Tackling the skills gap in the labor market

Is there a mismatch between the skills that are in demand and those that the workers have, and what policy measures could be taken to reduce this gap?

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If a European Commission report on the job skills most in demand until 2020 is to be believed, then Europe is going to need a lot more talent and skilled workers than it currently produces.

Meanwhile, Europe is mired in record high unemployment, with the situation even worse for youth. In Spain, for example, where overall unemployment stands around 27 percent, 76 percent of 16- to 19-year-olds and 54 percent of 20- to 24-year-olds are unemployed.

Why so high? On the face of it, job candidates would appear to be overqualified and their skills are being underutilized. But could it be that the skills most in demand are those that many workers do not currently have?

To find out, IESE's Lourdes Susaeta, Paula Apascaritei and José Ramón Pin surveyed managers of national and multinational companies from various sectors, as well as career advisers from various universities, to see if part of the reason for such high youth unemployment could be a perceived skills mismatch, and if so, how to close this gap.

Educated on paper

In Spain, the number of students taking university entrance exams has increased by 25 percent since 2007, suggesting that more and more young people are keen to pursue higher education.

However, as one HR manager noted, these supposedly educated job candidates cannot even

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pass a company exam asking basic math questions: This highlights a serious educational problem.

Because the academic training that young people receive is not up to workplace standards, 80 percent of respondents said they offered some form of on-the-job training themselves.

In this regard, many companies mentioned CSR programs as a good tool, given their capacity to motivate and encourage people, in the process of identifying and developing skills and talent.

As companies are demanding more from their employees, only the truly standout candidates make the grade. This means that in a labor market like Spain's, only the very best candidates get hired, leaving many lower or average skilled workers on the unemployment line.

Overeducated & overqualified

Although 65 percent of respondents said they would employ overqualified youth, 35 percent said they preferred not to do so.

Indeed, some of the positions most in demand in Spain are manual workers, sales reps, electricians and plumbers. One HR manager bemoaned the fact that, "We have millions of applicants with bachelor's degrees in business, economics or law, but it is impossible to find someone with vocational training in business administration."

It seems that the push by successive Spanish governments to have more university graduates has led to a decline in the number of vocational graduates.

Thus, even with unemployment at a whopping 27 percent, 9 percent of Spanish managers said they could not find employees to cover their organization's needs.

The vocational training gap

One person working in career services noted that many young people applying for university did not have a realistic idea of what the labor market was actually demanding. One solution would be to enhance vocational training and steer more youth toward this type of qualification.

This skills mismatch begins at home, first with families, and then during primary education, where youth are not to taught to think in terms of acquiring marketable skills that will

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increase their employability.

University education, as well as vocational training, should be flexible and adaptable to labor market demands.

Above all, entrepreneurial skills should be taught and actively encouraged in school.

Proposed solutions

The authors recommend the following solutions to tackle the skills gap:

- Make the educational system more flexible
- Rebrand vocational training to make it more desirable
- Increase collaboration between the public and private sectors regarding course curricula
- Offer entrepreneurship education in secondary school
- Introduce apprenticeships to solve the immediate problem
- Shift toward a new industry model focused on attracting foreign investment
- Shift public policy in response to labor market changes

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