It’s been nearly a decade since the great recession, and with unemployment rates less than half of what they were in 2009 and 2010, we can all breathe a little easier. However, this doesn’t mean that the future of the American workforce is fully in the clear. As one challenge subsides, another is aggressively nipping at its heels.

As the employment gap narrows, the skills gap widens.

According to our Definitive Guide to Building a Better Workforce, a staggering 80% of companies acknowledge that there is a serious gap in workforce skills.

POP QUIZ
What specific skill do most employers say is missing in the workforce?

If you’re like most people, you might assume the answer is some highly elusive, computer-related technical skill. But surprisingly, the answer is actually soft skills. Soft skills include things like critical thinking, decision-making, communication, flexibility, leadership and teamwork. They’re often harder to measure than “hard skills” and they’re becoming more and more difficult to find.

As global competition continues to heat up, sustained business growth and job creation will not be the only necessary factors determining the future success of the American economy. Private industry leaders, higher learning institutions, educators and policy makers are going to have to work together to address the skills gap facing our country.

Narrowing the gap will require a significant investment from both the public and private sectors, along with employers and employees. This white paper dives deeper into the skills gap, its causes and how to rise above it just as we did the great recession.
What do America’s best companies think about the skills gap?

What skills are lacking?
- 41% Critical thinking/problem solving
- 41% Technical skill associated with the job
- 35% Professionalism/work ethic
- 30% Leadership
- 27% Adaptability/managing multiple priorities

What strategies are companies using to overcome the skills gap?
- 49% Improve external sourcing capabilities by using staffing firms
- 49% Identify gaps between current workforce skills and anticipated future
- 48% Increase company training for critical skill areas

What are the reasons for the skills gap?
- 46% Gap in wage expectations
- 41% New/shifting technologies
- 32% Employers not willing to pay enough to attract talent
- 27% Job requirements that are above entry requirements
- 21% Access to education

80% of all employers believe that the skills gap is real.

Companies of all shapes and sizes definitely agree on a central issue: the skills gap is very real. Unemployment is the lowest it’s been in 10 years, which is great. But when combined with the growing skills gap, it can cause hiring headaches. Best-in-Class companies are 31% more likely to increase hiring in the coming year to help combat the skills gap.

How big is the skills gap?

It doesn’t take a statistician to reveal the key message today’s corporate leaders are communicating — there is a clear mismatch between the supply and demand of both soft and hard skills within the American workforce.

In fact, McKinsey & Company predicts that by 2020 the global lack of skilled workers will total 85 million. That’s a lot of open jobs. Job growth has been positive month after month, but the real question is: who’s going to fill all these new roles? What makes the concept particularly challenging is that there are a wide variety of contributing factors driving this shift in demand for a more highly skilled and well-rounded workforce.

The U.S. has the lowest unemployment rate since 2007.
New and emerging technologies revolutionize the workforce.

From the introduction of electricity to the boom of social media and cloud computing, technology has continuously required the workforce to reinvent itself. As ways of doing business and interacting with audiences and customers are shifting, employers are looking for a highly skilled and adaptable workforce that’s able to keep pace with technological advancement. While it seems obvious that this would speak to the need for hard skills, technological advancement also relies heavily on solid soft skills.

For example, new technologies cannot be created, tested and launched without effective project management, marketing and sales engines supporting their growth. Further, as the prevalence of social media continues to rise, customers are turning to the profiles of their favorite — and least favorite — products to provide real-time feedback and inquiries, requiring effective communicators to step in as intermediaries and ensure the brand experience is consistent across all channels. As such, new technologies do not always equate to fewer workers — in contrast, often they create demand for a more sophisticated resource with the right mix of both technical/computing and communication and collaboration skills.

Leaner payrolls equate to broader job descriptions.

As companies hemorrhaged millions of jobs in 2008 and 2009, individual workloads did not decrease along with headcount. To manage this effectively, many organizations asked more of their staff, looking for employees to step up and take on additional responsibilities that may have been outside of their comfort zone and experience. In the recovery, as a measure of caution, some employers have not rehired to the same level as before, and are therefore looking for new hires that are able to step out of their silo to deliver results across a broader job scope.

As a result, employers developed a tendency to hold out for the “perfect hire” with a more holistic set of skills than may have been required ten years ago. An accountant who has strong math and analytical skills is helpful, but an accountant who can also effectively manage challenging client relationships and continuously evolve with new technologies and processes is far more valuable to any organization.

The global workforce increases competition.

As higher education and economic development continue to spread beyond mature markets to emerging markets, talented workers in places like China, India and Brazil are more frequently competing directly with Americans for jobs. The continued rise of a more highly educated global talent base combined with improved communication capabilities via email, video and web-based conferencing is making it much easier for employers to hire anywhere in the world based solely on where they can find the necessary skills to get the job done most effectively. While this can create a real advantage for employers, it is, and will continue to challenge the American workforce.

According to the 2017 Global Talent Competitiveness Index, the U.S. is currently the fourth most competitive country in the world to do business. While this is a strong sign of the power of the American workforce, there are
many countries determined to “leapfrog” the U.S. and achieve their place atop the list. As economic equality spreads and more countries invest in their domestic talent, the skills gap within the U.S. workforce will only become more evident and continue to hinder job growth.

Narrowing the gap.

A company’s workforce is clearly its most valuable asset. The largest expense on any employer’s balance sheet is headcount, and investing in employees and their skills are absolutely critical to any organization’s success. Smart employers are acting now to ensure they have the most highly skilled and productive workforce to ensure their organization is prepared for whatever business challenges may be on the horizon.

Training programs and apprenticeships.

According to our Definitive Guide to Building a Better Workforce report, nearly half (48%) of Best-in-Class companies are already increasing company training for critical skill areas in an effort to combat the skills gap. Your employees likely want to fill any holes in their skillset, but often, cost is a prohibitive factor. But trust us, it’s worth the investment. These programs are certainly not cheap, but while the initial investment in alternative training programs may be high, they may pay substantial and lasting dividends, especially where global competition is concerned.

Recruit for tomorrow, not just today.

The root cause of much of the skills gap starts at the hiring process. Hiring managers are frequently seeking replacements or new hires to fill a very specific and immediate gap in their workforce. Sure, a new hire might be able to perform in the current role just fine, but may not be adaptable enough or have the variety of skills needed to be successful and add value in the long term.

Recruiting for future demand is challenging and requires a more strategic approach to the hiring process — this extra step, however, can save attrition and recruiting costs in the long run while building a more effective workforce. Consider a strategic workforce planning assessment (SWP) to evaluate the future needs of your business. According to our research, only a slight majority of organizations have conducted one in the past two years, with over a third having never completed one at all. Here’s the important thing to remember – an SWP assessment costs a lot less than high turnover.

Temporary skills, meet temporary workers.

Today’s temporary workers are very versatile and have diverse skillsets, from administrative and clerical support to highly specialized talent in fields like engineering, technology and finance. As such, it’s not always necessary to hire a permanent employee for specialized skills that may be needed for a finite or undetermined period of time. Looking to temporary workers to match an organization’s ever changing supply and demand challenge offers a win-win for both workers and employers seeking increased flexibility.

In fact, 59% of organizations are now using contingent labor year-round to supplement their existing workforce. Additionally, Best-in-Class companies are 44% more likely to increase the size of their temporary workforce in the next 12-24 months. Contingent labor is not an exclusively seasonal phenomenon any more – it’s here to stay.

Solutions and tips for higher education.

Recent college grads feel they’re ready for the workforce: according to a Payscale survey, 87% said they were prepared for their first job. But what about employers? Less than 50% of employers feel recent college grads are prepared when they enter the workforce. That’s a serious disconnect.
59% of organizations are now using contingent labor year-round to supplement their existing workforce.

Soft skills must be on the syllabus.
Depending on the area of study, soft skills can often comprise a small portion of a college education in some institutions. When it comes to degrees in business, technology and engineering, the curriculum tends to be overloaded with highly technical and specialized courses. Students who graduate college with the ability to do a specific job but are unable to think critically or communicate are at a huge disadvantage. Universities need to ensure they offer a balanced education, regardless of an individual’s major or field of study.

Private sector advisory boards and collaboration are critical.
In order for any institution of higher learning to effectively prepare its students, it is critical that the faculty understand what’s happening in the real world of business. Teaching in an academic silo without the influence of the private sector is hindering students. That’s why leading universities have established private sector advisory boards that regularly meet with school administration and teaching staff to share their views on what’s happening in the field. These sort of partnerships also create an effective platform to establish ongoing internship and campus hiring opportunities for graduate career placement.

Evolving ahead of the economy and job market.
Universities need to be at the cutting edge of what’s happening in the marketplace. As new professions and skill set requirements emerge, employers are not able to wait two to four years for the right graduates to fulfill their immediate needs. As such, today’s leading colleges must be at the forefront of what skills will be in demand five to ten years before they are even needed, so there is a constant pipeline of graduates to fill both immediate and future demand. Being able to do so will require universities to leverage all of the assets at their disposal including their research capabilities, academic resources and private sector partnerships.
When we close the gap, the future is wide open.

Looking back on what the U.S. economy and workforce faced during the Great Recession, many important lessons can be drawn upon for governments, businesses and employees. One thing is certain, though: American workers will show resilience in the face of a daunting labor market.

By applying that same resilience, innovation and reinvention to the current skills gap challenge, the American workforce will undoubtedly evolve to meet the needs of this new global economy. A significant part of the challenge will be balancing the development of soft and hard skills as both will be required to effectively navigate and tackle new industries, technologies and global competitors. And while these are the very dynamics responsible for widening the skills gap, they will also inevitably act as the bridge connecting the American workforce and economy to an even more successful and prosperous future.

For more on the latest and greatest in closing the skills gap, contact your local Adecco representative or visit adeccousa.com.