



# The Human Advantage

Report for The Royal Foundation's Centre for Early Childhood  
Prepared by Deloitte  
November 2025



# Executive summary

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This report explores the **sustained and growing importance of human skills** as our work environments continue to transform



As AI increasingly handles technical tasks, competitive advantage will **rely on human skills** technology cannot replicate



81% of business leaders expect **increased demand for these human skills**, yet 45% already struggle to recruit them<sup>1</sup>



The foundations for developing social, emotional and cognitive skills are established in the **first five years of life**<sup>2</sup>, a fact often overlooked by businesses which tend to focus energy and resources on later periods



There are significant economic **benefits of improving early childhood outcomes**, estimated to be £45.5bn annually for the UK economy<sup>2</sup>



Investing in early childhood is vital for businesses to ensure tomorrow's workforce can harness AI's full potential and **achieve competitive advantage**

# Success in the era of AI will be influenced by uniquely human skills, the development of which begins in early childhood

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## AI is raising critical questions for employers about the skills they need

As AI enables businesses to automate routine cognitive tasks, process large datasets, and create efficiencies, the critical talent question for employers is shifting. Instead of focusing predominantly on technical proficiency, employers now need to think differently about the cultivation of uniquely human skills.

## These opportunities lie in early childhood

Our last report, ['Prioritising early childhood for a happier, healthier society'](#) showed that early childhood is crucial for developing key social and emotional skills such as empathy, teamwork, and resilience. Businesses benefit from the development of these skills, which are vital for their future workforce.

This new report shows how the skills built in early childhood are more important than ever. In an AI-driven world, these social and emotional skills are not just 'soft skills' but essential for economic success and societal well-being.

### Economic value in social and emotional skills

The analysis suggests that equipping our workforce with social and emotional skills can have tangible economic benefits for businesses, households and the government. It estimated that raising social and emotional capabilities in the UK to the levels of leading countries could raise annual GDP by **£12.2 billion**. This accounted for around a quarter of the estimated total economic opportunity of **£45.5 billion** from investing in early childhood.

These skills, which are nurtured from the earliest years, are crucial not only for individuals to live happy lives and enjoy successful careers, but also for fostering productivity and contributing to economic growth. They include:

- **Self-awareness:** The insight into one's own emotions, motivations, and capabilities, crucial for personal development and purposeful actions.
- **Critical Thinking and Problem-Solving:** Moving beyond algorithmic solutions to address complex, ambiguous challenges that require human judgment.
- **Empathy and Collaboration:** The ability to understand and share the feelings of others, and to work effectively in diverse teams.
- **Creativity and Innovation:** Generating novel ideas and approaches, which AI can augment but not originate in the same human-centric way.
- **Communication and Leadership:** Inspiring, motivating, and guiding others, fostering strong relationships and effective decision-making.
- **Resilience and Adaptability:** Navigating change, setbacks, and uncertainty with a positive and growth-oriented mindset.

# Competitive edge in this era will come from out-humanising, not out-automating...

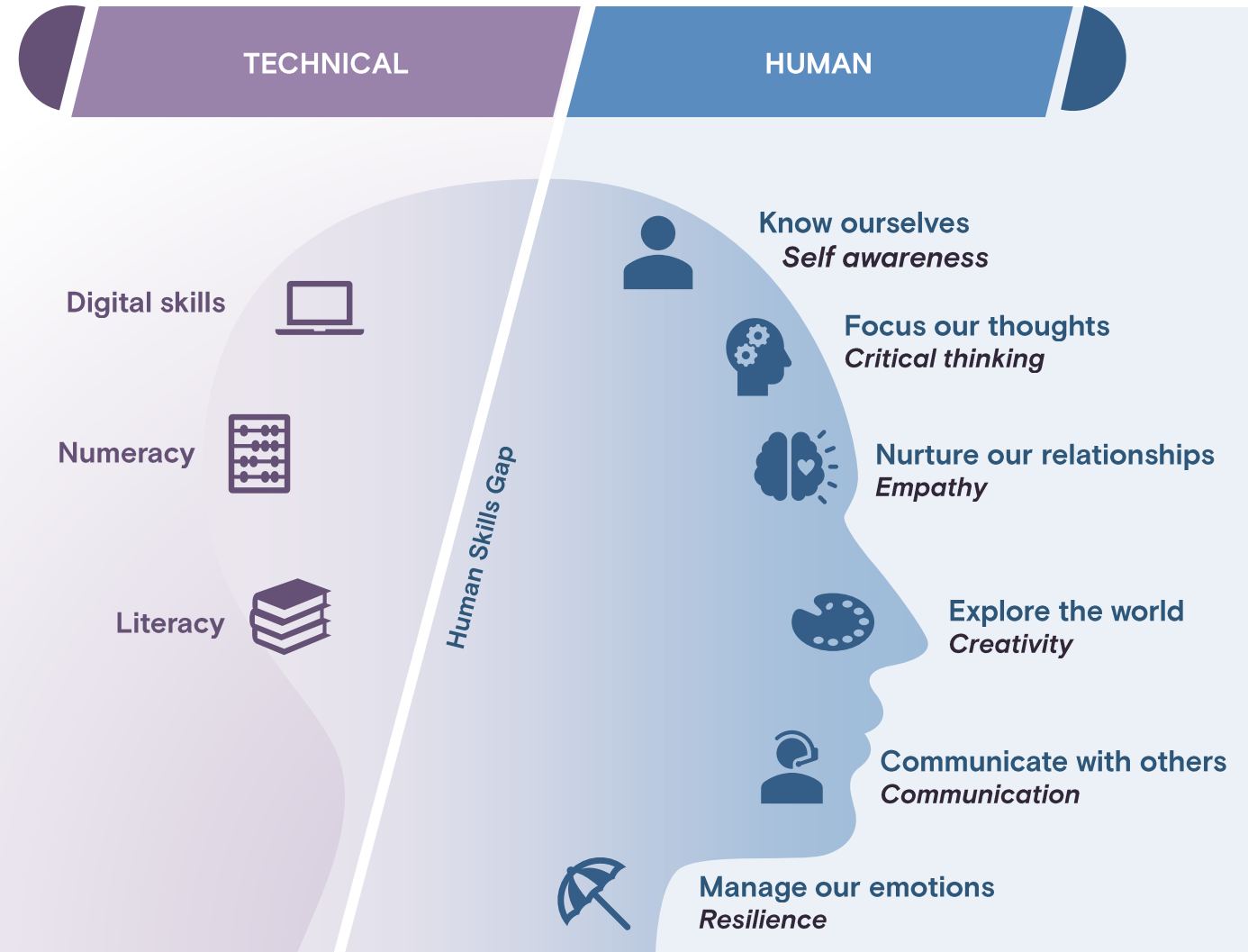
**Technical and analytical skills are integral to understanding how AI works.**

We will need these skills so that as a society we can harness the power of AI and avoid its potential pitfalls.

**But the more significant impact of the AI revolution is to reinforce the importance of human skills.**

By complementing the strengths of AI, it will be human skills that allow us to make the most of the opportunities it presents.

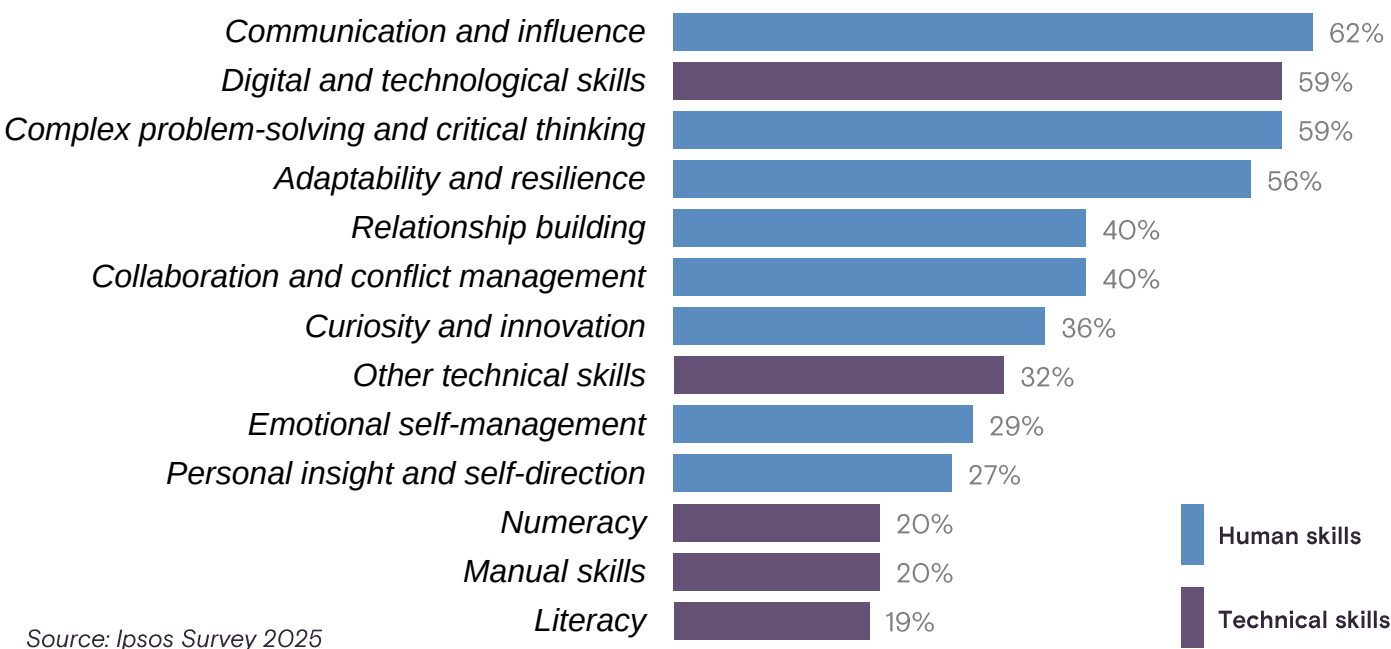
Human skills will also be essential to help us navigate this period of change and ensure the economic promise of AI translates to inclusive growth – and not become a source of social division.



# ...and the evidence suggests that finding strong human skills is already a challenge that is only likely to grow

Business leaders recognise the growing need for their employees to have strong human skills relative to technical skills.

Skills that will become more important over the next 5-10 years (% rated in top 5)



Source: Ipsos Survey 2025

*But there is already an identified skills gap in these areas\**

To address this, organisations need to focus more on developing skills that AI can't replicate.

“ Human skills get **increasingly important**, since we are dealing with more technology; there are certain things that can't be replaced.  
– Katrin Jacke, HR Director for VodafoneThree ”

“ People have been focusing more on developing technical skills in recent years; human skills, and leadership in particular, have probably **taken more of a backseat** and organisations need to rebalance that.  
– Dan Godfrey, Group People Transformation & Talent Director, Aviva ”

“ The magic is where you have **the human and technology combined**.  
– Sam Bowerman, People Director, NatWest ”

\* The survey found that nearly half (45%) of business leaders already struggle to find employees with strong human skills. As these skills become even more important in the AI-era, this challenge is only likely to grow.

# Business leaders have identified a core set of human skills they believe will be essential in the workplace of the future



## Critical Thinking

Critical thinking remains vital for interpreting AI insights, assessing their relevance and biases within complex organisational contexts and translating AI from theoretical concepts into practical applications which deliver business value.

Humans have the capacity to excel at relationship building and empathising with others – a spectrum of interactions that AI cannot replicate and can jeopardise. This is reflected in Deloitte research, with 28% of polled individuals believing AI resulted in a loss of personal connection.<sup>3</sup>



## Empathy



## Problem Solving and Creativity

Research involving over 11,000 workers across 17 countries revealed most demographic groups still consider human problem-solving capability to be of a demonstrably higher quality than AI. This suggests that whilst routine tasks might be automated, humans still hold the edge in strategic thought, creativity and innovation.<sup>4</sup>

Strong human communication skills are required for effective interaction; however, 36% of managers identify that they feel inadequately prepared<sup>3</sup> for these people-centric aspects of their role and need to feel better equipped.



## Communication



## Resilience

A recent Ipsos survey found that resilience was regarded as one of the most important skills to help businesses succeed over the next 5–10 years. Through interviews with business leaders, resilience was consistently identified as a foundation to allow humans to process feedback, learn and adapt how they work.



*These aren't new skills, but they're becoming even more important – **they've moved up the priority list.***



*– Jayne Casey, Vice President, Employee Success, Salesforce*



# Embedding these skills at the heart of our workforce will enable businesses to grow and thrive in this changing world



## Critical Thinking



We need people who can **ask the right questions** to get to the truth; we want them to exercise their curiosity rather than accepting what's served up to them

– Sandra Wright, Head of Organisation and Workforce Design, NatWest



## Empathy



We need to focus on empathy and development of our people, with a human-centric approach, considering what people require a pull rather than a push

– Katrin Jacke, HR Director of VodafoneThree



## Communication



We should continue to invest in things that will build our colleagues' confidence and communication and their ability to navigate new relationships.

– Dan Godfrey, Group People Transformation & Talent Director, Aviva



## Problem Solving and Creativity



Trying and failing and trying again, that **fail fast culture**, really has to be accelerated to help us realise the AI potential

– Jayne Casey, Vice President, Employee Success, Salesforce



## Resilience



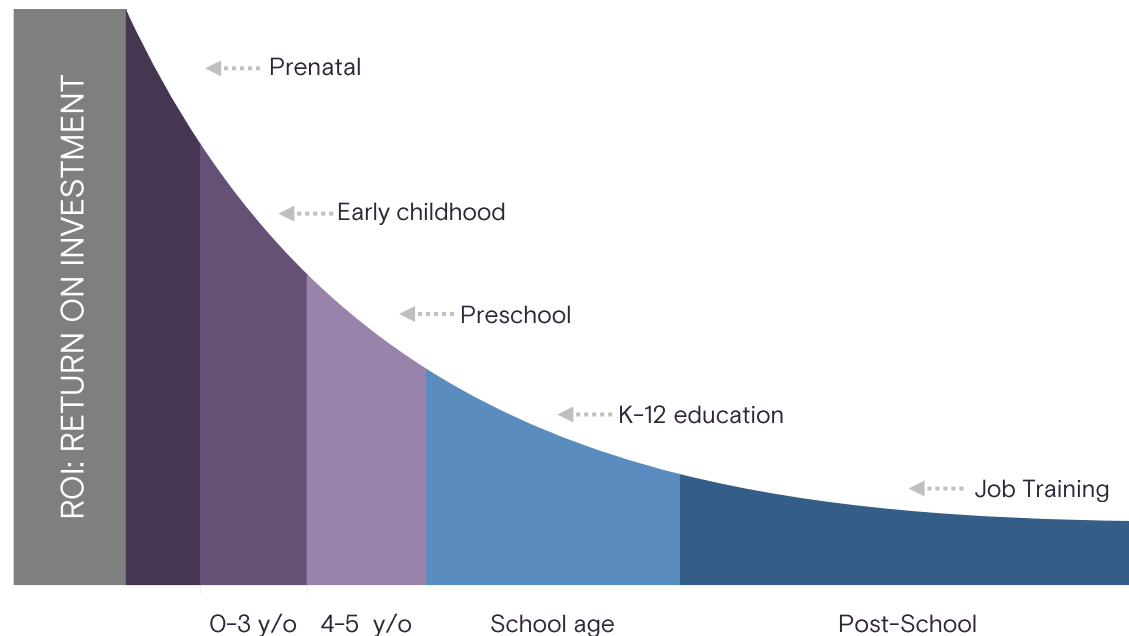
We need our workforce to be able to say 'OK, I'm out of my depth, but **how can you help me** with the skills I need, the support I need?

– Sarah Armstrong, Chief People Officer, Rolls Royce

# Early childhood experiences, relationships and environments shape the development of human skills

The science shows that the foundations for human skills are formed in early childhood;<sup>7</sup> those entering the workforce from 2040 will be drawing on social and emotional capabilities shaped by experiences and environments from today.

Economist James Heckman's research demonstrates the significant return on investment from early childhood development.



Source: Heckman (2019)

- A child's potential is largely shaped by their earliest experiences, relationships, and environment, which are critical for lifelong development.
- Positive experiences help build social and emotional skills, which continue to develop to build the human skills we need as adults.
- Supportive early relationships foster resilience and self-control, helping children navigate stress and adversity.
- Conversely, very negative early experiences can lead to "latent vulnerabilities," impacting functioning, especially in stressful situations.
- The first five years are critical for building the foundations which continue to develop into more sophisticated human skills needed as adults.
- Without foundational skills like focus and communication, a child's ability to engage with and benefit from future learning opportunities will be limited.

***"The best investment is in quality early childhood development from birth to five."***

*-James Heckman*



# The best investment for the future of business is an investment in the youngest members of our society

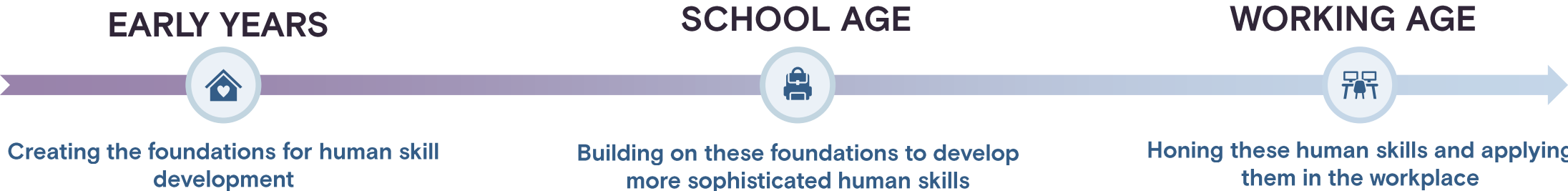
## Investing in human skills is increasingly becoming a priority for businesses

The advent of AI has fundamentally challenged and reshaped the skills landscape, underscoring that competitive edge in this new era will stem from ‘out-humanising,’ not ‘out-automating.’ Uniquely human capabilities such as critical thinking, empathy, problem-solving, communication, and resilience are no longer just desirable, but essential for future growth.

## This re-focusing means businesses should put a greater emphasis on investing in early childhood

The evidence in this report highlights that the most impactful investment in these skills begins in early childhood<sup>5</sup>, where the foundations for these vital human skills are laid. To truly thrive in an AI-driven world, businesses must therefore adopt a proactive, continuous, and holistic approach to human skill development, extending their influence beyond traditional touchpoints with a future workforce to foster these capabilities across all stages of life.

For many businesses this will require shifting their mindset around talent development. The interviews conducted for this research highlight a consistent theme that businesses do not view early childhood as a phase of life they should be investing in, while the Ipsos survey shows that only 6% of respondents see it as the easiest period to develop human skills. Given the depth of scientific evidence on the role that early childhood plays in shaping later life outcomes, these findings suggest businesses do not yet appreciate the scale of the economic opportunity it presents.



**The evidence demonstrates a growing human skills gap...**

**...and that the best time to build the foundations on which these skills can be developed is in early childhood.**

**What role will business play in driving change?**



# Sources

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## Business Survey

1. [The Royal Foundation Business Survey 2025 | Ipsos](#) Ipsos interviewed 180 business leaders in the UK through the Alligator panel (part of i-Say) from 21–31 October 2025. The survey included 4 key questions, the results of which have been highlighted in this report. The survey was designed to create a snapshot of business perspectives. The sample included businesses from a wide range of sectors and sizes across the UK. The sample includes businesses in England (93%), Wales (3%) Scotland (3%) and Northern Ireland (1%). Respondents included C-suite executives, Managing Directors, General Managers, and other senior decision-makers across businesses of varying sizes and sectors. Businesses with less than 10 employees were excluded. The survey data has not been weighted.

## Reference

2. The Royal Foundation of The Prince and Princess of Wales, [Prioritising early childhood for a happier, healthier society](#) 2024.
3. Deloitte, [Global Human Capital Trends Report, Closing the Experience Gap](#), 2025
4. Deloitte, [AI, demographic shifts and agility: Preparing for the next workforce evolution](#), 2025
5. [The Heckman Equation](#), Accessed Oct 2025.
6. UK Trauma Council, [The Guidebook to Childhood Trauma and the Brain](#), 2020
7. Center on the Developing Child, [A Science-Based Framework for Early Childhood Policy](#), 2007

## Business Interviews

Interviews were conducted by Deloitte between 3–12 November 2025. Participants included:

- **Dan Godfrey**, Group People Transformation & Talent Director at Aviva Group PLC
- **Jayne Casey**, VP Employee Success at Salesforce
- **Katrin Jacke**, HR Director at VodafoneThree
- **Sam Bowerman**, People Director at NatWest Group PLC
- **Sandra Wright**, Head of Organisation and Workforce Design NatWest Group PLC
- **Sarah Armstrong**, Chief People Officer at Rolls-Royce PLC

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