



LET'S WORK TOGETHER



Creating an Effective Skills Ecosystem to Future-Proof UK Productivity

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Executive Summary

The UK continues to face a long-standing productivity challenge, with persistent skills shortages and mismatches impeding growth across all major sectors. Building a robust skills ecosystem is vital - not only to fill vacancies but to future-proof the economy against rapid technological change, an ageing workforce and shifting global labour dynamics.

While there is growing public concern that automation and artificial intelligence (AI) will lead to widespread job displacement, evidence suggests a more nuanced reality. Rather than eliminating roles wholesale, these technologies are expected to transform the way we work - augmenting human capability, improving efficiency and creating demand for new skillsets. For most sectors, this will mean evolving job content rather than removing positions entirely. Roles in administration, customer service, manufacturing and logistics are already shifting focus toward tasks that require critical thinking, oversight, digital

literacy and problem-solving. The real risk lies not in the presence of technology, but in the absence of a workforce equipped to adapt. Ensuring employees can navigate this transition through reskilling and digital upskilling must be a central priority of any modern skills strategy.

This white paper sets out the practical, employer-informed steps needed to construct a sustainable, inclusive and forward-looking skills strategy that can catalyse regional regeneration, attract investment and elevate the UK's competitive position globally.



Understanding the UK's Productivity Puzzle

Productivity, measured as output per hour, remains below pre-2008 levels. Compared to international peers, the UK's productivity lags by **15-20%**, with factors such as low investment in capital, under-skilled management, poor digital adoption and regional disparities all contributing.



A key element is the misalignment between workforce skills and job requirements. This mismatch results in overqualified workers in low-productivity roles, underqualified applicants for high-demand vacancies and a widespread reluctance by employers to invest in upskilling due to perceived employee turnover risk.

The failure to fully utilise skills, rather than simply a lack of them, represents a core bottleneck in the system. Addressing this requires a shift from a transactional labour market approach to a partnership-based workforce strategy.

Current Labour Market Trends and Skills Deficits

As of 2025, there are over **761,000** job vacancies in the UK (ONS). Yet this figure masks deeper issues:

- Sectors like engineering, social care and logistics face acute shortages in essential roles such as CNC operators, nurses and HGV drivers
- Brexit and domestic policy changes have diminished the semi-skilled migrant workforce pipeline
- Digital transformation has outpaced training provision, leaving employers unable to find candidates with necessary data, AI and cybersecurity capabilities
- The candidate mindset has also changed. Today's jobseekers prioritise work-life balance, training opportunities and alignment with employer values. They are mobile, brand-aware and digitally enabled.

This means that recruitment and retention strategies must evolve, recognising that candidates now have significant bargaining power in many sectors.

Building a Functional Skills Ecosystem

Based on Pertemps' operational experience and research, four pillars must underpin any reform strategy:

1. Meaningful, Localised Data

High-level national forecasts are useful for trend spotting but are inadequate for planning regional or sector-specific training strategies. To get an accurate picture of the skills landscape, all employers would need to report detailed anonymised data on new hires, training interventions and identified skills gaps nationally. This would allow regional aggregations that better inform FE and HE curriculum design.

2. Constructive Employer - Education Collaboration

The critical misstep to avoid is to view education as the root cause for failure to create the skills of the future. It should not be assumed that this ecosystem is a one-way street from education to the labour market. 360-degree interaction is essential to ensure training is relevant to the needs of each regional labour market, with knowledge from business, research and development recirculated back into teaching and education methods.

Employers must not only articulate their needs but engage actively in shaping provision. This includes working with FE and HE institutions to co-develop content, support placement opportunities and provide real-world insight.

This approach will support raising/increasing awareness of local career opportunities as a minimum. The optimum result would be for this work to form the first part of the company's own training, potentially spring-boarding the individual

into an apprenticeship programme.

Government toolkits could formalise partnership frameworks and ensure SMEs, who may lack HR infrastructure, are equipped to participate. Pooling resources through employer consortiums can spread the cost and de-risk investment.

3. End-to-End Workforce Planning

Training investment cannot be confined to school leavers. Effective ecosystems consider transition points across a working life, from reskilling older workers to fast-tracking in-demand sectors.

Government support could be structured to allow 'time to train' stipends, flexible apprenticeships and tax incentives for firms supporting mid-career retraining.

This would encourage more people to consider career changes, with the knowledge that they could continue to meet their financial commitments during any period of training or upskilling.



4. Embedding EDI into the Skills Ecosystem

A strong Equality, Diversity and Inclusion (EDI) strategy is no longer a 'nice-to-have' - it is a critical enabler of workforce resilience, innovation and competitiveness.

Many sectors continue to underutilise large segments of the UK population, including individuals from ethnic minority backgrounds, those with disabilities, older workers and people returning to work after extended absence. By broadening recruitment and training efforts to reach these groups, businesses can address talent shortages more effectively while also contributing to social mobility and cohesion.

Pertemps' own research and partnerships have shown that diverse teams are more productive, better at problem-solving and more engaged. Inclusive hiring strategies - such as anonymised CVs, unconscious bias training for delivery teams and hiring

managers, flexible working arrangements and community outreach - have proven benefits in improving access and retention across all levels of an organisation.

Additionally, integrating EDI principles into apprenticeship and training programmes ensures that interventions are inclusive by design, not just in intent.

We recommend that all regional skills boards and employer partnerships embed EDI metrics into their planning and evaluation frameworks. Doing so will not only enrich the available talent pool, but help foster a fairer, more dynamic labour market.

Case Studies – Innovation in Action

Warehouse to Wheels - Logistics

In collaboration with national clients, Pertemps delivered a programme allowing warehouse operatives to progress to HGV drivers, addressing driver shortages. Structured in stages across van, C1, C, and C+E licences, this model offers a template for career ladders that preserves operational continuity.

Developing a workforce capable of operating across all vehicle classes, ranging from entry-level operative roles to Van, C1, C, and ultimately C+E licences, requires a structured, time-sensitive approach. A single individual's progression through each stage, with sufficient time allocated to build both competence and experience, could take up to two and a

half years, assuming a six-month period is dedicated to each skill group. However, by implementing a staggered cohort model, where five individuals are positioned at each level and progress in sequence, the full programme could be delivered within just six months.

This approach not only accelerated the development pipeline, but also maintained continuity across skill levels, safeguarding operational capacity and establishing a clear pathway from entry-level education to advanced qualifications.

While we have executed this specific strategy with logistics customers, it could equally be applied to any skills journey within any industry.



Utilities Sector – Inclusive Hiring and Workforce Transformation

The benefit of EDI strategies have been in the spotlight this year with a small number of leading figures questioning value. Pertemps remains committed to delivering our EDI and social mobility targets. On one Managed Service contract alone, we have seen enormous success through partnership working with the customer (FY24/25):

- Recruited 114 females into STEM roles, 30% of all STEM hires
- Ethnic diversity hires consistently over 15% target, currently 26% for lower grade and 29% for senior grade roles
- Social mobility - underrepresented groups hired include:
 - 10 refugees
 - 7 prison leavers
 - 31 young black men
 - 6 care leavers
 - 38 military service leavers
 - 13 with experience of homelessness
 - 238 young people aged 19 - 24
 - 64 individuals with disabilities

Through our Military Strategy, we have placed over 250 service leavers with this customer since 2017, with over 350 in our talent pool.

Apprenticeship engagement has grown steadily, with 50 hired in 2023 and 45 in 2024. The 2025 campaign is now live for 89 hires, with roles ranging from entry-level Engineers and Technicians to Project Managers and Data Analysts. Current cohorts include 40% ethnically diverse, 39% from low socioeconomic backgrounds and 28% female. Female application rates increased by 4% from 2023 to 2024.

Additionally, 219 green roles have been recruited, focusing on preserving water resources, improving water quality, and enhancing sustainable water management practices.

Strengthening Workforce Stability

As labour markets continue to evolve and candidate expectations shift, employers must recognise that recruitment alone cannot solve long-term workforce challenges. Retention is now as critical as attraction. A strong retention policy, underpinned by meaningful pastoral care, ensures not only continuity of operations but also deeper employee engagement, increased productivity and reduced hiring costs.

Pastoral care in the workplace is more than a welfare function; it reflects a genuine commitment to employee wellbeing. This includes providing mental health support, ensuring reasonable workloads, enabling flexible working where appropriate and fostering inclusive team environments. Employees who feel valued, supported, and understood are more likely to remain with their employer and invest their energy in the success of the organisation.

Equally, a retention strategy should not be reactive or informal. It must be clearly articulated, actively managed and embedded at all levels of the organisation. This includes structured development pathways, transparent progression criteria, competitive reward packages, and recognition of both performance and potential. When employees see a future with their employer - one that includes learning, growth, and support - they are far more likely to stay and contribute positively to the culture and output of the business.

For industries facing acute skills shortages, investing in pastoral care and retention is not a 'nice to have', it is a strategic necessity. By reducing churn, enhancing loyalty and enabling employees to thrive, employers can build more resilient, capable and future-ready workforces.

Unlocking Business Leadership in Skills

A critical but often overlooked contributor to low productivity is the prevalence of so-called "accidental managers" - individuals promoted into leadership roles based on technical expertise or tenure rather than their ability to manage people. While well-intentioned, these managers are frequently underprepared, lacking the training, support, and confidence to lead teams effectively. This often results in disengaged staff, higher turnover rates, and missed opportunities for development. In today's labour market, where employee expectations are shifting, effective people management - anchored in pastoral care, coaching, and structured support - is no longer optional. Without it, even high-performing teams risk stagnation.

To unlock workforce potential, investing in leadership development, especially at first-line and middle-management levels, must be seen not as a peripheral HR activity, but as a core strategic priority. Businesses must transition from passive consumers of labour to active architects of talent development. Yet, several barriers remain. Complex apprenticeship rules continue to hinder uptake among non-traditional workers. There is often a reluctance to invest in skills due to fears of attrition or talent being poached. Most crucially, many line managers still lack the capability or confidence to nurture skill development within their teams.

Overcoming these challenges demands a systemic shift: simplifying the use of the Apprenticeship Levy, supporting inclusive and flexible training models, and embedding people-management capabilities as a fundamental element of organisational effectiveness. Skills investment must be reframed as a business-critical asset rather than a discretionary cost, central to future resilience, innovation, and growth.

Conclusion

The UK stands at a crossroads. If the productivity challenge is left unaddressed, it risks entrenching long-term economic decline. However, if employers step up with proactive, collaborative investment in workforce development, it can become a powerful catalyst for national renewal. Productivity is not simply a matter of government policy - it is shaped in the day-to-day decisions businesses make about how they hire, train, manage and retain their people.



To this end, employers must lead the way in reshaping the skills landscape, taking action to create a more productive, inclusive and future-ready workforce through:

- Taking ownership of workforce planning with proper analysis of training and hiring data to support local skills alignment
- Exploring co-funded retraining initiatives, enabling staff to transition into high-demand roles while maintaining employment continuity
- Maximising Apprenticeship Levy contributions to support the investment
- Investing in building the people-management capability of first-line and mid-level managers as a route to improving retention and productivity
- Aligning training investment with R&D efforts to future-proof their workforce and embed a culture of continuous improvement

This paper demonstrates how employers, government and educators can co-create a workforce fit for the future. At Pertemps, we see the evidence daily that with the right frameworks, real change is possible.

Real change requires a shift in mindset, from viewing skills as a support function to treating them as a strategic asset. With employer leadership and smarter collaboration across sectors, the UK can close its productivity gap and unlock the full potential of its workforce.

Now is the time to act.

Sources

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