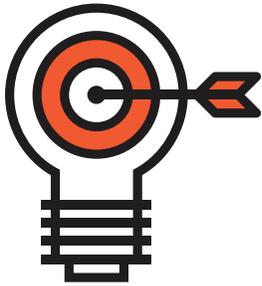


HCI

Acquire
the Right
Talent



TALENT PULSE

PROPRIETARY RESEARCH FROM HCI



**Bridging the Skills Gap with
Workforce Development
Strategies**



The **National Fund for Workforce Solutions** (<http://www.nationalfund.org/>) is a national network promoting economic opportunity and prosperous communities through investment and innovation. Based in Washington D.C., the National Fund partners with philanthropy, employers, workers, public and private community organizations and more than 30 regional collaboratives to invest in skills, improve systems and generate good jobs. The National Fund supports civic and business leaders in promoting evidence-based practices and policies that build shared prosperity.



Talent Pulse from the Human Capital Institute (HCI) explores the latest trends and challenges in talent management. With reports released quarterly, *Talent Pulse* is designed to provide practitioners and decision makers with prescriptive methods to rehabilitate the health and wellness of human capital, and to empower employees and leaders to effectively address future challenges.

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SUMMARY

More than a few notable researchers have concluded that the skills gap is an illusion.^{1,2} Yet for most business leaders and HR professionals, the difficulties created by skills gaps are very much a reality. Organizations consistently report problems finding and growing the right talent to meet their needs.^{3,4} Their experiences aren't wrong, so how can they be best understood? Is there really a skills gap?

While a generalized view of the supply and demand for talent may not indicate systemic skills gaps in the workforce, the reality is more complicated. Skills gaps can be difficult to quantify and are highly variable across different roles, industries, and localities.

The perception of a skills gap stems from well identified issues. Changes in technology and in markets have dramatically shifted the competencies needed for critical positions, while at the same time, entirely new roles have been created. The education and experience needed for these changing roles can be difficult to find in environments where certification or degree programs are out of date or non-existent. Further, attracting talent into some of these roles may be difficult in regions where living expenses are steep or where there are perceived opportunity costs in moving between rural and urban settings. In addition, the skills employers seek are no longer limited to those defined by a specific profession or position, but extend to critical thinking, interpersonal, and project management skills. These skills can be difficult to identify and develop.

Skills gaps can be **difficult to quantify** and are **highly variable** across different roles, industries, and localities.

WHY SKILLS GAPS MATTER

As many as **62% of HR practitioners indicate that gaps in the skills of their existing workforce will negatively affect their ability to meet strategic goals.** Similarly, **59% of survey respondents find that external skill shortages are producing the same effect.**

Nearly as many, 61%, attribute their difficulty in finding the right talent to the strong candidates' market. But, with only a quarter of organizations reporting a strong talent pipeline for business-critical positions (26%), the challenges of skills gaps are likely to persist. Business leaders, recruiters, HR professionals, and learning practitioners will need to do more to address the divide between what they have and what they need.

Workforce development relies on **public and private partnerships** that sustain local communities as they build the workforce of the future.

HOW TO BRIDGE THE GAP

The time to address these skills gaps is right now. To have mission critical talent in place when it's most needed, organizations must not only work harder to develop their peoples' skills, but they should consider broader involvement in workforce development initiatives that cultivate the skills and capabilities they will need for the future.

Compared to just three years ago, organizations have become more focused on developing the skills of their current workforce (72%) and nearly half (45%) have stepped up their efforts to buy the talent they need. But as these meet with gradually diminishing results, organizations are becoming involved in regional workforce development activities. More than half (54%) of those surveyed partners with other organizations (such as education, government, professional/trade, or non-profit) on workforce development initiatives.

Workforce development relies on public and private partnerships that sustain local communities as they build the workforce of the future. These partnerships not only enrich talent pipelines but enhance their internal training efforts. Those organizations that are among the most active in workforce development report better business, talent, and organizational outcomes,⁵ while they also report shorter time to fill, increased quality of hires, and lower recruitment costs.⁶

In this *Talent Pulse* research, we find that effectively bridging the skills gap requires organizations to do the following:

- ✓ Identify your organization's hard-to-find skills
- ✓ Diversify your approach
- ✓ Build a compelling employee value proposition to attract and retain talent in candidates' market
- ✓ Partner with educational institutions
- ✓ Extend partnerships across multiple agencies and institutions

An illustration on a blue background showing a gap between two white ledges. On the left ledge, a man in a blue suit and pink tie runs towards the right with his arms raised in celebration. On the right ledge, three men in blue suits (one with a red tie, one with a green tie, and one with a blue tie) are running towards the left, carrying a long white ladder across the gap. The ladder is positioned horizontally, bridging the distance between the two ledges. The scene is set against a blue background that slopes upwards from left to right.

Identify the Hard-to-Find Skills

“Too many of our employees focus on technology rather than **what it means to be part of a team** or understanding the colleague and customer experiences. This reads as not involved, not interested, putting in time, and not having any fun.”

—Survey respondent

IDENTIFY THE HARD-TO-FIND SKILLS

As technologies and industries evolve, the critical roles employers are seeking to fill are diverse and frequently changing. Not only that, but the skills identified by HR practitioners as “hard to find” increasingly extend to soft skills.

Depending upon the seniority of the position, only between 18% and 33% of the hard-to-find skills named by survey respondents are profession or trade specific. Another slim percentage of these skills, nearing 10% in some roles, can be characterized as basic or core competencies including writing, mathematics, and proficiency in common office software applications. This means that **more than half of the hard-to-find skills identified by respondents in our research can be characterized as social, cognitive, or emotional abilities** (Figure 1).

Some of these abilities were described with consistent frequency across positions. For instance, communication and interpersonal abilities were cited as hard-to-find skills regardless of the seniority of the position. Critical thinking was often mentioned for entry-level positions and individual contributors, while leadership ability remains difficult to find for some mid-level and senior positions.

FIGURE 1 What are the hard-to-find skills for your organization right now?

Senior-level Positions
244 total responses



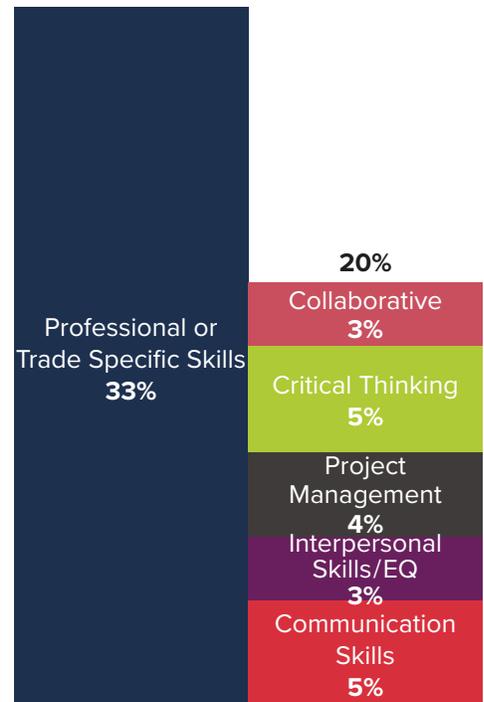
Mid-level Positions
274 total responses



Entry-level Workers
290 total responses

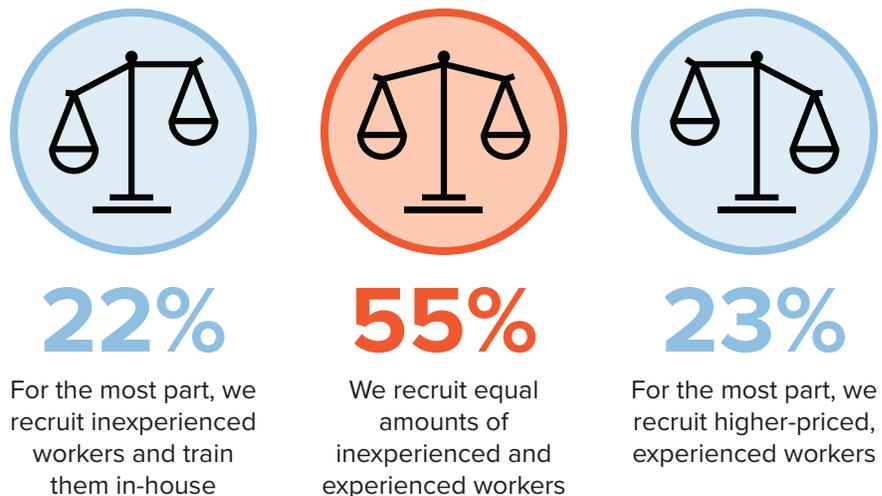


Individual Contributors
249 total responses



Organizations manage these skills gaps in part, by varying their approaches to talent acquisition and development. Most organizations (55%) choose to balance inexperienced and experienced workers in their recruitment strategy (Figure 2). Yet this approach can unfairly burden the HR and L&D functions who must design and develop programs to meet the needs of a workforce with highly diverse skills sets and disparate capabilities across levels and positions. Organizations should work to identify their most needed and hardest to find skills to help streamline their development initiatives.

FIGURE 2 Which of the following best describes your organization? (Select one.)



“Closing skills gaps at our organization has been difficult. We are resorting to a lot of in-house training for inexperienced candidates. Our strategy is not to over-pay, so we cannot entice experienced candidates with money. We stress the importance of our **culture**, our **core values**, and that we have a lot of **internal moves**, which is the reason for a lot of our openings. We also have won workplace awards which helps us tout a workplace of choice.”

—Survey respondent



Diversify your Approach

ADDRESS SKILLS GAPS

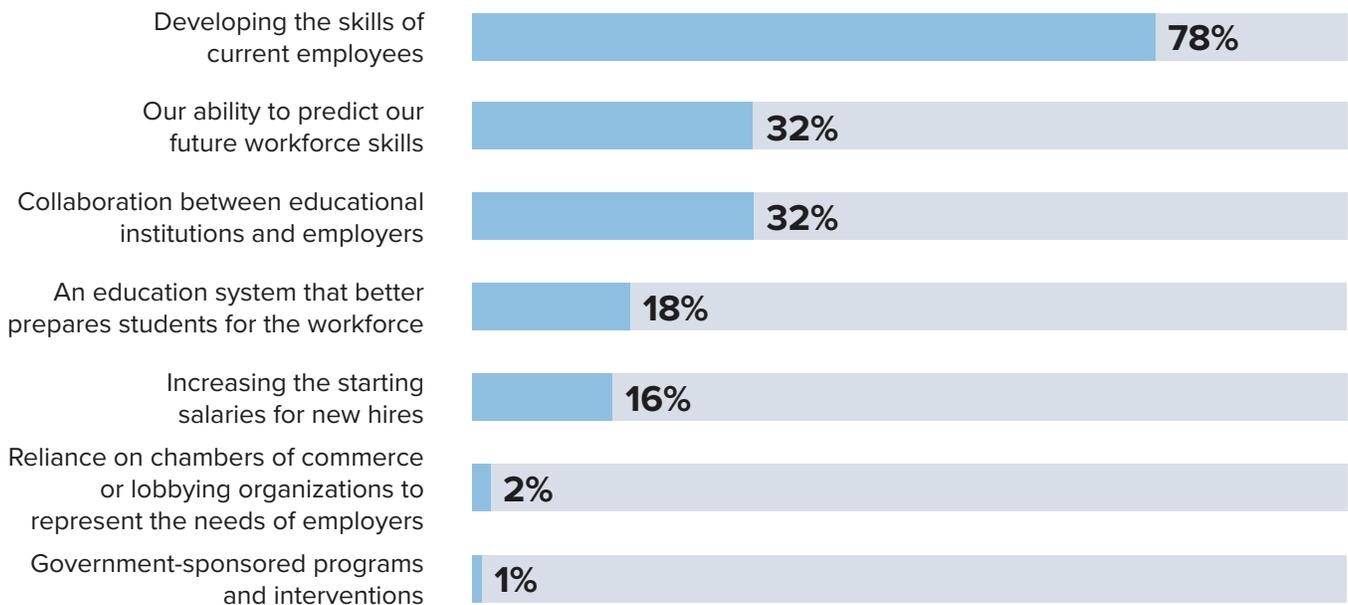
Greater variability in the skills and experience of workers requires organizations to create more comprehensive solutions to cover their needs:

- ✓ Investment in learning and development opportunities for current employees was identified by a large majority of organizations (78%) as the most effective approach for addressing their skills gaps and shortages (Figure 3).
- ✓ Nearly a third of organizations (32%) are also working to enhance their predictive capabilities to understand the inventory of skills and abilities within their current and future workforce. This helps them to identify the recruitment and training strategies that will help them meet their strategic goals.
- ✓ Finally, another third (32%) are involved in external collaborations with educational institutions. These partnerships serve both current employees and new hires by enhancing skills of existing talent and building new pools of talent needed for future growth.

High-performing organizations⁷ are more likely to engage in multiple approaches to filling their skills gaps and shortages. In fact, the more of these approaches they report using, the better their outcomes.⁸

FIGURE 3

What are the most effective approaches to filling skills gaps and shortages? (Select your top two.)



“Our efforts are focused on **leadership development** and other training to fill skills gaps in our current workforce.”

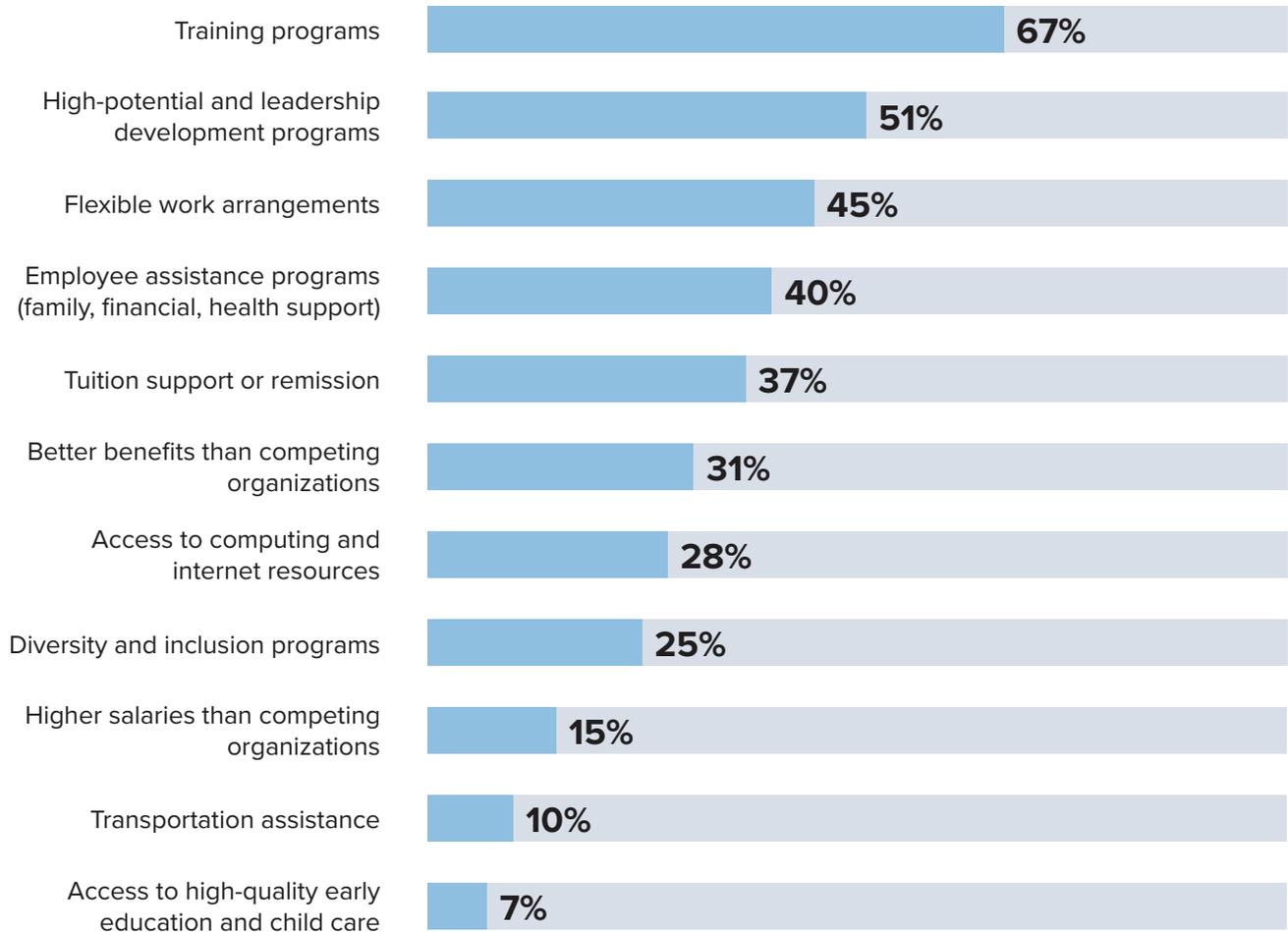
—Survey respondent

BUILD A VALUE PROPOSITION FOR EMPLOYEES

Organizations need to enhance the value proposition for attracting and retaining needed pools of talent. This includes investment in other areas beyond development, including flexible work arrangements, employee assistance programs, and competitive benefits (Figure 4). These efforts should strategically align with the pools of talent employers hope to attract. Organizations may find that in pursuing untapped talent in the under-employed or long-term unemployed, they may also need to provide assistance with transportation or childcare until they can meet these needs on their own.

FIGURE 4

Through what methods is your organization addressing skills gaps within your current workforce? (Select all that apply.)



“I’ve found that business-education partnerships were extremely effective in building a **better-skilled talent pipeline** at almost all levels of the organization.”

—Survey respondent

PARTNER WITH EDUCATIONAL INSTITUTIONS

Part of the way organizations improve the value proposition for their workforce is in blending internal development programs with external educational support from colleges and universities. Partnerships with educational institutions can provide a range of opportunities for raising the skills of employees from specialized training, to certification and degree programs. Right now, more than two-thirds of the organizations surveyed rely on training programs, while just more than half implement leadership development programs. These are being supplemented with incentives for education outside the organization. A large proportion of organizations that recruit equal amounts of experienced and inexperienced workers offer tuition support or remission to help close skills gaps in their workforce (44% vs. 30% highly experienced, 26% low experience recruitment strategies).

In addition to building the skills of current employees, collaborations with educational institutions build a pool of potential talent with skills that are directly relevant to business. Seventy-five percent of the organizations surveyed offer apprenticeships, internships or co-ops, and just more than half (54%) provide scholarships. As these collaborations have deepened and the need for diverse skills sets persists, some organizations have become directly involved in advising course content. More than a quarter of these organizations reported that they provide subject-matter experts to educational institutions as a part of their collaboration.

- ✓ 75% offer apprenticeships, internships, and/or co-ops
- ✓ 54% offer scholarships
- ✓ 49% send recruiters to campuses
- ✓ 42% build coalitions with multiple educational institutions
- ✓ 27% provide subject-matter experts to professors and their institutions to inform course content

BECOME A RESOURCE FOR EDUCATION

Organizations can do more to become a resource for education. They are uniquely positioned to advise on the technical skills and professional attitudes most in demand by employers. As a result, some organizations are creating new and engaging partnerships with educational institutions to more effectively bridge skills gaps in their workforce and strengthen talent pipelines.

In some cases, employees serve as mentors for students, helping them to connect learned skills to their practical application in the work environment. Other organizations have elected to provide course curricula, or even host courses. Funding research at educational institutions, or hosting competitions have also provided options for organizations looking for new talent capable of meeting high standards of performance.

Although relatively few organizations have adopted these approaches, they represent the start of new approaches to public and private partnerships between businesses and educational institutions that show promise for advancing workforce development.

- ✓ Hosting innovation competitions
- ✓ Funding research and development
- ✓ Building separate institutes or academies to cultivate the talent needed in an industry
- ✓ Designing curricula or project-based learning for use at educational institutions
- ✓ Employee mentorship of students
- ✓ Hosting satellite courses, labs, or shops inside the organization for educational credit

“It’s paramount that businesses, educating bodies, and governments collaborate to ensure emerging roles for prospective talent have the **fundamental skills to meet rapid change.** Educating bodies need to be far more agile in response to demand.”
—Survey Respondent

EXTEND PARTNERSHIPS ACROSS MULTIPLE AGENCIES AND INSTITUTIONS

More than half of the HR respondents in our study (54%) actively partner with education, government, professional/trade, and/or non-profit organizations on workforce development efforts to fill skills gaps (Figure 5). While collaborations with educational institutions are included in these partnerships, many organizations find they must expand their networks beyond academia. Certification and degree programs take time and resources to build. The time to completion for these programs may not always keep pace with the needs for skills within certain organizations.

For this reason, organizations sometimes choose to work with professional associations or trade organizations to promote awareness of the skills needed in a specific industry, engage in lobbying efforts for training and funding supports, or act as a certifying body for new curricula. Non-profit organizations frequently act as connectors between businesses and community groups whose purpose is to prepare youth for the job market, or retrain the unemployed for new jobs. Similarly, partnerships with workforce development centers and state agencies can facilitate the development of apprenticeship and on-site training programs, sometimes making grants available to host organizations.

Creating these partnerships frequently relies on the ability of internal stakeholders to identify opportunities outside the organization. They must reach out to other groups to find new pathways for closing skills gaps and talent shortages. They may even need to pursue their own professional development to build their business acumen and influencing skills so that they can better make the case for these community partnerships and encourage buy-in and investment from their leadership, managers, and their teams.

FIGURE 5 **Of the groups your organization partners with for workforce development, how would you characterize the success of these collaborations? (Those rated as “produced satisfying results”)**



54%

Create internal/
external partnerships
for workforce
development

Internal partners

- ✓ HR function
- ✓ L&D function/corporate university
- ✓ Senior leaders
- ✓ Line managers
- ✓ Employee representatives
- ✓ Role or team dedicated to community workforce development

External partners

- ✓ Professional associations or trade organizations
- ✓ Public and private educational institutions
- ✓ Non-profit organizations
- ✓ Workforce development centers
- ✓ State agencies
- ✓ Local or regional chambers of commerce
- ✓ Private foundations

THE IMPACTS OF WORKFORCE DEVELOPMENT PARTNERSHIPS FOR BUSINESS

Organizations that form partnerships in their workforce development efforts and pursue new strategies for closing skills gaps often see significant returns on their investments. Many report stronger talent pipeline for critical roles, and reduced turnover and time to fill new positions. They also report increased diversity and lower recruiting costs connected to their efforts (Figure 6).

In addition, organizations that report a greater number of partnerships in their workforce development efforts also report more positive impacts.⁹ These collaborations produce positive results for both businesses and the communities of which they are a part, growing the talent organizations need, closing skills gaps for critical roles, and sustaining local economies by connecting people with jobs.

FIGURE 6

What has been the impact of your workforce development efforts over the past three years? (Select only the items you have measured.)



An illustration on a blue background showing a gap between two white ledges. On the left ledge, a man in a blue suit and pink tie runs towards the right with his arms raised in a celebratory gesture. On the right ledge, three men in blue suits (one with a red tie, one with a green tie, and one with a blue tie) are running towards the left, carrying a long white ladder horizontally across the gap. The ladder is positioned such that it spans the distance between the two ledges. The scene is set against a large, dark blue triangular shape that points upwards from the bottom left towards the top right, creating a sense of depth and challenge.

Meet the Challenges of Workforce Development

“My company provides no support, direction, or guidance in workforce development and talent acquisition. There is **no branding strategy, and no budget** allocated for graduate programs nor any strategy for attracting local talent.”

—Survey participant

MEET THE CHALLENGES OF WORKFORCE DEVELOPMENT

The rewards of public and private partnerships for workforce development are greater than the sum of its challenges. More than half of HR respondents indicate that they currently lack the resources, whether this is the time, budget, or staff, to engage in workforce development efforts (Figure 7). But talent shortages and skills gaps are not going away. These issues are pressing, not only for businesses, but for governments and the people they represent. Recently, one governor cited mismatches in the skills of available talent and those needed by industry in naming workforce development as the defining issue of the decade.¹⁰

There are solutions to the challenges of workforce development with steps that individual leaders and HR professionals can take to grow the partnerships that lead to sustainable businesses and communities.

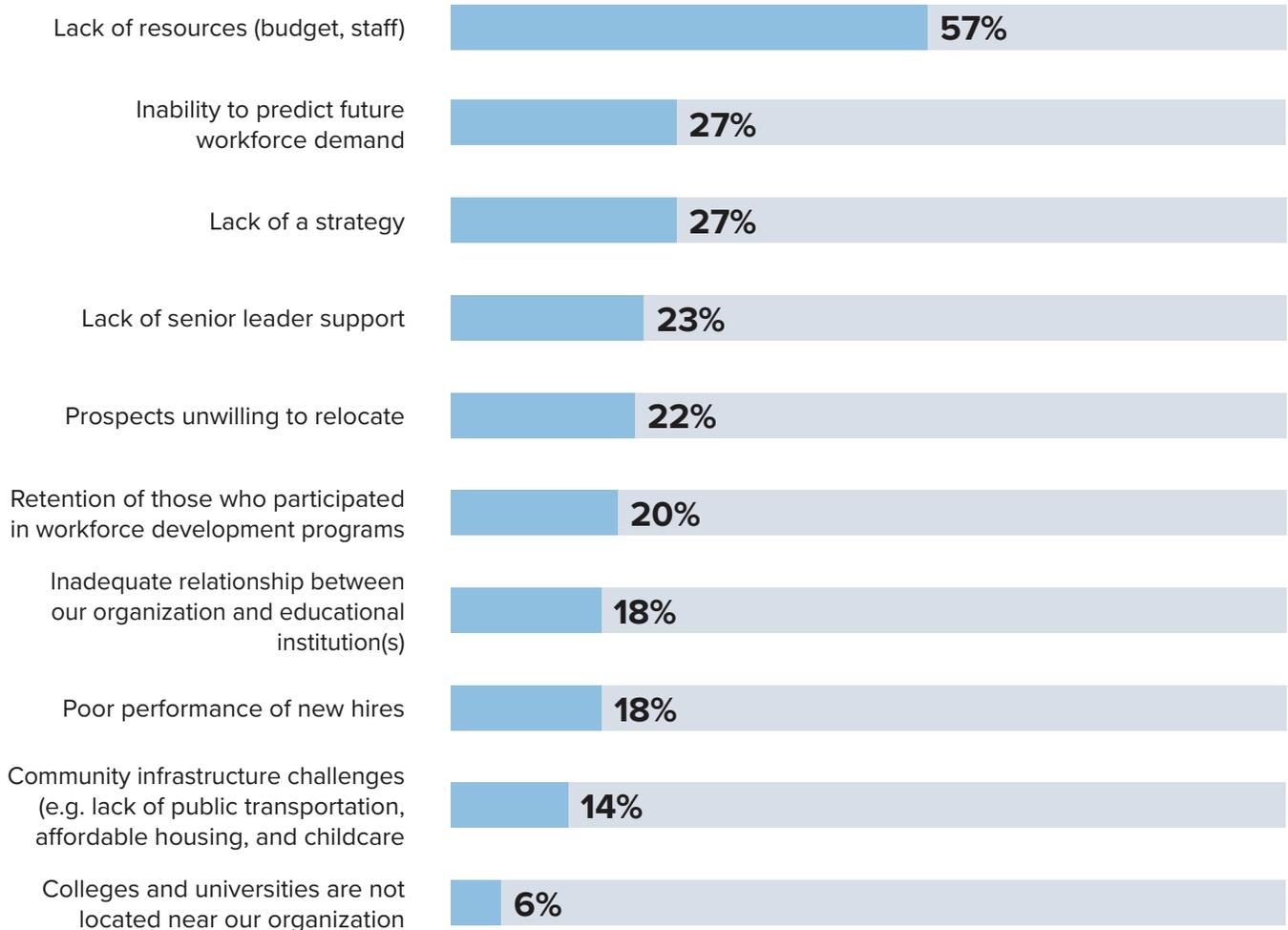
While more than a quarter of organizations (27%) report an inability to predict future workforce demand, pursuing professional development for HR professionals in strategic workforce planning and people analytics can provide organizations with the insights they need to understand where to invest the most resources, and which partnerships to pursue.

Similarly, roughly a quarter of organizations (27%) lack a strategy for their meeting their organizations workforce needs, or lack the support of senior leadership (23%) to initiate community partnerships and workforce development programs. Developing influencing and collaboration skills, honing business acumen, and understanding how to shift from tactical to strategic thinking, can help HR professionals build the business case for workforce development efforts and secure the sponsorship and support of organizational leadership.

Organizations need workforce development to drive business results, and ensure their future sustainability. Individuals can develop themselves to meet the challenges of building public—private partnerships to bridge the skills gaps their businesses face.

FIGURE 7

What challenges is your organization experiencing in workforce development? *(Select all that apply.)*



ABOUT THE RESEARCH

From April 2nd to April 20th, 2018, a survey link was distributed via e-mail to opt-in members of HCI's Survey Panel and electronic mailings. The results of this questionnaire, subject-matter expert interviews, and secondary sources form the basis of this research.

Duplicate entries and careless or partial survey responses were filtered out of the dataset, for a total of 183 respondents. 75% are headquartered in North America. Only categories describing at least 5% of the survey sample are displayed here.

Function

Human Resources	44%
Learning and Development	12%
Talent Management/Organizational Development	10%
Independent Consultant	8%
Recruiting/Sourcing/Talent Acquisition	6%

Level of Responsibility

I manage my own work and contribute to teams and projects	34%
I manage my own work and lead a team of people	14%
I lead and am responsible for other people managers below me	10%
I am responsible for a business unit or function	29%
I am responsible for an entire organization	12%

Number of Employees

Fewer than 100	23%
> 100 and ≤ 500	23%
> 500 and ≤ 1,000	17%
> 1,000 and ≤ 5,000	18%
> 5,000 and ≤ 10,000	6%
> 10,000 and ≤ 50,000	9%
> 100,000	5%

Industry

Professional, Scientific, and Technical Services	14%
Financial and Insurance	14%
Other Services (except Public Administration)	13%
Healthcare and Social Assistance	11%
Manufacturing	11%
Educational Services	9%
Public Administration	8%

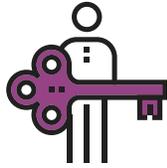
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4. Bessen, J. (2014). Employers Aren't Just Whining—the “Skills Gap” Is Real. *HBR*. Retrieved from: <https://hbr.org/2014/08/employers-arent-just-whining-the-skills-gap-is-real>.
5. $r^s = .300$, $p < .01$
6. Shorter time to fill $r^s = .241$, $p = .02$, Increased quality of hires $r^s = .336$, $p < .01$, Lower recruitment costs $r^s = .223$, $p = .03$
7. HCI researchers developed an index of seven talent outcomes (investments in training, internal mobility, employee engagement, diversity and inclusion, quality of hire, retention, and leadership bench strength) and seven critical business dimensions (customer satisfaction, regulatory compliance, community reputation, talent attraction, innovation, profitability, shareholder value, and productivity) for evaluating the relative strength and weakness of respondent's organizations. These inventories are composed of items with five-point rating scales. Scores from these items are aggregated to create a composite score that reflects the overall strength of each organization in terms of its performance. Those scoring 52 or greater on this inventory are considered High-Performing Organizations and consisted of 23 percent of the sample.

These organizations are diversely represented across industry, headcount, and annual revenue.
8. $r^s = .300$, $p < .01$
9. $r^s = .420$, $p < .01$
10. Heron, A. (2018, February 19). Indiana spends \$1 billion on workforce development each year. Here's what it looks like. *IndyStar*.

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Solutions for Closing Skills Gaps

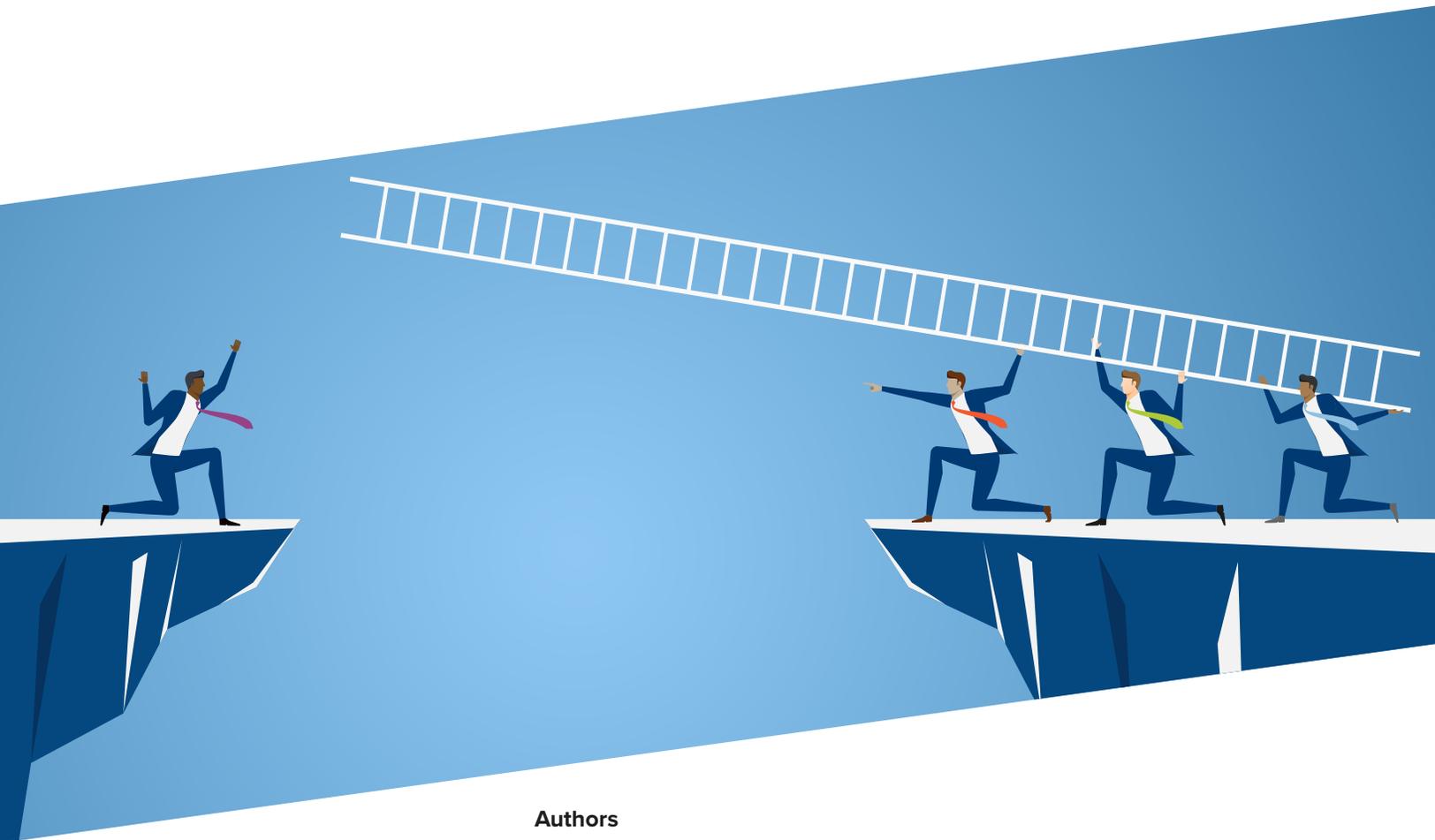
Untapped Talent: Community Partnerships to Combat the
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Capital
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We believe that strategic talent management is the only long-term, sustainable competitive advantage left today, and that most organizations around the world are struggling in this critical area. At our best, we change both paradigms and practices, and enable executives to make better, faster decisions than they could on their own.

HCI seeks to educate, empower, and validate strategic talent management professionals to impact business results through the acquisition of insights, skills and tools that are contextualized through research, practice, expert guidance, peer learning, and self-discovery.



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Publication date: May 22, 2018 v.1

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