

Reliability Matters



WHITE PAPER

Labor Shortages and Skills Gap



The labor market is rapidly shifting.

The pandemic and the “Great Resignation” upended the expectations and challenges organizations were dealing with. Organizations are accelerating investment in automation while searching for workers to fill more skilled positions.

In the manufacturing industry alone, an estimated 2.1 million jobs are expected to be unfulfilled by 2030¹. The labor market is getting tighter as baby boomers retire, and the skills gap is getting wider and deeper.

HR departments are struggling to fill positions and reorganize in a changing work landscape. How can organizations address these challenges?

Fortunately, there is a solution – provide more and better training for new and current workers.

The organization that builds an effective training program will outlast the competition in the face of labor shortages, skills gaps, and industry disruptions.



Forward thinking organizations are likely asking themselves the following questions to ensure their future:

- How does training impact hiring and retention challenges?
- What kinds of training are needed, and how do they fit into an overall strategy for attracting and retaining talent?
- How does training support a change-proof succession plan?
- What does an increasingly technology-driven future demand in terms of worker skills?
- What do workers themselves want?



While answers to these questions are not simple or well known, we can provide some insights.

The labor shortage in the U.S. is at a critical point, and a widening skills gap is making the problem worse. **This situation has led to three big challenges for organizations:**



Recruiting and onboarding qualified talent



Retaining talent in the face of competition



Preparing employees for changing environments such as emerging technologies and diversity, equity, and inclusion initiatives

While “more and better” training is an obvious solution to these challenges, knowing what training is needed, why it’s needed, and how it fits overall corporate strategies are harder questions to answer.

Let’s look at each challenge individually and identify ways training can mitigate the effects on your organization’s success.



Challenge 1: **Recruiting and Onboarding Qualified Talent**

According to a 2021 Deloitte/The Manufacturing Institute study, manufacturing executives say finding the right talent is 38% harder than it was in 2018.² It's even more difficult to fill entry-level jobs, which compounds the problem because those workers are needed to provide a strong base for a pipeline of skilled workers.

Adding to the difficulties, organizations aren't just competing within their industry for workers. As the manufacturing and power industries invest in technology and automation, they're competing with health care, IT, and many other industries. How do organizations identify and attract the talent they need to succeed?

First, broaden your criteria for talent. We'll talk more about targeting underrepresented groups later. For now, we'll focus on identifying qualities for a successful candidate. Instead of focusing on job experience and resumes, look for characteristics such as attitude, ability to work with others, and approach to learning new skills.

By focusing on attributes instead of specific skills, you can identify successful candidates who may not have made it through your initial review process. Look for candidates with intangible skills that can't be taught like decision-making, ethics, and integrity. Once those candidates are on board, concentrate on training them in the skills they need.

Second, the manufacturing and power industries battle a negative image with younger workers – shift work, unpleasant environment, traditional management, and a lack of innovation. Since millennials consider professional development and opportunities for advancement among the most important factors in a job³, highlight how your training program provides a clear career path.



Showing prospective workers a successful progression toward their goals, increases your ability to recruit talented workers.



Onboarding

A strong onboarding program is an effective recruitment tool. Workers who have a clear idea of the job they'll perform, the training they'll receive, and the potential for advancement are more likely to choose your organization over another. And since eight in 10 manufacturing executives indicate not filling jobs has a moderate to very high impact on maintaining production levels⁴, that edge is critical.

Onboarding is when a new hire learns their role, acclimates to the organization, and builds new relationships with their peers, direct reports, and managers. Here's what new employees have said they want out of an onboarding experience:

- Training relevant to what they will be doing from Day 1
- Training that will give them a "feel for the place"
- Training on the way things are done, pertinent to their role
- Training that shows them opportunities for advancement

Good onboarding doesn't just recruit workers, it helps retain them by encouraging them to own their careers. A presentation to the Society for Human Resource Management by The Wynhurst Group **reported that employees who experienced a structured onboarding program were 58% more likely to remain with the organization after three years.**⁵

While a strong training program is key to recruiting new workers, there's another way to easily fill open positions – promoting internally. Which leads us to our second challenge...



Challenge 2: **Retaining Talent in the Face of Competition**

Some retired early, some started their own businesses, and some took sabbaticals. Many of those workers changed jobs or industries – making employee retention a key challenge for organizations.

According to the U.S. Bureau of Labor Statistics, more than 47 million U.S. workers quit their jobs in 2021.

Additional statistics from the Bureau of Labor show a 39.9% yearly turnover rate in the manufacturing industry and a 49.0% turnover rate for transportation, warehouse, and utilities. According to SHRM, most organizations have a rate closer to 20%. How can training help lower those numbers?

According to Bloomberg, current workers have less chance for advancement from entry-level positions than ever.⁶ Instead of investing in employee development, organizations are hiring experienced workers from other industries, bypassing frontline workers. More than 50 million Americans are stuck in low-wage jobs without a chance to acquire skills to move ahead. And yet, 75% of employers say they can't hire workers with the required skills.

Training develops future workers. Not only do they tend to stay – 42% of workers surveyed by The Manufacturing Institute and the American Psychological Association said training and career opportunities were reasons to stay in a manufacturing job⁷ – they create a pipeline of skilled workers for organizations to fill positions when managers retire or leave. The same survey shows 2/3 of workers under 25, a key demographic for filling the pipeline, said training and career opportunities were motivating factors for them to stay with an organization.



An ongoing training program increases worker expertise and contributes to job satisfaction, especially when combined with a clear path showing workers how their career will advance. Creating a strong development program is a challenge.

How do you guarantee your program will help retain workers?

Ask them. Take your workers' point of view and suggestions into consideration when developing your program. Developing or updating your training program from this perspective helps you focus on the key pieces that will help retain your workers, including:

- **Recognizing goals** – for the organization and the workers
- **Identifying competencies** – what workers need to know and do to meet their goals
- **Performing a Gap Analysis** – where are your workers today versus where you want them to be
- **Involving workers in the development process** – share ownership of the training program
- **Offering formal and informal training** – address identified gaps and provide mentoring and coaching
- **Addressing compliance considerations** – embed compliance requirements into your training program

And it's not just your frontline workers who need training. Workers leave managers, not organizations. Key retention practices include equipping managers to support workers and ensure they have a clear career progression.

According to Gallup⁸, it takes more than a 20% pay raise for a worker to leave a manager who engages them. It costs little to lure away a disengaged worker. Enhancing your managers' leadership skills is important to worker retention. It's not just skills and knowledge training you should invest in – management and leadership training is critical too.

*Training and mentoring leverages an organization's current talent to **help high potential employees understand leadership roles** while also developing young talent. Another key piece to filling your pipeline.*



Challenge 3: **Adapting to Changing Environments**

While organizations are struggling to find and keep workers, they are also trying to adjust to changing work environments and processes. Organizations are investing in new technology and automation while trying to meet worker and customer demands to be a more diverse, inclusive employer.

Technology

All industries are feeling the increased impact and necessity of automation and digital disruption. The nature of work is undergoing a radical shift, which partly explains why the skills gap is widening at such a maddening pace. Organizations must invest more in training to stay relevant.



Continuous learning is no longer a luxury for organizations. It's necessary for everyone⁹.

In a 2021 Deloitte Global Resilience Study¹⁰, 57% of respondents reported using advanced technologies to redesign job tasks. As these technologies become more and more prevalent, workers need to develop skills that apply to an organization's evolving jobs and processes. The study ranked flexibility and adaptability as the most critical workforce traits.

As mentioned earlier, to better find and retain talent that will move the organization forward, you should look for workers with characteristics to adapt to new technologies instead of a specific set of skills.

According to John Hagel, co-chairman of the Center for the Edge (a unit of Deloitte LLP that research business and technology), organizations need to stop focusing on skills and tasks and begin focusing more on competencies, which include attributes like “curiosity, imagination, creativity, emotional intelligence, social intelligence,” to succeed.



What specific skills are required? Here are a few that come to mind:

- **Critical thinking** – thinking through product development and testing
- **Change management** – accepting and adapting to the changes in the market
- **Project management** – identifying needed talent, aligning different departments and keeping them on track, documenting processes, etc.
- **Communication** – communicating internally to share project status and solve problems and externally with clients, stakeholders, and other audiences

According to a SHRM report,
47% of current manufacturing jobs will not exist in the next decade because of the technology shift.

However, overall staffing will be higher as the technology brings different jobs. Some functions may transfer to robots through automation, but workers are still needed to manage the technology.

In the utility industry, advances in smart grid, distributed generation, microgrids, and energy storage require a new talent profile.

With a structured training program, that new talent can be provided by your existing workforce.



Diversity

At the most general level, diversity is the inclusion of people who are different from one another. Workplace diversity is the inclusion of different people in the workplace and all that entails (diversity on teams, diversity of leadership, diversity of voices making decision, etc.). The idea is to hire people because of their differences – their different experiences, backgrounds, skills, opinions, and more – which add value to the work your organization does.

*Diversity, or DEI (Diversity, Equity, Inclusion), is more than hiring more women or people of color. **Today's, diversity covers a much broader range of differences:***

- **Generations** – Boomer, Gen X, Millennials, Gen Z
- **Backgrounds and cultures of origin**
- **Sexual orientations** – LGBTQ+
- **Personality types** – DISC types or introvert/extrovert/ambivert
- **Socioeconomic backgrounds**
- **Political tendencies**
- **Learning styles** – visual, auditory, or kinesthetic learners

DEI is proven to drive business performance and innovation. Diverse companies experience increased productivity, practice better organization management, and are more competitive.

In the Deloitte/TMI report, manufacturers link the business benefits of DEI to better ability to attract, retain, and develop talent. Talented candidates are more likely to choose a job if they see people who look like them in similar roles and leadership positions.



Unfortunately, the manufacturing industry still has some work to do. According to SHRM, roughly half of the U.S. labor force is women, but only 29% of manufacturing jobs are filled by women.

Utilities find themselves in the same boat. The utility industry is one of the least diverse in the U.S. today with its workforce 85% white and 80% male according to a 2020 U.S. Bureau of Labor Statistics report.

Addressing DEI challenges not only brings the benefits of a diverse workforce, it also opens up an organization's recruiting efforts. Recruiting from underrepresented groups can be an opportunity to identify high performing workers. Targeting these groups while focusing on the competencies discussed earlier – curiosity, creativity, imagination, emotional intelligence, and social intelligence – will help your organization build a strong pipeline of workers.

As you train your workers in the skills they need to succeed and progress on their career path, you also need to focus on training upper management in how to lead diverse teams.

Managers and leaders should know the unique challenges that can come with leading diverse teams, including:

- Developing emotional intelligence
- Working toward workplace empathy
- Being aware of biases
- Understanding their employees
- Using effective verbal and nonverbal communication skills
- Starting conversations
- Being a mentor and advocate

They should know how to build an inclusive culture and foster career growth and opportunities.



Next Steps

If you're on board with the benefits of training for your organization, you're likely wondering "What's next?" By exploring why training is needed in this economy specifically, we can identify next steps for your organization.

- **Work to provide opportunities and foster a good learning culture.** Every company has a learning culture, but a good learning culture doesn't happen by itself. Leaders should take charge and lead the way, bringing management on board. When that happens, workers will see the opportunities and pursue them.
- **Identify competencies to make the opportunities happen.** Remember, technical skills alone are not enough. Routine tasks in most jobs will be automated. Instead, focus on defining the competencies to help grow your organization through the many changes yet to come.
- **Find training solutions that can deliver the competencies you've identified.** A good training solution should help your leadership define competencies and create training programs that support your succession plan. Managers and non-management workers alike should receive regular training in all competencies to improve skills, teamwork, and work-life balance. Providing a good mix of required and self-directed learning will help sustain your learning culture and growth mindset.

Keep going! None of these changes can occur overnight. Stay the course and make training a priority. If your organization can sustain these changes, it will outlast the competition.



- 1 [Deloitte/The Manufacturing Institute Beyond Reskilling in Manufacturing DI_ER-I-Beyond-reskilling-in-manufacturing-1.pdf \(themanufacturinginstitute.org\)](#)
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- 3 [Positioning utilities to win the battle for talent, Deloitte https://www2.deloitte.com/content/dam/Deloitte/us/Documents/process-and-operations/us-cons-positioning-utilities-to-win-the-battle-for-talent.pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/process-and-operations/us-cons-positioning-utilities-to-win-the-battle-for-talent.pdf)
- 4 [Deloitte/The Manufacturing Institute Beyond Reskilling in Manufacturing DI_ER-I-Beyond-reskilling-in-manufacturing-1.pdf \(themanufacturinginstitute.org\)](#)
- 5 Kathy Irish, "5 Tips to Improve New Hire Training" HSI blog, 2020.
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- 9 [Positioning utilities to win the battle for talent, Deloitte https://www2.deloitte.com/content/dam/Deloitte/us/Documents/process-and-operations/us-cons-positioning-utilities-to-win-the-battle-for-talent.pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/process-and-operations/us-cons-positioning-utilities-to-win-the-battle-for-talent.pdf)



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