

# SKILLS SHORTAGE

Is your business suffering from a skills shortage?

What can you do to solve it?



# Icehouse Insights

*A regular and exclusive series addressing some of the major challenges facing SMEs today. Icehouse Insights also highlights some of the possible solutions you can weave into your business to solve common issues.*

## **This edition:**

Is your business suffering from a skills shortage? What can you do to solve it?

Let's ask if, and why, the shortage exists, and whether it's time for businesses to consider solving present and future skills/talent shortages by implementing a find, develop and nurture-from-within model for recruitment.

## INTRODUCTION

New Zealand's employment landscape became incredibly uneven in early 2020 as organisations across all sectors adjusted to new ways of doing business amid the shifting sands of rapid economic upturn and downturn.

COVID-19 also brought about a renewed focus on recruitment, as some sectors experienced great upheavals in the job market while others remained unchallenged.

A major discussion point emerging among our alumni, programme facilitators, coaches and advisors, and wider network is a perceived skills shortage.

As a result, finding, retaining and nurturing talent to mitigate against a skills shortage is now front and centre for the nation's SMEs.

# WHAT IS A SKILLS SHORTAGE?

A skills shortage in terms of meeting the needs of a nation's long and short-term and regional skills gap occurs when there are not enough people available with the skills needed to do the jobs which need to be done. At The Icehouse, we believe that a skills shortage in terms of meeting the needs of New Zealand's SMEs occurs when there are not enough people available with the "right" skills needed to do the jobs which need to be done.

## Is there a skills shortage in New Zealand?

There is no official, simple or reliable measure of the existence of a skills shortage because official unemployment figures (as at 31 March 2021, New Zealand's employment rate stood at 4.7%) do not tell the complete picture.

So specialists use industry insights, anecdotal evidence from recruiters, business owners and hr specialists, plus more quantifiable measures such as the time it takes to fill vacancies to explain current trends. So, by these measures, it can be argued that there is a skills shortage in New Zealand.

### Industry job losses in the year to December 2020:

- Accommodation and food services 7,772
- Administrative and support services 5,340
- Transport, postal and warehousing 4,871
- Arts and recreation services 3,169
- Wholesale trade 1,880

source: [careers.govt.nz](https://careers.govt.nz)

## Why is there a lack of available talent?

Domestic skills shortages arise as a result of skills and knowledge gaps and employee expectation gaps:

- skilled people not using their core skills and qualifications and not willing to apply for vacancies which match those core skills and qualifications
- skilled people keen to use their essential skills and willing to apply for positions but they lack some of the other qualities that an employer feels are important
- businesses pivoting and failing to upskill and train the people they already have in the business to successfully complete new tasks creates a skills mismatch

- specialist talent retraining and moving into new industries because current employers don't meet their career expectations.

### Industry job gains in the year to December 2020:

- Healthcare and social assistance 8,816
- Construction 8,563
- Public administration and safety 7,630
- Education and training 5,549
- Financial and insurance services 4,166

source: careers.govt.nz

# SKILLS SHORTAGE SELF-EVALUATION

The first question any organisation needs to ask themselves is whether they have the right people in the right positions at all times to make the business operate as efficiently as possible. If this isn't the case, then it can be argued that your business has a skills/talent shortage or a skills mismatch.

It's a question which needs to be asked regularly, and not just when an employee leaves the business or a new role is created.

## **Constantly revisit your recruitment strategy**

No matter where you are in the world, your business might have the best-qualified HR professionals available, but organisations don't always have the right strategies in place to attract the people they need to make their businesses grow.

'Business owners need to understand that their recruitment strategy needs to be 12 months a year, not just when somebody hands in their resignation. The level of talent is getting thinner and thinner, particularly outside of Auckland and good profitable growth requires great people,' says Michaela Vodanovich, East Coast regional manager for The Icehouse and Programme Director and Facilitator for The Icehouse's Owner Operator Programme and Effective Leadership Programme.

## Four strategies to hire great people

### Look in-house for talent

Can you tap into the latent talent which sits within your organisation? Employees respond positively to professional development opportunities and access to opportunity has been shown to increase staff loyalty.

### Tick some, not all of the boxes

If your business is struggling to find the right talent, the answer could lie in your recruitment criteria. Rarely does a successful candidate tick all the boxes when they're hired. Can you be flexible on areas such as experience and qualifications if you have a robust developmental culture in your business and understand that an ideal candidate can be developed over time?

### Create a manageable timetable

Be realistic about your timelines around interview availability, notice periods, and onboarding. If you find the right person, create achievable outcomes as quick hires aren't always best hires.

### Promote from within

Consider transferring your most talented individuals from other departments. Just because one of your team has worked in one department for the duration of their time, it doesn't follow that they have to stay there. Transferable skills and a pre-existing company knowledge around how things are done are invaluable.

# SAVING ON EXTERNAL RECRUITMENT COSTS

The average cost of replacing a person accounts for just over 20% of that grade's annual salary, according to the US Bureau of Labor Statistics. Financial losses also link to the costs of lost time and productivity because there's a double hit involved when an employee leaves the business.

In the time it takes to advertise, interview and train up a new employee, that position is operating at non-existent to minimal productivity levels. Your new person takes time to get up to speed and to meet the level of the previous employees productivity. Further, when an employee departs an organisation, projects are left behind and the skills go with them.

## Upskilling and training

In 2019, Amazon ring-fenced US\$700 million training 100,000 employees for higher-skilled jobs over the next six years.

Amazon staffers are also encouraged to take part in free leadership and professional development programmes the moment they officially join the company.

It's an intelligent move which large organisations have deployed for a while. Investing in people is a two-way street and motivates the employee to invest in the business. People aren't staying in jobs for as long as they used to. The average lifespan for an employee at a company is 4.4 years. That number is dwindling each year, and is much less for employees aged under 30.

# WHY IS IT IMPORTANT TO UPSKILL AND TRAIN YOUR TEAMS?

## Employee retention

When ongoing training and active learning is a company priority it shows employees that you care about future career development.

## Workplace morale

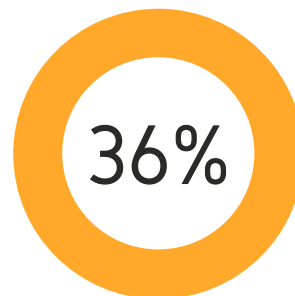
Upskilling creates a comforting workplace environment where employees feel valued and supported and creates a more profound sense of purpose among your people.

## Creates more talent

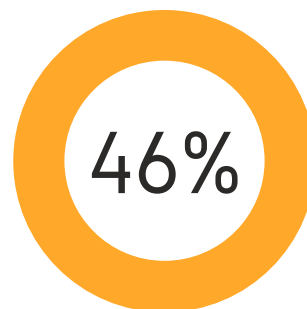
The businesses that win awards for looking after their people don't go unnoticed. The opportunity to work for a business that values its people attracts highly-qualified external applicants with extensive skills and experience.

## Higher productivity

Well-trained and highly-developed people with the right skills are better-able to perform and complete specific and complex tasks.



Of businesses say that talent shortages have affected employee morale



Say that they have increasing difficulties in meeting deadlines and clients' expectations as a result of the talent shortage



# WHAT CAN THE REGIONS DO?

I work with a number of businesses in Tauranga and the Bay of Plenty who are reporting how difficult it is to find people, including one that is struggling to close openings for six roles after two months of repeated advertising. These are exciting and dynamic trades-related businesses and the situation in which they find themselves is typical.

I don't agree and subscribe to location and lifestyle as a pull factor because I think that lends itself to different connotations. There are significant opportunities in the regions, just as in any large city. Furthermore, differences in regional pay rates are a bit of a myth and there's no difference between the pay in traditional trades, or the manufacturing and horticulture sectors, for example, whether you're in Tauranga or one of New Zealand's larger cities.

Nationwide, a lot of businesses still use traditional advertising online to recruit and, as a result, they're just not getting the quality of applicants for both skilled and unskilled roles. As a business, you have to tell a story and there are different mediums for doing that. I challenge companies to use social media to get their message out there or use customer newsletters to communicate that story. The story being that the business is positive, is growing, has a vibrant culture and is a great place to work. It's a different way of solving the problem of getting people interested in you.

Jamie Brock, Regional Lead for The Icehouse in the Bay Of Plenty and Programme Director for the Business Owner Programme and Young Business Owner Programme

# CREATING A BETTER BUSINESS

Businesses that adopt innovative approaches to tackling skills shortages show that they are willing to experiment with the very core organisational structures that have driven their business since the first days.

It also indicates that they are solutions-based, are willing to find new ways to solve old and existing problems, and that training, upskilling and professional development is a pillar of company culture.

Innovative problem-solving is a positive admission that what you've been doing all along isn't always the best way forward, and that you are willing to make continual improvements.

Identifying and bringing in the skills needed to move the business forward shows a dedication to future-proofing the organisation and understanding the future of work.

## How to upskill yourself at work

Trade Me Jobs says: It's in your employers interests that you continue to learn and grow professionally, so most companies are happy to help their staff upskill. We recommend talking to your manager about what possibilities exist. Common approaches to upskilling at work include:

Access to courses: some businesses might have access to paid online courses they can pass onto you for free

Professional development plans: your manager can help you work out what you want to achieve, and how you will do it. For example, if you want to improve your communication and public speaking skills, they can let you take the lead in meetings to grow your confidence

New projects: when possible, your manager might give you the opportunity to explore new projects or responsibilities that align with your upskilling goals

Source: Trade Me Jobs, How To Upskill Yourself, March 2021

# SKILLS AND TALENT: AN INHIBITER TO GROWTH?

As businesses think about the resource they need, it is important to be future-orientated and consider what the business needs going forward, rather than just replacing like-for-like or recruiting the types of roles or people they have hired in the past.

One of the most difficult tasks of leadership is to make sure the business raises its ability to handle growth as rapidly as it does its revenue line. If the business doesn't have the capability, the right skills and experience, enough capacity, and the right number of right people, that's when the wheels can come off and top line growth does not equate to profitable and sustainable growth.

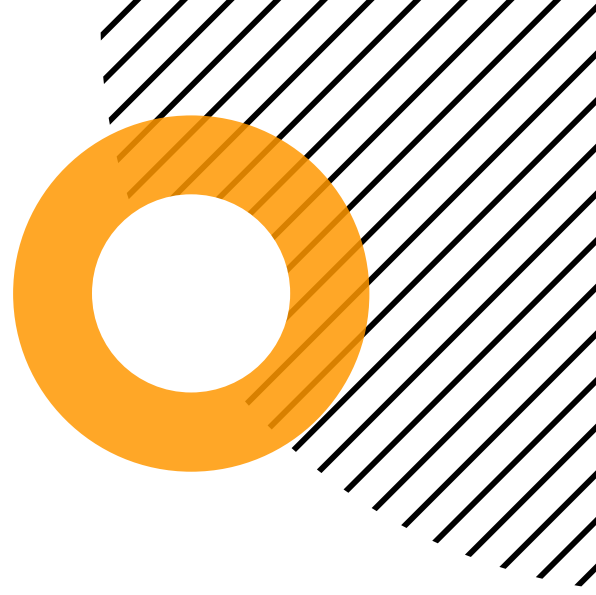
Owners and leaders need to be creative about how they attract the talent they need. Most businesses put a lot of time and money into attracting loyal customers and not enough time and energy into attracting the people they need and want. Think about your reputation in the market and what differentiates your company from other employers in your area or industry. Be visible where your future employees spend time and do everything you can to stand out and be compelling.

Liz Wotherspoon, Chief Executive of Growth for The Icehouse

# CONCLUSION

It's clear that employers need to be more creative than ever before in how they attract and retain talent. If the aim is to bring in new people, businesses need to think of potential employees in the same way as they treat customers by delivering a message, converting them and delighting them, by transposing the idea that 'they are lucky to work for us' into 'we are lucky to have them, now let's keep them'.

Employee retention also requires refreshed thinking. The effects of COVID-19 and subsequent border closures is a small reminder of how the talent net is reducing in size. Gone are the days when many industries could simply rely on a steady stream of overseas talent to fulfil short-term needs. Long-termism is the way forward and there are great opportunities to train, nurture and upskill and promote from within. And it's a journey that business don't have to take on their own.



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