

Skills deficits in the labour market: Hard to establish but essential to know

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Employer survey reports of skills issues are fraught with ambiguity. Often, more depth analysis can lead to a changed picture of opinion from employers about their staff. However, labour market intelligence is a precious commodity which we ought to try and improve, not undermine, argues [Scott. A. Hurrell](#).



Labour market intelligence (LMI) is a key factor in developing skills policy to meet the needs of employers, individuals and society. In the UK one of the main methods for establishing employers' skills needs is the Employer Skills Survey (ESS), currently administered by the UK Commission for Employment and Skills (UKCES). The 2015 ESS [collected data from over 90,000 establishments](#).

Two of the most important indicators measured by the ESS, are [skills shortages and skills gaps](#), collectively known as skills deficits. The former exists where an employer reports at least one vacancy that is hard to fill because applicants lack the correct skills, qualifications and/or experience. The latter exists where employers report that they have at least one employee who is not fully proficient at their job. Skills shortages are thus a barometer for skills supply in the labour market whilst skills gaps reflect employers' internal skills needs. Six per cent of employers reported skills shortages in the [2015 ESS](#), whilst 14 per cent of employers reported skills gaps. The survey revealed that skills deficits consisted of a range of soft (e.g. social and interpersonal) and hard (e.g., technical) skills.

Problems with employer reports of skills issues

Problems, however, may arise with policy interventions based upon inaccurate or ambiguous employer data. [Duncan Watson and his](#) colleagues, for example, found that HR specialists reported higher levels of skills shortages and lower levels of skills gaps than other managers. This confirmed their hypothesis that HR practitioners might use their influence to manipulate reports of skills deficits, for example to justify their recruitment and training budgets. As HR specialists, or equivalent, answer the ESS, the validity of some data could, therefore, be questioned.

My own research focusing specifically on soft skills gaps, published recently in [Human Relations](#), and [LSE Business Review](#) reveals the complexity behind managerially reported skills issues. The study established that some employers can be blamed for the skills gaps that they report, rather than purely blaming individuals or government policy. Employers may contribute to their own skills gaps through poor HR practices (such as recruitment, selection and training) and job factors (such as low autonomy and workload) that act as barriers to skills display. The paper also investigated whether skills gaps reflected employees *withdrawing* skills in response to poor job quality. Many managers identified employees who withdrew skills, with some aware of the organisational factors that may have caused this withdrawal. 'Skills gaps' may, therefore, not always reflect deficiencies with individuals' skills that require an education or skills policy response.

The study also revealed considerable variation in how managers interpreted whether or not skills gaps existed. Like the ESS, managers were asked whether their current employees were fully proficient. One difference that emerged was in how the proficiency of new recruits was interpreted. In one establishment badly affected by skills gaps, a lack of full proficiency in new recruits was reported as a skills gap, despite managers appreciating that such recruits needed time to develop. Managers in another establishment did not report such issues as skills gaps, but attributed issues to a lack of familiarity with the organisation. An HR specialist in this establishment also reported no soft skills gaps in any employees, whilst some line managers reported minor issues with such skills.

A line manager in the same establishment originally reported skills gaps in some of his employees but then reflected

that they *were* all fully proficient and thus no gaps were apparent; some employees just needed minor improvement to bring them up to the standard of the others. Similarly, a senior manager in a third establishment originally reported skills gaps but then decided, on reflection, that certain skills were just in greatest need of *improvement* and that all employees in his section were therefore fully proficient at their jobs.

When investigating the issue of skills withdrawal, some managers reported this phenomenon as a skills gap. Others did not believe these instances constituted skills gaps and attributed any witnessed deterioration in employees' performance over time to factors such as stress or frustration with the organisation, not employees' skills.

The issues above highlight that reports on skills issues, at least when considering soft skills, are heavily influenced by managerial interpretation and frames of reference. Some managers focus on basic proficiency to do the job, whilst others seemingly focus on a conception of an 'ideal' worker or world. The identification of skills gaps may also be reliant on a managers' proximity to their employees, with potential differences between line managers and HR specialists, regardless of whether these differences reflect an attempt to exert organisational influence. Furthermore, some managers are cognisant that performance issues which *could* be recorded as skills gaps are actually caused by factors other than employees' skills. The implication is that policy interventions could be based upon reports that do not actually reflect skills deficiencies, whilst other skills deficiencies may remain unrecorded.

The future of the ESS?

This does not, of course, mean that we should dispense with collecting such data and the ESS remains a highly sophisticated study. All surveys rely on a degree of interpretation, especially where a senior agent is providing answers on behalf of a large establishment. Indeed, in an appendix to the ESS, the UKCES is aware that interpreting employees' proficiency is a [subjective exercise](#). The focus should be on further developing the ESS questions, alongside initiatives to complement the ESS, so that a holistic picture can be gained. Additions could include a large-scale qualitative phase to help contextualise the findings; and involving other managers in the survey, alongside HR respondents. By triangulating multiple sources of information and improving the current ESS methodology, skills policy may be better targeted where it is most needed.

Of course, high quality, LMI requires investment. Reports that the Government is to [shut down](#) the UKCES are, therefore highly concerning. Although it has been mooted that the ESS may [be delegated to local enterprise partnerships](#), this invaluable resource may be under threat. Prior to the UK wide ESS, surveys were conducted within each nation, and bodies such as [Skills Development Scotland](#) continue to provide essential localised analysis and services. Any re-localisation of the ESS could, therefore, provide fruitful. Indeed, a current European project, co-ordinated by Exeter University, has uncovered multiple examples of how locally and regionally tailored LMI can help [align skills supply with economic development strategies](#). What is for sure is that we need to prioritise LMI and to find ever better ways to do it, whatever the future form of the ESS.

About the Author

Scott. A. Hurrell is Senior Lecturer in Human Resource Management and Organisational Behaviour in the Adam Smith Business School, University of Glasgow. He has a particular interest in labour market and skills issues, the organisation of work and the use of social media in the workplace. He has published in world leading academic journals and conducted research with a number of policy bodies.



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