Break the Crisis and Complacency Cycle

GET AHEAD OF THE GLOBAL TALENT SHORTAGE
In the seventh year of a global talent crisis in which more than one-third of employers have trouble finding the talent to advance their businesses, companies are becoming complacent about the precarious position they find themselves in as they search for the right employees. As economies around the world improve, the talent crisis will only deepen, making this complacency all the more dangerous. Smart employers are developing workforce strategies closely aligned with their business strategies to solve the talent acquisition problems they face today and will face in the years to come. In the Human Age, it’s this approach to business that separates the companies that merely survive from the ones that thrive and win.

Economies continue to recover from the global recession and financial crisis that stifled growth around the world and this is presenting businesses with a new problem—a problem unique to the Human Age in which we now live.

In the Human Age, the major engine of economic growth is human capital, the assets that walk in and out of the office every day. As companies find it increasingly hard to hire the talent they need to drive their businesses forward, the differentiator between success and failure will be the ability to acquire the best employees.

We are now in the seventh year of a worldwide talent crisis. Over one-third of employers are reporting that they are unable to find the talent their organizations need, according to ManpowerGroup’s 2012 Talent Shortage Survey. This number is up from under a third, just three years ago, during the worst part of the recession. As economies improve, the talent crisis gets worse.

Figure 1

PERCENTAGE OF EMPLOYERS HAVING DIFFICULTY FILLING JOBS

MANPOWERGROUP TALENT SHORTAGE SURVEY 2012

<table>
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<th>Year</th>
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Making matters more dire, 56% of employers indicated that unfilled positions were expected to have little or no impact on key constituents, such as customers and investors, up from 36% of employers in 2011. This complacent attitude threatens to exacerbate the already-severe talent crisis.

**DOES MATURITY MATTER?**

The problem is acute and worldwide. In India and Brazil, two of the world’s fastest-growing economies, 48% and 71% of employers are having trouble filling positions, respectively. In the U.S. and Australia, two strong and mature economies, 49% and 50% of employers, respectively, cannot find the right talent to help grow their businesses. Even in Europe, where a highly educated workforce and chronically high unemployment makes finding talent relatively easy, some employers are having trouble. In Germany, 42% of employers report difficulties finding good candidates. In Japan, the world’s third-largest economy, an astounding 81% of employers indicate that finding qualified hires is a problem.

**Figure 2**

PERCENTAGE OF EMPLOYERS HAVING DIFFICULTY FILLING JOBS BY COUNTRY

*MANPOWERGROUP TALENT SHORTAGE SURVEY 2012*
In Japan in particular, this is an old problem. For the second year in a row, Japan tops ManpowerGroup’s list of countries where employers have difficulty finding needed talent. Employers in the Asia-Pacific region, in fact, are having a harder time finding the right fit compared to those in any other region in the world. Nearly half (45%) of employers in countries like Australia, New Zealand and Taiwan can’t find the right talent to move their businesses forward.

![Figure 3](image-url)

**PERCEIVED IMPACT OF TALENT SHORTAGES ON KEY CONSTITUENTS**

*MANPOWERGROUP TALENT SHORTAGE SURVEY 2012*

And the problem is only getting worse. As the economies of the Asia-Pacific continue to grow at breakneck speed, finding the salespeople, engineers and trade workers to fuel that growth has become harder and harder. In Japan, the problem is exacerbated by an aging workforce, a problem that many other economies don’t have.

Japan, however, should be an instructive example to chief human resource officers (CHROs) worldwide. In the seven years that ManpowerGroup has been conducting its Talent Shortage Survey, Japan has been among the countries with the most severe talent shortage issues. In that time, Japan has also had one of the slowest-growing economies among G-20 nations. While there are many factors to blame for Japan's ongoing economic difficulties, a lack of talent to fuel growth is among
them. In the Human Age, it’s the power of human potential that drives companies forward and gives them an edge in the global marketplace.

But this is an old problem, one that many employers are all too familiar with. And that, ironically, is the new problem: Complacency has gripped employers around the world and threatens to derail their business plans in the years to come.

Figure 4
REASONS FOR DIFFICULTY FILLING JOBS
MANPOWERGROUP TALENT SHORTAGE SURVEY 2012

WARDING OFF HYSTERESIS

Why have so many employers given up on maximizing the potential of their businesses when confronted with the formidable but solvable problem of finding the right talent? The answer might lie in human psychology.

“A long-term crisis, after a certain point, no longer seems like a crisis,” writes vaunted financial columnist James Surowiecki in The New Yorker regarding the ongoing unemployment crisis in the U.S. (No End in Sight, April 30, 2012). Policy-makers have done little to address the unemployment crisis in the U.S. as the number of long-term unemployed swells to nearly 13 million Americans.

Today, the U.S. is in danger of falling into what economists call hysteresis in the job market, which is when those long-term unemployed become permanently unemployed because of a variety of factors:
Employer bias against the unemployed; the erosion of job skills from being away from the workforce; and a loss of confidence among the unemployed that they can find work.

In Europe in the 1980s, governments and policy-making institutions did little when unemployment increased and, after enough people had been unemployed for enough time, unemployment rates stayed stubbornly near 10% because of hysteresis in the job market. The prescriptions to combat hysteresis in the job market are well-known: subsidized job-sharing programs and more aggressive monetary and fiscal policy are among them. Why isn’t there more urgency to deal with the problem? Because we’re starting to get used to it.

To be sure, employers are implementing smart workforce solutions in response to the talent crisis, according to the ManpowerGroup’s 2012 Talent Shortage Survey.

One in four employers provides more training to existing employees. About one in eight expands the search for candidates outside their immediate geographic region. Roughly the same number appoints candidates to roles they aren’t quite qualified for but can learn to grow into. All are effective ways of dealing with talent shortages.

Figure 5
STRATEGIES EMPLOYERS ARE PURSUING TO OVERCOME TALENT SHORTAGES
MANPOWERGROUP TALENT SHORTAGE SURVEY 2012
While effective by themselves in the short term, these strategies will ultimately fall short in addressing the long-term talent crisis unless they are executed within the framework of a larger, holistic strategy.

The leading employers employ a workforce strategy closely aligned with their overall business strategy and use various methods to find the right talent to grow their businesses. These employers are aware of both current and future talent shortages and are far from complacent. By creating a workforce strategy that anticipates talent shortages, they are aware of skills gaps and other human resource issues they will face this year and years hence and are already taking appropriate steps to address those challenges.

**BRAKE BEFORE IT’S TOO LATE**

If employers don’t think that leaving important positions unfilled is a problem now, they will several years from now (when it will be too late). As economies around the world continue to rebound from the recession of 2008 and 2009, unemployment rates will go down and skilled talent will only become harder to come by. Smart employers are relying on their senior human resource leaders to stay ahead of this trend and to continue to find top talent by building sophisticated workforce strategies and executing on those strategies.

In a meeting recently held between company CEOs, CHROs and senior executives at ManpowerGroup, the CEOs and their CHROs were confronted with alarming data about a shortage of qualified talent, a shrinking pool of candidates from which they would have to find qualified hires in the years to come. Each CEO turned to their CHRO and said: “We’re not going to have that problem, are we?”

Business leaders will depend on their HR leaders to find and recruit the talent necessary to drive business forward, even as competition for that talent intensifies.

In the Information Age, marked by the rise of information technology, employers that effectively adopted the latest technologies and integrated them into their businesses came out ahead. Leading employers know that in the Human Age the ingenuity of individuals and individuals collaborating as groups will distance their businesses from the competition.

HR leaders need to break out of complacency and realize that even if key stakeholders won’t be affected this year by talent shortages, they will be affected next year, or the year after that. Developing a workforce strategy around future hiring and then executing on that strategy will be the key for human resource executives to overcome the talent shortage crisis and lead their companies to success.
THE SOLUTION: A WORKFORCE STRATEGY

A workforce strategy is a holistic assessment of your company’s business plan, the long-term talent needs of the organization and an approach toward managing both supply and demand of talent. It should also take into account external factors that could affect talent supply, like evolving technology, demographic shifts and rising demand from other companies. Just as a company considers supply of needed raw materials before attempting to manufacture a product, so too should it consider its human resource needs before executing on a business strategy. A workforce strategy should be tied closely to business strategy and should do more than simply fill vacancies—it should help drive the business forward.

ONCE THE GOALS OF THE BUSINESS ARE CLEAR, THERE ARE THREE STEPS TO CREATING A WORKFORCE STRATEGY:

Step 1. Scope out the current and future talent needs of the business, taking into account external factors that could affect those needs, like changing business conditions and emerging technologies.

The first step is understanding the business strategy. How can employers recruit without knowing what workers will need to accomplish in the short- and long-term?

For example, the business strategy may set an initial public offering as a goal in three years, which means that the company will need to hire accounting and legal talent for both short and long-term projects. How that talent is efficiently sourced, acquired, developed and, when necessary, retained, requires a nuanced understanding of the business strategy.

Step 2. Perform a workforce scan and assess the available workforce supply—that is, human resources.

With the deepening global talent crisis, determining what labor is available to help grow a business becomes increasingly complicated. More often than not, a simple survey of a geographical region for
qualified nurse practitioners will come up short when it comes to the needs of a growing hospital system.

More comprehensive, a workforce scan also assesses the availability of workers from neighboring regions, educational institutions and even other countries whose workers might be willing to move. It also assesses demographic factors that could affect the long-term viability of a labor pool.

A workforce scan can reveal both untapped opportunities and unanticipated challenges.

**Step 3.** Craft solutions to fill any perceived gaps between needs and the available workforce.

Different hiring needs require different staffing solutions. A company that has a business strategy and road-map that requires many short-term technology projects would approach recruiting and hiring differently than a company that has plans to expand a retail presence across a region. Both companies will need to increase workforce, but the most efficient and practical ways to do so differ greatly for each company.

The company with short-term technology projects would benefit from engaging flexible workers on a limited basis. The company that wants to expand its retail presence would benefit from recruiting employees with core skills essential for retail—like ability to talk to customers and comfort with math—and teach them to fit into the company’s business strategy.

In the Human Age, the companies that win will realize that an anticipated talent shortage is a problem they need to address immediately by creating an appropriate strategy and executing on it.

Utilizing an effective workforce strategy, employers can move from relying on what talent comes their way to learning how to manufacture it themselves when they need it. A successful workforce strategy gives employers the ability to scale workforce quickly and relatively easily, depending on demand and changing business conditions.

Within the framework of a workforce strategy, human resource leaders should consider specialized solutions that best align with their needs, goals and capabilities.

**Specialized Solution: Teachable Fit**

Not all skills gaps are created equal. If an otherwise qualified job candidate isn’t familiar with the finer points of HTML 5 or the specific type of welding required for the position, these things can be taught. On the other hand, if an individual is applying for a position in Sales but is not outgoing or empathetic, it’s a lost cause, as these are skills gaps that can’t be bridged.

Consider a large telecom provider that builds and maintains cell phone towers. The company needs a steady flow of technicians to service the towers once they are built. Training the technical staff takes time, but the company has planned far in advance when the towers will be built and therefore has time to train candidates.

Complicating things for the telecom company is that there is a lack of qualified technicians in the area who could be easily hired. To acquire experienced candidates for the position would require poaching from other telecoms that offer comparable pay and benefits and this could be expensive and time-consuming. A better option would be to find candidates who are a Teachable Fit.

An analysis of the position would reveal that candidates require a certain level of technical acumen and working knowledge of electrical engineering. Both are teachable skills. Other aspects of the job—like an ability to interface with customers and fearlessness of heights—are not teachable. A commitment, on the part of the candidate, to learn the company’s technology inside and out is a requirement.
In recruiting for the position, the company could interview other kinds of technicians who want to change careers or students graduating from technical schools with basic degrees. The company needs to carefully assess candidates on electrical aptitude as well as interpersonal skills and willingness to learn. It could also consider partnering with a local community college or trade school on a certificate course that specifically teaches the skills the company is looking for.

Figure 6
TEACHABLE FIT FRAMEWORK
MANPOWERGROUP TEACHABLE FIT: A NEW APPROACH FOR EASING THE TALENT MISMATCH

Benefits: Teachable Fit is among the most popular methods that successful employers use to address talent shortages. About one out of every eight employers that successfully overcame talent shortages used this method, according to the ManpowerGroup 2012 Talent Shortage Survey. The method allows employers to greatly expand the pool of possible candidates for a position. By recruiting for certain skills that are hard to train and training skills that are easy to learn, employers are investing in highly valuable individuals and turning them into loyal employees.
Specialized Solution: Strategic Migration

The concept is simple: If there aren’t enough available skilled workers in your area, look to other geographical regions or even other countries for the employees you need and bring them to you. With a lack of international certifications for many trades and immigration laws to contend with, not to mention the real-world difficulties in moving people from place to place, even within national borders, the execution is a bit more complicated.

While many jobs today, especially in technology and customer service, can be offshored, there are many more yet that cannot be performed remotely—construction, healthcare and foodservice jobs, for instance.

Shipbuilding positions must be filled locally. According to a recent ManpowerGroup paper (Strategic Migration—A Short-Term Solution to the Skilled Trades Shortage, August 2010), U.S. shipbuilding companies have strategically migrated talent to fill a need for skilled workers. Erie Shipbuilding LLC in Ohio secured H2B visas for workers from Mexico and Croatia, after proving that they could not hire the required talent locally.

Benefits: When there is a local need for skilled labor and a glut of talent elsewhere, it can be a good solution for both the employer and worker to migrate that talent to where it is valued most.
Specialized Solution: Flexible Working

Flexible working has become an increasingly popular employment strategy for leading employers as the world comes out of recession.

By the end of 2010, those working in the U.S. contingent worker industry accounted for 1.69% of the U.S. workforce, up from 1.47% in January 2010, the largest annual increase ever, according to a report from Staffing Industry Analysts, a research and advisory firm focused on staffing and contingent labor. The number of workers dedicated to this industry is often used as a proxy for how popular flexible working is among employers. The number continues to rise. According to data from the Bureau of Labor Statistics, 1.88% of U.S. workers were working in the industry as of April 2012.

Instead of hiring full-time employees to tackle short-term technology, legal or accounting projects, many firms are hiring contingent workers who are highly skilled in those areas. The advantages are clear:

1. Quick ramp-ups without the hangover: Hire a large number of workers for a short-term project without having to invest long-term in the costs of maintaining a large workforce.
2. Affording high-end talent: Bringing on CFO-level talent for an accounting system migration is too costly for most firms. Hiring such talent out of a staffing firm for three months is more within reach.

3. Try out workers as business conditions change. In a recovery, sometimes a company wants to grow but doesn’t know by how much. Hiring flexible staffers enables companies to try out workers while anticipating growth and to keep the best ones as needed.

As XL Health, a Medicare insurance plan vendor launched in 1997, has continued to expand, its staffing needs have become less certain. So, the company has embraced a strategy of hiring pharmacists from staffing firms on a short-term basis with the intention of hiring them full-time if there is a good fit. How many hired depends on how the business is doing. In the past several years, the company has brought in about 530 temps and has hired about 164 of them.

Benefits: Flexible staffing strategies give small companies the ability to hire big-company talent and big companies the ability to be nimble.

Specialized Solution: Hyperspecialization

According to a recent article in Harvard Business Review, the work of the future will be broken up into smaller and smaller bits until it is being performed optimally by workers specially trained to tackle each of those bits many times more efficiently than non-specialized workers who take on larger, more complicated tasks (The Age of Hyperspecialization, July-August 2011).

There are two ways that hyperspecialization works for employers. The first and more practical for most employers is getting the most out of a skilled workforce by removing and outsourcing the menial tasks those workers inevitably perform as part of their daily duties so that they can focus on the specialized tasks for which they are highly paid. A good example would be a consulting firm hiring administrative assistants to file expenses, organize calendars and perform other menial office tasks so that the consultants themselves can focus exclusively on acquiring and servicing clients.

The other method of hyperspecialization that can work for employers is changing the way they look at the work that needs to be accomplished and dividing it into ever-smaller tasks that can be performed by an army of incredibly specialized workers. This works especially well for software development projects, for instance.

A company might need to build a series of websites to market and sell their goods to consumers. Each website will require a content management system, an e-commerce engine, a database, a user-interface and aesthetic design, among other things. Instead of hiring one or two developers to plan out the project, design the website, the interface, the database and so on, the company could farm out the project to an organization like TopCoder, a software development community where participants compete for very small parts of development projects.

Coders specialized in building databases would compete to build the best and cheapest database for the company. So, too, with the e-commerce engine, and so on. Members of the development community would compete to manage the project and to sew the different pieces of it together. The end result, if managed properly, is a website that is cheaper, better and less time-consuming to make.

Benefits: Hyperspecialization can save companies money, freeing their workers to focus on what they’re
best at, resulting in improved final products. By hiring labor that’s relatively easy to find and inexpensive to pay, employers can get the most out of their hard-to-find, expensive workers. Breaking up work into smaller bits can turn one or two risky, expensive hires into many low-risk, highly specialized workers who produce better work faster and cheaper.

Specialized Solution: Exploring Untapped Talent Markets

Many employers that have trouble finding the right talent might be surprised to learn that there are two vast and largely untapped talent markets that are undoubtedly all around them regardless of where they are located: women and youth.

Even in Northern European countries, where workforce participation by women is at its highest, men outnumber women in the workforce. According to a 2008 report from the Organisation for Economic Cooperation and Development (OECD), just over 80% of women participated in the workforce in Iceland compared with nearly 90% of men; Iceland is the country where the ratio most favors women. On the other end of the spectrum is Turkey, where one in four women participates in the workforce versus about two-thirds of men.

While there are cultural barriers in many countries to women taking certain jobs in the workforce, the main barrier to entry for women is inflexible work environments. Many women are the sole caretakers of their children and cannot be in an office during certain hours of the day. Companies around the world have adapted to this need by offering flexible hours and telecommuting options. A lack of flexibility in the workplace often prevents women who leave work temporarily, usually to have children, from returning. According to a 2007 report from the World Bank, 93% of U.S. women who take a career break want to return to full-time work, but only 74% do so.

Another untapped talent market is youth. Youth around the world often have more trouble than other age groups in finding work because they lack skills and experience. And, in economic downturns, youth are often the first to be laid off. During recoveries, they are among the last to be hired.

Youth unemployment rates around the world are typically two-to-four times higher than adult unemployment rates. Younger people, even those with college degrees, often have trouble finding work compared to those who have been in the workforce longer because of a lack of experience or training. When economies go bad, youth are often the first to lose their jobs and often the last to benefit from a recovery.

While younger workers may not have the hard skills and experience of older workers, they do have—as do all workers—valuable and hard-to-teach values and attitudes related to work. Companies that wish to tap into this market can do so by supporting career guidance programs for youth still in school and by supporting projects that provide career guidance and labor market information for young job seekers.

Bringing more youth into a company can also help it innovate and stay ahead of its competition. Some of the most innovative companies in the world (Google and Facebook, for instance) have workforces with low average ages.

Benefits: Making a workforce more flexible to be more inclusive to women workers can give companies a significant advantage over competitors in courting half of the labor pool. Developing a pipeline of inexpensive and energetic young labor can provide a company with the talent it needs at a cost it can afford. It can also have the added benefit of injecting innovation into company culture.
Specialized Solution: Expanding Tapped Talent Markets

Sometimes the best talent is right where you least expect to find it. As talent markets tighten around the world, one promising solution for employers is to change the way they think about work and workers.

Most employers use conventional job descriptions to fill positions. While job descriptions adequately explain responsibilities and requirements, they fall short when it comes to truly scoping out the desired outcomes for a position and the core competencies required to deliver those outcomes.

Leading employers are using job success profiles instead of job descriptions. Job success profiles describe the role within the company and the industry as well as how to do it, considering all layers of the job. Job success profiles answer the questions: What does success look like in the role? How does it relate to others within and outside the company? How will this role fit into the larger success of the company?

Effectively utilizing job success profiles also requires that workers are viewed differently. Rather than assessing skills and competency using a resume—essentially a backwards-looking document—employers should look at the employability profile of job candidates, a document that scopes out future performance. While a resume focuses on past experience, titles and educational certificates, a job success profile focuses on skills and core competencies.

A resume without a degree in chemical engineering might disqualify a candidate for a job with a description that requires one, further shrinking the possible pool of talent to fill that position. However, an employability profile for the same candidate who demonstrates scientific acumen through past experience in a biology research lab liaising with company management might fit a job success profile for a chemical engineer. In fact, once a job success profile is created, it might be discovered that an ability to communicate with multiple layers of an organization is as important to success as (or even more important than) chemical engineering acumen; and managing up and down an organization isn’t something you can have a degree in.

Benefits: At a time when the right talent is in short supply, having the ability to take a second look at candidates once thought unsuitable can greatly enlarge the pool of possible talent.

REDEFINE THE NEW NORMAL

As the worldwide talent shortage deepens and evolves into a long-term crisis, too many employers have accepted unfilled positions and lost productivity as a new normal. Companies that succeed in the Human Age will closely align comprehensive workforce and business strategies. A successful workforce strategy will identify and solve current talent acquisition challenges, anticipate future issues and implement necessary solutions.

Once there is a workforce strategy in place, human resource leaders should consider employing various specialized solutions—including hiring workers who are a Teachable Fit, strategically migrating talent, employing flexible workers, hyperspecializing work, recruiting within untapped pools of talent like women and youth and expanding tapped talent markets—to find the best workers.

Employers not worried about the effect of unfilled positions on their bottomline are putting themselves at a serious disadvantage to those that realize that in the Human Age, talent sets companies apart.