



The Overqualified Nation Report | 2026

Rethinking Talent, Performance and
Opportunity in the UK Labour Market

1. | A Market That Should be Working Better

The UK labour market presents an unusual contradiction. It is more educated than at any point in its history, yet large parts of that capability remain underutilised.

Over the past two decades, higher education has expanded rapidly. Degrees have shifted from being a differentiator to a baseline expectation. In theory, this should have created a workforce that is more productive, more commercially capable, and better equipped to drive growth.

Instead, it has exposed a structural imbalance.

A significant proportion of workers are now employed in roles that do not match their level of qualification. At the same time, a considerable

share of graduates are working in positions that do not require a degree. These are not marginal figures. They point to a systemic issue in how talent is absorbed, deployed, and developed.

The result is not simply inefficiency. It is a growing gap between what people are capable of and what they are actually doing.

This is often described as over-qualification, but in reality, it is something more consequential. It is a failure to activate talent at scale.



2. | Beyond Overqualification: The Under-Activation Problem

Framing this as “overqualification” risks missing the point. The issue is not that individuals possess too much knowledge. It is that the market is not converting that knowledge into performance.

Graduate outcomes data indicates that employment rates remain strong, with most individuals finding work. However, a substantial proportion do not move into roles that fully utilise their skills. Instead, they enter positions where their education has limited bearing on their day-to-day responsibilities.

This disconnect has a tangible impact. Workers in mismatched roles tend to experience slower wage growth and reduced long-term earning potential. Despite increases in nominal salaries, real-term graduate earnings have remained relatively flat in recent years. For many, this creates a sense of

stagnation, where academic investment does not translate into meaningful economic progression.

What emerges is a workforce that is qualified, but not fully engaged. Capable, but not consistently performing at its potential.

From a business perspective, this is not just a labour market inefficiency; it is a missed opportunity. Beneath the surface sits a large pool of individuals who have demonstrated discipline, commitment, and the ability to learn, yet have not been placed in environments where those attributes translate into commercial value.

3. | A Skills Imbalance That Is Often Misunderstood

At the centre of this issue is a mismatch between the types of skills being developed and those being demanded.

The UK has no shortage of technical capability. Degree attainment has increased significantly, and a growing proportion of the workforce holds advanced qualifications. In many sectors, this has created a surplus of individuals with strong analytical and theoretical knowledge.

What remains in short supply are the skills that determine performance in real-world environments. Employers consistently highlight gaps in communication, resilience, and commercial awareness, skills employers struggle to find. These are not specialist capabilities. They are fundamental to roles that involve influencing decisions, managing relationships, and driving revenue.

This creates a two-sided imbalance. On one side, there is an abundance of knowledge. On the other hand, there is a shortage of individuals who can apply that knowledge effectively in a commercial context.



For organisations, this often manifests as a hiring challenge. Roles that require client interaction, persuasion, or ownership of outcomes remain difficult to fill, even when there is no shortage of candidates on paper.



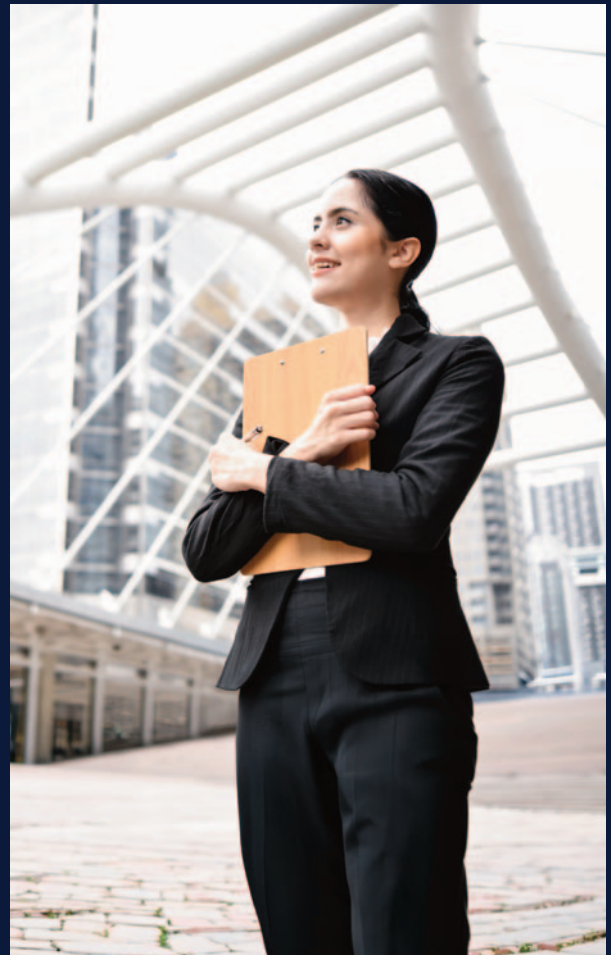
4. | The Confidence Gap That Holds Talent Back

Alongside the skills imbalance sits a more subtle barrier. Many individuals who are academically capable have not developed the confidence to operate in performance-led environments.

This is not a reflection of ability. It is a reflection of exposure.

Traditional education places limited emphasis on commercial behaviour. There is little focus on how to handle rejection, how to influence outcomes, or how to operate under pressure. As a result, many graduates enter the workforce with strong theoretical knowledge but limited experience of applying it in high-stakes situations.

When faced with the choice, they often move towards roles that feel stable and predictable. These positions may offer security, but they rarely accelerate development. Over time, this becomes self-reinforcing. The longer someone remains outside of commercially



demanding environments, the more difficult it becomes to enter them.

This is where potential stalls. Not because it is absent, but because it has not been activated.

5. | Geography, Access and Structural Friction

The distribution of opportunity across the UK adds another layer of complexity.

In regions with high graduate output but limited availability of high-skilled roles, individuals are more likely to enter positions that do not reflect their qualifications. What often begins as a temporary compromise can become a long-term reality.

In other areas, particularly major cities, the issue is shaped by different pressures. High living costs and competitive job markets encourage individuals to prioritise immediate income over long-term alignment with their skills.

These patterns reflect deeper structural dynamics. High-value commercial roles remain concentrated in specific locations, while access to those roles is uneven. For many, geography becomes a limiting factor in how far their qualifications can take them.



There is also a clear social dimension. Access to opportunity is influenced not only by education, but by networks, exposure, and confidence. Individuals from less advantaged backgrounds are less likely to translate their qualifications into higher earnings, even when their academic outcomes are comparable.

6. | What This Means For Business

For organisations this creates tension

On one hand, there is a widely reported shortage of individuals who can perform effectively in commercially driven roles. On the other, there is a substantial and growing population of individuals whose potential remains underutilised.

The gap between these two realities is where many hiring strategies fall short.

Traditional recruitment models tend to prioritise experience as a proxy for capability. While this can reduce perceived risk, it also narrows the available talent pool. Organisations find themselves competing for the same candidates, often at increasing cost, while overlooking individuals who could perform at an equivalent or higher level if given the right environment.



In roles where outcomes are driven by behaviour rather than technical expertise, this approach can be particularly limiting. Attributes such as resilience, adaptability, and the ability to build rapport are not always reflected in prior job titles. They are developed through experience and strengthened through the right support.

This is where the concept of under-activated talent becomes commercially relevant. Individuals who have demonstrated the ability to learn and commit through education often have the foundation required to succeed. What they lack is not capability, but opportunity and direction.

7. | Rethinking How Talent Is Identified



Addressing this imbalance requires a shift in perspective.

Rather than asking whether a candidate has done the role before, there is value in asking whether they have the underlying attributes to succeed in it. This moves the focus from past experience to future performance.

In practice, this means placing greater emphasis on qualities such as communication, coachability, and resilience. These are the traits that determine how quickly someone can adapt, improve, and contribute. It also requires recognising that potential does not always present

itself in a conventional way.

Individuals who appear underconfident or underdeveloped in one context may perform very differently in another. When placed in environments that provide structure, feedback, and clear progression, many are able to accelerate quickly.

This is particularly evident in performance-led environments, where outcomes are visible, and development is continuous.

In these settings, individuals are able to build confidence through action, developing the very skills that are often cited as missing.

8. | From Untapped Potential to Commercial Performance

When the right individuals are placed in the right environment, the shift can be rapid.

Those who have been underutilised often bring a level of motivation that is difficult to replicate. They are aware that they have more to offer and are looking for an opportunity to prove it. When that opportunity is combined with clear expectations and structured support, performance tends to follow.

This is where a different approach to recruitment and development becomes valuable. Rather than viewing the labour market as a limited pool of experienced candidates, it becomes possible to access a broader base of high-potential individuals.

The challenge is not identifying talent in the traditional sense. It is recognising where potential exists and creating the conditions for it to develop.

Organisations that are able to do this effectively are not only able to address immediate hiring challenges. They are also able to build teams that are more adaptable, more engaged, and more aligned with performance outcomes.



9. | A Shift In Perspective

The idea of the UK as an “overqualified nation” is often framed negatively. It is seen as a sign of inefficiency, of wasted investment, or of structural imbalance.

While these elements are present, this framing overlooks a more important point.

A workforce that is educated, capable, and underutilised is not simply a problem to be managed. It is a resource that has yet to be fully realised.

The question is not whether the talent exists. The data makes that clear.

The question is how effectively it is identified, developed, and deployed.



For organisations willing to rethink how they approach talent, this represents a significant opportunity. By looking beyond conventional indicators and focusing on underlying capability, it is possible to access a deeper and more diverse talent pool.

In doing so, businesses are not only responding to a labour market challenge. They are creating a more sustainable approach to performance.

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