

Why Companies Aren't Getting the Employees They Need

The conventional wisdom is that our education system is failing our economy. But our companies deserve a lot of the blame themselves.

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Everybody's heard the complaints about recruiting lately.

Even with unemployment hovering around 9%, companies are grouching that they can't find skilled workers, and filling a job can take months of hunting.

Employers are quick to lay blame. Schools aren't giving kids the right kind of training. The government isn't letting in enough high-skill immigrants. The list goes on and on.

But I believe that the real culprits 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.

Bad for Companies, Bad for Economy

In other words, 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.

To get America's job engine revving again, companies need to stop pinning so much of the blame on our nation's education system. They need to drop the idea of finding perfect candidates and look for people who could do the job with a bit of training and practice.

There are plenty of ways to get workers up to speed without investing too much time and money, such as putting new employees on extended probationary periods and relying more on internal hires, who know the ropes better than outsiders would.

It's a fundamental change from business as usual. But the way we're doing things now just isn't working.

The Big Myths

The perceptions about a lack of skilled workers are pervasive. The staffing company ManpowerGroup, for instance, reports that 52% of U.S. employers surveyed say they have difficulty filling positions because of talent shortages.

But the problem is an illusion.

Some of the complaints about skill shortages boil down to the fact that employers can't get candidates to accept jobs at the wages offered. That's an affordability problem, not a skill shortage. A real shortage means not being able to find appropriate candidates at market-clearing wages. We wouldn't say there is a shortage of diamonds when they are incredibly expensive; we can buy all we want at the prevailing prices.

The real problem, then, is more appropriately an inflexibility problem. Finding candidates to fit jobs is not like finding pistons to fit engines, where the requirements are precise and can't be varied. Jobs can be organized in many different ways so that candidates who have very different credentials can do them successfully.

Only about 10% of the people in IT jobs during the Silicon Valley tech boom of the 1990s, for example, had IT-related degrees. While it might be great to have a Ph.D. graduate read your electrical meter, almost anyone with a little training could do the job pretty well.

A Training Shortage

And make no mistake: There are plenty of people out there who could step into jobs with just a bit of training—even recent graduates who don't have much job experience. Despite employers' complaints about the education system, college students are pursuing more vocationally oriented course work than ever before, with degrees in highly specialized fields like pharmaceutical marketing and retail logistics.

Unfortunately, American companies don't seem to do training anymore. Data are hard to come by, but we know that apprenticeship programs have largely disappeared, along with management-training programs. And the amount of training that the average new hire gets in the first year or so could be measured in hours and counted on the fingers of one hand. Much of that includes what vendors do when they bring in new equipment: "Here's how to work this copier."

The shortage of opportunities to learn on the job helps explain the phenomenon of people queueing up for unpaid internships, in some cases even paying to get access to a situation where they can work free to get access to valuable on-the-job experience.

Companies in other countries do things differently. In Europe, for instance, training is often mandated, and apprenticeships and other programs that help provide work experience are part of the infrastructure.

The result: European countries aren't having skill-shortage complaints at the same level as in the U.S., and the nations that have the most established apprenticeship programs—the Scandinavian nations, Germany and Switzerland—have low unemployment.

Employers here at home rightly point to a significant constraint that they face in training workers: They train them and make the investment, but then someone else offers them more money and hires them away.

The Way Forward

That is a real problem. What's the answer?

We aren't going to get European-style apprenticeships in the U.S. They require too much cooperation among employers and bigger investments in infrastructure than any government entity is willing to provide. We're also not going to go back to the lifetime-employment models that made years-long training programs possible.

But I'm also convinced that some of the problem we're up against is simply a failure of imagination. Here are three ways in which employees can get the skills they need without the employer having to invest in a lot of upfront training.

Work with education providers: If job candidates don't have the skills you need, make them go to school before you hire them.

Community colleges in many states, especially North Carolina, have proved to be good partners with employers by tailoring very applied course work to the specific needs of the employer. Candidates qualify to be hired once they complete the courses—which they pay for themselves, at least in part. For instance, a manufacturer might require that prospective job candidates first pass a course on quality control or using certain machine tools.

Going back to school isn't just for new hires, either; it also works for internal candidates. In this setup, the employer pays the tuition costs through tuition reimbursement. But the employees make the bigger investment by spending their own time, almost always off work, learning the material.

Bring back aspects of apprenticeship: In this arrangement, apprentices are paid less while they are mastering their craft—so employers aren't paying for training and a big salary at the same time. Accounting firms, law firms and professional-services firms have long operated this way, and have made lots of money off their young associates.

Of course, a full apprenticeship model—with testing and credentials associated with different stages of experience—wouldn't work in all industries. But a simpler setup would: Companies could give their new workers a longer probationary period—with lower pay—until they get up to speed on the requirements of the job.

Promote from within: Employees have useful knowledge that no outsider could have and should make great candidates for filling jobs higher up. In recent years, however, an incredible two-thirds of all vacancies, even in large companies, have been filled by hiring from the outside, according to data from Taleo Corp., a talent-management company. That figure has dropped somewhat lately because of market conditions. But a generation ago, the number was close to 10%, as internal promotions and transfers were used to fill virtually all positions.

These days, many companies simply don't believe their own workers have the necessary skills to take on new roles. But, once again, many workers could step into those jobs with a bit of training.

And there's one on-the-job education strategy that doesn't cost companies a dime: Organize work so that employees are given projects that help them learn new skills. For example, a marketing manager may not know how to compute the return on marketing programs but might learn that skill while working on a team project with colleagues from the finance department.

Pursuing options like these vastly expands the supply of talent that employers can tap, making it both cheaper and easier to fill jobs. Of course, it's also much better for society. It helps build the supply of human capital in the economy, as well as opening the pathway for more people to get jobs.

It's an important instance where company self-interest and societal interest just happen to coincide.

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