

RETRAINING WORKERS TO CLOSE THE SKILLS GAP

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Companies continue to struggle to find employees with the right skills for today's jobs. The U.S. economy is at full employment, and in some industries the skills gap is severe and there are few available job candidates.

Compounding the current skills gap is the increasing pace of change in the nature of jobs and work. Automation and advances in artificial intelligence and digitization are revolutionizing every industry and creating needs for future skills that are hard to ascertain at this point. In addition, current skills are becoming obsolete sooner, often within a five-year period.¹

These transformative trends in industry promise to increase employee productivity, but they will require a massive employee retraining effort that must be led by companies and supported by governments and educational institutions. According to McKinsey Global Institute, as many as 375 million workers globally will need to switch occupations by 2030 due to digital transformation and automation.²

A recent survey by staffing firm Adecco found 92% of senior executives think American workers lack the skills they need in today's economy.³ Workers need technical education, software training and soft skills development in leadership, communication, creativity, collaboration, and critical thinking.⁴

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The skills gap cuts across all industries and nearly all job titles. Manufacturing is the most affected industry, followed closely by technology, professional services, engineering and healthcare.⁵ The demands of the new economy require workers to acquire new skills, update them faster and be ready to adapt to ongoing change at a dizzying pace. McKinsey notes that global economies have seldom faced such a daunting task as retraining tens of millions of workers at mid-career and middle age.⁶

Many corporate executives admit they lack a solid understanding of how changing technology will affect their workers' skill needs in the future, yet they know their companies cannot remain idle. As new digital technology and automated processes are added, these executives are mapping the impact of new technology on roles, updating their competency models, and developing retraining programs for mid-career employees.

Retraining programs offer several benefits:⁷

- Existing employees are known assets. They hold knowledge of the organization, its goals and strategy that outside candidates lack. Retraining expands and builds on the strong basis of skills and institutional knowledge present in these workers.
- The cost of retraining is often less than the cost of hiring and onboarding new employees. Productivity is not lost due to time spent on orientation and onboarding.
- Employee engagement and retention increase when companies invest in retraining. Workers feel more loyalty to companies that invest in the learning and development opportunities they need to perform their jobs and support their advancement.



To help younger workers adapt and keep pace with change, companies are strengthening apprenticeship, internship and co-op programs so employees can develop new skills through a combination of on-the-job experiences and learning programs.

STRENGTHENING PARTNERSHIP PROGRAMS

In addition to strengthening their in-house retraining programs, many companies are playing a more active role in their partnerships with certificate programs, local community colleges, technical training institutes, and colleges and universities. As companies update their competency models and skills requirements, they are sharing this information with educational institutions to map classroom programs and experiences to actual job requirements.

Educational partnerships in the community are important entry paths for young employees and job candidates. Most of the jobs younger workers will fill in the coming years don't exist yet, as the cycle of change and obsolescence for job skills is quickening.

To help younger workers adapt and keep pace with change, companies are strengthening apprenticeship, internship and co-op programs so employees can develop new skills through a combination of on-the-job experiences and learning programs. Apprenticeships, internships and co-op programs can help companies spot and hire young talent earlier, as well as lower hiring costs and reduce turnover.

To discuss these topics in more detail, please contact your PNC Relationship Manager.

- 1 "10 Workplace Trends You'll See in 2018," by Dan Schawbel, *Forbes*, Nov. 1, 2017. Available at: <https://www.forbes.com/sites/danschawbel/2017/11/01/10-workplace-trends-youll-see-in-2018/#5e7f8ab04bf2>
- 2 "Retraining and reskilling workers in the age of automation," by Pablo Illanes, Susan Lund, Mona Mourshed, Scott Rutherford and Magnus Tyreman, McKinsey Global Institute, January 2018. Available at: <https://www.mckinsey.com/global-themes/future-of-organizations-and-work/retraining-and-reskilling-workers-in-the-age-of-automation>
- 3 "Watch the skills gap," Infographic and related article, Adecco blog, Jan. 26, 2018. Available at: <https://www.adeccousa.com/employers/resources/skills-gap-in-the-american-workforce/>
- 4 "Watch the skills gap," Infographic and related article, Adecco blog, Jan. 26, 2018. Available at: <https://www.adeccousa.com/employers/resources/skills-gap-in-the-american-workforce/>
- 5 "Watch the skills gap," Infographic and related article, Adecco blog, Jan. 26, 2018. Available at: <https://www.adeccousa.com/employers/resources/skills-gap-in-the-american-workforce/>
- 6 "Retraining and reskilling workers in the age of automation," by Pablo Illanes, Susan Lund, Mona Mourshed, Scott Rutherford and Magnus Tyreman, McKinsey Global Institute, January 2018. Available at: <https://www.mckinsey.com/global-themes/future-of-organizations-and-work/retraining-and-reskilling-workers-in-the-age-of-automation>
- 7 "Defeat the Talent Gap: Retrain Employees with Technical Skills," by Linnea Schulenburg, Treehouse blog, 2017. Available at: <http://blog.teamtreehouse.com/defeat-the-talent-gap-retrain-employees-with-technical-skills>

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