



## Closing the Skills Gap: The Issue: Matching employee job skills with job openings

Arthur Foulkes February 24, 2013

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TERRE HAUTE — Few topics are getting more attention from Hoosier political leaders than the state's employee "skills gap."

From the governor to Republican and Democratic leaders, top elected officials say they want to direct statewide efforts — and resources — to matching employee job skills with job openings. As Republican House Speaker Brian Bosma recently stated on Twitter, a social media website, "We must make every effort to align our job training and education efforts with available jobs."

One way to do that is with the creation of the Indiana Career Council, a 15-member body chaired by the governor and made up of "stakeholders" in workforce development.

The measure has the support of Bosma and the Democratic House Minority Leader Scott Pelath.

Last week, Democratic U.S. Sen. Joe Donnelly also endorsed the idea of fighting Indiana's skills gap.

He visited Ivy Tech in Evansville and Indiana State University in Terre Haute to push for a bill he has introduced in Washington that would direct federal education funding to colleges and universities prepping students for today's job market.

The idea of a skills gap is that there are not enough qualified workers to do many of the jobs now available in the Indiana and U.S. economy. According to Joe Frank, spokesman for the Indiana Department of Workforce Development, the gap is partly a result of a changing workplace and a changing workforce. Manufacturing jobs — which make up a big part of Indiana's economy — are more high tech today, and employers have to try and get "more from less," Frank said. On top of that, many of today's

workers lack “soft skills,” such as how to do a job interview, prepare a resume or even show up for work on time. Those factors help create the gap, he said.

“Yes, Indiana, there is a skills gap”

But not everyone agrees a skills gap even exists and — among those who believe it exists — there is wide disagreement over its size. The Boston Consulting Group published a widely cited study last year that showed the manufacturing skills gap is smaller than most believe, amounting to not more than 100,000 workers nationwide, or about 8 percent of the skilled workforce. A joint survey by Deloitte, a consulting firm, and an affiliate of the National Association of Manufacturers, put the figure much higher, estimating there are about 600,000 high-skill positions currently unfilled.

In Indiana, at least among those with political power, there seems to be no question the gap exists. Ready Indiana, an initiative of the Indiana Chamber of Commerce, recently published a survey of 335 employers, stating they believe 71 percent of employees lack “applied skills,” such as problem-solving, communication, work ethic and professionalism. The employers also estimated 35 percent of employees lack computer-related skills and 25 percent require on-the-job training.

“The gap between worker skills and employer needs is certainly impacting our state’s economic growth,” said Ready Indiana Executive Director Kris Deckard in a Chamber news release. “Talent is the No. 1 factor in attracting new businesses and growing existing ones.”

#### Indiana Career Council

Although the newly proposed Indiana Career Council has widespread support in the General Assembly, the state already has an agency dedicated to matching worker skills with available jobs: The Indiana Department of Workforce Development’s WorkOne training network. But, according to the Ready Indiana survey, “nearly half of the respondents had either never been involved with (36 percent) or heard of (12 percent) the WorkOne” system. For that reason, the Chamber supports the new entity, according to its recent news release.

But addressing the skills gap is “one of the biggest missions that our agency faces right now,” the DWD’s Frank said. “It’s extremely important to the governor and we’re gearing our agency likewise,” he said.

In addition to DWD, the state's Economic Development Corp. is also doing its part to help employers find the employees they need, said Katelyn Hancock, director of media relations for the IEDC.

"The IEDC and the DWD are definitely proactively working together to ensure that our skill and training development are aligned with the skills demanded by companies," Hancock said. "We work with companies to market Indiana to see how we can help the companies grow or locate here, so ultimately they'll create more jobs for Hoosiers."

And, despite the reported skills gap, employers are bullish on the state's workforce and jobs climate, Hancock said.

"Companies are constantly telling us that they love Indiana's workforce," she said. Hancock also said companies find "the workforce is plentiful" in the state.

So does that mean there is not a skills gap?

"There's room for improvement, always in training," Hancock said. "That's why human capital enhancement is one of the forefront issues for the IEDC and we are partnering" with WorkOne.

A changed workplace

Most of the employees or potential employees who go through one of the WorkOne training programs are adults who have already graduated from high school or failed to graduate. Indeed, Frank notes there are about 400,000 adult Hoosiers without a high school degree who need basic skills training from the DWD. The agency's first job is to help them learn basic skills and then move into a training program, he said.

"Basically, we have a workforce that's kind of caught in the past," Frank said, noting that decades ago, a high school graduate could move directly into a factory job and remain there until retiring. That's no longer the case, he said.

“It’s just the workplace is different,” Frank said. “Things are a lot more technologically advanced. Companies are having to get more out of their workforce than they used to.” Today’s workers need training beyond high school to make it, Frank added.

But that does not mean all workers need to go to college. That model has definitely changed and Gov. Pence and state lawmakers are now in favor of improving vocational education in the state to help meet the demands of tomorrow’s employers. Improving vocational education is the top priority of this year’s General Assembly, lawmakers have stated.

“I think that’s a good idea,” said Cato Institute scholar Neal McCluskey, who studies education issues. Many other countries have much better-developed vocational education options in place for young people looking to enter some sort of trade, he noted. To the extent that expanding vocational education in the state increases options for young people, it’s a good thing, he said.

A pay and training gap?

While state political leaders and groups such as the Chamber and the Indiana Association of Manufacturers support enhanced efforts to fill Indiana’s skills gap, there remain those who question the whole concept.

“Have [employers] tried raising wages?” asks Peter Cappelli, a professor of management at the Wharton School, writing in the New York Times. Cappelli believes, if there is a skills gap, it’s the fault of employers’ hiring standards being too high and their wages too low. Employers are also failing to provide job training, he argues.

Adam Davidson, also writing in the New York Times, agreed largely with Cappelli and concluded that the skills gap is really a gap in education, since many high school graduates today lack basic math and science skills needed in the modern workplace.

But, in the state of Indiana and many other states, dealing with the skills gap is a new, top priority. This likely means more money for vocational education in high schools and the creation of a new Indiana Career Council to join the DWD and the IEDC in matching workers with available jobs.

The Cato Institute's McCluskey is skeptical about the state's ability to match jobs with workers. The market, when not distorted by education and training subsidies, does the job much more efficiently than government entities can, he said. The trouble is, thanks to government subsidies that distort the market for skills training, the market is distorted, he noted.

Nearly all of the state's job training budget is federally funded, the DWD's Frank noted. When the recession hit, the Congress did what it could to provide training dollars to the states, he said.

The federal government spends about \$18 billion annually on dozens of different job training programs, according to a recent study by the Government Accountability Office.

"We have more resources [for job training] than we used to have," Frank said. WorkOne can help provide on-the-job training for employees and even help pay a worker's salary for the first six months of employment, he said. The IEDC also provides training grants to companies, Hancock noted.

"Last year we had a record number of companies choosing Indiana to locate or expand their business," Hancock said, adding 37 companies have done so already this year. Skills gap or no, "we have very positive momentum going forward."