

Hiring

If Unemployment Is So High, Why Is Hiring So Hard?

by Robert Moritz

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Why aren't U.S. businesses leading the global economy to recovery? Erratic capital markets, systemic risk, tax policy, and regulatory uncertainty have all been offered as culprits, and all play their parts. But another factor is lurking that may eclipse the rest and, if left unaddressed, will continue to put the U.S. at a severe global disadvantage — the great mismatch between skilled jobs and the talent needed to fill them. The failure to find and nurture this talent is preventing U.S. companies from innovating their way to competitive advantage.

This problem is alarmingly widespread and not limited to start-ups: According to PricewaterhouseCoopers' 15th annual CEO survey, released at last January's World Economic Forum in Davos, Switzerland, nearly 50% of CEOs from all sectors and all corners of the globe say that this skill gap has become more difficult to fill.

How is it possible that finding talented employees is a problem for U.S. (and European) business when unemployment rates remain so stubbornly high? Why are CEOs having just as much trouble finding talent now as they did in tighter job markets?

The problem is that the financial meltdown that has swelled the unemployment ranks is dwarfed by the on-going effects of the digital transformation of world markets. This transformation was taking place well before the financial crisis, but while other trends ended or shifted gears, the transformation to digital economies kept on going, with very little interruption.

An interesting thing happened on the way to the future. Innovations like smart phones and the ease of transporting financial data through mobile technology are having a more immediate positive effect on emerging economies than on developed ones; demographics are on their side, and there were few legacy industries that needed to be supplanted or creatively destroyed. They skipped over the heavy capital expenditure required to put infrastructure like wires in the ground and went straight to mobile phones.

Companies and industry sectors in the West are only just beginning to realize the promise of the digital revolution and to understand its profound impact. As one bank CEO interviewed for our survey put it, “Our future competitors will not be traditional banks, but large technology companies.”

The paradigm shift at work here is just now becoming apparent. Manufacturing companies are beginning to regain their competitive edge through new applications of technology in the production process. Consumer goods companies are trying to figure out how to sell directly to customers. Retailers, long viewed as mostly domestic players, are stretching their reach globally by becoming “omni-channel” retailers.

Traditionally, such transformations create skills gaps that are temporary. But a transformation of this scale will take a lot longer than such shifts have in the recent past. That means the mismatch between talent and demand for constant innovation will likely remain high on the agenda of CEOs of businesses in both the East and the West long after the financial crisis resolves.

Already, 75% of the U.S. CEOs and 70% of global CEOs in our survey say they are investing in training to ensure a future pipeline of qualified employees. Such training will likely need to be on-going, as the digital revolution plays out in continual technological innovation. However, companies can't do it alone. As we work our way out of the greatest recession in 80 years and into this burgeoning digital economy, CEOs are looking for a partnership with government. In fact, 57% of U.S. CEOs said creating and fostering a skilled workforce should be a top priority of governments. So while the appetite to invest is there, U.S. CEOs are looking to forge more public-private partnerships, to fully embrace the challenges and opportunities of the digital transformation that in turn will help restore competitiveness.

But beyond that, for U.S. companies to become and remain competitive, they will need to find people who are not just trained in, familiar with, or comfortable with these ever-transforming technologies, but also those with the entrepreneurial drive to conceive of practical, productive — and profitable — uses for them.

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