THE TALENT SHORTAGE CONTINUES

HOW THE EVER CHANGING ROLE OF HR CAN BRIDGE THE GAP
ManpowerGroup’s ninth annual Talent Shortage Survey found 36% of employers globally report talent shortages in 2014—the highest percentage in seven years.

Why does a talent shortage continue to plague global employers? In the nine years since ManpowerGroup conducted the first Talent Shortage Survey, employers have yet to find the silver bullet to solve this global problem.
WE INTERVIEWED OVER 37,000 EMPLOYERS IN 42 COUNTRIES AND TERRITORIES TO DETERMINE:

- How much difficulty are employers having filling jobs?
- Which jobs are the most difficult to fill?
- Why are those jobs difficult to fill?
- What impact are talent shortages having on organizations and their ability to meet client needs?
- What strategies are being pursued to overcome these difficulties?

As in 2013, more than one in five global employers are still not pursuing strategies to address talent shortages. However, the lack of a single solution doesn’t mean that business can’t act. As we highlighted last year, the answer rests with Human Resources (HR) — the one group with the expertise and influence to reshape their companies’ talent-base by acting decisively to ensure a sustainable workforce.

The HR profession is rapidly changing and expanding. As the world of work evolves, new areas of expertise are required to drive business results within organizations. In this paper, we have identified three distinct roles HR must play to help organizations succeed.

- 1. HR as Supply and Demand Experts
- 2. HR as Marketers
- 3. HR as Designers
2014 TALENT SHORTAGE HIGH-LEVEL FINDINGS

For the third consecutive year, Japanese employers report the highest level of talent shortage—more than four out of five employers are struggling to fill open jobs. However, this clearly remains a pervasive issue around the globe, with Peruvian, Indian, Brazilian, Turkish and Argentinian employers also reporting acute shortages. During the past 12 months, the problem has worsened in 10 countries, most notably Latin American nations. At the other end of the spectrum, employers in Ireland and Spain—two countries that have borne the brunt of the Eurozone recession and endured consistently weak labor markets—report the least difficulty filling jobs. (Figure 1)
Global employers report the biggest talent shortages in the skilled trades category. Engineers are second on the list for the third year in a row. Moving up to third, are technicians in production, operations, maintenance and other roles. Sales representatives slipped one place to fourth. Sales manager positions are new to the top 10 this year, placing seventh (up from 12th in 2013). Laborers dropped out of the top 10 altogether due to declining demand over the last three years. (Figure 2)
ManpowerGroup’s ninth annual Talent Shortage Survey found **54%** of employers experiencing a talent shortage say it has a medium to high impact on their ability to meet client needs.

Over half of employers reporting a talent shortage say it is having a significant impact on their ability to meet client needs. *(Figure 3)* This is consistent with 2013 findings, demonstrating that companies continue to see talent as a key driver to meet business objectives. The most common impact companies reported is a reduced ability to serve clients, closely followed by reduced competitiveness and productivity. More than a quarter say that increased staff turnover is a consequence of talent shortages, with 24 percent citing a negative impact on employee engagement, innovation and creativity. *(Figure 4)*

As in 2013, the most common reason employers struggled to fill jobs is that candidates don’t have the technical competencies required. Other reasons include a shortage of available applicants, lack of experience or employability skills and misaligned candidate expectations. *(Figure 5)*

**FIGURE 3**

**WHAT LEVEL OF IMPACT DOES THIS TALENT SHORTAGE HAVE ON YOUR ABILITY TO MEET CLIENT NEEDS?**

*Global (Base: all having difficulty filling jobs – 16,272)*

<table>
<thead>
<tr>
<th>Impact Level</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Impact</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Medium Impact</td>
<td>34%</td>
<td>35%</td>
</tr>
<tr>
<td>Low Impact</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>No Impact</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>
**FIGURE 4**

**IMPACT TALENT SHORTAGES HAVE ON ORGANIZATION**

**HOW ARE TALENT SHORTAGES/SKILLS GAPS MOST LIKELY TO IMPACT YOUR ORGANIZATION?**

*Global (Base: all who expect talent shortages to have an impact on meeting client needs -12,972)*

<table>
<thead>
<tr>
<th>Impact Area</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced Ability To Serve Clients</td>
<td>41%</td>
<td>43%</td>
</tr>
<tr>
<td>Reduced Competitiveness/Productivity</td>
<td>40%</td>
<td>39%</td>
</tr>
<tr>
<td>Increased Employee Turnover</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>Reduced Innovation and Creativity</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Lower Employee Engagement/Morale</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Higher Compensation Costs</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Reduced Competitiveness/Productivity</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Increased Employee Turnover</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Lack of workplace competencies (soft skills)</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Looking for more pay than is offered</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Undesirable geographic destination</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Poor image of business sector/occupation</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Lack of applicants willing to work in part-time/contingent roles</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Reluctance to change jobs in current economic climate</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Reluctance to relocate</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Poor image of company and/or its culture</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Overqualified applicants</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

**FIGURE 5**

**REASONS FOR DIFFICULTY FILLING JOBS**

**WHY ARE YOU HAVING DIFFICULTY FILLING THIS SPECIFIC JOB?**

*Global (Base: all having difficulty filling jobs – 16,272)*

<table>
<thead>
<tr>
<th>Reason</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of technical competencies (hard skills)</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>Lack of available applicants/no applicants</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Lack of experience</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>Lack of workplace competencies (soft skills)</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Looking for more pay than is offered</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Undesirable geographic destination</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Poor image of business sector/occupation</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Lack of applicants willing to work in part-time/contingent roles</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Reluctance to change jobs in current economic climate</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Reluctance to relocate</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Poor image of company and/or its culture</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Overqualified applicants</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>
ManpowerGroup also asked hiring managers around the world which strategies, if any, they are using to overcome talent shortages. (Figure 6) Just under half (47 percent) of companies that are addressing talent shortages are doing so by adopting new people practices including providing additional training and development to existing staff. Companies are also utilizing contemporary recruitment practices and redefining qualifying criteria to include individuals who lack some required skills or formal qualifications, but have the potential to acquire them. (Figure 7).

Twenty-five percent of respondents are searching for new talent sources, typically by recruiting from untapped or under-tapped talent pools (such as youth, older workers, women and military veterans). Others are appointing people who don’t currently have all of the needed technical skills, but who have the potential to learn and grow. Some respondents are partnering with educational institutions to ensure that courses align with their talent needs. (Figure 8).

Twenty-three percent of respondents with talent shortages are preparing to adopt alternative work models. One in 10 have increased their focus on their talent pipeline. Other employers are redesigning existing work procedures, offering flexible or virtual work arrangements or leveraging contingent workers. (Figure 9)
OVERCOMING THE TALENT SHORTAGE

WHAT STRATEGIES ARE YOU PURSUING TO OVERCOME THESE DIFFICULTIES?

Global (Base: all having difficulty filling jobs ~ 16,272)

- People practices
  - Providing Additional Training and Development to Existing Staff: 23% (2013), 23% (2014)
  - Utilizing Non-Traditional—or Previously Untried—Recruiting Practices, Both Internally or Externally, in Response to the Growing Challenge of Workforce Strategy: 13% (2013), 10% (2014)
  - Redefining Qualifying Criteria to Include Individuals Who Lack Some Required Skills/Formal Qualifications, but Have the Potential to Acquire Them: 6% (2013), 7% (2014)
  - Enhancing Benefits: 6% (2013), 6% (2014)
  - Increasing Starting Salaries: 6% (2013), 5% (2014)
  - Providing Clear Career Development Opportunities to Applicants During Recruitment: 5% (2013), 4% (2014)
  - Creating an Interim Role for Talented Individuals With In-demand Skills (Especially For Executive or Very Senior Role): 2% (2013), 3% (2014)

- Talent sources
  - Not pursuing strategies at present: 22% (2013), 22% (2014)

- Work models
  - Not pursuing strategies at present: 27% (2013), 23% (2014)

FIGURE 6

OVERCOMING THE TALENT SHORTAGE: PEOPLE PRACTICES

WHAT STRATEGIES ARE YOU PURSUING TO OVERCOME THESE DIFFICULTIES?

Global (Base: all having difficulty filling jobs ~ 16,272)

- People practices
  - Providing Additional Training and Development to Existing Staff: 23% (2013), 23% (2014)
  - Utilizing Non-Traditional—or Previously Untried—Recruiting Practices, Both Internally or Externally, in Response to the Growing Challenge of Workforce Strategy: 13% (2013), 10% (2014)
  - Redefining Qualifying Criteria to Include Individuals Who Lack Some Required Skills/Formal Qualifications, but Have the Potential to Acquire Them: 6% (2013), 7% (2014)
  - Enhancing Benefits: 6% (2013), 6% (2014)
  - Increasing Starting Salaries: 6% (2013), 5% (2014)
  - Providing Clear Career Development Opportunities to Applicants During Recruitment: 5% (2013), 4% (2014)
  - Creating an Interim Role for Talented Individuals With In-demand Skills (Especially For Executive or Very Senior Role): 2% (2013), 3% (2014)

- Talent sources
  - Not pursuing strategies at present: 22% (2013), 22% (2014)

- Work models
  - Not pursuing strategies at present: 27% (2013), 23% (2014)

FIGURE 7
Increasing the Focus on Improving Our Talent Pipeline

Redesigning Current Work Procedures

Integrating Contingent Workers Into the Process

Offering More Flexible Work Arrangements

Providing Virtual Work Options to Candidates

Adapting Talent Sourcing to Recruit More Untapped Talent Pools:
- Candidates Outside My Local Region
- Youth
- Candidates Outside My Country
- Older Workers
- Women
- Ex-Military Personnel/Military Veterans

Appointing People Who Don’t Have the Skills Currently, But Do Have Potential to Learn and Grow

Partnering With Educational Institutions to Create Curriculum Aligned to My Talent Needs

Considering New Offices or Building Out Existing Facilities in Areas Where the Talent Is

OVERCOMING THE TALENT SHORTAGE: TALENT SOURCES

WHAT STRATEGIES ARE YOU PURSUING TO OVERCOME THESE DIFFICULTIES?

Global (Base: all having difficulty filling jobs – 16,272)

OVERCOMING THE TALENT SHORTAGE: WORK MODELS

WHAT STRATEGIES ARE YOU PURSUING TO OVERCOME THESE DIFFICULTIES?

Global (Base: all having difficulty filling jobs – 16,272)
THE EVOLVING ROLE OF HUMAN RESOURCES

Macroeconomic forces continue to decrease margins, creating a need for organizations to do more with less, and for their workforces to be more innovative and productive. In order to meet these demands, companies must access, mobilize, optimize and unleash the human potential of their workforce. This is a major shift. Due to the tentative economic recovery, 36 percent of employers continue to struggle to fill open positions. At the same time, unemployment continues to be a global problem. Clearly there is an oversupply of labor and an undersupply of the right talent.

The oversupply of labor comes after a global recession followed by a tepid economic recovery, while the undersupply of talent was exacerbated by rapidly changing technology and business dynamics. The skills required to meet employers needs yesterday, are already dated, widening the skills gap and perpetuating the global talent shortage.

Because economic, demographic, technological and social forces will continue to evolve, companies must have a flexible and agile workforce. To achieve this, HR professionals must adopt three critical roles.
HR as Supply and Demand Experts

Although HR practitioners have encountered supply and demand issues before, they are now expected to be the de facto experts. They must understand how demand for their companies’ products and services impacts the demand for talent and assess whether or not the results align with their business strategy. Specifically, HR must ensure that their organizations have the right balance of skilled talent to meet changing needs and achieve business goals. HR leaders need to provide market intelligence supported by relevant data, understand their internal and external talent supply and how forces are reshaping the availability of required skills. If there is misalignment between business objectives and workforce capabilities, HR leaders need to have a plan in place to bridge any gaps, and bridge them more quickly than in the past.

Harnessing the data available to them as supply and demand experts, can help HR ensure that their workforce is aligned with the current and future needs of their organizations to drive speed, agility, innovation and productivity.

Workforce Strategy Needs to Drive Time to Value

- Productivity
- Innovation
- Agility
- Speed

Achieving Your Business Strategy

External Forces
- Demographics / Talent Mismatch
- Individual Choice
- Technological Changes

Internal Workforce
- Internal Demographic Shifts
- Leadership Capabilities
- Legacy Skills/Mindsets
- Work Models & People Practices

Economic Forces
- Competitive Forces
- Customer Forces
- Risk Forces
HR as Marketers

The second role that HR must adopt is that of marketer. Since talent is now also a savvy and sophisticated consumer, HR needs to consider how organizational branding, messaging and image can help win in-demand skills. In a world of talent shortages, HR’s role has expanded to include attracting and retaining customers/talent, in the same way that marketing segments and targets consumers of the company’s products and services.

HR must think differently and shift from one-size-fits-all approaches to create value propositions that appeal to the needs of individuals and align with organizational objectives. To access talent in an increasingly competitive marketplace, organizations must pinpoint and market their strengths to attract talent pools with the skills their businesses need to succeed.

Marketing can’t stop after a company successfully has talent through the door. Organizations need one-size-fits-one career paths that allow employees to advance business goals and allow them to develop their skills and grow. Leaders throughout the organization must be empowered to focus on, and be held accountable for, employee development, so that top talent stays motivated and engaged.

As with any consumer, companies must regularly seek out employee feedback to ensure that improvement is an ongoing process and act quickly to address any misalignment. Quantitative and actionable employee feedback will help improve engagement and ultimately benefit employers as talent is motivated and therefore, more productive and aligned with organizational needs.
HR as Designers

The third role HR leaders must adopt is that of designers—thinking differently about how to structure work to access, mobilize, optimize and unleash the potential of current and prospective employees. Instead of focusing solely on jobs, HR should expand its view to include the intended outcomes of work. To fully leverage the talent ecosystem, manage a diverse, and often virtual workplace, while continuing to increase productivity and innovation, work models should be reimagined. Structuring work innovatively to include various models from traditional (dedicated to the relationships between companies and employees) to strategic (linking HR practices with company objectives) can help advance business goals and attract skilled talent.

Working as designers, HR leaders must build systems to drive desired outcomes and develop the right balance of talent. As more and more segmentation and specificity of work, particularly knowledge work, is demanded—work will be divided into smaller and smaller tasks, which will be distributed to many people. Work will also increasingly be performed by freelancers and consultants willing to work on an outcome basis so that they can choose the work they want to do. A different way of thinking is needed to cultivate communities of work and balance the employment mix to include contingent, fully outsourced, partially retired and other workers—as permanent, full-time employment is no longer by default the best fit for employers or individuals or what drives time to value.

In the midst of the ongoing conundrum of an oversupply of labor and an undersupply of talent with the necessary technical and employability skills, companies must redefine the parameters of work. To drive results for their organizations, HR must focus on talent pools that will deliver on business strategy and allocate work and build accountability and rewards accordingly. In an attempt to hook talent, organizations have traditionally fished from the same pools. Now that those pools are running dry and talent costs are increasing, the time is ripe for business to ask, “What other ponds can we fish from?”
BRIDGING THE TALENT GAP

In the Human Age, a one-size-fits-all approach to unleashing human potential is no longer practical. Increasingly, the key to a company’s success and ability to quickly and effectively adapt to change depends on HR professionals. While not a silver bullet, the evolution of their role to manage the supply and demand of talent, market to the talent needed and define and design work to drive business outcomes can directly address talent shortages.

HR leaders can help their companies accelerate business performance by assessing their organizations’ talent sources, people practices and work models. Here are some questions to consider:

WORK MODELS
- What work models should we use?
- How can we leverage the talent ecosystem to drive productivity and innovation?
- How do we manage a diverse and virtual workplace?

PEOPLE PRACTICES
- What new practices will we need in order to attract, develop and retain the talent we need?
- How do you manage “one-size-fits-one” practices?
- How do you shift from HR practices to people practices?

TALENT SOURCES
- Do we know all of our talent supply options?
- How can we optimize the talent we have?
- What talent strategies can we deploy to reach undertapped and untapped talent pools?