-work toolkit to help employers reintegrate mothers into the workforce. The toolkit provides practical guidance on recruitment, retention and career development for working mothers, addressing the motherhood penalty.





CHAPTER 4 – NURTURING THE NEXT GENERATION

OU partnership in action

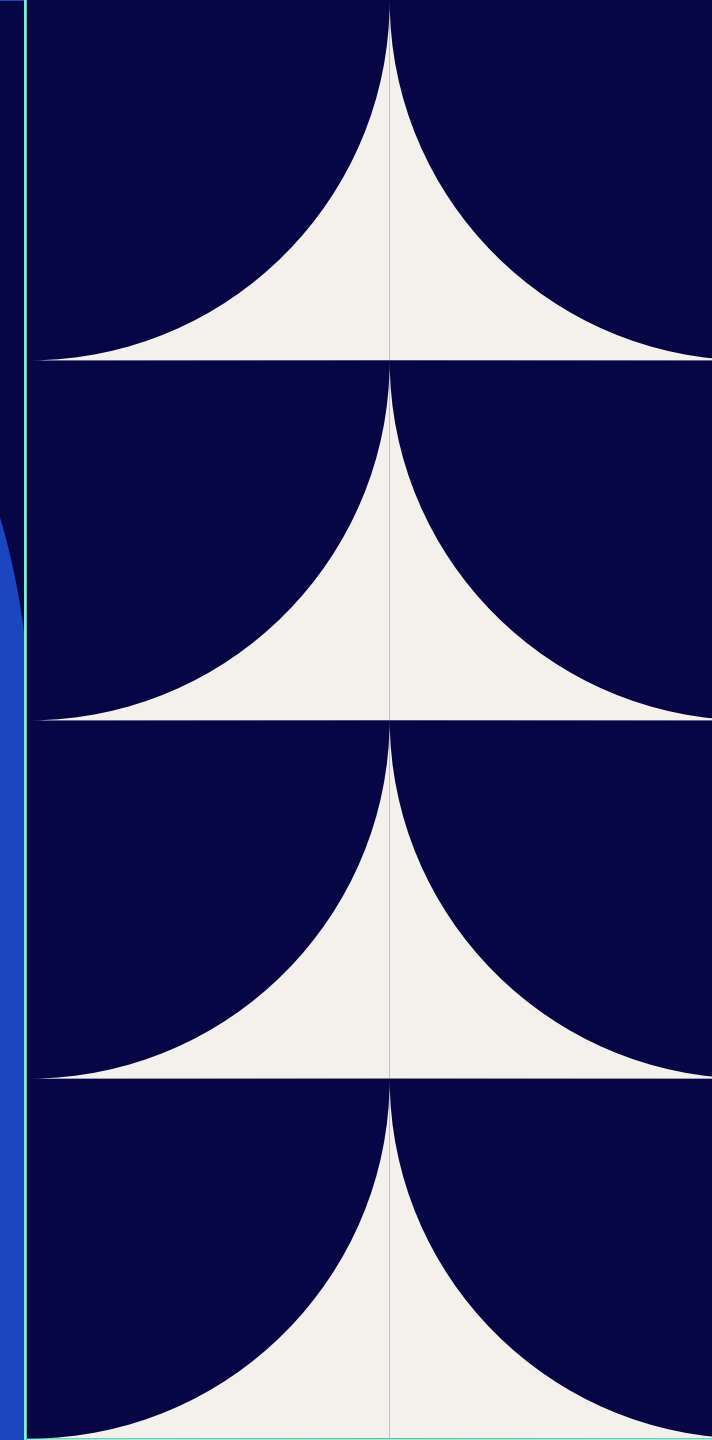
JobcentrePlus | Help for returning mothers

The motherhood penalty, the well documented disadvantage in workplace access and career progression experienced by women following childbirth is most commonly discussed in the context of mid-career returners.

Yet its consequences extend significantly further, affecting young parents who have never yet secured a stable foothold in the labour market. The National Centre for Social research identified having a child as one of five key risk factors for NEET status among

young people. The OU's #Mumentum initiative directly addresses these systemic challenges by providing flexible, affordable learning opportunities for young parents.

Central to the initiative are two practical, research-informed toolkits, one for employers and one for parents, published in collaboration with the Department for Work and Pensions.



OU partnership in action

John Lewis Partnership | Care Experienced Scholarship

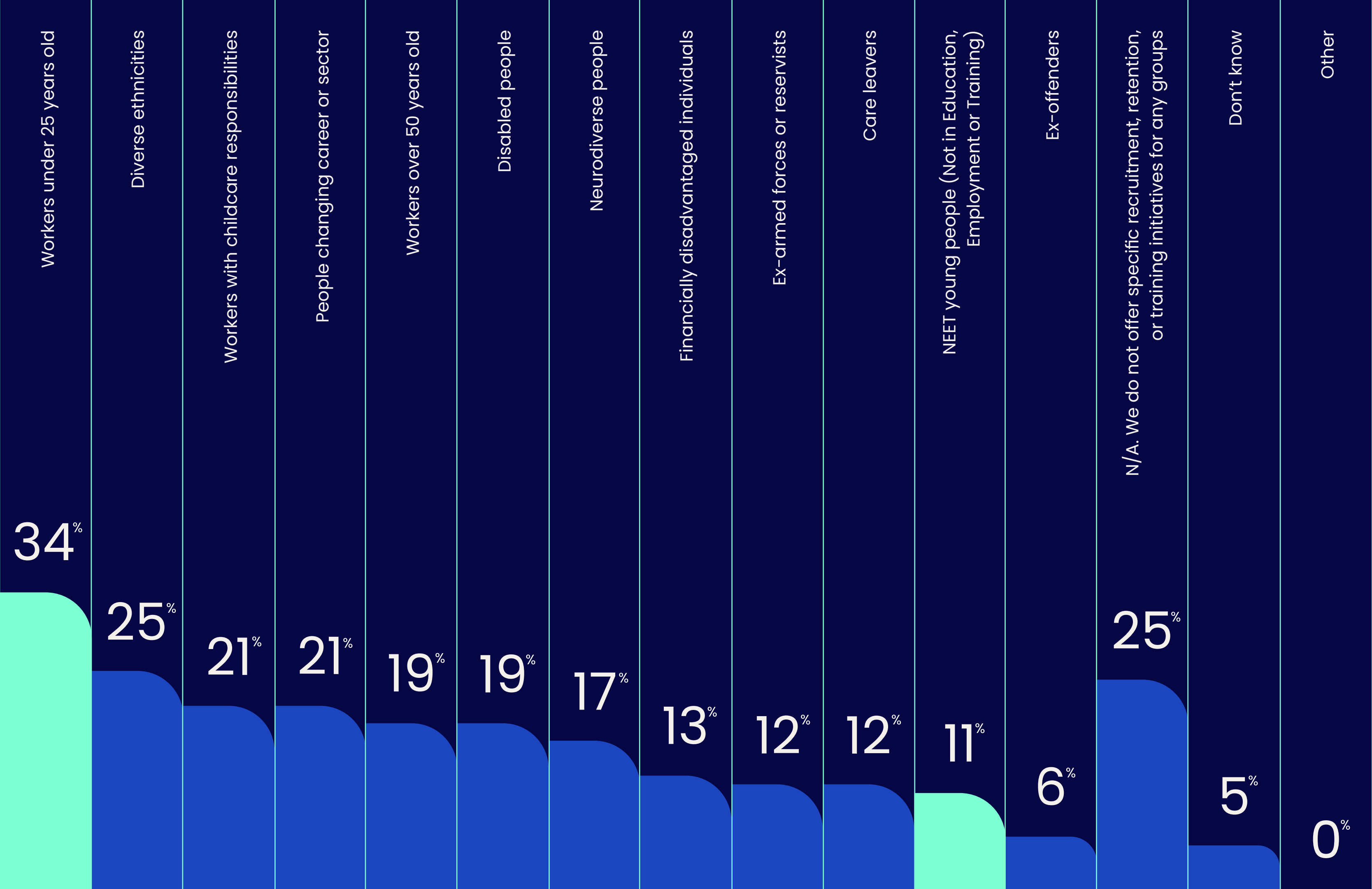
The Open University's Care Experienced Scholarship, in conjunction with The John Lewis Partnership's Building Happier Futures initiative, launched for the first time in the 2023/2024 academic year.

The scholarship offers young people with experience of being in care an opportunity to study an undergraduate qualification for free. In the 2026/27 academic year, we're offering ten further undergraduate scholarships to care-experienced young people aged 30 and under.





For which of these groups does your organisation currently offer specific recruitment, retention or training initiatives?



OU partnership in action

Uber Eats | Learn while you earn

A ‘learn while you earn’ reward for couriers is offered by Uber Eats in partnership with the OU.

Uber Pro couriers who have achieved Diamond or Platinum status, are offered free funded places by Uber for them or a family member to study OU microcredentials, short courses, or Access modules. This allows them to study towards future career goals alongside their courier work. More than 260 couriers have taken up this opportunity.



CHAPTER 5

Seven ways to harness the talent of young people





Young people are a major untapped talent pool in the UK labour market and integral to the future of organisations. So how can employers harness this talent to address their skills gaps? Based on the evidence presented by this report, our recommendations are:

1. Engage with local schools and colleges to showcase to young people the workplace opportunities and pathways that exist in your sector.

Early engagement will help young people to understand where skills gaps lie and which skills and personal qualities they should develop to pursue a successful career within your organisation, or in your sector and its supply chain.

2. Develop recruitment, retention and training initiatives that deliberately target young people.

These could range from work experience placements and paid internships through to graduate schemes, sponsored programmes and higher and degree apprenticeships offered in partnership with higher education providers such as The Open University.

3. Equip young people with confidence and specific skills in AI.

By equipping young people with AI skills, and the confidence to use them, your organisation will be able to capitalise on the potential of AI tools while simultaneously building a pipeline of digitally savvy future leaders. Investment in responsible AI skills will also enable the organisation to attract and retain talent going forward since employees understand the importance of having those skills.

4. Make skills development an integral part of your employee value proposition.

Having the opportunity to develop new skills matters to employees at every stage of their career, but it is especially important to young people who are just starting out and have yet to develop a robust skillset. Giving staff a defined pathway, perhaps via a reward or perks scheme, to build qualifications on the job can drive loyalty, engagement and productivity.





5. Prioritise the development of both technical and interpersonal skills.

While the technical skills needed to perform a role will be vital in any workplace, young people also need the opportunity to develop key interpersonal skills. These include skills relating to collaboration, communication and management of others. This may need a more specific focus in workplaces with hybrid and remote working practices.

6. Develop a written skills plan.

A written skills plan is essential to bridge the gap between your organisation's current workforce competencies and its future objectives. The skills plan should consider how the organisation can draw on the talents of young people to achieve its business goals. The Open University's Skills Starter tool (developed with TrainingZone) is a great way of starting internal conversations around a plan.

7. Create a specific recruitment, retention or training initiative for an underrepresented group.

For example, the initiative could aim to harness the skills of parents or disabled people. Work with returning organisations with experience of supporting and training that group, such as specialised not-for-profits.



Start conversations around your skills plan with our free Skills Starter tool, developed with TrainingZone.



How The Open University can help employers and partners

The Open University (OU) is the UK's largest academic institution and a trusted partner to organisations looking to build the skills they need to grow and succeed. For over 55 years, we have helped employers develop talent, improve retention and future-proof their workforce through flexible, work-based learning.

In today's fast-changing economy, organisations need practical, scalable ways to upskill their people. The OU's "earn while you learn" model enables employees to gain in-demand skills through supported online learning and build qualifications alongside their roles. This delivers immediate impact in the workplace. Furthermore, our open access approach means that prior qualifications are not needed for most courses.



Why partner with The Open University:

2,700+ employer partnerships across all sectors.

200,000+ students, with seven in ten combining work and study.

Proven ability to support **large-scale workforce transformation** across all four nations of the UK.

Longstanding pedigree working in **higher education** "cold spot" areas where fewer people tend to learn at university level.



Flexible solutions designed for employers

We work in partnership with organisations to deliver learning that aligns directly to business need:

- **Higher and degree apprenticeships** to attract and develop new and existing talent
- **Flexible degrees** that apply learning directly to the job
- **Short courses and microcredentials** to quickly upskill teams in priority areas such as digital and leadership
- **Tailored workforce development and partnerships** built around your organisation's goals
- **Free learning via OpenLearn**
- **Higher education courses** delivered by colleges that are quality assured by the OU
- **Open Business Creators entrepreneurial community** to support and fund new business founders

Our approach helps employers:

- Build **skills pipelines** for the future
- Increase employee **engagement and retention**
- Improve productivity and performance of **early career employees**
- Enable **career changers** with open access approach to lifelong learning
- Broaden access to talent by supporting diverse and underrepresented groups who cannot attend classroom-based learning.

With national reach and deep employer expertise, the OU enables organisations to unlock the potential of their people, wherever they are based.

Whether you are looking to upskill your existing workforce, develop new talent through apprenticeships, or design a long-term skills strategy, The Open University can help.





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