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Where have all the skills gone?

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By Dina Medland

There is a global shortage of skills. It must be true – because everyone seems to be saying so. But how has it come about? Surely people cannot suddenly all have become less able? It is true that rapid technological advances help explain a global shortage of engineers in utilities and software, but other factors must be considered to explain shortages in other fields.

High-tech companies face a shortfall of 40m skilled workers by 2020, with businesses based in China likely to be among the worst hit, according to a recent study by the McKinsey Global Institute, a research arm of the strategy consultancy. It defines a “high-skilled” person as someone with a university degree or equivalent qualification, irrespective of discipline.

The impact of the skills shortages in certain manufacturing industries is also likely to worsen in the next few years, due to the failure of academic institutions to train enough people to sufficiently high standards to keep pace with demand, according to James Manyika, a director of MGI.

He said in the FT recently: “The extent of the skills deficit will be a huge constraint on the ability of many companies to develop their businesses in the way they want.”

Francoise Gri, president for southern Europe at ManpowerGroup, the recruitment business, says: “A few trends explain why we have skills shortages. “With an uncertain economic background, companies have found it very difficult to anticipate where they need people. A few years ago they had clear recruitment plans – now they can’t afford to do that because they are keeping operating costs at a minimum and margins are being stretched. “When it’s difficult to say what sort of people you will need, companies hire those ‘ready for the job’,” she adds, which excludes both the young, who might have the skills but not the experience, and those who might be able to do the job but cannot prove it. This “skills shortage” trend is apparent, too, at management levels, where “the quest for ‘leadership’ has changed but the pool of talent and resources doesn’t fit what companies need,” says Ms Gri.

Shortages also exist due to changes in “big structure technology”, which alters the mix of IT and engineering skills required, she adds.

Research released in November by Oxford Economics for Hays, the recruitment firm, says the UK has one of the highest levels of “skills shortage” among 27 countries.

The Hays report looks at the market dynamics and availability of professional skills in 27 key economies around the world and concludes that each country surveyed faces specific issues in its skilled labour force.

But it also points out that companies are “increasingly utilising contingent workers to introduce more flexibility to their workforce to deal with see-sawing demand”. Most organisations have responded to conducting business in an uncertain environment by thinking of short-term solutions, rather than longer-term competitive advantage, the report suggests.

The Hays report finds that for 24 per cent of employers globally “a lack of experience in general is an underlying reason for the talent shortages they face”.

When companies are asked what they are doing about it, findings vary from further training of existing team members (25 per cent) to expanding the candidate search outside the immediate region (varies by country).

Only 12 per cent of those surveyed globally were looking at “appointing people who do not currently have the skills for the role, but show potential to learn and grow”. Hays describes this approach towards finding the talent required as a “teachable fit”.

To combat the mismatch between available skills and demand, it proposes a long-term three-point action plan for policy makers. First, government should focus on the skills their economies lack and “take appropriate measures to attract the relevant people through targeted immigration. This would in many cases require an overhaul of existing work visa arrangements.”

The Oxford Economics/Hays report would also like to see “employers offered fiscal incentives to increase their provision of relevant training”. And finally, “governments should work with employers and educational authorities to implement a series of measures and incentives to persuade young people to acquire the skills that are most needed on both a country and an international level”.

Clearly, not all of these recommendations offer a “quick fix”. But Alistair Cox, chief executive at Hays, also says: “Finding the right person for a job can transform a business as well as that person’s life”.

While Hays calls it “teachable fit”, Manpower’s Ms Gri talks about the pool of talent and resources failing to match what companies need: “When you look at that you realise you need to close the gap between education and enterprise – they move at very different

speeds. When you reform education it takes a long time to have an impact.”

According to the McKinsey research, China is likely to be the single country that suffers the most through a shortage of skilled workers, despite the fact that it is pouring resources into education.

The “complex world of work” today, Ms Gri suggests, also needs leaders “to help their teams to invent a new model, which needs empathy and innovation and a new profile”. Women comprise a considerable portion of those employees Hays would call a “teachable fit” in many companies. Manpower has worked with a cluster of semiconductor companies in Israel – taking engineers there and adapting their skills to fit what companies want – and it has found women there to be “an obvious untapped pool of talent”.

“Only extensive public-private collaboration can help remove the barriers to creating a diverse, sustainable, flexible and highly skilled workforce,” says Jeffrey Joerres, ManpowerGroup chairman and chief executive.

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