PETER CAPPELLI

WHY GOOD PEOPLE CAN'T GET JOBS

The Skills Gap and What Companies Can Do About It

Wharton DIGITAL PRESS

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To Michael and Bo

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Preface

Many of the important ideas that now dominate the discussion of workplace issues emanated from employer organizations and consulting firms. Often these organizations identify important new trends, and often they make sweeping pronouncements about issues that are thought to be very much still in debate in the academic world. This book grew out of a series of columns I wrote for *Human Resource Executive* magazine in response to various stories in the press about skill shortages. The editors at the *Wall Street Journal* then asked me to write an extended story exploring the evidence for the claim that employers simply could not find candidates with the skills to do the jobs they needed to fill. That article led to a follow-up story, and that, in turn, led my colleague Steve Kobrin to suggest this book. I corresponded with hundreds of people who commented on the *Wall Street Journal* article, and many of their stories appear here.

Thanks to Steve and to Shannon Berning at Wharton Digital Press and to John Wright for their help with this project; to Stacia Edwards and Arne Kalleberg for reading the manuscript; and to Jason Dickhaut for help chasing down the references. Thanks also to the World Economic Forum annual meeting in Davos for hosting a session on this topic.

And here's to the current generation of job seekers, and to the employers who need to hire them. May the two groups work out arrangements that better serve both their interests.

Peter Cappelli

Philadelphia

Introduction

In October 2011, I wrote an article entitled “Why Companies Aren’t Getting the Employees They Need” for the *Wall Street Journal*’s annual “Report on Leadership.” In it, I noted that even in a time of dangerously high unemployment, companies complain that they can’t find skilled workers and sometimes need months of hunting to fill a single mid-level job. I repeated the litany of complaints commonplace in recruiting circles: schools aren’t giving kids the right kind of training; the government isn’t letting in enough highly skilled immigrants; even when the match is right, prospective employees won’t accept jobs at the good wages offered. The list goes on and on. No doubt about it: finding good candidates who will work at a wage that still allows a company to make money is really hard to do.

In my article, I explained the conventional wisdom about what has become known as the “skills gap.” I also challenged that notion—because when we look at the facts, there is no evidence to support it. “The real culprits,” I wrote, “are the employers themselves. With an abundance of workers to choose from, employers are demanding more of job candidates than ever before. They want prospective workers to be able to fill a role right away, without any training or ramp-up time. To get a job, you have to have that job already. It’s a Catch-22 situation for workers—and it’s hurting companies and the economy.”

My article drew more than 500 responses. Clearly, I had struck a nerve, and not only in readers struggling to get a job themselves. A remarkable number of those who wrote to me were in hiring positions, including recruiters. They reported that their organizations had shortages of employees because the companies had unrealistic standards and would not train or invest in candidates who could otherwise do the jobs. My favorite e-mail came from somebody in a company that had 25,000 applicants for a standard engineering position of whom the staffing people said not one was qualified. Could that really be possible?

Several people—all CEOs—wrote in to say that the problem with hiring is that the American education system is so bad. I have been following this topic since I worked on a US Department of Labor commission in the 1980s. On average, employers who are actually doing the hiring were not then, and are not now, complaining about the lack of academic skills among job applicants. It is mainly other things that they see as important, in particular the lack of work experience. One cannot get work experience in school, and that is where training comes in. Furthermore, almost none of the employers who wrote to me are looking for recent graduates. They want experienced workers.

A few employers reported that qualified candidates will not take the jobs at the wages companies offer them. At this point, it may be necessary to remind these employers how markets work. There is a difference between saying, “We can’t find anyone to hire,” and saying, “We can’t or don’t want to pay the wages needed to hire.” Just as there is no shortage of diamonds even though they are expensive—you can buy all you want at the market price—not being able or willing to pay the market price for talent does not constitute a shortage.

Virtually all those who wrote to me, especially those close to the hiring process, said something new: that there were serious problems with employer practices. Beyond unrealistic expectations, many also complained about applicant-tracking software and other computerized systems that screen applications electronically. Employers are overwhelmed by applications, and there is no way they can go through them all manually. So they use these systems to help. The downside is that the screening criteria are imperfect. Typically the screening software looks for key words, and if an applicant doesn't include the right key words, out goes his application. One reader who wrote to me described how he had been told he was perfect for a given position—except for the fact that his previous job title didn't match that of the vacancy, which was a title unique to that particular company.

A Failure of Imagination

The workers-jobs disconnect now plaguing the American economy is rich with such anecdotes, many of them ridiculous on their face but debilitating in practice, both to job seekers and to employers. But the disconnect also has a statistical face. In this book, I drill deeper into existing jobs data, probe the problem more broadly, and map a way forward. I use both data and anecdotes—and interviews with jobs professionals—to break through the rhetoric and explore where the true impediments lie.

Is there really a skills gap? To what extent is the hiring process being held hostage by unrealistic hiring expectations, low wages, and automated software that can crunch thousands of applications per second without perhaps truly understanding any of them? What could best bridge the gap between employer expectations and applicant realities, and critically, who should foot the bill for it? In the final chapter, I lay out a series of solutions that can help us break through what has become a crippling employer-employee standoff.

Part of my interest in the subject is professional and academic. As the George W. Taylor Professor of Management at the Wharton School and codirector of the National Center on the Educational Quality of the Workforce during the Bush and Clinton administrations, and through countless commissions, symposia, and studies, I have been tracking the paradoxical forces bearing down on the American workplace: on the one hand, employers who say they can't find the qualified workers they need; on the other, willing and qualified workers who often can't find work for love or money. Even as the economy haltingly recovers, that gap grows wider.

Part of my interest, I should admit, is personal. In my own family, my son couldn't find a real job with his new college degree in classics, so he looked to one of the technical fields in health care that had been identified as hot, where employers (the media assured) were struggling to hire. He went back to school, at a community college, and got a skills certificate in that field—only to discover that it was not hot. Employers were hiring only applicants who already had job experience, and most were interested only in candidates who had certificates in two areas, as the employers were consolidating two occupations into one. Would my son have been better served if he had spent his college years learning to read tarot cards instead of plowing through *The Aeneid*? If we focus only on his employment options, it's a question worth asking.

In the larger sense, though, my interest is societal. When the staffing company ManpowerGroup reports that 52 percent of US employers surveyed say they have difficulty filling positions because of talent shortages, society as a whole has a problem. When the utility industry concludes that 30 to 40 percent of all its employees will be eligible to retire by 2013—and industry experts warn of a subsequent immense gap in knowledge and ability that will be extremely difficult to fill—we all have a problem ready to walk right in the front door.[1] And when millions of unemployed job seekers find it impossible to get the kind of jobs they were performing just a couple of years before and a generation of college graduates, many of whom would have been snapped up by employers in normal times, remain unemployed or vastly underemployed, society has a huge problem as well.

How do we move forward from here? How can we get America's job engine revved up again? It requires a change from business as usual to a fresh way of imagining the employer-worker interface. Blaming schools and applicants isn't the solution, and the way we're doing things now just isn't working. As the old adage goes, the definition of insanity is repeating the same action time and again and expecting different results. The new way will demand more from employers, but it makes good financial sense for them to do it.

Chapter 1: Why Aren't the Vacancies Being Filled?

We all know the basics: Four years after the onset of the Great Recession, US businesses are posting record profits even as unemployment remains stubbornly high. In fact, "jobless recoveries" such as we are now undergoing are nothing new. The phrase was coined after the 1991 recession, when it took several years for jobs to come back despite growth in the economy. A similar lag in hiring happened after the 2000/2001 recession. But this time, we're told, is different. It is not that jobs don't exist; what is missing are qualified people to fill them. Drug manufacturer Ben Venue Laboratories, for example, looked to fill 100 openings in Ohio but found only 47 of the 3,600 applicants to be qualified. A large proportion failed the basic reading and math skills test. CEO Thomas J. Murphy noted, "You would think in tough economic times that you would have your pick of people."[2]

An employer survey reports that two-thirds of manufacturers say it is difficult to find qualified job applicants. A study of fast-growing companies says that finding qualified candidates is the companies' biggest impediment to growth. By some calculations, these millions of unfilled jobs are costing the economy billions of dollars in lost business.[3]

Yet for every story about an employer who can't find qualified applicants, there's a counterbalancing tale about an employer with ridiculous hiring requirements. One of my favorites is a job ad for a cotton candy machine operator—if you've never seen cotton candy made, it is not rocket science—where the requirement for applicants was demonstrating prior success operating similar cotton candy machines. To test whether his company's hiring standards were too high, a Philadelphia-area human resources executive applied anonymously for a job in his own company. "I didn't make it through the screening process," he notes.

What's going on? Why can't we make this marriage work? Well, one impediment is the simple math of the situation. Here's how it works: Productivity is typically measured by how much output we get per worker. It always grows coming out of a recession because employers lay off people in the downturn and delay hiring in the upturn, giving those who remain on the job more work to do as business picks up. Productivity growth was nonexistent in the first years of the recession—not surprisingly, as employers were cutting capacity—but rose a healthy 3.5 percent in 2011, in part because business was picking up a bit and employers were getting more work done with fewer people. In all, US productivity was 6.7 percent higher at the beginning of 2012 than it was in 2008, when the Great Recession was in full swing. The way to think about this is that a typical employer can now do almost 7 percent more business without hiring anyone new.

Some of that productivity is due simply to working people harder, and it will be difficult to sustain in the long run, which is why productivity growth tends to slow as the economy grows. But some of it is real and will persist. To the extent that there is any new normal in terms of the need for labor, postrecession productivity is what is behind that need.

Seven percent productivity growth would be an overall good thing, except that the companies don't have 7 percent more business. The US economy as measured by gross domestic product (GDP) was only 1.2 percent bigger at the beginning of 2012 than it was in 2008, but with productivity 6.7 percent higher, employers need 5.5 percent fewer workers now than they did in 2008.

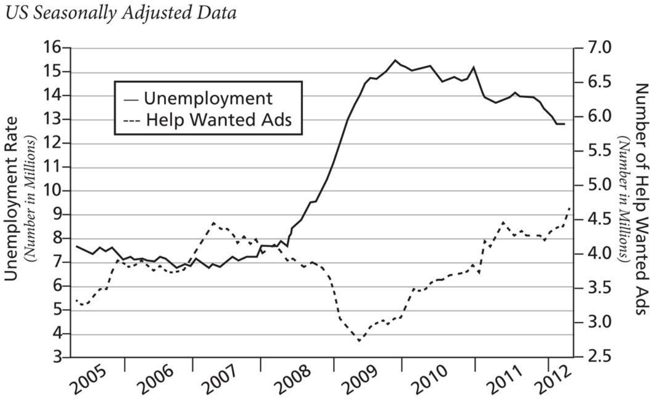
What makes that gap worse is that the population and the workforce keep growing. All that talk in the late 1990s and 2000s about a growing shortfall in the labor force was a myth. The US population grows by about 140,000 new people each month and is about 4 percent bigger now than it was at the end of 2008. In normal times, the labor force would grow at about that same rate.

Putting these facts together yields the following: Employers need roughly 5 percent fewer workers now than at the beginning of the recession, yet there are roughly 4 percent more people who could want jobs. Since the unemployment rate was already about 5 percent when the financial meltdown that led to the recession began, the current unemployment rate should be that baseline 5 percent plus 6.7 percent (from productivity gains) plus another 4 percent (for population growth) minus 1.2 (for the growth in GDP over the four years in question—the only good news in the calculation), for a grand total of 14.5 percent.

Why isn't unemployment that high? Because many people who want jobs have stopped looking and therefore don't count as unemployed. That's also why the unemployment rate, which measures the percentage of jobless actively looking for work, will remain stubbornly high even as the jobs picture improves: some of those who gave up looking will come back into the workforce as new jobs become available, keeping the number of people looking for work high even as more people find jobs.

The more interesting question is what happens where there are jobs to be filled. There are always job openings, even when demand in the economy is falling, because some employees retire, some leave for jobs elsewhere, and some go back to school. Figure 1.1 shows the number of advertisements for job openings, our best guess of real vacancies, versus the number of people who meet the test of being unemployed. These ads are not a perfect proxy for vacancies. Many employers keep job ads posted even when they are not currently hiring, as a way to keep tabs on possible candidates. But this is the best information we have, and it shows what is still a yawning chasm between available work and would-be workers.

Figure 1.1
Labor Supply vs. Labor Demand
US Seasonally Adjusted Data



Source: The Conference Board, BLS. See www.conference-board.org/data/helpwantedonline.cfm.

The Home Depot Syndrome

Basic math and multicolored charts, though, can go only so far in explaining this chasm. Why? Because this isn't a simple supply-demand issue. When employers have a vacancy to fill, they have many options for filling it. That much should be obvious, but these choices are at the heart of the biggest misunderstanding concerning jobs and hiring.

Many people, especially pundits in the business press, seem to have what we might call a Home Depot view of the hiring process, in which filling a job vacancy is seen as akin to replacing a part in a washing machine. We go down to the store to get that part, and once we find it, we put it in place and get the machine going again. Like a replacement part, job requirements have very precise specifications. Job candidates must fit them perfectly or the job won't be filled and the business can't operate.

This is simply not the way hiring works.

The first and most practical difference between the Home Depot view and the reality of hiring is that unlike the need to replace a part to keep a machine running, jobs don't necessarily have to be filled to keep an organization going. Employers operate with standing vacancies all the time. In some cases, the work gets done by other people, who cover the tasks required by the vacant job. In others, the tasks simply don't get done—new projects get delayed, the expansion of activities is postponed, and so on.

One very real concern about modern business is whether employers even know at which time their failure to fill a vacancy starts to hurt them. Organizations typically have very good data on the costs of their operations—they can tell you to the penny how much each employee costs them—but most have little if any idea of the value each employee contributes to the organization. Revenues and other benefits from operations come in at highly aggregated levels: We know what each profit-and-loss center brings in to the operation, but we have no real idea to which different factors, let alone to each job, we can apportion responsibility for that revenue.

For example, keeping a vacancy unfilled can make an operation appear more profitable because, at least in the short term, costs come down without any decline in revenues or benefits. If we extend this argument, of course, it quickly becomes absurd: Why not lay everyone off? The pressure to fill most vacancies, in fact, does not come from financial arguments, or from math of any kind. It comes from human resource issues—for example, existing employees who are burning out from overwork—or from operating managers pressing to get their new projects under way. Meanwhile, an organizational focus on cost control creates a bias *against* hiring because we cannot easily track the benefits of filling jobs.

Perhaps the most important difference between the Home Depot model and reality is that unlike a machine part, no perfect fit exists between applicants and job requirements. Put another way, the same tasks can be performed in lots of different ways. In the 1990s, the National Institute of Economic and Social Research, in London, did a series of fascinating studies looking at how companies making almost identical products but operating in different countries got their work done. They found, for example, that US operations used more engineers and more unskilled workers, while German firms used more skilled craftsmen and fewer engineers and unskilled workers to perform the same business tasks. How the companies made the choices that drove those differences is something we'll return to in chapters 4 and 5.

Even when we decide what jobs to fill, job requirements are hardly definitive. We know from studies of employers that when labor is scarce and more expensive, job requirements fall. To prevent bidding wages up, employers are willing to hire applicants with lower skills. When demand is down and applicants are plentiful, job requirements rise as employers expect more from an applicant before they will hire him.[4] During the information technology (IT) job boom of the 1990s, for example, only about 10 percent of the people working in real IT jobs had any kind of IT academic qualifications, no doubt because finding people with such qualifications was difficult and very expensive.

Further, employers almost always have a "make or buy" choice: if they can't find someone with the precise skills they need, they can hire someone with basic abilities and then train her to do the job or, more likely, give him some ramp-up time to learn the job. Employers choose between training versus growing talent based on which is cheaper to do and whether what they want is so unique that it cannot be found in the outside market. If the supply of candidates who have the skills needed to perform jobs grows and their wages fall, hiring candidates with the basic skills and training them afterward loses its appeal.

Bottom line: how employers make such choices plays a big part in determining how long it takes them to fill vacancies.

A Real-World Job Market

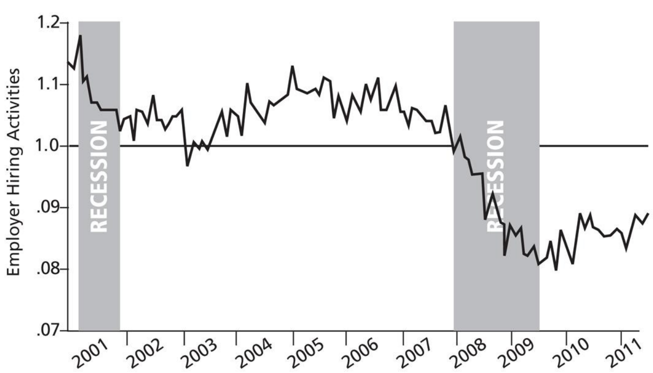
The Home Depot view of filling a vacancy might suggest that once you find the right candidate, you hire that person and pay the necessary wage. Supply and demand are equalized through prices, so there should be a clear market wage for each job. Theoretically, there is something to this view. The fact that prices adjust to supply and demand also explains why the notion that there is a "shortage" rarely ever applies in real markets, including the labor market. True, software engineers are expensive, but if you are willing to raise your wages high enough, you can get them.[5]

In the real world, though, employers do not act this way. Candidates, as noted earlier, are not identical, and jobs can be performed in different ways by different individuals with different attributes. Thus, if we shop around sufficiently, we should be able to find someone willing to do the job at a lower wage or someone able to perform the job at a higher standard for the same wage. In more formal terms, we search. We put in the time and effort to find out what the candidates are like, and we wait to make a hiring decision until that information is safely in hand.

Not surprisingly, we spend more effort searching when we think it will pay off and also when it is easier to do so. If only one store in town is selling something we need, we are likely to just go to that store and buy it. If dozens of shops are vying for our trade, we are more likely to shop around. Furthermore, when we do start looking, if we find that there is not much difference in the prices and attributes for the items we want, we stop searching and buy. But if we find lots of variation in prices and in the characteristics of those items, we spend more time searching, because we feel it is more likely we will find a deal.

How does this explain why employers might have delayed filling vacancies following the Great Recession? Because searching has gotten much easier and cheaper for employers, and therefore they search longer, or at least differently. One consequence of so many qualified applicants coming to them is that employers have cut back their own efforts at finding qualified candidates. In Figure 1.2 we can see the decline in the intensity with which employers recruit applicants for a given vacancy:

Figure 1.2
Recruiting Intensity Per Job Vacancy
January 2001 to May 2011



Source: Steven J. Davis, Jason Faberman, and John Haltiwanger using data from the Job Openings and Labor Turnover Survey. Recessions, as dated by the National Bureau of Economic Research.

Note: Data for the Nonfarm US economy excluding the federal government.

Simply put, employers may take longer to fill vacancies not because no one fits their requirements, but precisely because there are *so many* qualified applicants and because they differ so much. In this case, it might pay off for employers to wait for someone who is perfect for the job, not merely qualified, or even to see who will do the job at a wage well below market rate. This situation is not unlike that of teenagers who think they have many possible dates for the prom, putting off asking anyone in particular while considering their options. Employers, too, can be so dazzled by the choices that they wait too long to fill positions, especially because they cannot easily see the costs of not filling them.

Pundits contend that the existence of vacancies proves that something must be wrong with the possible candidates, or else the jobs would have been filled. They have said this after every recession in recent history, and they are always wrong. It pays to search, especially when the pickings are good.[6]

Competition for Jobs in the Market Is Relative

There's an old joke in business strategy about two men running away from a grizzly bear. One says, "I don't know how much longer I can outrun that bear," and the other says, "Hell, all I need to do is outrun you." The idea is that competition is relative, and that's true in labor markets as well. The fact that candidates differ, that job requirements are fuzzy, and that people with more skills than are required for a job can do it equally well or better than others means that hiring managers can take their time searching for the best candidate.

This relative aspect of the search process is also a big reason why perfectly qualified applicants can't get hired: Why should I hire someone well qualified to do a job when I can hire someone who is overqualified? The experience in the Great Recession in this regard is very similar to what happened in prior periods of high unemployment, especially in the 1970s and '80s, when baby boomer college graduates flooded the labor market and ended up doing jobs that required much less than a college degree.

The fact that competition among job applicants is relative is also behind the well-publicized finding that unemployment rates for college graduates are a fraction of the level for those with only a high school degree or less. The implication some draw from such reports, again using the Home Depot model, is that there must be lots of jobs requiring college degrees relative to the number of people with those degrees. The reality is that the lower unemployment rate for college graduates comes from the fact that college graduates can also do the jobs that require only a high school degree, and arguably do them better, so they win the competition for those openings. When applicants far outnumber job openings, the overqualified bump out those only adequately qualified.

Much of the concern about candidates being overqualified centers on academic degrees. The percentage of employees who are overqualified for their jobs, as defined by having at least three more years of education than is required by the job they hold, is about three times greater than the proportion of people who are underqualified using the same criterion. And the proportion of overqualified has more than doubled over the past generation.[7]

Some people argue that academic credentials are important to recruiters even when the academic skills themselves are not necessary for the job. Being able to complete a college degree is a useful signal of a person's ability to persevere and complete tasks, even if the skills gathered in college are not relevant to the job in question. Certainly there is evidence for this view. Those who actually get their degree do much, much better in the labor market than those who have many years of college courses under their belt yet don't get the degree. The most compelling evidence that a college degree signals something beyond academic achievement comes when looking at students who get a general equivalency diploma (GED), basically a high school diploma but obtained by taking a standardized test. They do not earn higher wages than those with no GED, and their wages are well below those of traditional high school graduates.[8]

Given all this, it might make sense to get a college degree, even if there are no jobs that require such degrees, because then one can beat out those who do not have degrees. If everyone does this, of course, we have something like an arms race, where individuals and their families invest in credentials that are not required for the jobs they end up doing but that may nevertheless be necessary for them to obtain those jobs. How extensive this situation is stands at the center of a long debate between economists, who see educational investments as largely necessary to meet job requirements, and sociologists, who see these investments as signaling attributes such as persistence.

In a down labor market, the rush to improve credentials heats up in part because the unemployed have both the need and the time to go back to school and get further credentials and in part because employers, with more applicants for their jobs, can be pickier. The level of this competition has reached new heights with efforts to get work experience—arguably the hardest credential to get because it typically requires having done a job already. Thus, the dilemma so familiar to first-time job seekers: How do I get the experience required to get a job in the first place?

Into this gap come unpaid internships, most of which probably violate the Fair Labor Standards Act, which requires that individuals must be paid for work that benefits business employers. These internships are so popular now that an industry has sprung up in which people actually pay for the benefit of finding an unpaid experience so that they will eventually be more desirable to employers.[9] But even here the competition can be ferocious. One college career counselor told me, "The more elite employers expect candidates for internships to have already had an internship somewhere else"—yet another instance of employers being picky and wanting candidates who can make immediate contributions. And remember, many of these are *unpaid* jobs.

The quirkiest consequence of this relative competition for jobs is the growing discrimination against unemployed job applicants, a phenomenon now so prevalent that federal regulations are being considered to address it. Here we see the signaling idea in a different form: Some people who are currently unemployed were let go from their last jobs because they were not good workers, and some may have gotten a bit rusty in their business knowledge. So why should we take a chance looking at unemployed applicants when there are so many other qualified candidates in the queue? Again, perfectly capable people can't get jobs because employers have so many qualified applicants that they can afford to overlook an entire category of applicant.[10] This type of discrimination goes hand in hand with the difficulty that older workers have in getting hired, despite their skills and experience—which are exactly what employers say are in short supply.[11]

Given all this, is it any wonder that a disconnect exists between workers and jobs today? Hardly, but blaming the victim only makes matters worse.

Chapter 2: The Skills Gap Debate: Deconstructing Demand

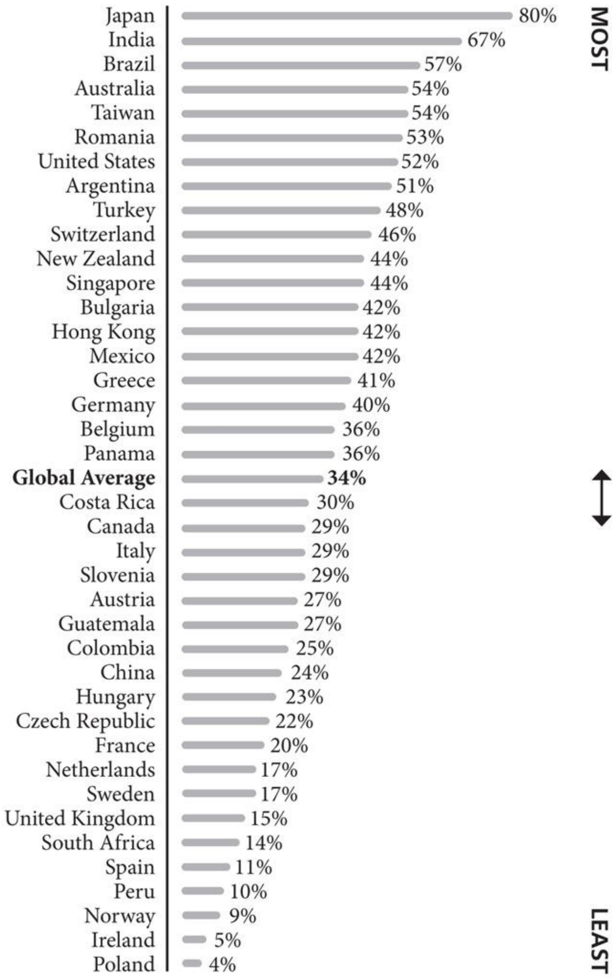
Imagine a headline that read, “Happy Employers Deluged with Qualified Applicants.” Would the story lead the evening news show? Not a chance. Turn that teaser around, though—“Employers Can’t Find Applicants”—and suddenly you have a man-bites-dog story. Upward of 16 million people, most of them until recently gainfully employed, are currently searching for jobs—and *still* employers can’t find anyone qualified to work for them. There must be a—*ta-da*!—skills gap. But is there?

Let’s start with the headlines themselves. One large reason these stories persist, apart from the fact that they seem so surprising (at least upon a first encounter), is that the journalists involved rarely dig beyond the press releases that spark their interest. Reporters take an employer’s word for it that no one who applied could do a given job. We don’t know if the employer’s expectations were unrealistic, if they failed to look very hard for candidates, or if there was some other simple explanation for their problem, such as their offering too-low wages.

When we look a little more broadly, it looks more like there is evidence of a skills gap. “The Ill-Prepared US Workforce,” by the business and research association the Conference Board, reports, for example, that about half of all employers believe that *the people they have hired* are inadequately prepared for their jobs. The Manpower survey cited in the previous chapter concurs. Among the 52 percent of US employers who say they have difficulty filling positions, the most common complaint is “talent shortages.” At a minimum, a lot of employers seem to be saying the same thing.

Maybe most telling of all—and most worrisome in the new global economy—is the fact that the skills gap appears to be worse in the United States than in most other countries. As Figure 2.1 shows, the United States ranks seventh among 39 countries measured by frequency of employer complaints about an inability to fill jobs—below Japan, India, and Brazil, but well above such Eurozone powers as Germany, and experiencing more than double the frequency of complaints as registered in the new global rising power, China. The evidence is also puzzling, though, because it is out of sync with the experience of other countries. The rate of complaints in the United States is more than three times greater than in Scandinavian countries, for example, despite the fact that the United States has roughly three times more people searching for each job.

Figure 2.1
Difficulty Filling Jobs by Country



Source: Manpower 2011 Talent Shortage Survey

The question, though, is this: Do studies like this one show that the United States is among the world leaders in skills gaps or simply in employer whining and easy media acceptance of employer complaints? This brings us deeper into the investigation: to the alleged components of the skills gap itself, at least from the demand side. Let’s address the claims one by one.

Myth: Employers can’t find workers with adequate skills to fill available jobs.

This assertion is fundamental to the skills gap contention, and yet the more we look at the underlying evidence for it, the more it tends to fall apart. Consider this breakdown, in Table 2.1, also from the massive Manpower survey, of the jobs that are reported to be most difficult to fill.

Table 2.1
Top 10 Hardest-to-Fill Jobs Globally

Position	2006	2010	2011
Technician	3	3	1
Sales Rep	1	2	2
Skilled Trade	5	1	3
Engineer	2	4	4
Laborer	N/A	10	5
Management/Executive	10	8	6
Accounting & Finance Staff	9	5	7
IT Staff	6	—	8
Production Ops	4	6	9
Office Support	7	7	10

Source: Manpower 2011 Talent Shortage Survey

“Laborer,” in the “Position” column, is about as unskilled a job category as we can get, while “production operator” is a factory job, typically semiskilled. It is difficult to imagine what the skill gap could be here. A “sales rep” certainly has unique abilities, but these are learned through practice on the job. “Technician” and “skilled trade” are clearly skilled jobs, but here again those skills are learned largely on the job. “Engineer” and “accounting/finance” workers learn their skills at least in large measure in postsecondary classrooms. “Office support” jobs, basically clerical work, might be filled at least in part by hiring high school graduates. Overall, this mix of jobs does not suggest any pattern with respect to skill requirements that would explain the skill shortage complaints.

Myth: Employers can’t find workers willing to take jobs at the going wages.

About 11 percent of the employers reporting skill shortages in the Manpower survey said that their problem was that applicants were not willing to accept job offers at the wage the employer wanted to pay. Given what we know about the difficulty all respondents have in recognizing problems that are actually their own fault, the real percentage of employers who have difficulty hiring because they are not offering adequate wages is likely to be much, much higher. When I hear stories about the difficulty in finding applicants, I always ask employers if they have tried raising wages, which in many cases have not gone up in years. The response is virtually always that they believe their wages are high enough.

But—and it’s a big *but*—this doesn’t reflect a skill shortage. It simply means that employers are not paying the market wage. They may be willing to shop around to see whether someone will take jobs at below-market wages, they may not be able to pay the market wage, or perhaps they just feel they should not have to do so. But their not doing so does not indicate any skills problem with the applicants.

Consider the story in the press of Mechanical Devices, a parts supply company that was unable to fill 40 machinist jobs. That employee deficit was apparently holding back company sales by an estimated 20 percent. The jobs reportedly paid $13 per hour, which might sound good, but the Bureau of Labor Statistics reports that the average wage for such jobs is more than $19 per hour, almost 50 percent higher than Mechanical Devices was offering. Would that have had some effect on the company’s ability to find candidates? You bet. A similar, widely circulated story, about the airline Emirates, reported that US job fairs for cabin crew positions, which do not require initial skills, had attracted only about 50 people each. That might sound like evidence that job seekers in the United States just don’t want to work. But the jobs required applicants to move to Dubai, which is a significant hurdle for most Americans. Was the pay rate of $2,500 per month enough to have made the move worthwhile?[12] Ask yourself the same question.

In many industries where workers are scarce relative to demand, wages soar but needs also get met. Skilled mining labor is so scarce, for example, that annual earnings for such workers are soaring to six figures and beyond, doubling in the last eight years alone. Hecla Mining Company CEO Phil Baker notes, “If you don’t increase salaries for existing employees, then they go somewhere else.” In the mining industry, the competition for skilled labor is international, and wages appear to be higher outside the United States.[13]

The moral, at least in part: Skills aren’t the issue; a market-determined wage is. If you pay it, they will come.

Myth: Skill shortages are only part of the problem. Employers must also deal with a lack of knowledge and experience.

Logic suggests that a skill shortage means applicants also have some kind of knowledge shortage. You have to know before you can do. Yet only 15 percent of employers in the Manpower survey who reported having a skill shortage said that lack of candidate knowledge was the most important problem they saw in applicants. That category includes academic knowledge but also knowledge of the particular industry or business. The most important employer complaint about candidates in the Manpower study, almost twice as prominent as the knowledge category, is lack of experience—i.e., the tacit knowledge about how to do a job that comes only from having done it before.

To make an obvious point, if job experience is a major requirement for vacancies, then employers are not looking to fill those jobs by hiring entry-level applicants right out of school. Employers want new hires to be able to start contributing, with no further training or start-up time. That's certainly understandable, but the only people who can do that are those who have done virtually the same job before, and that often requires a skill set that, in a rapidly changing world, may be dying out even as it is perfected. The most important reason good individuals can't get jobs where there appears to be a shortage is that employers are defining job requirements in such a way that applicants need to have done the job already, a fact that dramatically narrows the supply of qualified applicants and unintentionally builds atrophy into the very heart of the workplace.

Myth: Even when workers are skilled, knowledgeable, and experienced—and the pay is commensurate with talent—they are often reluctant to go where the good jobs are.

One jobseeker is 43, married, and the father of two grade-school children. Two years ago his employer, a global brand-name high-tech company, sent him from the Bay Area headquarters, where he had worked for more than a decade, to Austin, Texas. Six months ago, just after his family had moved into a newly purchased home, he was ordered back to HQ. He refused and is now unemployed.

To hear employers talk, his reaction is all too common, and is one reason so much talent and experience sits idle while well-matched jobs go begging. But this ignores the fact that employment is a two-way street. For people taking new jobs, the process is not unlike that for the employer. They have to decide whether the new job is worth it, which includes assessing how much trouble it would be to move but also how long the new job will last. In the late 1990s, evidence emerged that a majority of executives were reluctant to relocate in large part because of fear that the new job would not last long and they would then have to hunt for a new job in a community where they did not have contacts.

This reluctance has increased. Recent evidence suggests that only one in four individuals was willing to relocate for a new job in 2011, a figure roughly half of that in the late 1990s.[14]

To recap, then, the hardest-to-fill jobs appear to be those that often require the *least* skills, employers are frequently unwilling to offer the wages necessary to attract the skill set they seek, knowledge is evanescent and experience frequently as hard to attain as King Arthur's magic sword, and would-be employees are wary of uprooting themselves and their families for increasingly short-term job security. Is this a skills gap or a reality check about the demand side of the jobs equation? I vote for the latter.

Let's look next at supply.