DELIVERING GROWTH

PRODUCTIVITY

DELIVERING GROWTH: UPSKILLING THE WORKFORCE

British Chambers of Commerce

WHERE BUSINESS BELONGS

1. UPSKILLING FOR GROWTH: WHAT BUSINESSES NEED FROM THE SKILLS SYSTEM

Improving productivity is central to delivering stronger economic growth, and skills are one of the most important levers businesses have to achieve it.

When firms can access and develop the right skills, they are better able to adopt new technology, improve management capability, innovate, export and compete.

New British Chambers of Commerce survey data shows that 67% of firms say better access to skilled employees would support growth in their organisation.

This briefing sets out how government can help unlock that opportunity by making it easier and more worthwhile for firms to invest in their existing workforce. It positions upskilling as a key pillar of the UK's growth agenda, not simply a response to labour shortages. The latest BCC data, including the finding that 58% of firms continue to face skills shortages, shows why action is urgent. The prize on offer is a skills system that helps businesses raise productivity, strengthen resilience and invest with confidence.

2. THE ECONOMIC CASE FOR UPSKILLING

Skills shortages are not a marginal workforce issue.

They are a direct drag on growth, productivity and business confidence. When firms cannot access the skills they need, they are less able to expand, adopt new technology, improve management capability or compete in new markets.

The latest data from BCC's 2026 Workforce Survey reinforces this point. Of 875 firms surveyed, more than half (58%) continue to report skills shortages, with the manufacturing sector (63%) most impacted. At the same time, businesses identify access to skilled employees as a stronger enabler of growth than other major drivers, including access to finance, lower costs of global trade and increased use of AI.

This underlines a simple message: the UK cannot deliver stronger growth without a workforce that has the right technical, managerial and transferable skills.

58%

of businesses face skills shortages.

The case for upskilling is becoming more urgent. BCC's latest Quarterly Recruitment Outlook for Q2 2026 shows that hiring intentions remain weak, with the proportion of firms expecting to increase their workforce falling below a quarter, at 23% compared with 27% in Q1. At the same time, recruitment remains difficult for those firms still trying to hire, with nearly three quarters reporting recruitment difficulties, rising to 73% in Q2 from 71% in Q1.

This reinforces the argument that businesses cannot rely on recruitment alone to meet their skills needs. An ageing population, lower levels of migration and high levels of economic inactivity mean existing workers will need opportunities to retrain, progress and adapt as jobs change. This is particularly important as technology and AI adoption reshape business models across the economy.

Technology and AI will have the biggest impact on entry level jobs, requiring young employees to have strong transferrable skills to get on the career ladder. Employers do not expect young people to leave education fully trained, but they do report gaps in communication, resilience, teamwork, problem solving and understanding the expectations of a real-world work environment. Easy access to on-going training can help bring young people up to the level needed to be confident, work-ready and productive.

Upskilling the existing workforce can also create better opportunities for young people. When experienced employees move up into higher-skilled roles, entry-level opportunities can open up for new workers.

A skills system focused only on new entrants will not be sufficient. The UK needs a culture of lifelong learning that supports people at all ages and stages of their working lives.

3. COST PRESSURES ARE LIMITING INVESTMENT

Businesses recognise the value of investing in their workforce.

However, the ability of firms to train staff is being constrained by the wider cost environment. This year, BCC's Workforce Survey found that 38% of firms scaled back recruitment as a direct result of the National Living Wage rise, while 17% reduced their staff training budget.

This comes as firms still struggle to absorb the 2024 employer NICs hike, which led to more than 1 in 10 members making redundancies according to BCC's 2025 Workforce Survey, as well as high energy costs, changes to the Growth and Skills Levy for Levy payers, and costs associated with the Employment Rights Act.

For many employers, the price of the training itself is not the only barrier to upskilling their workforce. They must also cover wage costs, backfilling roles, supervising trainees and navigating administrative burdens. These costs are particularly difficult for SMEs and firms in low-margin sectors, where training budgets are often among the first areas to be squeezed when costs rise.

This creates a damaging cycle. Firms need skilled people to grow, but the cost of doing business reduces their ability to invest in workforce development. Without action to reduce the financial risk and practical burden of training, skills policy reforms risk having limited impact on employer behaviour.

4. BUSINESSES WANT FLEXIBLE ROUTES TO TRAIN STAFF

Apprenticeships remain highly valued by employers.

They provide high-quality, work-based training and a clear route for people to develop occupational competence. However, apprenticeships are not the right option for every role, employee or business. They can be long, inflexible and administratively demanding, particularly where firms need to address a specific skills gap quickly.

BCC survey data shows that employers want a mixed training offer. When asked which types of training they would ideally like to offer employees, 42% selected mentoring or coaching, 41% selected apprenticeships, 37% selected short, non-accredited courses, 33% selected industry accreditations and 32% selected vocational qualifications. Only 11% selected university degrees.

41%

of businesses want to offer apprenticeships – rising to 78% for large firms.

Different sectors and sizes of firms have different needs. Manufacturers were more likely to offer apprenticeships (48%) and vocational qualifications (37%). In contrast, B2B services firms leaned more towards mentoring and coaching (45%), while B2C services firms relied more on short, non-accredited courses (44%). Larger firms were much more likely than smaller businesses to offer training opportunities, with 78% saying they would ideally offer apprenticeships, 69% mentoring or coaching, and 60% vocational qualifications.

This variety points to a clear policy conclusion. Employers do not experience their workforce needs in terms of government "products". They need a stable, simple and flexible skills system that allows them to choose the right training for the right person at the right time.

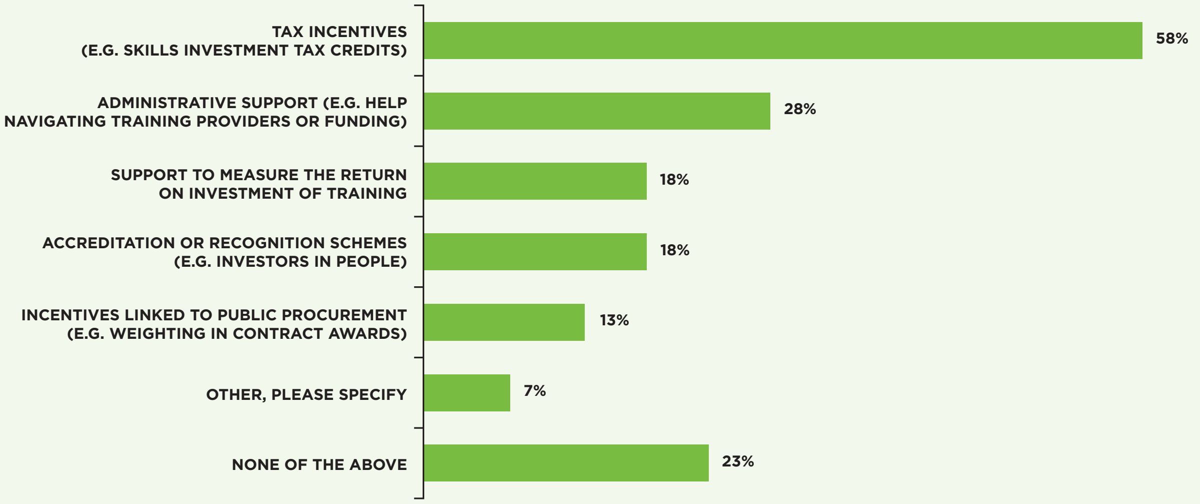
The introduction of Apprenticeship Units through the Growth and Skills Levy is a welcome step towards shorter, modular and responsive provision. However, they will not be a silver bullet for businesses.

Apprenticeships should sit alongside a wider menu of funded training options, and government will need to expand the Apprenticeship Unit offer rapidly if it is to meet employer demand, including for leadership and management skills where apprenticeship routes have been removed.

5. THREE ACTIONS TO INCREASE EMPLOYER INVESTMENT

BCC's 2026 Workforce Survey also tested which incentives would do most to encourage them to invest in training or upskilling.

WHICH OF THE FOLLOWING INCENTIVES WOULD DO MOST TO ENCOURAGE YOUR ORGANISATION TO INVEST IN TRAINING OR UPSKILLING?



BASE: (Total N = 723)

1. Reduce the financial risk of training.

Tax incentives were the most popular intervention tested by the BCC, with 58% of firms saying they would do most to encourage investment in training or upskilling. Government should explore a skills tax credit or similar fiscal incentive to help firms invest in their existing workforce.

2. Cut administrative burdens and provide practical support.

More than a quarter of firms (28%) said administrative support would encourage them to invest in training. SMEs in particular need help to navigate provision, understand funding rules and manage onboarding processes. Chambers of Commerce are well placed to provide this kind of trusted, end-to-end support, building on their role leading Local Skills Improvement Plans.

3. Help firms measure the return on investment.

Almost one in five firms (18%) said support to measure the return on investment in training would encourage them to invest. Practical tools, tailored by sector, training type and business size, would help employers understand how skills investment supports productivity, retention, progression and resilience.

6. CONCLUSION

The message from business is clear.

Skills shortages are holding back growth, but firms need the right conditions to invest in their people. A successful skills system must be employer-led, easy to navigate and flexible enough to support different forms of training across different sectors and stages of working life.

Government should focus on three priorities: reducing the financial risk of training, expanding access to flexible provision, and giving employers practical support to navigate the system and measure impact.

These steps would help businesses invest with confidence and support the wider goals of productivity, participation and sustainable growth.

This briefing is the first step in a wider programme of work. The BCC will publish a further report later in 2026 exploring what this data means for lifelong learning, careers support and upskilling in more depth.

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