

# Business Must Develop the Workforce of the Future It Needs

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Over the last three decades, U.S. workers have suffered an overabundance of hardship. They have endured the pains of globalization. They have seen the prized manufacturing jobs that once defined America's middle class move offshore. They have borne witness to the diminishing role of unions and seen the negotiating power of labor ebb. They have faced the onslaught of fast-paced technological change, with automation taking over many of the tasks they once performed. They have seen wages decline and benefits disappear. As other advanced and developing nations have invested in education and training at a faster pace than the United States, they have seen their ability to compete globally decline.

Despite all the disruptive forces of change, U.S. workers remain remarkably resilient. In a global survey of 11,000 middle-skills workers (those with less than a four-year college degree), workers in the United States were more likely to be satisfied with their current work situation than those from 10 other countries: Brazil, China, France, Germany, India, Indonesia, Japan, Spain, Sweden, and the United Kingdom. A majority of the U.S. workers surveyed — 64 percent — said they were either very happy or somewhat happy with their current employment situation, and 53 percent reported that their employment situation had improved over the previous five years.<sup>1</sup>

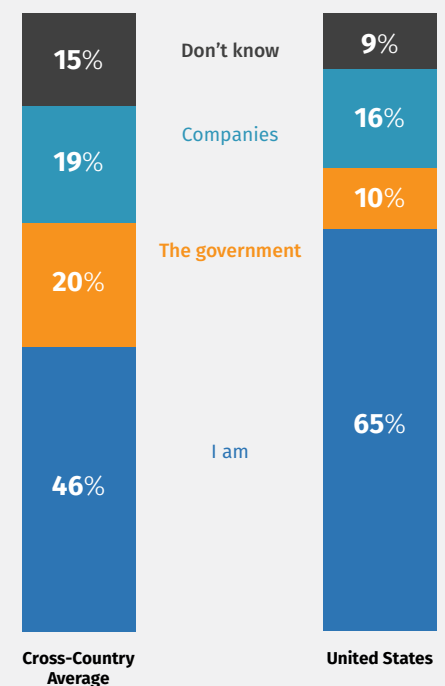
Workers in the U.S. also revealed that they believe in themselves and their ability to prepare for the future, much more so than middle-skills workers in both advanced and emerging countries. A majority of the

workers in the United States — 65 percent — chose themselves as most responsible for preparing for the future compared with 16 percent who picked the company they worked for and 10 percent who believed the government was responsible.<sup>2</sup> Once again, U.S. workers' belief in their ability to prepare for tomorrow was the highest compared with workers in 10 other countries (Figure 1). U.S. workers were far more confident about taking ownership of their future compared with their peers in advanced countries, such as France (24 percent) and Sweden (38 percent), or emerging nations, such as China (44 percent) and India (49 percent).<sup>3</sup>

Despite their willingness to take ownership of preparing for the future, U.S. workers identified some sobering obstacles that prevent them from taking action (Figure 2). Fortunately, none of the hurdles they identified are insurmountable; in fact, each offers an opportunity for business to step forward and provide solutions. By helping U.S. workers become more competitive, U.S. companies stand to strengthen their own ability to compete globally. They not only gain access to a steady and secure talent pipeline of middle-skills workers but they can also unlock the next wave of productivity, leading to higher wages and better standards of living for workers.<sup>4</sup>

But first, this will require companies to substantially rethink the role they play in developing their talent supply chain. Traditionally, companies did not associate workforce development as an activity they were responsible for internally; instead, workforce development was perceived to reside beyond the boundaries of the company. In the future, this approach will need to change. Business will need to be at the heart of the talent development

**Figure 1. Workers' Perceptions on Who Is Responsible for Preparing Them for the Future**



Note: Respondents were asked to rank a group as first by level of responsibility.

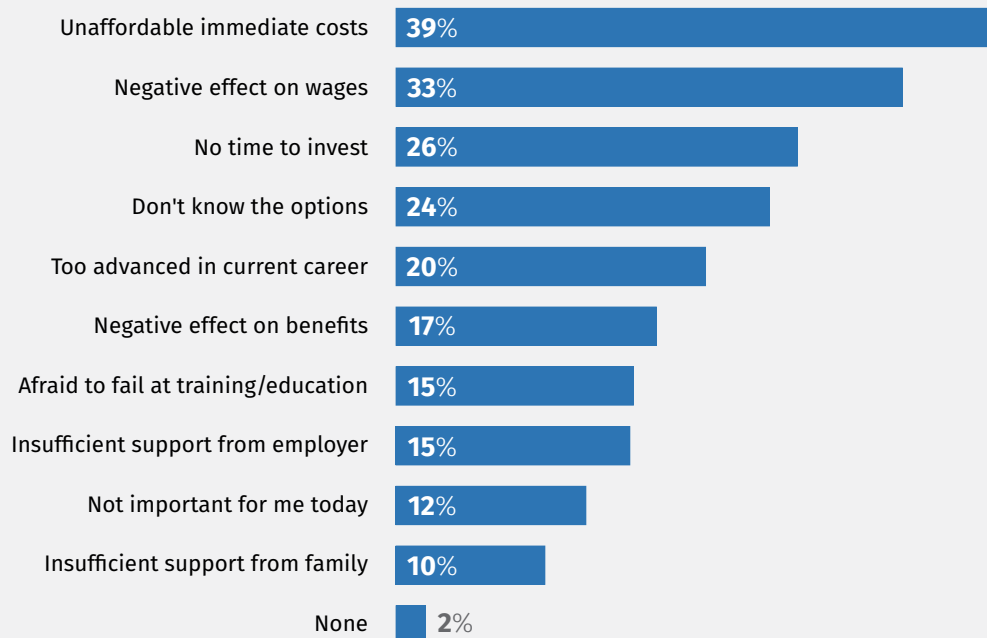
<sup>1</sup> Joseph B. Fuller, Judith K. Wallenstein, Manjari Raman, and Alice de Chalendar (2019), *Future Positive*, Boston: BCG and the Project on Managing the Future of Work at Harvard Business School, available at [www.hbs.edu/managing-the-future-of-work/research/Documents/Future%20Positive%20Report.pdf](http://www.hbs.edu/managing-the-future-of-work/research/Documents/Future%20Positive%20Report.pdf).

<sup>2</sup> Fuller, Wallenstein, Raman, and de Chalendar, *Future Positive*.

<sup>3</sup> Fuller, Wallenstein, Raman, and de Chalendar, *Future Positive*.

<sup>4</sup> Michael E. Porter, Jan W. Rivkin, and Mihir A. Desai, with Manjari Raman (2016), *Problems Unsolved and a Nation Divided: The State of U.S. Competitiveness 2016*, Boston: Project on U.S. Competitiveness, Harvard Business School.

**Figure 2. Obstacles Workers Perceive Are Preventing Them from Taking Action Today**



Note: N=1,008 respondents

Source: "The Future of Work Workers Survey" Harvard Business School's Project on Managing the Future of Work and BCG's Henderson Institute, 2018.

ecosystem, for only business can resolve the key hurdles that workers currently face. Consider the top three issues:

### 1. Tackling the High Cost of Training

U.S. companies must recognize the need to invest today to create the workforce of tomorrow. In the past few decades, as the forces of globalization and automation reshaped where and how work was done, U.S. employers offshored business activities such as manufacturing as well as research and development and invested in technologies that appeared more cost-efficient. Few focused on investing in improving worker skills — whether engaging with the education and workforce development ecosystems in their communities or investing in worker training within the organizations themselves. According to the Survey of Income and Program Participation, between 1996 and 2008, the training of employed 25-to-64-year-olds actually declined in the U.S., especially for those workers with less than a college degree.<sup>5</sup>

The deterioration in workforce preparedness harmed U.S. companies and hurt U.S. workers. While America's blue-collar workers were once cited as global leaders in productivity, the nation's strength in that regard eroded compared with other advanced countries that were investing in upgrading their workers' skills. By 2011, a survey of global business leaders showed that one of the top three reasons for relocating a business activity outside of the U.S. was the better access to skilled labor elsewhere.<sup>6</sup>

For too long, companies in the U.S. underinvested in workforce training and, in effect, expected workers and policymakers to shoulder that burden. That era of companies holding themselves apart from the gritty, hands-on challenge of workforce development is now over. Today, the only way companies can ensure that they have access to a steady pipeline of work-ready candidates is by engaging closely with the education and training ecosystem — all the way from developing curricula in those areas where technology

is changing the nature of jobs at breakneck speed, to partnering with each other to close the most egregious skills gaps. While companies used to justify not spending on training by citing the "competition for talent" as an issue, they now need to "cooperate for talent," both within the industry and within the region.<sup>7</sup>

That said, there is hope for U.S. workers that they will get the support they need from their organizations to prepare for the future. In a dramatic shift, U.S. business leaders came together on August 19, 2019, to announce that they recognize the issue — and will hold themselves responsible for fixing it. More than 180 business leaders, under the aegis of the Business Roundtable, came together to issue a new statement of purpose for the corporation as an entity — one that went much further than the conventional wisdom of maximizing shareholder profits. The redefined statement about the purpose of a corporation made a commitment to *all* stakeholders of the corporation — especially employees. It pledged: "Investing in our

5 Robert I. Lerman, *Are Employers Providing Enough Training? Theory, Evidence and Policy Implications*, Urban Institute, American University, and IZA.

6 Michael E. Porter and Jan W. Rivkin (2012), *Prosperity at Risk*, Boston: Project on U.S. Competitiveness, Harvard Business School.

7 Joseph B. Fuller, Judith K. Wallenstein, Manjari Raman and Alice de Chalendar (2019), "Your Workforce is More Adaptable Than You Think," *Harvard Business Review*, May-June.

employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that can help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.”<sup>8</sup>

## 2. Managing the Opportunity Costs of Retraining

However, any time taken off to train is time not spent earning wages. The pressure to stay on the treadmill to retain the job that pays their current wages hampers millions of Americans. It prevents middle-skills workers from aspiring to upward mobility. Most workers are already overburdened, with many taking on more than one job in order to make ends meet. According to the BLS, in July 2016, 7.2 million workers held multiple jobs; by October 2019, the number had grown to 8.4 million. Gallup estimates that, with the rise of online platforms like Uber and TaskRabbit, more than a third of all U.S. workers — over 50 million — are taking on additional gigs.<sup>9</sup> In addition to more work, Americans are also shouldering more care responsibilities by providing unpaid care to adults, children, or both. By one estimate, more than 40 million Americans are responsible for looking after the care needs of an adult or a child.<sup>10</sup> Where, indeed, is the time to invest in training for the future?

It rests on U.S. businesses — working in partnership with educators and policymakers — to devise innovative solutions to help workers prepare for the future. To be sustainable, these solutions will need to nest in corporate strategy and not just be a part of the company’s social responsibility agenda. For example, Amazon recognized that it faced a challenge in making its fulfillment center jobs attractive so it could attract thousands of workers to

8 Business Roundtable (2019), “Business Roundtable Redefines the Purpose of a Corporation to Promote ‘An Economy That Serves All Americans,’” press release, August 19, available at [www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans](http://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans).

9 Shane McFeely and Ryan Pendell (2018), “What Workplace Leaders Can Learn from the Real Gig Economy,” Gallup, available at <https://www.gallup.com/workplace/240929/workplace-leaders-learn-real-gig-economy.aspx>.

10 See [www.caregiver.org/caregiver-statistics-demographics](http://www.caregiver.org/caregiver-statistics-demographics).

its warehouses. Typically, such jobs tend to be physically demanding and offer no great career pathways — which results in high turnover and low retention.

Enter Career Choice, Amazon’s solution to attract workers and also close the egregious middle-skills gap in the communities in which it operates. Under the program, Amazon provides career training for its workers at its fulfillment centers for jobs that are in high demand locally. Hourly workers, after one year of employment, can enroll for training in careers outside Amazon, such as aircraft maintenance, machine tooling, dental hygiene, nursing, and solar tech. The company pays for the cost of earning the certificates and associate’s degrees, but, most important, it has designed the program with workers’ constraints in mind.

Recognizing that the biggest impediment for training is usually a lack of time, Amazon tackled the issue head-on by ensuring that the training is provided at Amazon fulfillment centers. The company partners with local educators such as community colleges to deliver the certificate or associate’s degree training at Amazon’s facilities. Hourly wage earners are thus able to attend classes at their workplace. They get trained on jobs that are in high demand locally and, after their Amazon stint, go on to better-paying, better-quality jobs in fields such as health care, computer-aided design, mechanical and electrical trades, transportation, and accounting.<sup>11</sup>

## 3. Plugging the Information Gaps

While much has been touted about the middle-skills gap in America, the term “skills gap” is an umbrella term under which all sorts of gaps nestle. Consider the example of the skills gap in an energy company. In a recent conversation, Beth Reese, executive vice president of shared services at Southern Company, was asked to explain the middle-skills gap she perceives in the talent pipeline for her gas and electric energy company. Reese cited literacy and basic math, but

11 See [www.amazoncareerchoice.com/home](http://www.amazoncareerchoice.com/home).

what concerned her most was the lack of mechanical skills in the applicants. With young workers spending more time on smartphones and video games, they had less experience tinkering with tools like wrenches or screwdrivers.<sup>12</sup> Energy companies struggle to find employees with the skills to physically handle the repair and maintenance tasks that are typical of a utility technician. According to Reese, when the company built a new nuclear plant near Augusta, GA, it had difficulty finding welders. Despite the high wages offered, at one stage, the company even considered bringing in welders from Canada.<sup>13</sup>

At the root of every skills gap is an information gap. From the supply side, most workers do not know which skills employers most desire. From the demand side, employers do not transparently provide details on the skills or competencies required to conduct specific tasks. Compounding the problem is the lack of an easy way for a candidate to attest to having a particular skill. A recent report by the nonprofit Credential Engine finds that the United States is awash in more than 738,000 credentials, including diplomas, degrees, licenses, certificates, and badges.<sup>14</sup>

Credential Engine, funded by Walmart, Microsoft, and JPMorganChase, among others, is now creating a web-based registry to bring together those fragmented credentials on one platform. In parallel, it is developing a credential transparency description language, which will use simple nouns and verbs to standardize what each of these credentials purports to offer.<sup>15</sup> Putting the two together creates the starting point for a dialogue between workers and employers; instead of talking past each other, they can speak the same language and meet in a common marketplace to trade in competencies, as

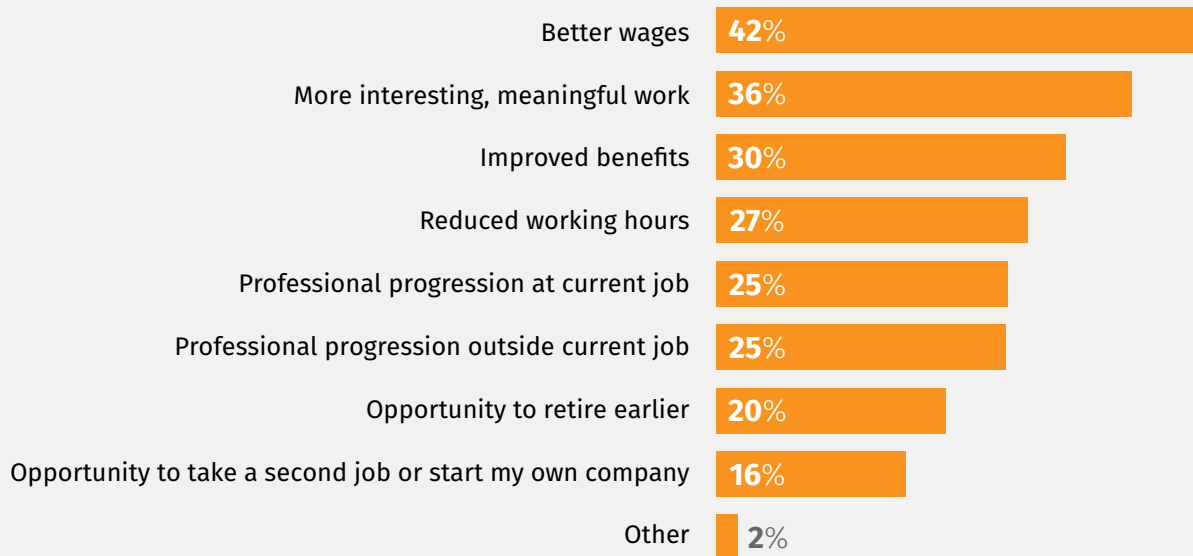
12 Bill Kerr (2019), “The Energy Industry’s Cooperative Approach to Expanding the Talent Pipeline,” *Managing the Future of Work* podcast, Harvard Business School, July 31, available at [www.hbs.edu/managing-the-future-of-work/podcast/Pages/podcast-details.aspx?episode=10711220](http://www.hbs.edu/managing-the-future-of-work/podcast/Pages/podcast-details.aspx?episode=10711220).

13 Kerr, “The Energy Industry’s Cooperative Approach.”

14 Credential Engine (2019), *Counting U.S. Postsecondary and Secondary Credentials*, Washington, D.C.: Credential Engine, available at [credentialengine.org/wp-content/uploads/2019/09/Counting-US-Postsecondary-and-Secondary-Credentials\\_190925\\_FINAL.pdf](http://credentialengine.org/wp-content/uploads/2019/09/Counting-US-Postsecondary-and-Secondary-Credentials_190925_FINAL.pdf).

15 See [credentialengine.org/about/](http://credentialengine.org/about/).

**Figure 3. U.S. Workers' Expectations of Positive Impacts from Trends Influencing the Future of Work**



articulated by credentials on the supply side and job postings on the demand side.

Such transparency would not only rationalize the supply and demand for talent but also enormously help the millions of other Americans who are out of the workforce but keen to find part-time or full-time employment. Consider U.S. veterans, who often struggle to find jobs because there is no record of their in-service training but who represent a valuable untapped pool of talent for companies, especially in trades where employers complain they have the biggest skills gaps: installation and maintenance, transportation, and construction. A survey of 30,000 U.S. veterans found that those without a degree were much more likely to have certificates or badges for key competencies in these areas compared with nonveteran U.S. individuals without a degree.<sup>16</sup> With more efforts at credential

transparency, more veterans of prime working age would find employment — and companies would have access to deeper pools of talent in their communities.

#### **Building on Worker Optimism**

America's skills crisis would be a terrible thing to waste, especially as it offers an invaluable insight into its workers' enthusiasm and optimism about the future. Make no mistake: U.S. workers hold no Pollyannaish aspirations about the future. Their optimism rests on practical expectations about the evolution of the future of work (Figure 3). They understand that, by upgrading skills, they stand to improve their productivity, earn better wages, and aspire to better benefits.

More pertinent, U.S. workers also understand that the disruptions caused by technology widen their opportunities — whether choosing to work full-time for employers or choosing to be in control of their own time by working on technology-enabled gig platforms. Last, workers

recognize that automation helps make their jobs less dangerous and less tedious. In almost every instance, U.S. workers don't seek to cling to old jobs done the old way — they just want fair and equitable access to learn how to do the new jobs the new way. U.S. workers recognize that the way forward is to embrace change. It's time companies, educators, and policymakers harness that force, to make their own transformations easier. ■

16 Dave Clayton and Nichole Torpey-Saboe (2019), *Veterans Without Degrees: The Benefits and Opportunities of Certificates and Certifications*, Indianapolis: Strada Education Network and Gallup, available at [www.stradaeducation.org/report/veterans-without-degrees/](http://www.stradaeducation.org/report/veterans-without-degrees/).