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How Business Can Solve

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Economists now confirm what hiring managers have long suspected: The US is facing a Forever Labor Shortage of skilled workers.

A rising wave of Baby Boomer retirements, combined with a tech revolution that is dramatically changing the workforce talent needs of employers, means the current hiring crunch is expected to continue for years.

The reality

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As Business Insider reported, “In April, the unemployment rate declined to its lowest level since 1969 — meaning there are few available workers left to hire. Despite all the talk of how “no one wants to work anymore,” there’s actually a higher share of 25- to 54-year-olds with a job today than before the pandemic. And the shortage is just getting started. The Congressional Budget Office projects the potential labor force to expand by a mere 3.6% between 2022 and 2031 — one-eighth of the pace in the 1970s. Over the following decade, that growth is projected to slow even more, to 2.9%. That means employers face decades of an essentially stagnant labor pool.”

Luckily there are specific working solutions for employers who want new talent – and there are specific solutions for existing employees who want better jobs.

Though the employer solutions include initiatives like creating skills-based organizations, internal talent marketplaces, an upskilling culture, and skills-focused job promotion, all these improvements center on one reality: It’s almost always better and cheaper to build talent internally than to buy it externally through recruitment and hiring.

From talent gap to talent opportunity

One key is to stop viewing the labor shortage as a talent gap. Instead, it's a talent opportunity that can build loyalty, boost morale, and produce a much more nimble and potent business organization. As the Harvard Business Review recommends, "Treat skilling as a business investment, not an expense."

The cost of external hiring

Many studies by numerous experts have examined the daily dilemma of hiring managers: Should business talent come from outside the company or inside? Though it occasionally makes sense for a business to attract new blood, evidence is clear that hiring from the outside costs more, adds delays, and hurts morale for existing workers.

SHRM and University of Phoenix

The Society for Human Resource Management (SHRM) says it typically costs six to nine months of salary to replace an employee. That means companies must pay up to $45,000 to recruit and train a $60,000 per year worker. For entry level employees, the rule of thumb is that companies spend 50 percent of a worker's salary to fnd and prepare a replacement.

Despite all the evidence that internal hiring makes more sense, a University of Phoenix survey of 300 HR leaders and 300 knowledge workers across America found that fewer than half of all open roles are flled by internal talent today.

Too many companies have created a culture where it seems easier to overlook existing employees and instead devote the time, effort, and money to an outside hire. Inertia is a powerful force in major corporations. Remember: It wasn't that long ago that Old School CEOs like Jack Welch were being hailed for running Darwinian survival outposts that called for managers to fre 10 percent of their employees every year.

Retention and engagement challenges

Clearly the business world has changed since then. Employers now worry more about retaining employees than meeting annual quotas of firing them. Modern labor shortages put a new burden on employers to boost retention by figuring out what employees want.

Suffice to say that employees today want more than just the assurance that they're safely outside Jack Welch's targeted 10 percent.

Though the Great Resignation may be in the rear-view mirror, employees still have not put the brakes on quiet-quitting and job-switching.

In a Korn Ferry survey of 4,000 professionals in 25 industries, nearly half said they now think of their careers in terms of months, not years. One in four say it will be normal to work for their employer no more than two years. Eight of ten of those professionals said they'd leave their job if paid more or featured better benefits.

The worker loyalty and job retention issues are greatest with millennials. Calling them the "job-hopping generation," a Gallup poll found millennials are three times more likely to switch employers [illegible] other generations. Millennial job turnover costs the U.S. econo[illegible] $30.5 billion a year, Gallup said.

Most millennials (55%) are not engaged at work, the [illegible] of all generations, the poll found. "Not engaging millen[illegible]s is a big miss for organizations," Gallup concluded. "T[illegible] workforce is predominantly 'checked out' -- not putti[illegible] passion into their jobs... For leaders, the current cha[illegible]ofold: They must understand how to attract the mille[illegible]s who are looking to leave their current organization[illegible]ust also understand how to retain their existing millen[illegible]ees."

Why are so many em[illegible]disengaged at work?

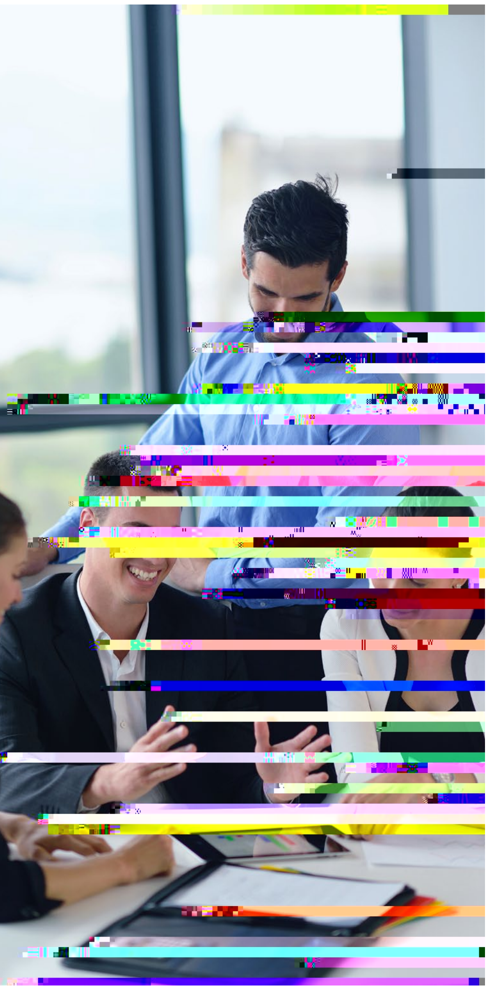
The No. 1 reas[illegible]mployees who quit a job is: no opportunity for advanceme[illegible]g to a Pew Research Center study. (The 63 percent who left [illegible]career roadblocks was equal to the 63 percent who left beca[illegible]ay.) The vast majority of workers who left a job said it was e[illegible]mployment elsewhere.

Investing in upskilling and internal advancement

Few people want to work a dead-end job. So it's important for managers to be direct and transparent about what it takes for employees to move ahead. It's also crucial for employees to be given the opportunity – and to understand they have that opportunity – to acquire the skills to earn a more advanced job.

"Focusing on professional development is a good place to start," concludes a Korn Ferry survey on the future of work. "It shows you're investing in your

Investing in front line workers



While developing a skills-based organization, smart managers should highlight and develop the careers of frontline workers, who often are the unappreciated face of the business. According to McKinsey, fewer than 40 percent of hourly frontline workers believe their employer takes an objective, empirical view of performance and promotion. More than 70 percent of