SHRM RESEARCH:
WORKFORCE READINESS AND SKILLS SHORTAGES
SHRM Research: Workforce Readiness and Skills Shortages

There may still be some disagreement among economists over whether skills shortages are having a significant effect on hiring, but SHRM research suggests that many HR professionals are having trouble finding applicants with the right skills and qualifications for a substantial number of jobs. Deficiencies range from basic skills, such as written communication, to applied skills like problem-solving and collaborative thinking, and lack of expertise in math and science. SHRM and its members are actively working to close the skills gap, but this effort will take time and most likely additional investment by local, state and federal government as well as employers.

Help Wanted, Along with Higher Skills

HR professionals say recruiting a wide variety of candidates for their job openings has become more difficult, with particular problems experienced in recruiting for STEM (science, technology, engineering and math) field jobs.

- SHRM’s monthly Leading Indicators of National Employment® (LINE®) report shows a continuous rise in reported recruiting difficulty for jobs of most strategic importance, recently reaching levels not seen since before the recession of 2007-2009, as shown in Figure 1.¹
- According to SHRM’s Economic Conditions Survey Series, nearly three out of four respondents (72%) had difficulty recruiting for open positions in engineering. Employers were also having difficulty filling many other STEM jobs (see Figure 2).²

- Lack of technical skills, competition from other employers and lack of work experience are key reasons HR professionals are having difficulty filling jobs (see Figure 3).
- Three out of five HR professionals (60%) in the manufacturing industry say they are having overall recruiting difficulty for their full-time openings (see Figure 4). More than one-half of health care/social assistance respondents and HR professionals in the high-tech industry report the same difficulty.
- HR professionals say the most common skills that 2015 college graduates are lacking are professionalism/work ethic, writing in English and relationship building/soft skills.³

Figure 1. Recruiting Difficulty in the Manufacturing and Service Sectors

Source: SHRM Leading Indicators of National Employment (LINE®) Report historical data. See shrm.org/line for more information.
Figure 2. Job Categories Organizations Have Had Difficulty Recruiting

- Engineers: 72%
- High-skilled medical: 69%
- IT/computer specialists: 69%
- Scientists: 67%
- Managers and executives: 65%
- High-skilled technicians: 63%
- Skilled trades: 55%
- Sales professionals: 54%


Figure 3. Reasons Behind Organizations’ Difficulties in Hiring for Full-Time Regular Positions (All Industries)

- Candidates do not have the right technical skills: 50%
- Competition from other employers: 50%
- Candidates do not have the needed work experience: 50%
- Low number of applicants: 43%
- The local market is not producing enough work-ready/qualified job candidates: 40%
- Candidates do not have the right professional skills: 39%
- Qualified candidates reject compensation package: 37%
- Candidates do not have the needed credentials/certifications: 29%
- Candidates do not have the right workplace (soft) skills: 27%
- Qualified candidates are not interested in moving to our local area: 26%
- Candidates do not have the right basic skills: 22%
- Candidates do not have the needed training/basic skills: 16%
- Lack of interest in type of job/training: 16%
- Candidates are overqualified: 15%
- Candidates do not have high enough levels of education: 15%
- Qualified candidates are not able to move to our local area (due to mortgage or other issues): 12%
- Our organization does not provide relocation funds: 11%
- Qualified candidates reject benefits package: 8%
- Other: 7%

SHRM Research: Workforce Readiness and Skills Shortages

The types of basic skills that are lacking among applicants cover a broad spectrum:

- More than two out of five HR professionals (42%) indicate that applicants do not possess basic computer skills.
- Thirty-one percent say applicants have insufficient skills in writing in English.
- Twenty-six percent say applicants lack basic skills in spoken English (see Figure 5).

HR professionals also have concerns with gaps in applied skills:

- Forty percent say applicants have gaps in critical thinking/problem-solving.
- Thirty-eight percent say there are gaps in professionalism/work ethic (38%) among applicants.
- Thirty-four percent are finding skills gaps in applicants’ leadership skills (see Figure 6).

SHRM’s Aging Workforce Research Initiative, conducted in collaboration with the SHRM Foundation and underwritten by a grant from the Alfred P. Sloan Foundation, suggests that some organizations may look to retain their 55-and-older segment of the workforce as a way to deal with skills shortages. HR professionals were asked about the strongest basic skills held by employees age 55 and older compared with other workers. Forty-five percent of respondents cited “writing in English” (e.g., grammar,
spelling). When asked about the strongest applied skills possessed by the 55-and-older demographic, nearly three out of five (58%) said “professionalism/work ethic,” and another 28% cited “critical thinking/problem-solving.”

The Need for Training
Training is a critical component to addressing skills gaps. There was a downturn in company investments into many forms of workforce development and job training between 2013 and 2014, but that trend reversed for some benefits from 2014 to 2015.

- Employers’ participation in a variety of professional and career development benefits rose slightly from 2014 to 2015 (see Figure 7).
- Although many of these benefits are still offered at a high rate among employers, offerings in several categories have remained flat or dropped slightly compared with five years ago, including on-site and off-site professional development opportunities and cross-training to develop skills not directly related to the job.
- Slightly more than one-half (56%) of companies offered undergraduate educational assistance for employees in 2015, about the same as in 2014 (54%).
- Slightly more than one-half (52%) of organizations said they offered employees graduate educational assistance in 2015, about the same as in 2014 (50%), as shown in Figure 8.
The Drive for Higher Skills Is Set to Continue

Most HR professionals do not expect the skills shortages issue to go away in the foreseeable future:

- Nearly three out of four respondents (73%) said skills shortages will “have a major impact” on the workplace during the next five years, according to the SHRM Workplace Forecast.

- Meanwhile, expectations for the needed education and credentials across job categories are expected to rise, with HR professionals saying they expect their organization’s needs for employees at higher educational levels to either increase or stay the same in the next three to five years (see Figure 9).

- This finding indicates that not only will the next generations of workers need to meet the educational levels of the exiting Baby Boomers, but in many jobs they will actually have to surpass them (see Figure 9).

Figure 9. Expected Changes in Organizations’ Needs for Employees’ Education Levels

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Increase</th>
<th>Stay the Same</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor’s degree</td>
<td>55%</td>
<td>43%</td>
<td>2%</td>
</tr>
<tr>
<td>Associate’s degree</td>
<td>67%</td>
<td>25%</td>
<td>7%</td>
</tr>
<tr>
<td>Specific postsecondary certificate/credential(s) only</td>
<td>62%</td>
<td>32%</td>
<td>5%</td>
</tr>
<tr>
<td>High school diploma or equivalent only</td>
<td>68%</td>
<td>16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Changing employee skills and education requirements—Changes in the workforce (SHRM in collaboration with Achieve, 2012)

LEVERAGING COMMUNITY PARTNERSHIPS TO BRIDGE SKILLS GAPS

It took a renewed emphasis on in-house training, community partnerships and an overhaul of its recruiting strategy, but Midwest manufacturer Kaman Composite Structures, based in Wichita, Kansas, appears to be winning its battle against the skills gap. According to Kathy Jewett, the company’s human resources and safety manager and SHRM member, the company needed a new approach during the economic downturn in 2008. Although Kaman was not conducting large-scale hiring at that time, candidates who applied for open positions frequently fell short of the jobs’ requirements. To address these gaps, the company met with members of the Wichita Workforce Center, part of the national network of “one-stop” career development and job placement services (also known as the American Job Center system). Jewett learned about a number of training programs in the Wichita region, and then joined a local manufacturing technical education council. From there, the company partnered with Wichita Area Technical College, which offers 75 programs of study, including the aerospace manufacturing technology degree that is frequently sought by companies like Kaman. Through that collaboration, Jewett and others are personally involved in forming the curriculum so that students will be prepared to address the private sector’s needs when they graduate. Kaman officials also established the ACT WorkKeys program to act as an assessment system that measures employees’ basic skill levels with three testing areas that workers are required to pass:

- reading for information, locating information and applied mathematics. Since the company began using WorkKeys in 2008, the vast majority of its workers have passed the test and have remained with the organization. The company maintains a “skills matrix” with every employee’s level of expertise and conducts cross-training to make sure that workers in different departments can handle their colleagues’ jobs in an emergency.

“We do lose people to the bigger companies from time to time because those big firms know we do an excellent job with training. But we have retained the majority of our employees. We place a heavy emphasis on training, not just when you’re hired. We feel that it’s a lifelong exercise. You really never stop learning.”

Kathy Jewett, human resources and safety manager, Kaman Composite Structures, Wichita, Kansas
How HR Professionals Are Getting Involved

It will take a multipronged approach to solve the current skills gaps that HR professionals have identified. Stronger internal training programs may address the skills shortage, and these initiatives may result in promotions from within, as well as allow existing employees to land those hard-to-fill positions. But tighter training and education budgets combined with higher and new skills requirements for jobs may also drive a greater need for collaboration with local, state and federal training programs to reduce training and skills development costs and to build stronger local skills development systems that benefit both job seekers and employers.

Following overwhelming bipartisan support in the Senate and House, the Workforce Innovation and Opportunity Act (WIOA) was signed into law by President Obama on July 22, 2014. SHRM supported this legislation to reform the federal workforce development system, with its expansive network of American Job Centers (also known as one-stop centers). The American Job Centers located across the country can help employers address talent management needs by posting job openings, screening applicants onsite and working to develop local training programs to meet the needs of employers in the region.

In addition, the WIOA provides the opportunity for HR professionals to partner with state and local workforce investment boards, which oversee much of the strategic direction and prioritization of federal employment and training dollars in the local community. HR professionals continue to get involved in their local investment boards, become members of these important boards, and work in their local chapters to uncover and highlight local skills shortages.

SHRM will continue to increase member awareness regarding the WIOA implementation and how HR professionals can benefit from the new law. The U.S. Department of Labor’s Employment and Training Administration (ETA) WIOA resource page (www.doleta.gov/WIOA) is a helpful resource for SHRM members who would like to learn more. In addition, official ETA guidance on the WIOA will be posted on ETA’s advisory website (http://wdr.doleta.gov/directives).

SHRM will remain engaged in the implementation of the WIOA and will submit comments on proposed regulations to make sure the needs of HR professionals are represented throughout the regulatory process.

Keeping members aware of the latest resources that help them become more involved in building workforce readiness in their communities is central to these efforts as well as learning from our members’ successes and sharing their stories.

Endnotes

About SHRM

Founded in 1948, SHRM is the world’s largest HR membership organization devoted to human resource management. Representing more than 275,000 members in over 160 countries, the Society is the leading provider of resources to serve the needs of HR professionals and advance the professional practice of human resource management. SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China, India and United Arab Emirates. SHRM is an active member of the North American Human Resource Management Association and the current secretariat for the World Federation of People Management Associations.

About SHRM Research

SHRM Research, as part of the Knowledge Development division supporting SHRM and its members, produces high-quality, leading-edge research on human resource management issues and trends, the economy and the workplace for the purpose of advancing the HR profession. SHRM Research acts as an advisor to SHRM and generates and publishes research used by human resource professionals and other business leaders to develop their knowledge and to provide strategic direction to their organizations.

This report is published by the Society for Human Resource Management (SHRM). All content is for informational purposes only and is not to be construed as a guaranteed outcome. The Society for Human Resource Management cannot accept responsibility for any errors or omissions or any liability resulting from the use or misuse of any such information.

© 2015 Society for Human Resource Management. All rights reserved.