Labor Shortages and Skills Gaps

Why Today’s Economy Needs Quality Training Now More Than Ever

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Back in 2015, we were already noting in our blog posts that there was a widening “skills gap,” and that it was making business owners and executives nervous. Today, that skills gap has only gotten wider and deeper. This has created a set of unique challenges for organizations, and particularly for HR, as they struggle to fill positions and reorganize in the face of a changing work landscape.

Fortunately, there is a solution so simple and obvious we almost hesitated to write a paper on it: Provide more and better training for existing employees. The organization that does that will outlast the competition in the face of labor shortages, skills gaps, and innovations in technology like automation and AI.

What has been less obvious is how exactly this is all supposed to work. What kinds of training are needed, and how do they fit into an overall strategy for attracting and retaining talent? Or building a change-proof succession plan? What will an increasingly technology-driven future demand in terms of new employee skills? For their part, what will employees themselves want?

Answers to these questions are not as simple nor well known... but we can provide insights into them for you.
Put the “Human” Back in Human Resources

Right now, unemployment is hovering at around 4%—a historic low. The Society for Human Resource Management (SHRM) President and CEO Johnny C. Taylor, Jr. reveals the reality behind that number in his HR exchange network interview: “There are 7 million job openings right now [in the U.S.] and, if you go by the unemployment count, roughly 6.2-6.3 million people looking for work, which means we literally have more jobs than we have people able to fill them.”

CNBC even reported on this finding with the ominous headline “The U.S. labor shortage is reaching a critical point.”

So what does this mean for organizations? First, it means that recruiters are having a much more difficult time filling vacant positions with qualified candidates. According to a survey done last year by Monster, 62% of recruiters admitted that their job was more difficult today than just a year ago, and 67% said their job was more difficult than five years ago.

The problems don’t stop with recruiters, either. As vacancies remain open for longer periods of time, coworkers absorb the extra work by taking on more responsibility, oftentimes without any additional financial compensation. Managers also end up staying later and working on the weekends to make sure their teams are producing. These overworked employees can quickly become job seekers in this market.

Second, it means that employees will be presented with more opportunities from organizations hungry to fill their vacancies. Knowing that there is a labor shortage, they (and the recruiters trying to place them) will be able to shop around for better money, benefits, and work-life balance. Even if your organization is already well-staffed, it will need to find new ways to keep talented people on board—and to fend off the head-hunters.

Third, it means that more and more companies are looking to automate what they can. This has the effect of making routine jobs much less common, but also opening up new opportunities for jobs that require more human-oriented competencies (“soft skills,” if you will).

For too long, executive leadership has presumed that spending more on training is unwise when there is a greater chance of talent walking out the door. And so that money is not spent, for fear of never being able to get a return on the investment.

That worry gets things exactly backward, as shown in that famous conversation between a CFO and CEO:

**CFO:** What happens if we spend all this money training our employees and they leave?

**CEO:** What happens if we don’t, and they stay?

That’s a smart exchange that packs a lot into just a few lines. This whitepaper is our attempt to unpack it, saying precisely why more and better training is exactly what organizations need in an economy facing a labor shortage and widening skills gaps.
Take the first challenge mentioned above, that recruiters are having a much more difficult time filling vacant positions. What could make their job easier?

Easy access to a pool of talented candidates, for one thing. A quick search and interview process. Easy onboarding.

Notice that all of these things can be had when an organization promotes internally. There’s already a pool of talented (and, likely, loyal) people to choose from. The search process can be curtailed dramatically, or done away with completely, because your candidates already show up at your workplace every day. Interviewing is easier for that reason, too. And as for onboarding, employees who already work for you are familiar with company systems and culture. Onboarding time can be shorter, with 100% of it spent mastering new responsibilities.

As California State University professor and management consultant Jed DeVaro explains, internal candidates have developed skills specific to the organization, which tends “to induce long-lasting employment relationships between workers and employers because the uniquely productive employment relationship benefits both parties.” He adds that expectations that the relationship will last puts emphasis on further skill development, and “…the company’s recruitment and training money is best spent preparing current employees for expanded leadership roles.”

In fact, promoting from within should be part of an overall succession planning activity. Succession planning is not just for leadership: it “trickles down” to management and employees as well.
This makes recruiting even easier, because only entry-level positions would need to be filled. Think of it this way: Finding the right senior candidate can be a costly endeavor. When you decide to promote from within, you not only fill the position faster, but you open another position—perhaps a junior position underneath the first vacancy. So you repeat the process, filling that junior position by promoting from within.

Eventually, you will have to hire someone new, but it's much easier to hire an entry-level employee than it is to hire a senior leader or manager, so you will be able to fill that vacancy much more easily.

You’ll also create a lot of goodwill, as each promotion will make the employee feel valued and appreciated even as they rise to take on new challenges. As you promote from within the ranks, so to speak, employees will see first hand that they have a chance for advancement, too. (As we discuss below, that kind of investment is important for engaging, and thus retaining, your employees.)

And the very fact that you have a clear succession path for everyone will be a selling point for your organization when you do choose to recruit outside talent!

If there is so much benefit to promoting from within, why don’t organizations do it more often? Part has to do, no doubt, with the speed at which new skill sets are needed—highly technical skill sets in particular. Sometimes, hiring an external professional is the only way to keep pace.

This, more often than not, seems like an excuse. Many times the hesitance comes because leadership does not want to disrupt the expertise it has already built.

Fabian Schumann, a business development managing consultant at Gallup, along with co-author Jennifer Robison, put it well: “When companies promote a worker to management on the basis of prior performance, they lose a job expert and obtain a manager who often-times has no talent for people management. That's how moving a single person can create a double negative—and it hurts the business.”

One way around this problem is to hire along two different, specific tracks (i.e., technical expertise and management). You can immediately see the problem with that: It makes all those problems in recruiting bigger, not smaller! A better way to proceed would be to offer training for new roles, made available to all interested parties. Then employees can get the relevant training and work their way to management, and managers can work their way up the corporate ladder.

In other words, having easy access to the training needed for each successive role can help realize your organization’s overall succession plan, and frees your recruiters to focus on just those few key vacancies you can’t fill internally.
The second challenge mentioned above revolves around the fact that, in any labor shortage, employees are more likely to reassess their situation and look for new opportunities...or to have new opportunities brought to them by outside recruiters. So how does an organization retain that top talent?

According to one widely cited statistic, a whopping 94% of employees say they would stay at a company longer if it invested in their career development. To these employees, having opportunities to learn and grow were more important than fancy perks like foosball tables and free food.

Likewise, psychologists have identified lack of proper training as one of the top five reasons (outside of compensation) employees tend to leave their companies.

Why? Personal growth and social mobility are natural human desires. Organizations that tap into those desires by providing opportunities for upward mobility and self-improvement will naturally get employees “hooked” on what the organization has to offer. To put it in simplest terms, employee opportunity breeds employee loyalty.

Companies who want to fend off outside recruiters and keep their talent loyal to the organization would be wise to invest in training programs that can support personal growth and mobility within the company.

Beyond training programs, there’s also something to be said for building a solid learning culture. A learning culture is basically a set of organizational values, processes, and practices that encourages employees, and the organization as a whole, to continually learn and add new skills. When you build a successful learning culture, it helps improve employee morale and motivation, and it fosters competent managers that those employees want to work for.

(There isn’t enough room here to get into all the benefits of a learning culture, or how to build one. Readers interested in those topics should see the relevant part of the “Further Reading” section at the end of this whitepaper.)
All industries these days are feeling the increased impact of automation and digital disruption. The nature of work is undergoing a radical shift, which partly explains why the skills gap is widening at such a maddening pace. Organizations will have to invest more in training to stay relevant. Continuous learning is no longer a luxury for large companies: It’s a “must-have” for everyone.

Many assume that automation and digital technologies will require better technical education. This is not necessarily the case. Today, the #1 priority among decision makers in talent development circles is training for soft skills.

Think about it: Any new technology—whether an app, a plugin, or an entirely new platform—will need to be reviewed, evaluated, implemented, and marketed by human beings. These same human beings will then need to introduce others to the product, explaining it to them and training them to use it efficiently. As the company that made the technology grows, knowledge about all of these processes will need to be shared.

These aren’t the kind of highly specialized technical tasks that employers focus on nowadays; they are “soft skills” that will be in high demand across industries.

To quote John Hagel, co-chairman of the Center for the Edge (a unit of Deloitte LLP that researches business and technology), organizations need to stop focusing on skills and tasks and begin focusing more on competencies, which include things like “curiosity, imagination, creativity, emotional intelligence, social intelligence,” in order to succeed. These are exactly the areas that used to be called “soft skills,” and they are in increasingly high demand.

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So what skills are required to do all of that? Here are a few that come to mind:

**Critical Thinking:**
Thinking through product development and testing

**Change Management:**
Accepting and adapting to the changes in the market, as well as in the employee pool

**Project Management:**
Identifying talent needed, aligning different departments and keeping them on track, documenting processes, etc.

**Communications:**
Communicating internally to share project status and solve problems, and communicating externally with clients, stakeholders, etc.
Next Steps: 

If you’re on board with the benefits of training for your organization, you’re likely wondering “What’s next?” By exploring why training is needed in this economy specifically, we can see what items should be a priority for your organization:

Get your succession planning in order. 
Be sure to have a plan that extends all the way down your organization, not one that focuses only on the top tier of leadership. Then map out the path that employees can take to work their way up the org chart.

Work to provide opportunities and foster a good learning culture. 
Every company has a learning culture, but a good learning culture doesn’t happen by itself. Leaders need to take charge and lead the way, bringing management on board. When that happens, employees will actually see the opportunities and pursue them.

Identify competencies to make the above happen. 
Remember, technical skills alone are not enough. Routine tasks in most jobs will be given to automation. Instead, focus on defining the competencies you wish to see, and that will help grow your company through the many changes yet to come.

Find training solutions and content that can deliver the above. 
A good training solution should help your leadership define competencies and create training tracks that support the new succession plan. Managers and non-management employees alike should also receive regular training in soft skills to improve teamwork and work-life balance. Both should be given access to self-directed learning where appropriate so they can sustain the learning culture and a growth mindset.

You can do it - keep going! 
None of these changes can occur overnight. But, if your organization can sustain these changes, it will be able to outlast the competition in any market.
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Further Reading:

On the “why” and “when” of promoting internally: Professor Jed DeVaro, “Internal hiring or external recruitment? The efficacy of internal or external hiring hinges on other policies that a firm uses simultaneously”


Real talk about the benefits employees want: Christine Mellon, “No One Works There Because You Have a Foosball Table”

www.tlnt.com/no-one-accepts-your-offer-because-of-your-foosball-table/

On the benefits of a good learning culture: Ryan Eudy, “10 Benefits of a True Learning Culture”

www.ej4.com/blog/benefits-of-a-true-learning-culture