

# Addressing skilled worker shortages and the growing talent gap

*Top 10 actions to undertake now*



# Top 10 actions to undertake now

## Secondary Title

### The current market

The job market has improved consistently since the last recession ended in 2009. Recent employment reports have indicated a high level of confidence related to continued growth in the broader business environment. The ratio of unemployed persons to job openings has likewise fallen significantly. Today, the number of new job openings exceeds the number of unemployed persons, which has created a very tight labor market (figure 1).

Number of unemployed persons per job opening



Figure 1. Source: Bureau of Labor Statistics, Feb. 2019

While the issue is a challenge across the all macroeconomic business sectors, some industries and geographic regions are impacted more than others.

Most industries today have identified a growing workforce and talent attraction challenge. In the press recently we have heard many issues related to finding and developing skilled manufacturing labor, transportation workers (aircraft

“While executives bemoan the cost of hiring in a tight labor market to meet fast-changing business needs, there is a ready pool of talent they wouldn’t need to spend a dime recruiting: their own workers. If only they knew how to reskill them. Thousands of companies across the country are in the thick of a digital revolution that requires them to transform their operations. They need an employee base that’s ready to do new kinds of work, filling roles that are just emerging and adapting existing jobs to integrate more data and automation.”

– Wall Street Journal,

April 19, 2019,

Lauren Weber

mechanics, pilots, truckers, etc.), as well as qualified nurses. The ratio of job openings to unemployed workers (figure 2) shows the pervasiveness of the issue across almost all industrial segments.

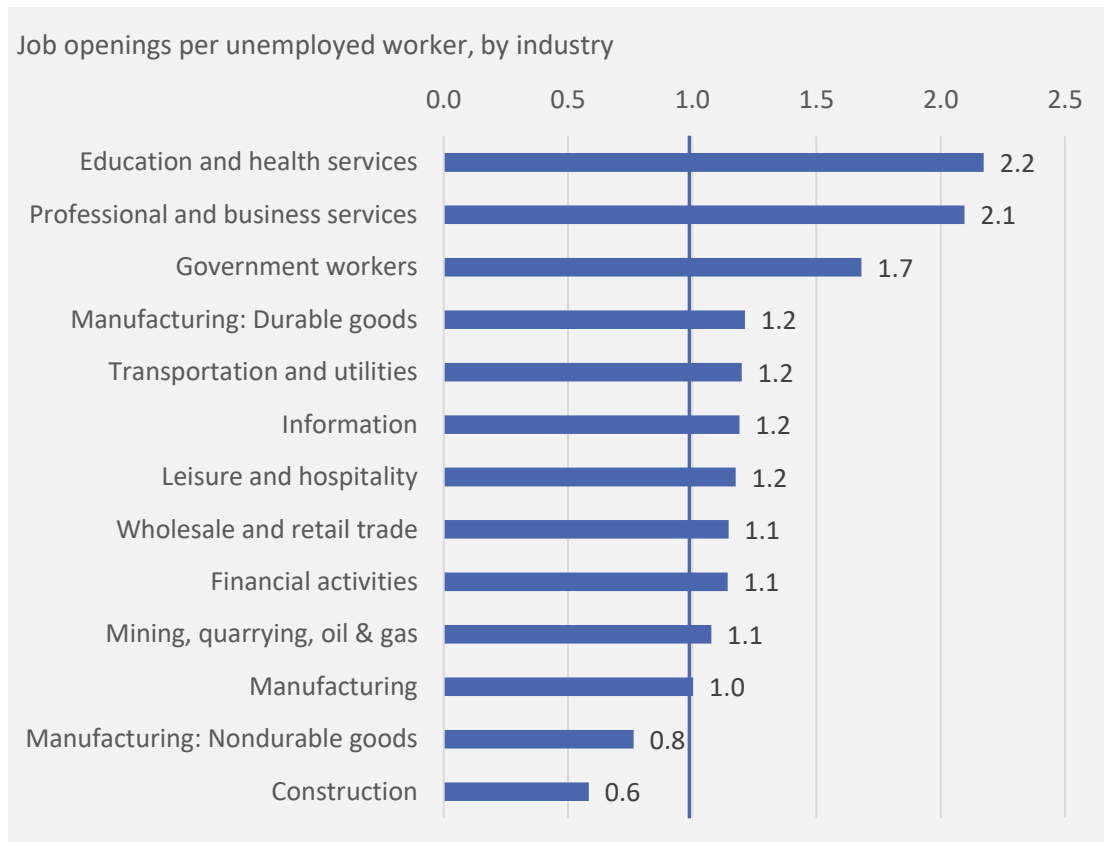


Figure 2. Source: Bureau of Labor Statistics, Feb./ Mar. 2019

The hardest hit industries include education and health services, professional business services (both public and private), manufacturing, transportation, utilities and information/ IT among many others. Manufacturing (durable goods), for example, shows 1.2 job openings per unemployed manufacturing worker.

Salary and benefit augmentation will create some short-term relief to the labor challenges. This is typically the most common activity companies are taking to both retain and attract talent. On May 10<sup>th</sup>, 2019, the Wall Street Journal reported that many manufacturing companies are increasing the employee job perks to help retain employees (*Factories Tire of Wage Wars; Give Fridays Off, Spiff Up Bathrooms: Companies compete for blue-collar workers with flexible schedules and better amenities*). These changes can take many forms, and are a clear part of the employee retention program since “pay increases have become table stakes for those doing battle in this tight labor market.”

Employee turnover has also become a challenge for many organizations. Since the last recession, the ratio of employees voluntarily vacating roles (quitting) has far exceeded involuntary separations (layoffs and discharges). Today the ratio (Q/LD) is 2:1, quitters to layoffs (figure 3).

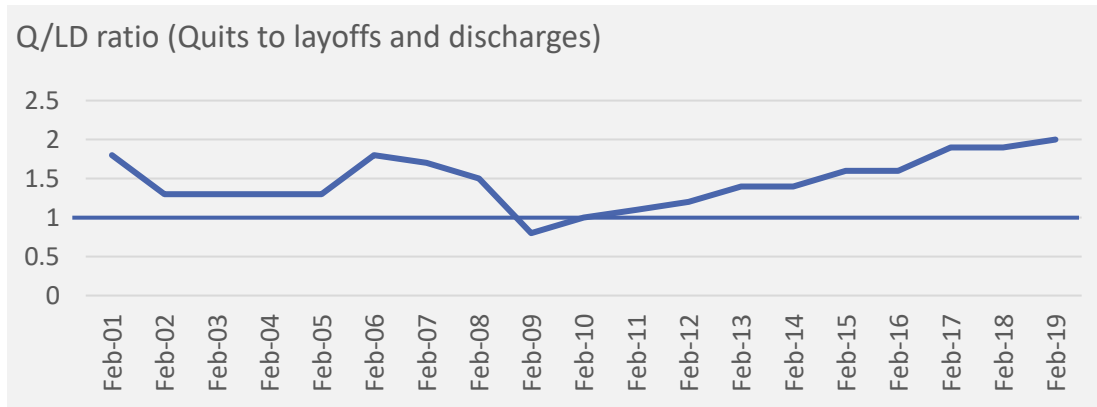


Figure 3. Source: Bureau of Labor Statistics, Feb. 2019

Since employees in the market today have the greatest leverage they have had in the past 20 years, solutions need to examine more than pay. According to a recent survey by PayScale.com, only 25% of respondents identified salary as the main cause for leaving their organization. However, it is listed as their top motivation (figure 4a). And when looking at reasons for selecting new roles within new organizations, remuneration is listed to be only the third main motive after other cultural factors (figure 4b).

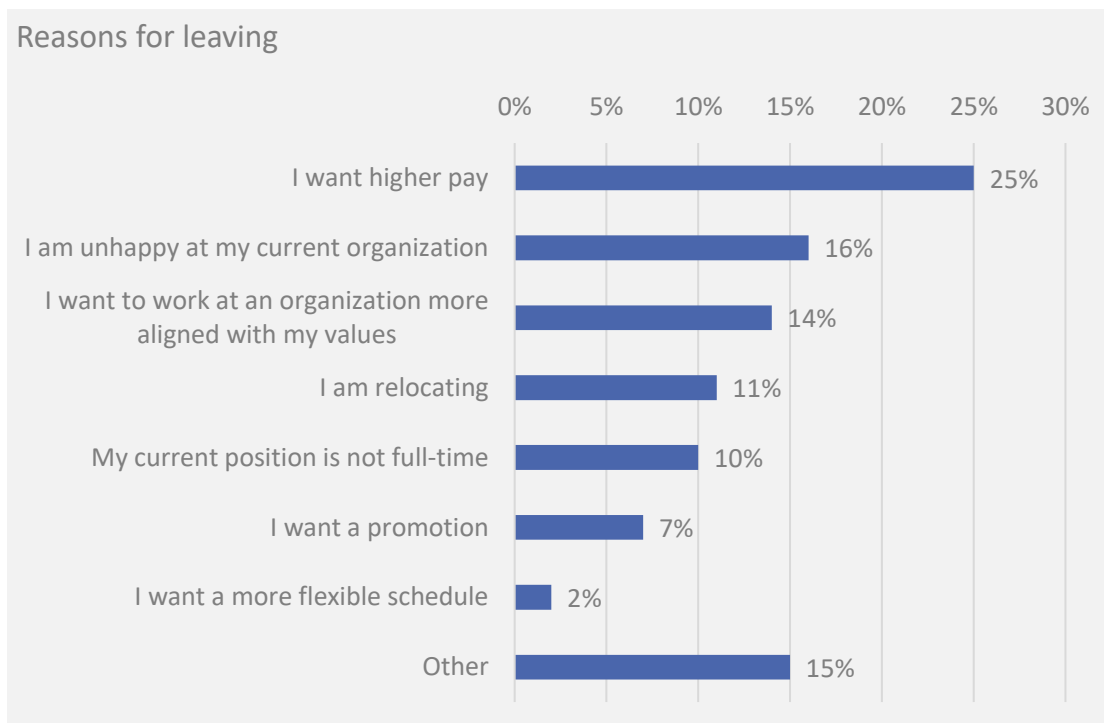


Figure 4a. Source: www.Payscale.com

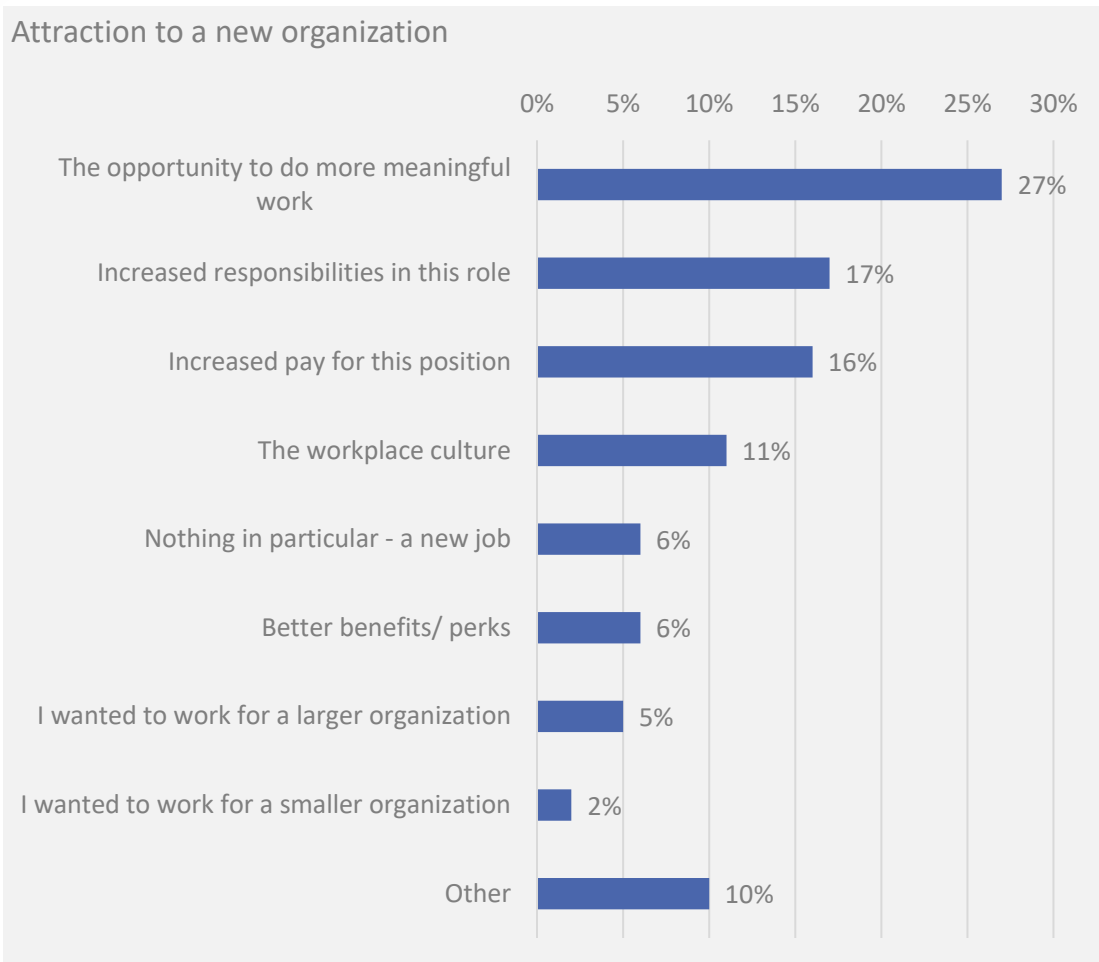


Figure 4b. Source: [www.Payscale.com](http://www.Payscale.com)

Community and educational outreach efforts will help develop long term hiring prospects targeted at the younger, emerging workforce. This is a critical step to build STEM skills for the longer term, which appears to remedy global challenges. This effort will build and replace those who have chosen the path of voluntary separation. However, compounding issues require more than point solutions. Many industries today have a bimodal distribution of employees: the very young and new, to the experienced workforce nearing retirement. Worker demographic projections indicate an aging workforce in the next several years while we are building the future, skilled labor pool (figure 5).

The implication is that we need to be retaining and developing the current workforce to a greater degree than ever before. With increased automation progressing related to Industry 4.0 programs, this aging workforce will require substantial development as they migrate into new roles with new capabilities. While salaries, including the minimum wage, have increased, employees voluntarily vacating their roles have also increased. So, a more holistic solution will be required to remedy the deteriorating labor situation.

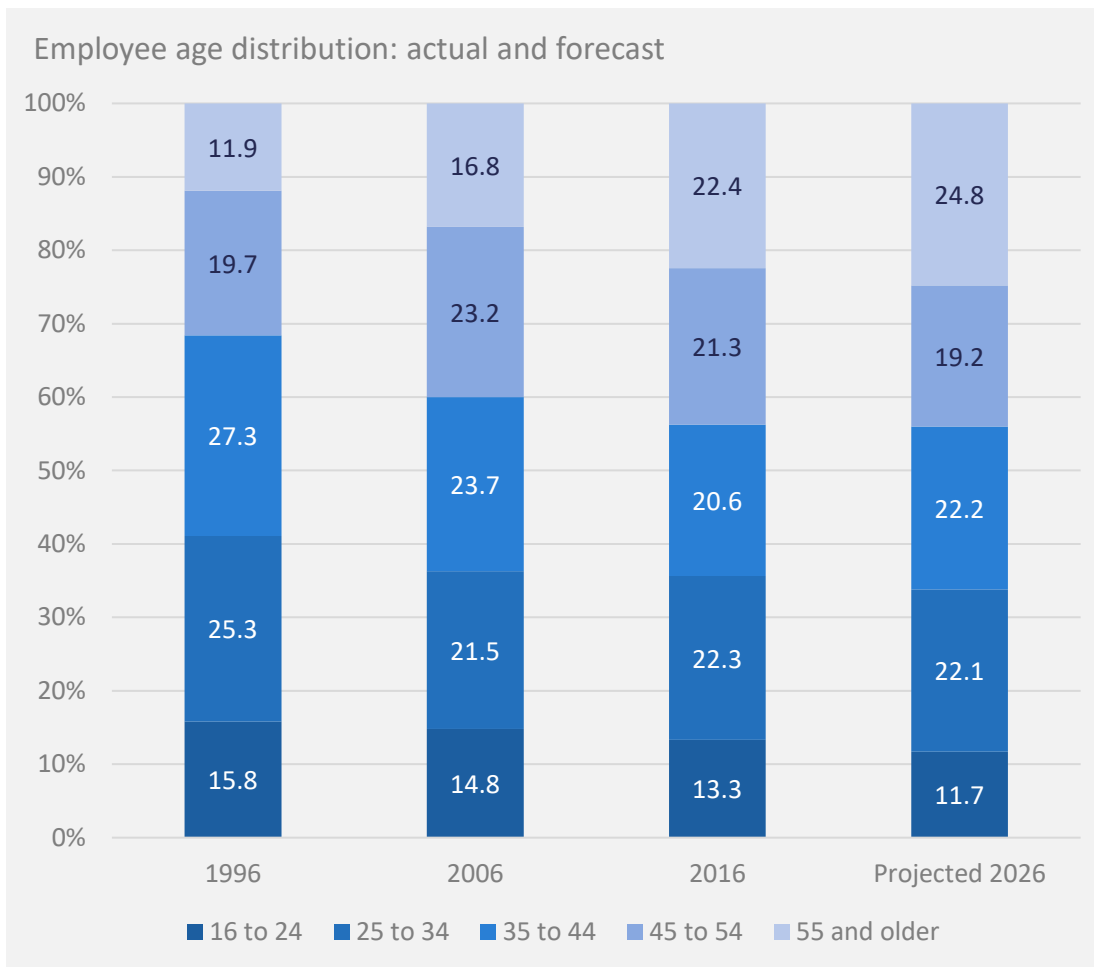


Figure 5. Source: Bureau of Labor Statistics, Feb. 2019

The impact to companies is significant and is expected to exacerbate over the next 5 to 10 years. In addition to retention costs (separation, rehiring and retaining), there will be high costs associated with declining labor productivity during this transition.

Some organizations are also leveraging this more experienced workforce by reorganizing, reducing the spans of control, rewarding the smaller group of direct line managers and yielding an overall lower labor cost. This requires significant training and development efforts, building more substantial management systems to control activity, in addition to organizational redesign.

So, what are companies doing about the complex workforce issues across the disparate industrial sectors?

## Actions to take

The top 10 recommended actions companies are taking now are listed below, arranged by their timeline of impact: short, medium and longer term:

### Short term

1. Compensation, hiring bonuses, benefits and perks augmentation
2. Organizational design optimization with broader spans of control, enabled by first line leader development and increased employee self-management
3. Focused, rapid employee development, mentorship, apprenticeship & learning programs
4. Standardized work planning and job progression mapping
5. Enhanced worker flexibility, temporary reassignments and mobility
6. Broadening the diversity of applicants and reengaging the retiring, experienced workforce

### Medium term

7. Improved working culture, conditions, employee safety and job image
8. Tuition reimbursement and external development opportunities
9. Automation efforts with continued focus on both productivity and safety

### Long term

10. Community relations and educational outreach programs

Most organizations are working on the first and last items in the list, compensation and community outreach, but fewer are developing holistic strategies to combat the growing issue.

Some organizations are working to reduce the *leadership burden*: more middle management increases bureaucracy, frustrates decision making, and stifles initiative. When viewing comments on sites like *Indeed* and *Glass Door*, we often see that a high proportion of leavers are not leaving for pay and compensation, but for other reasons which affect morale. On May 2<sup>nd</sup> of 2019, the Wall Street Journal reported that Walmart is remaking its workforce, testing a new store employee structure using fewer midlevel and in-store managers to oversee operations, increasing both their responsibilities and pay (*Walmart to Try Thinning Store Manager Ranks: In test, some stores have fewer, higher paid managers overseeing teams in an effort to give front-line workers more ownerships over their jobs*). This increased span of control, alongside increased decision-making delegation with floor level employees, supports both company economics and personnel development. The organizational restructuring puts the right people in the right roles, instead of merely adding more people to address emerging issues, which has often been the typical approach taken by many organizations in the past.

Breaking down the top 10 actions in a bit more detail:

1. Compensation, hiring bonuses, benefits and perks augmentation
  - ❖ Stems the immediate issue for retention and attraction, but is short term focused
  - ❖ Becomes a continued game of escalating remuneration and job perks, adopted quickly by competitors
2. Organizational design optimization with broader spans of control, enabled by first line leader development and increased employee self-management
  - ❖ Changes the organizational structure with overall lower costs, broadening spans of control for the right, capable resources
  - ❖ Builds a staffing model based on forecastable drivers allows for a long-term staffing plan by role type
  - ❖ Clarifies decision making authorities, accountabilities and roles and responsibilities
  - ❖ Develops the right first line leaders with supportive management systems, making economic room for the development of new team members during the time of rapid change and turnover
3. Focused, rapid employee development, mentorship, apprenticeship & learning programs
  - ❖ Develop rapid training programs for both mature employees working in new skills and new millennial employees, enabling the labor force greater self-management through technology enablement
  - ❖ Training will evolve to include less classroom time and more short, electronic formats including gaming simulations that can be subsequently accessed real-time as needed
  - ❖ Pilot and establish reinforcing programs than enable peer-to-peer and/ or employee-to-manager efforts, which can range from mentorship to more technical apprenticeships
  - ❖ Increasing ongoing learning (refresher and retraining) as a critical element for sustainability, including both technical role specifics and organizational/ people development categories
4. Standardized work planning and job progression mapping
  - ❖ Develop standard work, or playbooks, to help new employees develop rapidly, and to secure knowledge from the aging workforce before they exit from their current positions
  - ❖ Establish clear job progression development plans to allow new hires to visualize their potential growth within the organization (how and when they can plan for promotion)



5. Enhanced worker flexibility, temporary reassignments and mobility
  - ❖ Structure temporary or mobile assignments as stop-gap measures; worker mobility can also enable positive growth or learning opportunities with teams from other locations
  - ❖ Establish work study initiatives: actively working to move high potential shop floor workers or technical staff into more senior managerial positions. By focusing on this type of program demonstrates an investment in current staff
6. Broadening the diversity of applicants and reengaging the retiring, experienced workforce
  - ❖ Broaden the diversity of applicants to include analogous roles from other industrial sectors, increasing the pool of potential recruits from the current demographic base
  - ❖ Leveraging past employees to support immediate needs, and to document the knowledge required for efficient new hire onboarding (workbooks/ playbooks)
7. Improved working culture, conditions, employee safety and job image
  - ❖ Rebuild the organizational management team to identify and root out human factors related to retention issues, toward a more open and inclusive ethos
  - ❖ Continue to develop the company culture to visibly embrace job safety & personnel development as a priority
8. Tuition reimbursement and external development opportunities
  - ❖ Fund efforts to develop current employees related to specific courses/ programs and required job certifications
  - ❖ Support external development efforts self-managed by the individual employees that further their development within their potential job progression
9. Automation efforts with continued focus on both productivity and safety
  - ❖ Focus on automation to improve productivity, ensuring to incorporate human interactions and decision making into the industry 4.0 plan
  - ❖ Make the automation visible to employees as a means to also improve safety and other, future growth opportunities (related to job pressure mapping and training/ development programs)
10. Community relations and educational outreach programs
  - ❖ Continue to reach out to vocational and stem programs to entice future workers for the long-term development of the industry
  - ❖ This effort is generational and will take time to develop, creating the need for additional short and medium-term actions to be taken

As the workforce changes dramatically over the next several years, companies must take a hard look at their organizational transition plan. The focus on building automation and broader information technology solutions must coexist alongside an equally robust people focused effort. This will enable the creation of an organization where people want to work through clarity and meaning, where problems get resolved at their root cause and interface points are transparent and seamless; an organization where new hires are productive day 1 with playbooks that support their on the job learning and experience with the effective use of technology. In the end, people will continue to make decisions and drive the economy forward.

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