

BRIDGING THE SKILLS GAP TAKING THE INTERNAL APPROACH

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Companies face a real challenge in managing their existing labor force to bridge the skills gap. While organizations have by-and-large adjusted talent acquisition criteria to deal with the gap in hiring, more need to focus on their existing workforce.



The Persistent Skills Gap

Since the 2008/2009 financial crisis, there has been an emergent skills gap that has plagued almost every industry. While organizations have implemented a series of measures to improve oversight of labor costs and value returns, they have focused more on improving the quality of talent acquisition than they have on sustaining employee performance.

Figure 1: Skills Gap as an Organizational Pressure

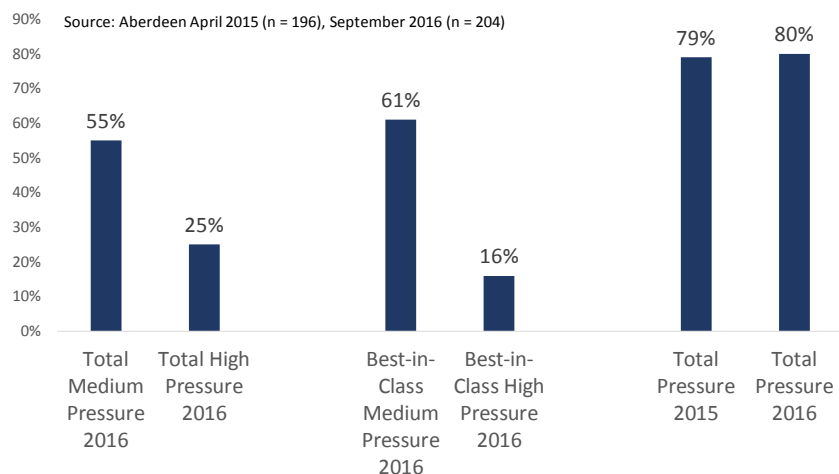


Figure 1 shows the significance of the labor skills gap as a pressure on organizational management. In 2016, Aberdeen found that the skills gap represented a significant pressure to industry with the

32% of Best-in-Class companies saw voluntary employee turnover increase 0–10% in the last 12 months. 25% of Best-in-Class companies saw their rate of layoffs and firings increased by 0–10% in the last 12 months.

total percent increasing year over year. In *Talent Acquisition Trends 2016: Candidates Take Command* (June 2016), Aberdeen found that employers are taking a hard, strategic look at their hiring and performance management channels to make them more employee driven.

In a follow-up survey, Aberdeen concluded that as employers experience sustained pressure from the skills gap, they are increasingly turning to outside employment channels to resolve the issue. The survey showed that only 23% of Best-in-Class companies are focusing on hiring roughly equal amounts of employees internally as externally. The results also showed that 32% of Best-in-Class companies saw voluntary turnover increase 0–10% in the last 12 months and that 25% of Best-in-Class companies saw the rate of layoffs and firings increase 0–10% over the last 12 months. Accounting for the overlap between these data points, 48% of Best-in-Class companies saw significant increases in labor turnover year over year. The data is consistent with earlier findings that show companies being able to deliver only 67% of the leaders they will need in the coming three to five years.

The follow-up survey also reinforced that employers are turning to assessments to establish the qualities that define leaders and workforce participation in the context of management goals. Aberdeen found that Best-in-Class companies are 32% more likely than All Others (68% vs. 46%) to use assessments to establishment high-quality talent criteria. In the context of rising employee turnover, employers are rapidly shifting their labor criteria in short periods, churning up internal labor requirements that, on closer inspection, could at least partially be fulfilled internally.

In *Is Proactive Hiring More Than a Mindset* (August 2016), Aberdeen noted that as employers constantly redefine internal resource management criteria and turn to external candidates to widen the talent pipeline, they are losing the ability to drive greater productivity through routine reassessment of the internal

58% of organizations acknowledge that the skills gap is perpetuating a lack of workforce quality that is their most significant challenge in talent management.

workforce. In the meantime, they are basing criteria for high-quality candidates on the existing enterprise perpetuating the status quo and implementing high quality followers.

Charting the Way to Success

The current model for hiring places a lot of pressure on candidates to exceed expectations. In *Talent Acquisition Trends 2016: Candidates Take Command* (June 2016), Aberdeen found that 58% of organizations feel that the skills gap is depreciating workforce quality, resulting in their most significant talent challenge. In *Is Proactive Hiring More Than a Mindset* (August 2016), Aberdeen noted that building a corporate profile and putting candidates and employees in charge of their own destinies leaves career development open-ended and often unfulfilled. In fact, in a 2016 survey, the employee-centric approach backfired, in that 78% of Best-in-Class companies still see low levels of innovation as a top pressure facing their organizations.

Replacing the open-ended career development model with a combination of defined career development tracks and campaign-based rewards and innovation solutions can provide insight into the value of training the existing workforce.

Build Career Planning into the Hiring Process

Aberdeen found that employees at 71% of Best-in-Class companies stay because they can chart a career track within the company. Aberdeen also found that Best-in-Class organizations are 42% more likely than All Others (37% vs. 26%) to create and promote an employer brand to target desired talent.

Optimize the Performance Process

Employers have shifted to bottom-up incentivization with an open-ended career track determination model for employee development. They have neglected top-down metrics that help drive productivity at the crossroads of workforce management and talent engagement. Mapping performance criteria to

→ [Read the full report, Talent Acquisition Trends 2016: Candidates Take Command](#)

→ [Related Research Is Proactive Hiring More Than a Mindset?](#)

workforce outcomes provides measurable insight into relevant skills application and development. Best-in-Class companies are 53% more likely than All Others (30% vs. 14%) to use rewards management and internal incentives to facilitate productive behavioral changes. Best-in-Class companies are also 56% more likely than All Others (25% vs. 11%) to engage wellness solutions to manage employee health with regards to outcome levels. Best-in-Class companies are 69% more likely to use the following than All Others (34% vs. 10%): time and attendance management, absence and leave management, scheduling, labor analytics, learning management, and assessments. Combining these links productive behavior to the actual outcomes they deliver. Employers can zero in on missing skill sets and establish a prioritization model for what talent can be developed for what role.

Mapping these characteristics against performance outcomes can then show whether the developmental track assigned was a good investment or if it is a career track line that should be eliminated from the career funnel for that initial role. If an internal candidate cannot be mapped based on the intersection of these criteria, it should then fall to HR to build a career-planned role that syncs up with the talent pipeline to draw in potential candidates.

Connecting the Dots

The skills gap is a top challenge for many employers. From 2008 to today, Aberdeen has charted the rise of employee-centric career development that has caused employers to take a 180 degree turn toward bottom-up career development with little to no definition coming from upper management into the initial description of career opportunities.

Aberdeen has found that overcoming the skills gap comes down to strategic workforce planning beyond the initial new hire. In the hiring stage, employers should identify career funnels related to each position that establish boundaries in career development

opportunities, while still providing employees with a range of options that do not lock them into one career track.

In the talent management stage, employers need to merge together data sets from bottom-up employee incentivization and wellbeing with data sets from top-down management capabilities. These include innovation management, workforce management, performance management, compensation management, and training and development. Combining and running analytics on these data sets allows employers to prioritize the workforce into productivity percentiles that constitute top quality, average, and underperforming employees. The percentiles can then justify or refute investment in internal training with a refusal resulting in a new hire requisition.

Combining these stages gives employers a methodology to plan for growth and change in their organizations. A key challenge in the skills gap beyond the internal state of the labor force is the rapidly changing state of most industries. Future planning around the skills gap needs to be forward looking to establish candidates with the strongest potential for diverse career funnels. Companies need to take a long, hard look at their comprehensive performance data set portfolio to establish the business case for investment in internal and external labor. With the analysis in hand, they can determine if internal development or external talent acquisition is the right route to fill the skills gap for that place in that organization.

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