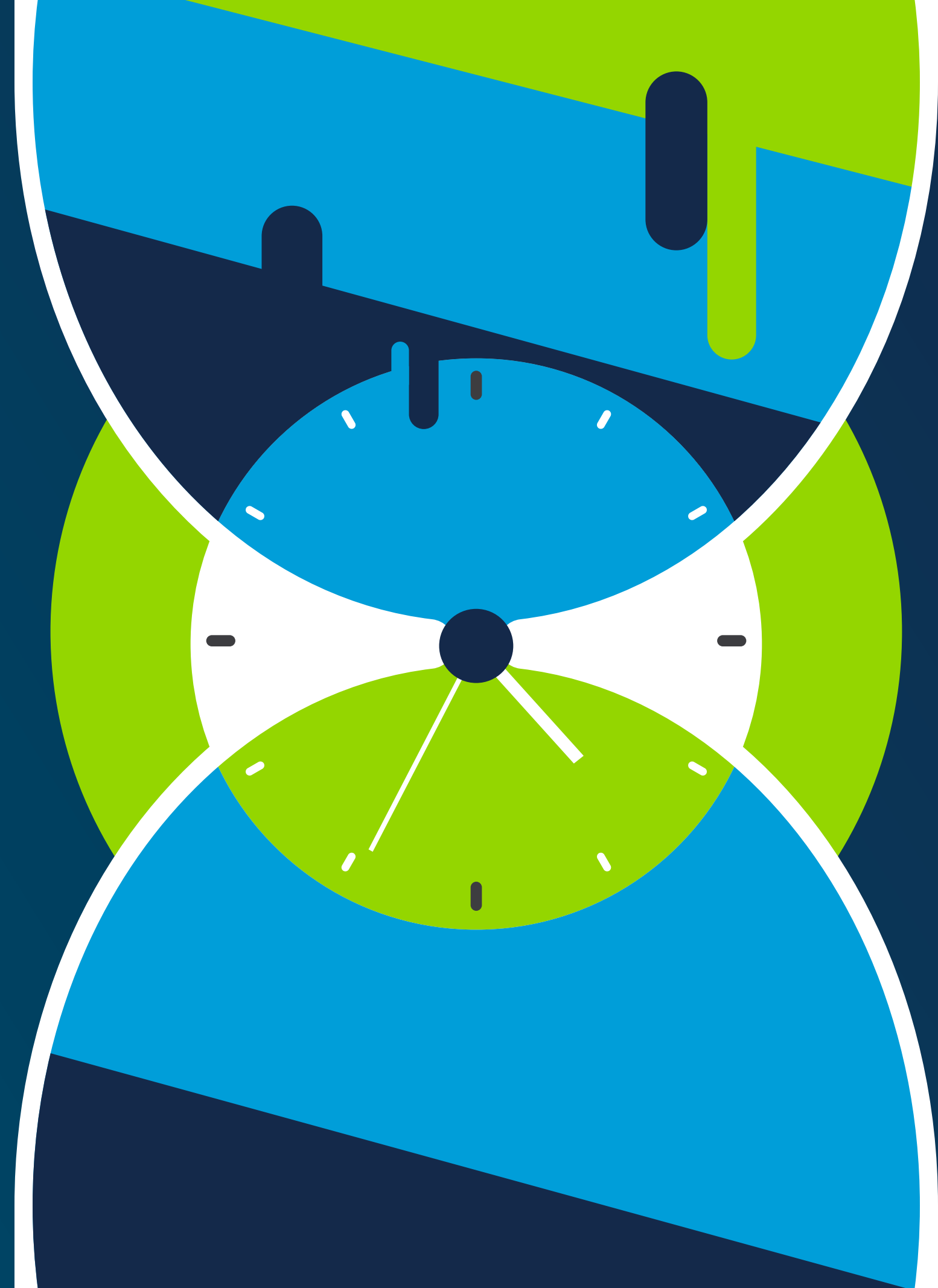


THE SKILLS CRISIS COUNTDOWN

The Clock is Ticking on
Tackling Skills Gaps



IN
PARTNERSHIP
WITH



FOREWORD

With the rapid advancement of AI, accelerated digitalization, the greening of the economy and workforce demographic shifts businesses are grappling with the nature of work and the skills needed for jobs. Yet our research reveals that many HR leaders are not ready for this transformation. The disruption delivered by generative AI in particular has arrived like a bullet train. In just a few short months, AI has moved from an abstract concept to a tangible force radically impacting businesses—and jobs—worldwide.

Skills profiles across industries have already changed dramatically and will continue to evolve rapidly. In the next 15 years, we'll see a staggering 90% turnover in the skills required to perform our work. The mismatch between the demands of the future workforce and traditional hiring practices emphasizes why skills-based talent strategies are now mission critical.

It's a ticking clock that underscores the urgent need for organizations to adopt skills-based approaches.

Now is the time for HR leaders to be catalysts for change within the business. This is your opportunity to show the C-suite how the people agenda can have an impact on business growth and performance. Without future-focused skills strategies on both the hiring and development fronts, your organization will suffer from the cost of workforce skills gaps—the lost revenue and productivity vacuum created when critical jobs go unfilled.

But let's not forget that amidst change lies possibility. Technological breakthroughs will profoundly benefit both business and society, freeing workers from repetitive, mundane tasks to focus on more fulfilling work. This is the exciting promise that skills-based hiring, reskilling and upskilling can unlock.

HR leaders, the time has come to embrace skills-based strategies and ready your workforces to withstand relentless waves of change.

Tick, tick, tick...

TABLE OF CONTENTS

04

CHAPTER 1:

Global Labor Trends & the Skills Countdown

09

CHAPTER 2:

Key Findings

13

CHAPTER 3:

Employers are Ill-Prepared for the Future

23

CHAPTER 4:

The Growing Focus on Skills

27

CHAPTER 5:

The Skills Imperative

36

CHAPTER 6:

Your Roadmap to Becoming a Skills-Based Organization

40

A Final Word



CHAPTER 1:

GLOBAL LABOR TRENDS & THE SKILLS COUNTDOWN

Key takeaways:

- Global trends like automation, AI adoption, the green economy and workforce demographic shifts are rapidly changing the skills needed for jobs, making skills gaps and shortages more acute. The WEF estimates that **85 million jobs** could go unfilled by 2030, costing **\$8.5 trillion** in lost revenue.
- The pace of skills change is staggering, with **skills requirements shifting 25% since 2015 and expected to change by 65% by 2030**. However, companies still rely heavily on degrees and experience over skills in hiring decisions, creating misalignment.
- For this research report, PeopleScout and Spotted Zebra surveyed **100+ HR leaders and 2,000+ employees globally** to compare perspectives on workforce skills. The report aims to provide an objective overview of the current state of skills and outlook for the future as transformation accelerates.

The nature of work—how we work and the types of jobs we do—is undergoing rapid transformation. Talent acquisition and HR leaders are struggling to wrap their heads around the changes.

Organizations that can't evolve risk becoming obsolete. According to a [study by PwC](#), 40% of global CEOs believe their business will be economically unviable in 10 years unless they reinvent for the future.

THE PERSISTENCE OF DIGITAL TRANSFORMATION

For years, we've been hearing about "digital transformation" as businesses adopt new digital strategies. Driven by disruptors like Uber, Airbnb and Amazon, organizations in every industry are evolving their models to meet changing consumer demand. With customers flocking to digital channels like mobile apps, social media and ecommerce platforms, organizations are investing in cloud computing, data analytics and automation to improve efficiency and reduce costs.

This transformation has impacted the workforce. The automation of manual and repetitive tasks has created new jobs and eliminated others. Plus, remote access to systems has generated new flexible working arrangements, opening up talent pools and expanding global operations. While digital transformation has driven business growth, managing the workforce through these changes remains an ongoing challenge.

THE USE OF AI IS SKYROCKETING

Generative artificial intelligence (GAI) has gone from dream to reality, further accelerating digital transformation. Since launching in late 2022, ChatGPT quickly permeated the workplace, sparking both optimistic promises and grave concerns. ChatGPT and other GAI chatbots, like Bing Chat, Bard and more, mimic human communication and can help with everything from content creation and market analysis to simply writing emails.

[Research from McKinsey](#) estimates that GAI could add up to \$4.4 trillion annually to the global economy through increased productivity. For context, the United Kingdom's entire GDP in 2021 was \$3.1 trillion. As these new technologies make their way into daily operations, workplace change will accelerate. GAI will change our everyday jobs, usher in new skills and increase the importance of soft skills.



THE RISE OF THE GREEN ECONOMY

In late 2023, the U.S. economy was growing at its fastest pace in several years due to the Inflation Reduction Act (IRA), which was enacted to help the country meet its global climate change commitments. In a challenging economy, green jobs may be the ticket to growth.

In the fight against climate change, huge investments will be made in wind farms and electric vehicle charging stations. With more and more countries [working to achieve net zero by 2050](#), both governments and businesses are driving the green movement. The net-zero transition will shift employment away from oil and gas and into green industries, impacting labor demand.

According to the [United Nations](#), the global economy is undergoing a “greening,” as industries like energy, transportation and construction adopt more sustainable practices. That process could create **24 million more jobs globally by 2030**, putting workers with green skills in the spotlight.

However, demand for green skills is outpacing the supply. According to LinkedIn’s [Global Green Skills Report](#), between 2022 and 2023, **job postings requiring at least one green skill rose 22.4%** while the share of green talent in the workforce only grew by 12.3%. Green skills are now needed in roles spanning construction, economics and finance, security, market and geopolitical analysis, communications, social sciences and legal.

THE SHRINKING WORKFORCE

The fertility rate has dropped, and the global population is aging, which will have a monumental impact on the workforce. As more baby boomers reach retirement age, many companies are facing labor shortages, especially in skilled trades and specialized roles where hiring is already challenging. When these older, experienced workers retire, they take years of institutional knowledge with them, creating knowledge gaps.

This issue is compounded by an overall decline in global labor force participation. According to the [International Labor Organization](#), a total of **81 million workers left the labor force** altogether in 2021. In particular, older workers aged 55 years and older exited their jobs at an accelerated rate, with a [1.9% decline in workforce participation](#) as millions chose retirement.

With fewer workers on the horizon to perform essential jobs, organizations are looking to automation, robotics, AI and other technology solutions to boost productivity and efficiency. Adapting to these ongoing demographic shifts and changes in the labor supply will be crucial for companies in the coming years.

WORKPLACE SKILLS BY THE NUMBERS

[85 million jobs](#) are predicted to go unfilled by 2030, resulting in \$8.5 trillion (USD) in lost revenues annually.

15%

Companies with employees who embrace skills development have a [15% higher internal mobility rate](#) than companies whose employees lagged.

80%

More than 80% of employers believe they should [prioritize skills over degrees](#). Yet, 52% are still hiring from degree programs because it's considered a less risky choice.

25%

Skills required for jobs have changed by a staggering [25% since 2015](#), and that number is expected to reach at least 65% by 2030.

Workers promoted into jobs have [significantly better performance for the first two years](#) and lower rates of voluntary and involuntary attrition than those hired externally.

About the Research

The purpose of this research is to provide an objective overview of the current state of skills in the global workforce and outlook for the future.

We've conducted the research in two stages.

First, we surveyed over 100 senior Human Resources and Talent Acquisition leaders from organizations around the world, across sectors and sizes.

The second stage of the research was conducted via a survey of over 2,000 individual employees. These employees are distributed across Asia-Pacific, Europe and North America.

TALENT SHORTAGES CREATING A RACE AGAINST THE CLOCK

These global trends are driving the demand for skilled talent at a rate faster than we've ever seen before.

Historically, jobs replaced by automation have been offset by the emergence of new occupations stemming from technological innovations. This includes robotics engineers, user experience designers, drone operators, chatbot developers, AI prompt engineers and many more.

GAI will have a major impact on jobs, particularly impacting white-collar fields, like robotics did in manufacturing. Job postings featuring AI on the global work marketplace Upwork [increased more than 1,000% in the second quarter of 2023](#) compared to the same period in 2022. Plus, in the last five years, the number of renewables and environmental related jobs in the U.S. has [increased by 237%](#).

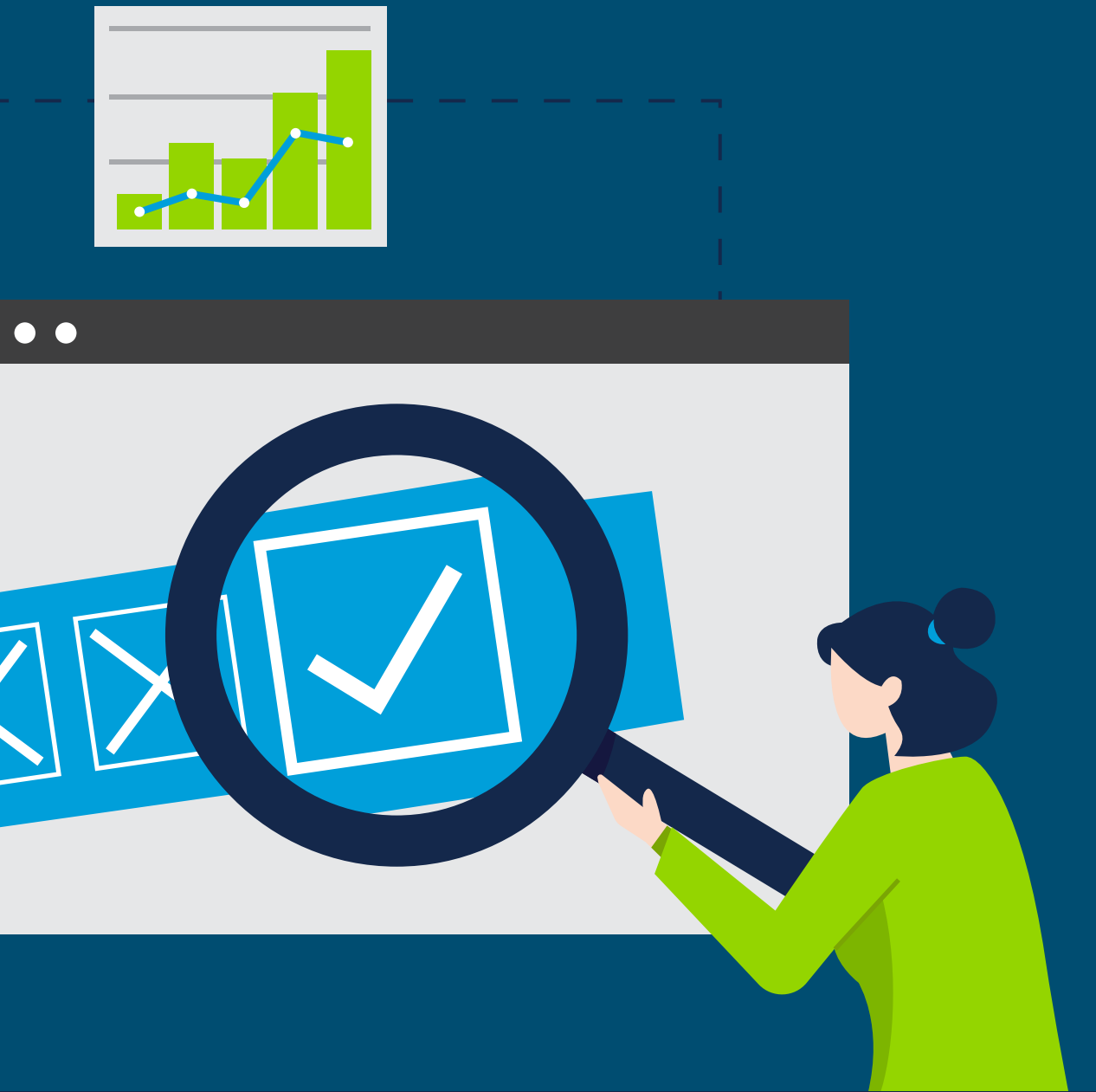
Technology adoption at scale does not occur overnight. And while the pace at which AI will spread across the global economy remains to be seen, it's clear that generative AI and sustainability practices are being integrated into business operations worldwide. This has already accelerated the skills conversation and will continue to disrupt work as we know it.

On the precipice of such fundamental change, PeopleScout and Spotted Zebra joined forces to understand where organizations are today in preparing for the jobs and skills of the future and how employees feel about it. This report is a result of our research. By combining employee data with insights from talent leaders, we provide a detailed picture of the current skills landscape and the disconnects between the perspectives of employees and businesses.

CHAPTER 2:

KEY FINDINGS

- **8 out of 10** organizations are facing talent shortages
- **Nearly two-thirds (63%)** have difficulty recruiting the skills they need



KEY FINDINGS

1 IN 2 HR LEADERS

admit to a lack of understanding of skills-based practices

23%

use only manager feedback to identify skills gaps within their organizations

SKILLS GAPS



So, it's no surprise that only **48%** of employees feel their employer has a good understanding of their skills, and **56%** feel their skills are underutilized in their current role.

40%

of women say their current role effectively utilizes all of their skills

68%

of employees in APAC say their skills are underutilized, the lowest utilization of the regions (compared to 53% in the Americas and 55% in EMEA)

KEY FINDINGS

17%

of organizations are currently using skills-based practices to improve talent mobility

52%

of employees say their employer prefers hiring new employees instead of leveraging skills of existing employees

64%

say their managers are reluctant to facilitate internal movement of high-performing employees

INTERNAL MOBILITY



61%

of employees say there are roles within their current organization where their skills could be utilized

70%

say they would explore opportunities within their current organization before looking externally

KEY FINDINGS

9 IN 10 HR LEADERS

believe that up to **50% of their workforce will need new skills** to perform their jobs in the next 5 years

Yet,

45%

admit to having no plans to undertake a workforce transformation initiative

7%

say they are actively investing in reskilling programs

UPSKILLING & RESKILLING



25%

of employees say they have not been offered training opportunities

54%

Baby boomers are less likely than other generations to say they've been offered opportunities to upskill or reskill and only half (54%) have participated in training

34%

of the workforce have doubts about how their skills will adapt to changes that may arise from new technology or automation

CHAPTER 3:

EMPLOYERS ARE ILL-PREPARED FOR THE FUTURE

Key takeaways:

- Talent shortages are widespread across industries like education, healthcare and technology, with **80% of organizations struggling to recruit skilled talent**. However, **only 7% of HR leaders feel fully prepared** with workforce strategies to reskill and adapt.
- Technology adoption is accelerating the need to evolve skills, with **50% of roles expected to transform and require new abilities**. However, **34% of employers have no preparations** in place to ready staff for automation and AI integration.
- There is a mismatch when it comes to the perceived importance of technology skills, with both employers and employees ranking it second to last, despite skyrocketing demand. Closing widening skills gaps will require better alignment on the critical nature of tech literacy.

We weren't surprised to see our research confirm that talent shortages are widespread, with eight out of 10 organizations facing talent shortages.

Top Five Workforce Challenges



[Source: PeopleScout and Spotted Zebra]

HR leaders list workforce productivity at the bottom of the list when it comes to workforce challenges. Yet, CEOs want innovation, productivity and profit. [Learn more about the CHRO's role in overcoming the productivity vacuum.](#)

So, how do organizations stay competitive without the right talent and the right skill sets?

Industries experiencing the largest talent shortages

1. Education
2. Hospitality
3. Healthcare
4. Technology
5. Manufacturing

[Source: PeopleScout and Spotted Zebra]

A TALE OF TWO SECTORS

HR leaders in **retail** predict a combination of workforce shrinkage (60%) and shifting skill sets in their organizations. Whereas **tech sector** HR leaders expect skills to shift (75%) and their workforces to increase due to new job opportunities created by technology.



TECHNOLOGY ACCELERATES THE SKILLS CONVERSATION

When asked how technology adoption will impact their workforce, **half of HR leaders (50%)** anticipate job roles at their organizations will transform due to shifts in required skill sets. But, over half (55%) believe less than 10% of roles will become obsolete in their organization in the next three years due to automation.

How do you anticipate technology adoption will impact workforce numbers at your organization?

18%

No significant impact on workforce numbers anticipated

15%

Increase in workforce numbers due to new job opportunities created by technology

17%

Decrease in workforce numbers due to automation and technological advancements replacing certain job roles

50%

Transformation of existing job roles with a shift in required skills sets, leading to some workforce adjustments

HR leaders don't anticipate that technology will displace workers altogether but do seem to understand that it will reshape the work we do. Indeed, generative AI is predicted to create huge disruption to most job roles, reducing the time spent on some tasks and ushering in new skills, while also raising the importance of interpersonal skills like leadership and negotiation.

McKinsey predicts about **75% of the value that GAI can deliver falls across four areas**: Customer operations, marketing and sales, software engineering and research and development (R&D). Through supporting interactions with customers, generating creative content and drafting computer code, GAI will disrupt roles previously seen as safe.

HOW TECHNOLOGY MIGHT IMPACT YOUR WORKFORCE

- Increased usage of food delivery apps will decrease the need for dine-in food service workers like waitstaff.
- Self-service check-in kiosks will eliminate the need for front desk staff at hotels.
- Digital self-service channels like chatbots will impact customer service jobs in call centers, banks, post offices and more. Gartner predicts that chatbots will be the main customer service channel for roughly 25% of companies by 2027.
- AI will continue to help creatives generate higher quality work which may result in reduced wages.
- Warehousing jobs will be impacted as more retailers deploy robotics and AI technologies to pack, sort and organize parcels in their warehouses.
- Self-service will grow in the workplace as well. As chatbots and digital tools take over simple requests, junior HR roles could be eliminated as issues requiring human intervention will be more serious in nature.

McKinsey reports GAI will *enhance* the way STEM, creative, and business and legal professionals work rather than eliminating a significant number of jobs outright. However, they predict automation will cause other job categories to continue to decline, like office support, customer service and food service.

In our survey, HR leaders echoed these predictions with most saying administrative functions, operations and customer service roles will be most impacted. However, HR leaders are less concerned or less aware of the ways GAI will disrupt technology, marketing, sales and R&D roles.

TOP ROLES EXPECTED TO BE MOST AFFECTED BY AUTOMATION AND TECHNOLOGY

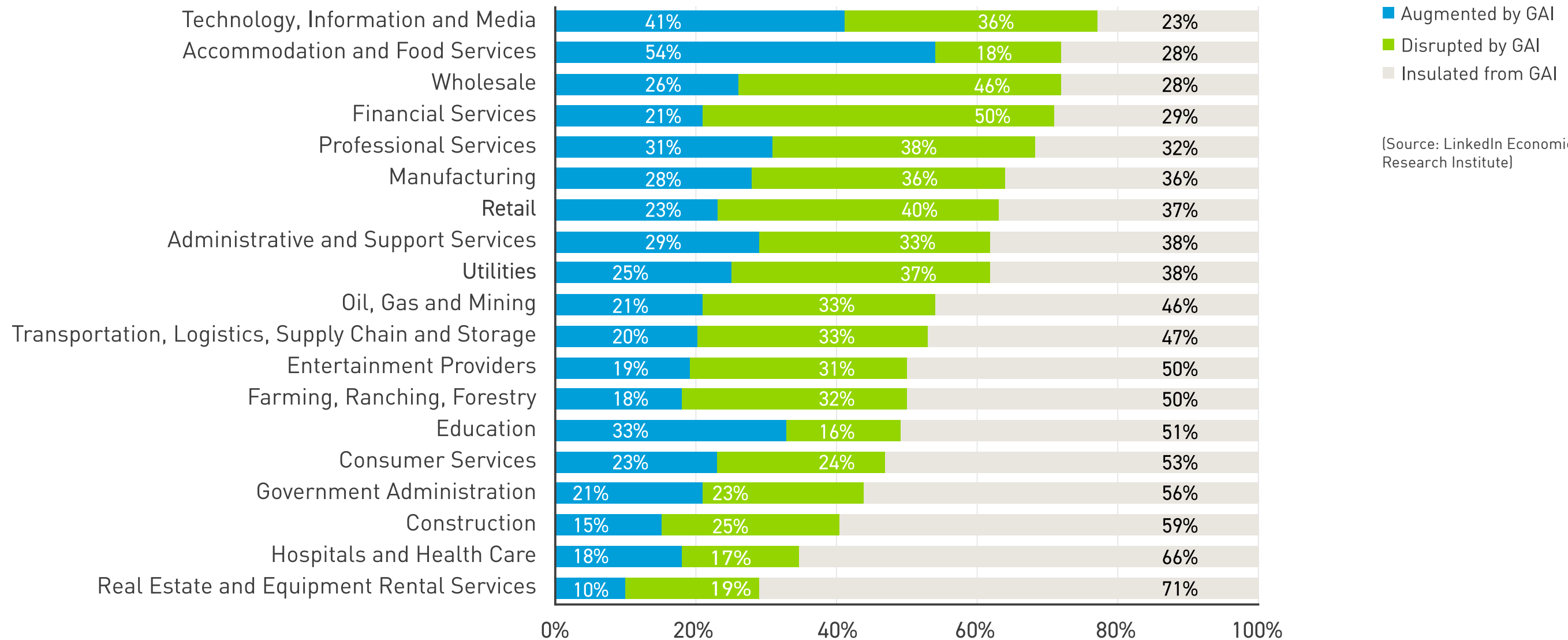


[Source: PeopleScout and Spotted Zebra]

According to LinkedIn, [84% of members](#) are in occupations that could have at least one quarter of their core skills affected by GAI technologies. [Up to a third \(33%\) of work activities will change in the next decade](#), and 50% of current activities will be automated from 2030 to 2060. This means a third of jobs could be vulnerable as soon as the 2030s.

INDUSTRY COMPOSITION BY GAI SEGMENT

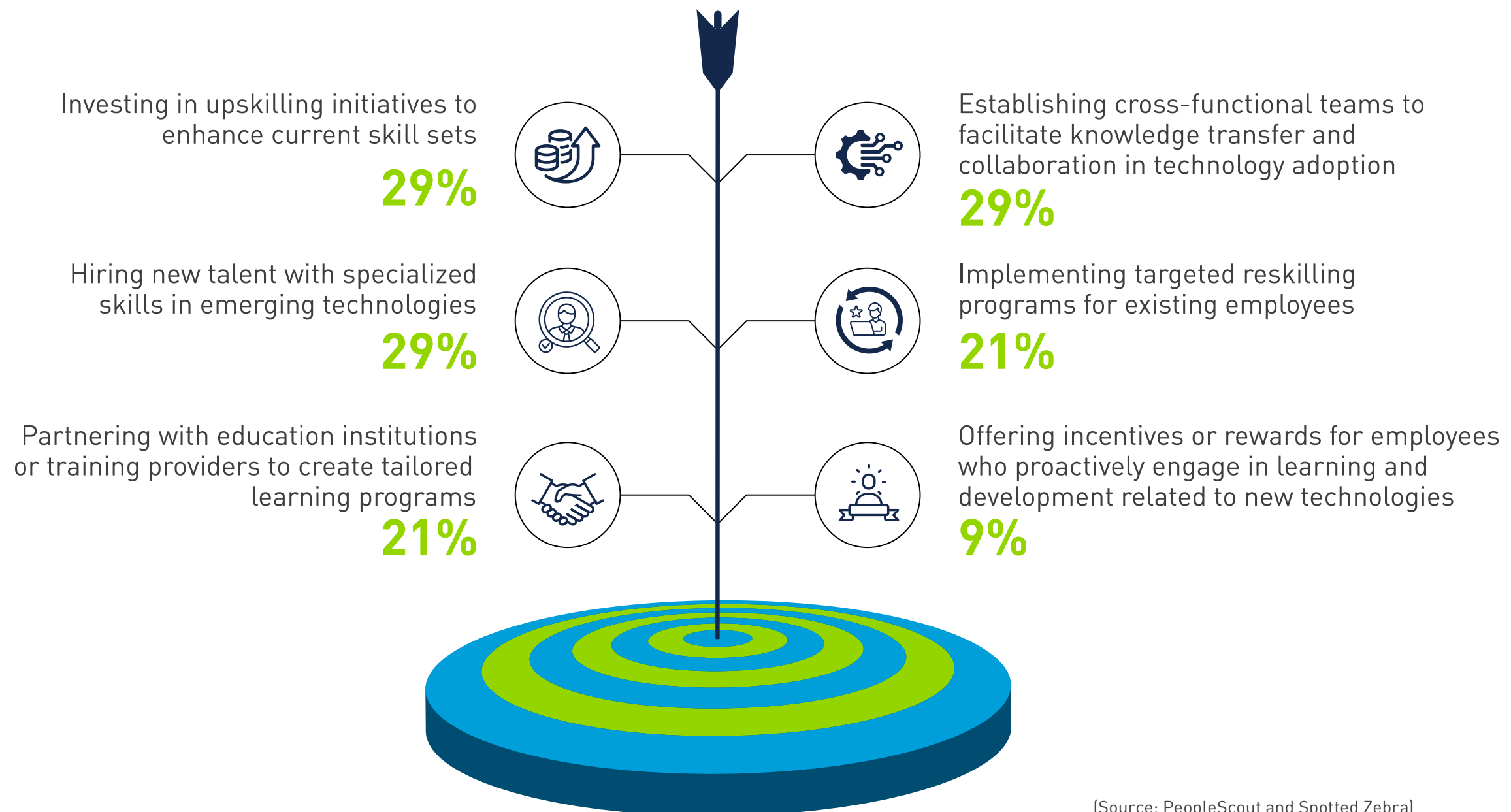
Percentage of LinkedIn Members by Industry



[Source: LinkedIn Economic Graph Research Institute]

When asked how their organizations are preparing the workforce for the integration of new technologies, alarmingly we found that **a third (34%) of HR leaders have no specific preparations in place**. Of those who are preparing, the emphasis lies in upskilling, knowledge transfer and bringing in new talent with specialized skills.

HOW IS YOUR ORGANIZATION PREPARING ITS WORKFORCE FOR THE INTEGRATION OF NEW TECHNOLOGIES?



[Source: PeopleScout and Spotted Zebra]

Is your organization currently undergoing or planning to undergo a workforce transformation initiative within the next 3 years?



(Source: PeopleScout and Spotted Zebra)

So, with little support from their employers, it's no surprise that employees are worried about their ability to adapt. **A third (34%) of those we surveyed have doubts** about how their skills will rise to meet changes brought on by new technology and automation.

A GATHERING STORM AHEAD?

Despite the rapidly changing skills landscape projected by McKinsey and LinkedIn, our research reveals that employers and employees alike seem unaware of the scale of disruption on the horizon.

Only 7% of HR leaders say they are fully prepared and actively investing in strategies to adapt, reskill and support employees in taking new roles as the needs of the business evolve. That's concerning considering **nine in 10 believe that up to 50% of their workforce will require new skills** to effectively perform their job functions in the next five years.

Plus, when asked if they are currently undergoing or planning a workforce transformation initiative in the next three years, **nearly half (45%) of HR leaders admit to having no plans** to undertake one.

EMPLOYEES	HR LEADERS
<p>What skills do you believe will be most important for your future career?</p> <ul style="list-style-type: none"> Critical thinking Complex problem solving Resilience and stress tolerance Cognitive flexibility Lifelong learning Emotional intelligence People management Digital literacy Technology skills Creativity 	<p>What skills do you believe will be most important for the future workforce in your industry?</p> <ul style="list-style-type: none"> Resilience and stress tolerance People management Emotional intelligence Complex problem solving Critical thinking Cognitive flexibility Digital literacy Creativity Technology skills Lifelong learning

[Source: PeopleScout and Spotted Zebra]

THE MOST & LEAST IMPORTANT SKILLS FOR THE FUTURE

When we asked both employees and HR leaders to rank skills from most important to least important, we found some other startling trends.

Both employees and employers list technical skills as second to last in importance and also ranked digital literacy as low in importance. With the huge increase in [demand for tech and digital talent](#) this does not bode well.

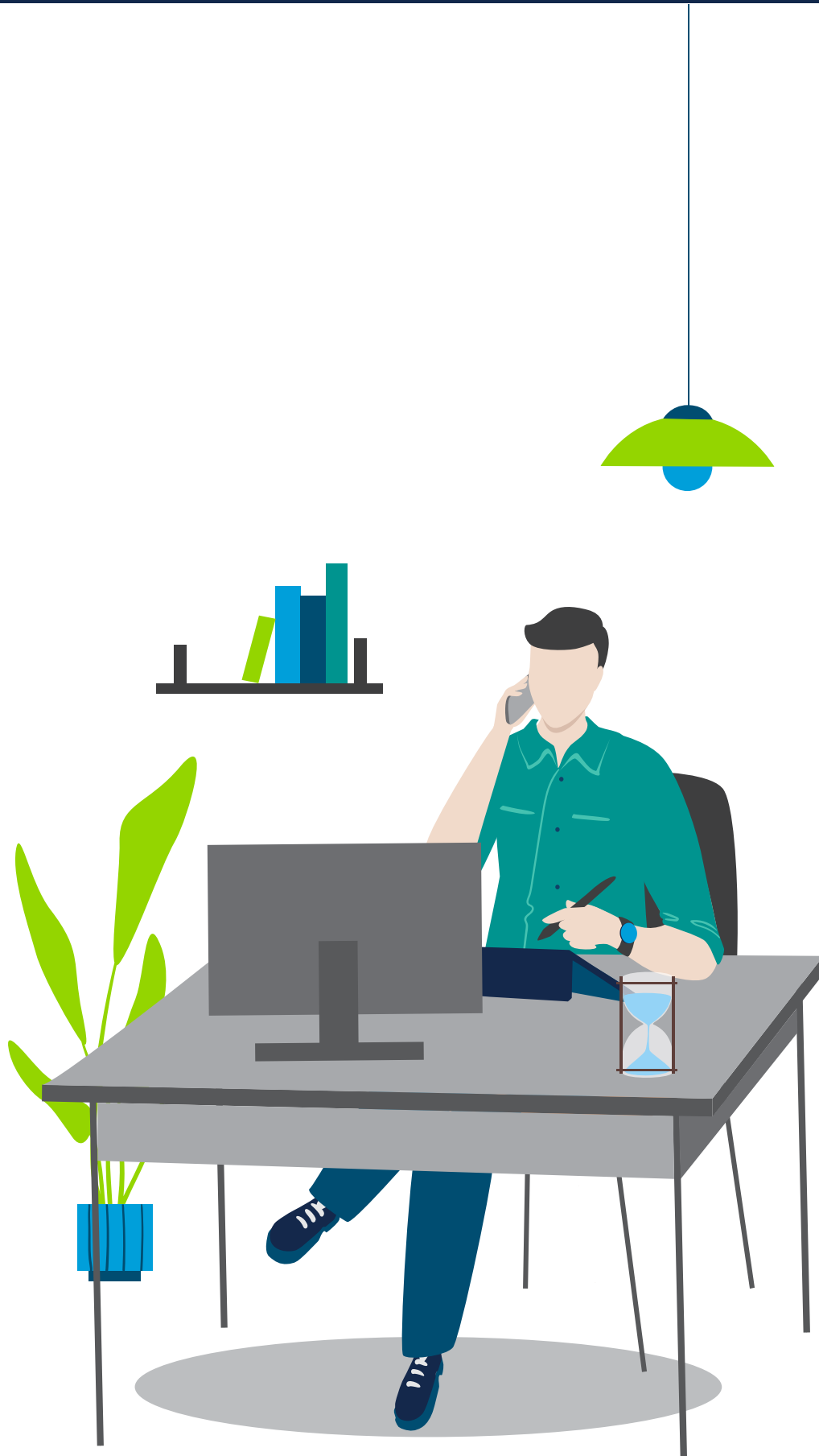
There is also a mismatch between employers and workers when it comes to people skills. HR leaders rank People Management and Emotional Intelligence in the top three while employees rank them in the bottom half.

Also troubling is HR leaders' ranking of Lifelong Learning as least important. This attitude will only hinder an organization in its skills transition.

SPOTLIGHT ON THE TECH SKILLS CRISIS

Mobile apps, ecommerce and digital transformation have made technology integral to every corporate strategy. Yet, there is a noticeable inconsistency in how much value is placed on technology capabilities.

Six out of 10 of the most sought-after hard skills on [LinkedIn](#) are technology-related, including cloud computing, AI, analytical reasoning and UX design.



Technology and digital skills are seen as among the least important by both employees and HR leaders in our research. However, they remain among the most in-demand according to LinkedIn job postings analysis, with millions of tech vacancies unfilled globally.

Despite the headlines about layoffs and hiring freezes in Big Tech, demand for tech and digital talent continues unrestrained. In fact, over the last year, [70% of professionals laid off from tech companies](#) have found a new job within three months.

Every company is a tech company these days, and demand is high for emerging roles like AI trainers, data analysts and cybersecurity specialists. Software developer and tester jobs are expected to grow 25% by 2031 with most employed outside of the high-tech sector in areas like finance and the automotive industry.

However, supply isn't keeping up with demand. [McKinsey analyzed 3.5 million job postings in high-tech fields](#) and found there's a wide divide between the demand for tech skills and the talent available. The most in-demand skills have less than half as many qualified professionals per posting as the average job posting globally.

It's no wonder that **nearly two-thirds (63%) of HR leaders in our survey said they find it difficult to recruit the skills they need**. Closing tech skills gaps through recruitment alone is no longer sufficient. Organizations must invest in helping their employees evolve via reskilling and internal mobility to achieve their goals.

On top of the tech skills gap, our survey suggests that workers are not prioritizing their technology skills development, which will only exacerbate the issue. Organizations must make technology literacy a priority across their workforce.

Employers and employees must get on the same page about the critical importance of tech skills to stem a future crisis.

CHAPTER 4:

THE GROWING FOCUS ON SKILLS

Key takeaways:

- Skills-based organizations make talent decisions based on skills data rather than credentials, leveraging assessments and skills profiles to understand the skills required for success in a role, and what skills individuals possess.
- Skills-focused organizations are better at understanding the skills needed for roles, at identifying workforce skills strengths and gaps, and at aligning people to opportunities based on fit. This facilitates internal mobility and development.
- Benefits of adopting a skills-based model include productivity gains, innovation through collaboration, better retention and engagement, expanded diversity, and resilience in adapting to change.



There is a growing focus on skills taking place not only in the business world but at the very highest levels. In his first [State of the Union address](#), U.S. President Joe Biden announced that the administration would keep the economy strong and support workers by providing more training and hiring staff “based on their skills, not degrees.” Plus, the [World Economic Forum](#) suggested at Davos 2023 that focusing directly on skills, rather than how they’re acquired, “could democratize access to economic opportunities and pathways.”

At the center of this growing focus on skills is a robust business model that has been gaining in momentum and prominence in recent years. This data-driven, skills-based approach is being adopted by a rising number of major brands such as [IBM, Boeing and Walmart](#) to address their skills challenges, while the likes of [the World Economic Forum](#) are advocating it as a potential solution to the global skills crisis.



THE KEY CHARACTERISTICS OF A SKILLS-BASED ORGANIZATION

- **They understand roles.** Managers can identify, measure and manage the skills required for success in a role. This lets them make skills-based decisions and move away from less relevant criteria for evaluating performance.
- **They understand people.** Skills-based organizations conduct continuous analysis of skills to understand the skills profiles of their existing workforce and to identify which skills will become more important over time. This helps them anticipate future needs for reskilling, upskilling or hiring.
- **They can align roles and people.** Leaders can align people with opportunities based on their skills, facilitating internal mobility. During the hiring process, skills-based companies assess candidates for cultural fit by measuring against organizational values.

WHAT IS A SKILLS-BASED ORGANIZATION?

A skills-based model is one in which skills are as important as job history, education and experience level when it comes to talent management. This includes hard or technical skills (e.g., JavaScript proficiency), soft or behavioral skills (e.g., emotional intelligence and problem solving) and potential (latent or adjacent skills that can be developed for future success).

Skills-based organizations make workforce decisions based on data. Skills data is collected from multiple sources, including:

- Assessments and tests that measure technical and behavioral skills
- Manager surveys
- Self-evaluation
- Industry data
- Skills inference

Data gathered from sources is combined, structured and validated so that the organization has a clear picture of the skills required for success in each role as well as the proficiency requirements of those skills. This is called a **role skills profile**. Multiple sources of data are also used to create an accurate understanding of the skills possessed by individuals—called a **personal skills profile**.

This data is often hosted on a technology platform called a skills cloud where it can be accessed and used to steer hiring, reskilling, upskilling and succession planning.

In a skills-based organization, employees are hired, evaluated and promoted based on their skills and performance—and encouraged to continuously develop their abilities. By focusing on a person's skills instead of their history or qualifications, workers are managed, developed and deployed according to the current and future needs of the organization as well as the preferences of the employee—rather than predefined career pathways. This leads to happier, more productive employees—and more successful businesses.

THE BENEFITS OF A SKILLS-BASED MODEL

A key objective of a skills-based organization is to build a more resilient workforce that responds quickly to changing business needs and challenges. Therefore, these organizations are perfectly placed to respond to the current changing skills landscape. Some benefits of adopting skills-based practices include:

Increased Productivity

Data from [McKinsey](#) has indicated that hiring for skills is **five times** more predictive of job performance than hiring for education and more than **two times** more predictive than hiring for work experience.

Greater Adaptability

A skills-focus enables organizations to develop a holistic view of the skills and talent they have across functions to assist with long-term strategic planning, identifying existing or potential skills gaps and highlighting areas for investment.

Greater Innovation

A workforce with diverse skills and a culture of continuous learning is more likely to drive innovation. Fostering knowledge sharing and collaboration helps organizations develop new products, services and solutions at a faster pace.

Better Retention

Rather than move outside the organization to advance their career or find new challenges, employees can level-up within their existing organization. [Deloitte](#) found that **skills-based organizations are 98% more likely to have a reputation as a great place to grow and develop.**

Stronger Employer Brand

A skills-based talent management strategy signals an organization's commitment to employee development. By positioning themselves as a skills-based organization, companies can differentiate themselves in the competitive labor market.

Increased Employee Engagement

Employees who feel their unique skills are valued and put to good use are more engaged and less likely to leave. [Deloitte reports](#) that organizations adopting a skills-based approach are **79% more likely to have a positive workforce experience.**

Greater Workforce Diversity

Skills-based hiring provides an authentic route to equality of opportunity. Many underrepresented groups without “traditional” credentials on their résumés and CVs would benefit from greater opportunities with a skills-based hiring approach. For instance, the [World Economic Forum estimates](#) that if companies hire for skills over traditional experience, **the talent pool of women would increase by 24%.**

CHAPTER 5:

THE SKILLS IMPERATIVE

Key takeaways:

- **Less than half of employees feel their skills are understood** or fully utilized by employers. Just 40% of HR leaders use skills technology, relying instead on subjective manager feedback.
- Skills-based hiring expands talent pools dramatically, but only 22% of employers have adopted it. Meanwhile, just **17% of organizations offer reskilling** despite its benefits.
- For successful upskilling and reskilling, organizations must identify high-potential candidates using both technical and behavioral skills benchmarks. This aligns training to strategic needs better than just manager feedback.



SKILLS UTILIZATION BY THE NUMBERS

56% of employees feel their skills are underutilized in their current role

40% Only 40% of women say their current role effectively utilizes all of their skills

68% of employees in APAC say their skills are underutilized, compared to 53% in the Americas and 55% in EMEA

(Source: PeopleScout and Spotted Zebra)

The WEF estimates over 100 million people across 18 economies are underutilizing their skills.

While there is a pressing need to respond to talent shortages through skills-based strategies—and clear benefits—our findings indicate that for most organizations, skills strategies are still at a nascent stage.

For instance, **less than half (48%) of employees feel their employer has a good understanding of their skills**, while **56% believe that their skills are underutilized** in their current role. It is clear that any workforce transformation program will be seriously undermined unless there is an understanding of the skills currently available within the workforce—and the skills required to deliver the organization’s strategic goals.

But our findings indicate that efforts to achieve skills insights are sorely lacking. Only **40% of HR leaders are leveraging any technology platforms** to manage the skills within their organization—and of those, only 41% are using skills assessment tools.

Overall, the most common means of identifying skills requirements is feedback from managers and team leads (68%)—and, worryingly, **a quarter of organizations (23%) use this feedback alone**. With such a reliance on this subjective method, it’s little surprise that skills are so poorly understood and utilized.

In particular, while managers may provide reasonable insight into hard skills, they may not be able to accurately identify the all-important behavioral skills, which are proven to be a better predictor of workforce success than technical skills.

Studies indicate that nine out of 10 job failures are a result of missing or misaligned behavioral skills.

Skills-based organizations achieve success by putting skills data at the heart of their talent management decision-making. And this improves outcomes throughout the entire talent lifecycle—from hiring to reskilling.



Top 5 Sectors Leveraging Skills-Based Hiring

1. Healthcare
2. Manufacturing
3. Hospitality
4. Government and public sector
5. Energy, utilities and telecommunication

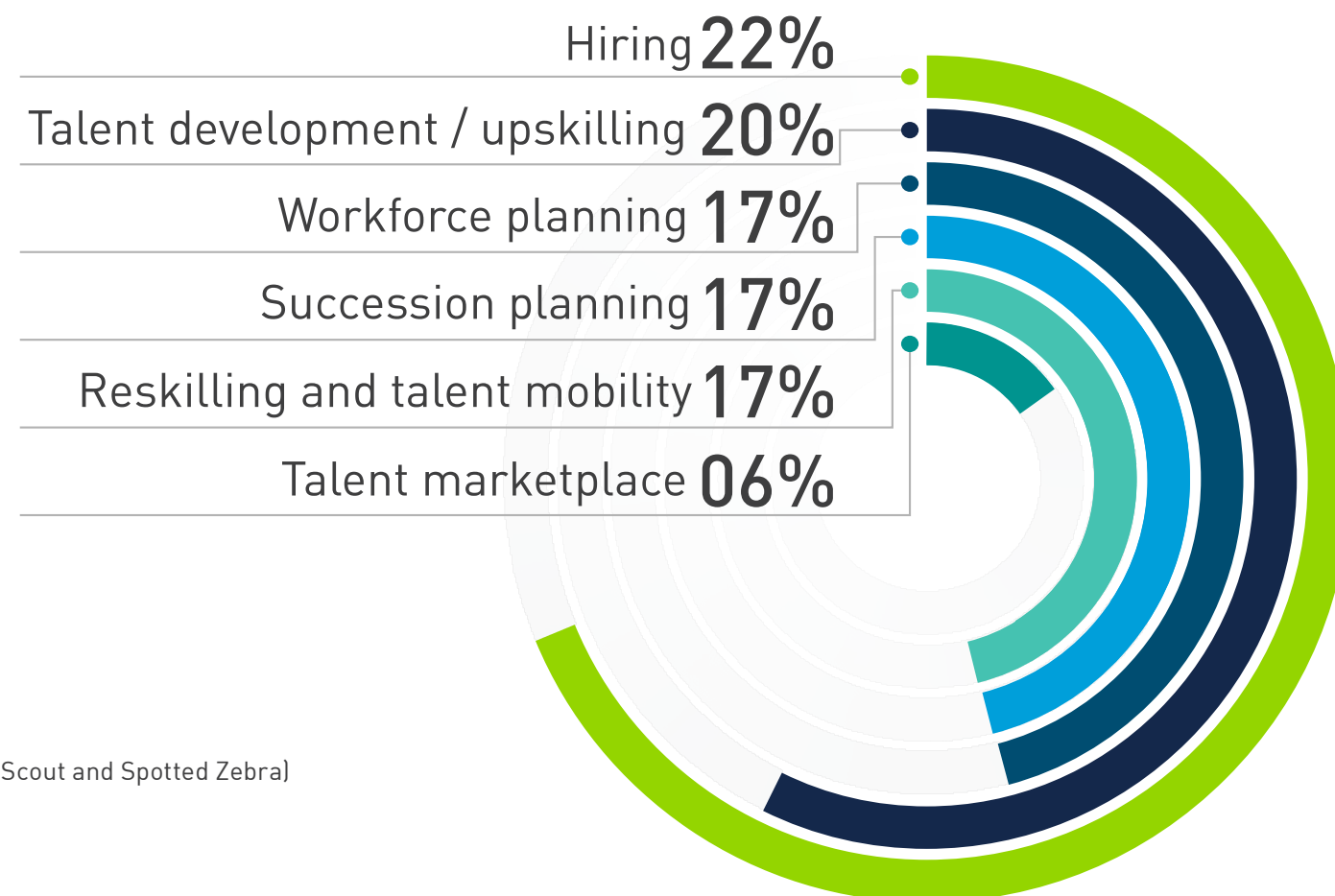
[Source: PeopleScout and Spotted Zebra]

This is crucial, because while companies historically have relied on hiring to obtain new skills, the upskilling and reskilling of employees will also be required if organizations are to obtain the skills needed to meet changing business needs.

Indeed, of those select organizations embracing skills-based practices, we see a fairly even spread of adoption across the talent lifecycle. Hiring is the most common (deployed by 22% of our respondents), but upskilling (20%), succession planning (17%) and reskilling (17%) are not far behind.

With that in mind, let's take a closer look at how skills-based practices are equipping organizations to respond to the ticking talent clock.

Where are HR leaders deploying skills-based practices?



[Source: PeopleScout and Spotted Zebra]

RPO & SKILLS-BASED HIRING

A [recruitment process outsourcing \(RPO\)](#) partner can help you understand the skills within your existing workforce as well as the external market supply and demand. Plus, by reengineering your recruitment processes and supercharging your implementation, they can help you get your skills strategy off the ground. Look for a partner who will find creative ways to tap into adjacent skills through expert sourcing and attraction capabilities to help you obtain new and different abilities that match your evolving organization.

SKILLS-BASED HIRING

HR leaders told us the biggest challenge they are facing in terms of talent and skills shortages is recruiting skilled talent, with **nearly two-thirds (63%)** reporting it as their primary challenge. The skills crisis means finding the skills you need isn't as straightforward as it once was.

With talent shortages in many industries, organizations are widening their search to try to identify candidates that possess adjacent skills or skills that are transferable from other sectors. However, looking beyond the traditional pool raises the risk of poor quality or misaligned new hires, which can be costly. So, the success of this strategy rests on understanding the adjacent skills that are appropriate for each role.

Skills-based hiring provides an understanding of the precise blend of skills required for success in a specific role, including the adjacent skills which can be transferred and developed. With this knowledge, each candidate is systematically evaluated, assessed not only on the technical skills they currently possess (or can acquire quickly because of skills adjacency), but also their behavioral skills and cultural fit.

Job advertisements should focus on the skills required for a role, and the subsequent recruitment process should validate the candidate's skills via assessments, interviews, self-evaluation and skills inference. This ultimately allows organizations to make data-driven recruitment decisions, rather than relying on the traditionally accepted credentials, education or experience that so often exclude large proportions of the population.

According to [research from LinkedIn](#), organizations that leverage skills-first hiring expand their talent pool by nearly 10x on average compared to those simply looking for similar job titles or industry experience. But crucially, there are performance improvements too. Data shows that candidates who perform well on skills assessments reach competence 20% faster and are twice as likely to be rated as top performers in their role.

CASE STUDY: SKILLS-BASED HIRING IN ACTION

For AWE, a global scientific and engineering organization, apprenticeships are a crucial element to addressing a skills shortage of technical roles.

The challenge

When high quality candidates began dropping out of the recruitment process, and new hires were leaving shortly after joining, AWE became concerned it was hiring apprentices who lacked the behaviors required for success. Overall, around a third of its hires were leaving in year one of the apprenticeship scheme—with 7% leaving within five days of starting.

Further investigation highlighted multiple issues in how skills were identified and validated in the selection process, with the existing approach failing to predict the likelihood of being hired or success in the role. Additionally, it was discovered that candidates often did not understand the roles they were applying for, or whether they had the right skills to be successful—ultimately leading to high drop off rates and first year attrition.

The solution

AWE adopted a skills-based approach for the program, partnering with Spotted Zebra. The Early Careers module within the Spotted Zebra Hire application enabled AWE to define the specific skills needed for role success to ensure unbiased, highly specific selection decisions. Using Spotted Zebra's unique 'multi-match' methodology, AWE could match each individual to roles across all the apprenticeship schemes to find opportunities that were best aligned with their skills.

The results

The program was a stunning success:

- The process was streamlined for both candidates and the recruitment team. The time it took to complete the assessment was halved, and the time-to-hire went from an average of six months to just four.
- By using industry benchmark data and input from hiring leaders, Spotted Zebra created specific assessments for each of the 17 apprenticeship schemes, so that AWE was better able to predict candidate success.
- Candidates could be fairly assessed for multiple roles, with 18 candidates being offered roles who would otherwise have been rejected because their skills profile was not aligned with their first choice.

Ultimately, the skills-based hiring solution saw candidate rejections at offer stage drop from 32% to 16%, while there was a huge reduction in year one attrition—down from 35% to under 10%.

INTERNAL MOBILITY THROUGH RESKILLING AND UPSKILLING

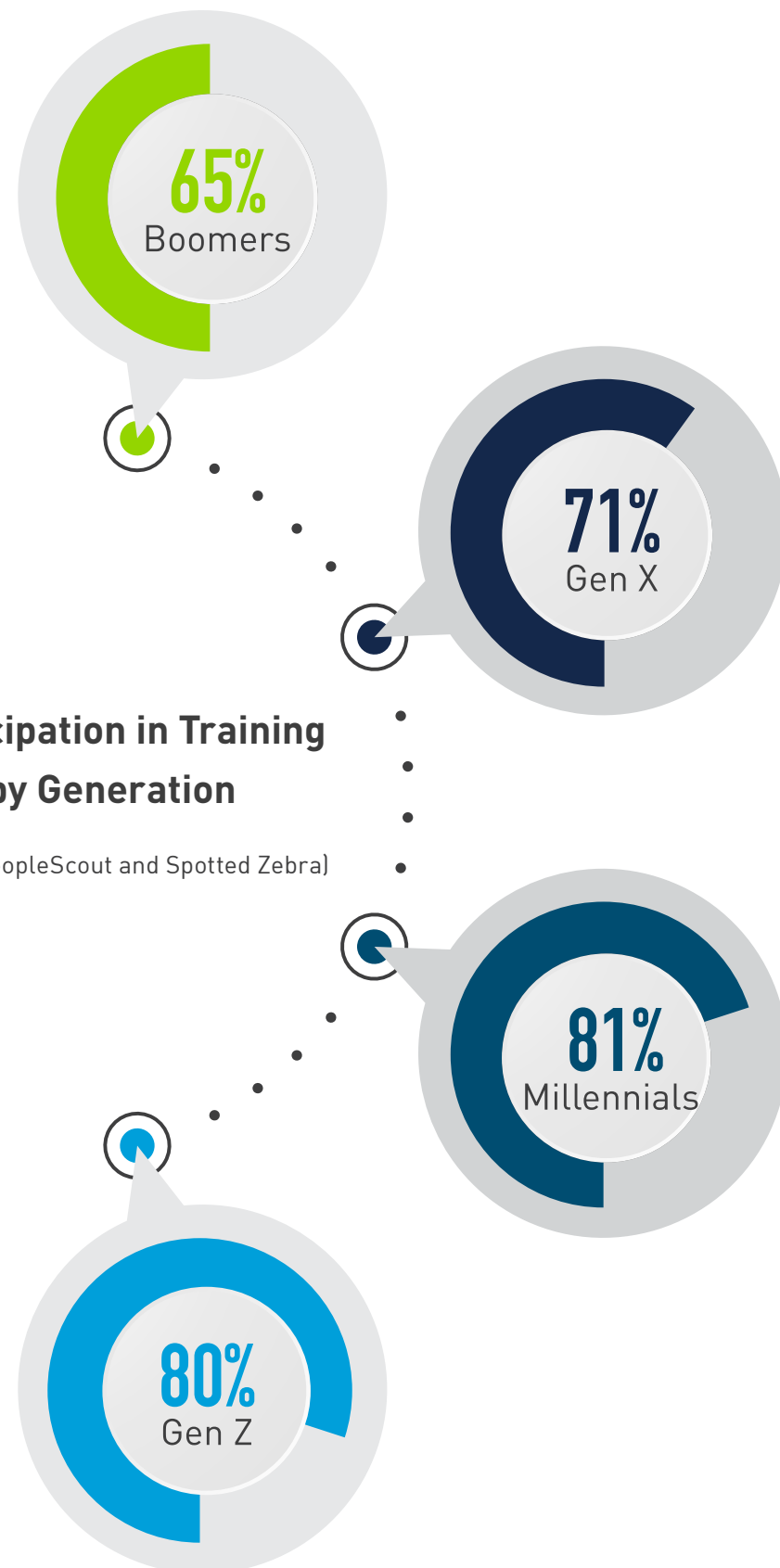
Given the challenges recruiting skilled talent, we expected to see internal mobility as HR leaders' default strategy to tackle skills shortages, via the upskilling or reskilling of employees into high-priority roles. However, we were surprised to find that **only 37% of HR leaders report having formal upskilling and reskilling programs** in place.

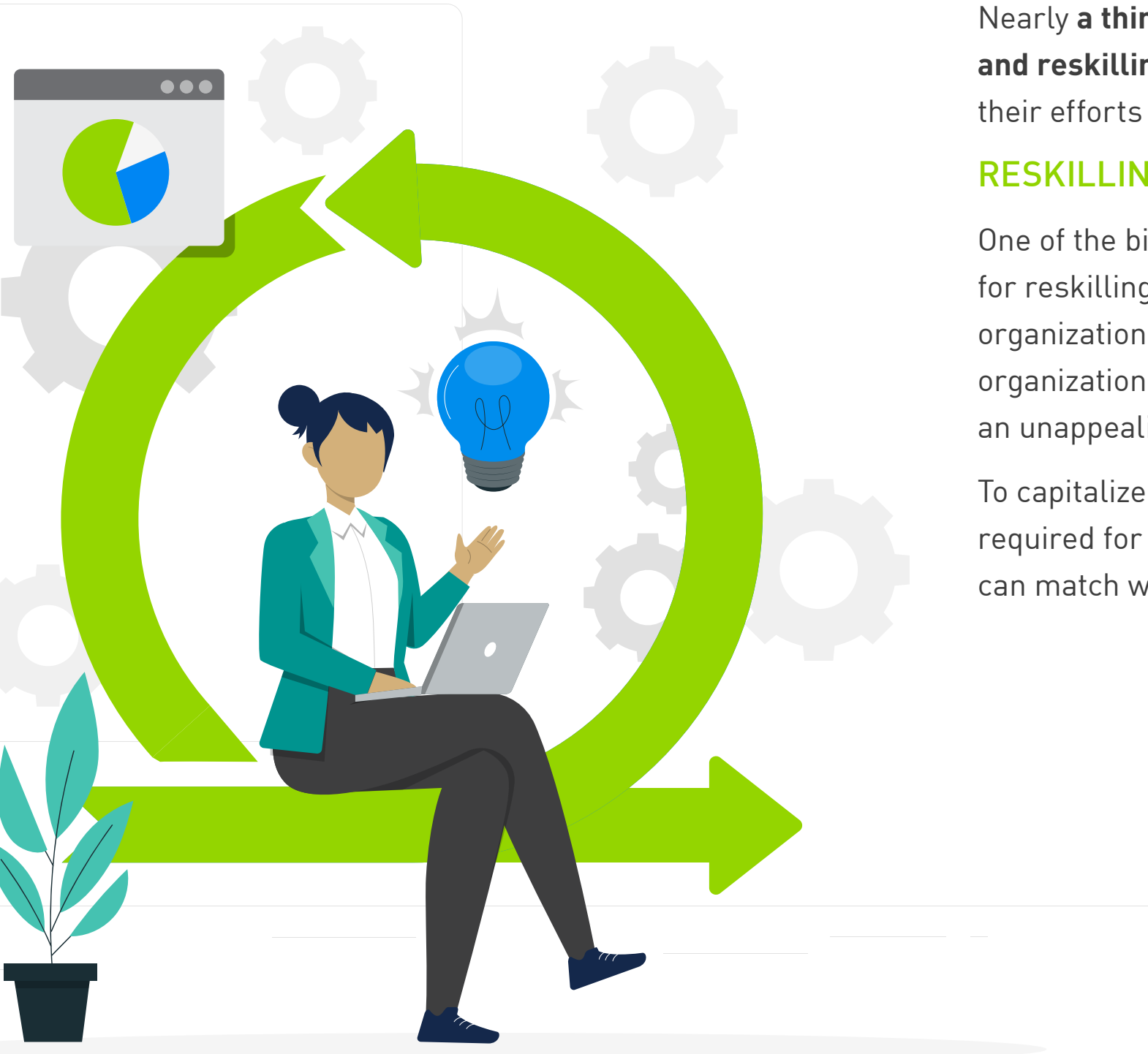
Even in areas of high priority, there appears to be a lack of focus on mobility and development. When we asked HR leaders about how they're preparing their workforce for the implementation of new technologies, **only a fifth (20%) said they're investing in upskilling initiatives** to enhance current employee skillsets. Plus, **only 14% said they're implementing targeted reskilling programs** for existing employees.

The lack of skills development is echoed by employees. A quarter of employees report their employer has not been offered opportunities to upskill or reskill. Baby boomers are the least likely to say they've been offered opportunities to upskill or reskill, and only half have participated in training.

Participation in Training by Generation

(Source: PeopleScout and Spotted Zebra)





With technology due to transform many jobs, improving the skills of each worker to keep them in step with their evolving roles is essential. So, why is there such a dearth of upskilling and reskilling programs?

Nearly a **third (30%) of our HR leader respondents conceded that they simply do not view upskilling and reskilling as a priority.** And nearly half of HR leaders are experiencing obstructive challenges in their efforts to develop or upskill their current employees.

RESKILLING

One of the biggest hurdles of skills development is identifying which employees are suitable candidates for reskilling. If an employee does not possess the technical skills to ensure successful reskilling, organizations must make decisions based on adjacent skills and behavioral skills. Unfortunately, many organizations lack the tools and insight to achieve this, making reskilling a risky option for some—and an unappealing option for others.

To capitalize on reskilling, you must understand both the blend of technical and behavioral skills required for a role as well as the skills each reskilling candidate possesses. With this knowledge, you can match workers to roles for a much higher rate of reskilling success.

CASE STUDY: RESKILLING IN ACTION

A large global financial services company worked with their long-time RPO partner, PeopleScout, and Spotted Zebra to undertake a major digital transformation program, which required new digital and tech skills. The organization needed to acquire key skills while leveraging the existing company knowledge of employees in declining customer service roles by reskilling them into new high-growth roles.

The challenge

Reskilling efforts focused on developing new hard skills, so finding the best candidates meant identifying those with the soft skills most aligned with the new job opportunities. Previous efforts by the financial services organization to assess candidate suitability for reskilling were led internally and included multiple, time-consuming line manager interviews. Of even greater concern, around a quarter of those who began the reskilling program dropped out.

The solution

PeopleScout and Spotted Zebra partnered to create a skills-based approach to reskilling, helping the organization to assess customer service staff in bank branches and call centers to find ideal candidates for its tech skilling program.

We identified individuals who had a strong motivation to reskill, high levels of adaptability (a predictor of future potential) and a strong alignment with the behavioral skills required for success in the role. A skills profile was created for all the growth roles, and employees were assessed against them to identify which role was the best fit.

The results

- The company has redeployed over 150 people from declining roles who would have been made redundant to tech jobs, saving around £2 million in exit costs.
- By identifying those individuals who are a better behavioral fit for reskilling opportunities, the number of dropouts from the training program dropped dramatically, resulting in a savings of £280,000 in training and development costs.
- The new approach is more effective, simplifying the process in a fair and consistent way. The company has saved a considerable amount of manager time and reduced the reskilling cost-per-person by 70%.

Crucially, the reskilling program means the organization's digital transformation project is on track, with reskilled individuals moving into mission-critical digital roles that would otherwise go unfilled.

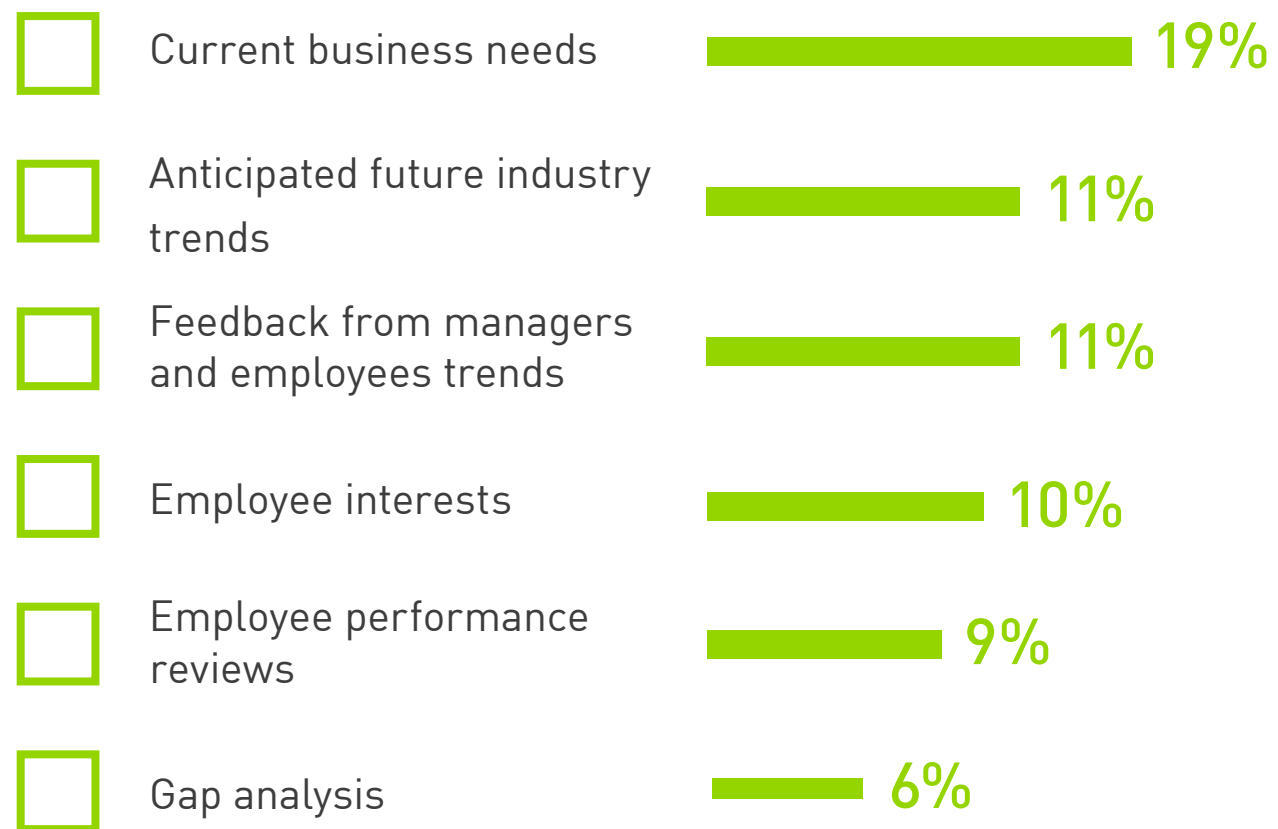


UPSKILLING

Upskilling programs need to address current skills gaps while also predicting future needs to get ahead of emerging gaps. However, our findings show that HR leaders most commonly rely on subjective feedback from employees and managers when trying to align skills with long-term organizational goals. This reactive and inaccurate strategy fails to adequately prepare for the future of work.

For your upskilling and reskilling programs, how do you identify which skills to focus on?

(Choose all that apply.)



[Source: PeopleScout and Spotted Zebra]

CHAPTER 6:

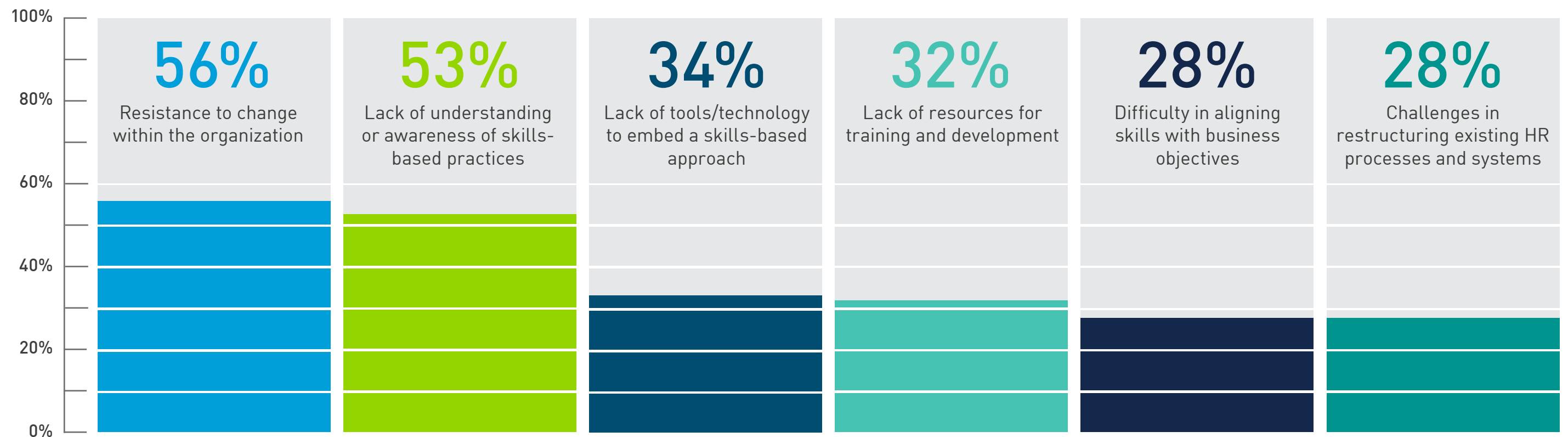
YOUR ROADMAP TO BECOMING A SKILLS-BASED ORGANIZATION

Key takeaways:

- Despite benefits, adoption of skills-based practices is low with over half of HR leaders admitting to a lack of understanding. **Over half cite resistance to change and 34% cite lack of skills tech.**
- Implementing skills-based practices can be an iterative process that delivers rapid time-to-value. This pragmatic roadmap starts with quick wins in high-need areas such as hiring and reskilling.
- Successfully implementing and scaling a skills-based model requires expertise that talent partners like PeopleScout and Spotted Zebra can provide through change management guidance, skills profile development, technology infrastructure, and support tailoring the roadmap to your unique needs.

Despite the clear benefits of a skills-based approach, adoption and understanding remain relatively low. Hiring is the most common skills-based practice, yet it is **utilized by just over a fifth of our respondents (22%)**. With half of HR leaders admitting to a lack of understanding of skills-based practices, it is unsurprising that **only 38% say they are making a conscious shift to becoming more skills-based**.

Challenges Organizations Experience When Pursuing Skills-Based Practices



[Source: PeopleScout and Spotted Zebra]

Over half (56%) of HR leaders report resistance to change within their organization when faced with the prospect of what they mistakenly believe can only be a huge, C-suite-led project that spans the entire talent lifecycle. However, partners such as PeopleScout and Spotted Zebra, are perfectly positioned to provide the strategies and technology to embed and scale a skills-based approach.

The following roadmap details a pragmatic and iterative path to skills-based practices.

1. IDENTIFY THE MOST URGENT NEED

You need to rapidly secure leadership buy-in and cultural acceptance of a skills-based approach. Start where there will be quickest adoption and with the most urgent need to deliver value rapidly. The most popular starting points are often hiring and reskilling due to their rapid time-to-value.

2. IMPLEMENT A ROBUST SKILLS VALIDATION PROCESS

Conduct regular skills validation to identify the strengths and gaps in your existing workforce, determine the skills required for success in open opportunities, and determine the skills each employee possesses and the level of proficiency. Organizations should work with partners such as PeopleScout and Spotted Zebra to guide them through the process of validating the technical and behavioral skills required for role success.

3. BUILD A SKILLS TAXONOMY

A skills taxonomy refers to a structured classification system that categorizes the skills, competencies and abilities required by the organization across all of its job roles. Some organizations start their skills-based journey by building a taxonomy across the entire enterprise, but to accelerate time-to-value, we recommend building it over time, prioritizing key roles and functions.

Similarly, rather than assessing and building a personal skills profile for every employee at the outset, focus on staff in key areas and develop over time. Remember, if you are utilizing skills-based hiring, all new employees will already have a profile from the outset.

4. IDENTIFY CURRENT AND FUTURE SKILLS GAPS

By overlaying role skills profiles and personal skills profiles, organizations can see the skills gaps that exist or that are emerging. You should also monitor labor market data, such as information on growing and declining skills and changing industry demands, to understand how skills gaps may emerge in the future.

You should also compare the skills that you will require to achieve long-term business objectives with current personal skills profiles to identify areas for reskilling, upskilling or recruitment.

5. FOCUS ON SKILLS IN JOB ADVERTISEMENTS

Skills-based organizations reduce the reliance on traditional job credentials such as academic qualifications and previous job experience, placing more emphasis on the skills actually required for success in the role. So, when it comes to the recruitment process, job ads must articulate the skills that have been identified during the role profiling process in the descriptions. The good news is that [LinkedIn research](#) reveals that conversion jumps by 11% when job ads include skills.

6. NURTURE A SKILLS-FIRST CULTURE

Create a culture that supports your skills-based approach by communicating the importance of skills development to your employees. Encourage employees to identify the skills they have now. Provide transparency on the skills each role and the organization are likely to need in the future. Support employees with taking on new challenges to develop their skills.

7. IMPLEMENT THE TECHNOLOGY INFRASTRUCTURE

Running skills-based initiatives across the organization requires a workforce management platform that has been purpose-built for skills-based practices. The three core elements are:

- A skills cloud. This is a central hub for all skills-related data, including role skills profiles and personal skills profiles. The central component of this is a complex map of all the skills that sit across your workforce and opportunities within your company.
- An analytics dashboard. This helps you monitor, interpret and transform complex datasets into easily digestible visuals. This is the basis for more informed workforce planning decisions.
- Solutions to support specific initiatives. Whether you're implementing a skills-based approach to hiring, development, internal mobility or a combination, you'll need to channel the relevant data from the skills cloud into the right technology application to support the initiative.

8. SCALE ACROSS THE TALENT LIFECYCLE

Once there has been measurable success in the initial skills-based project, securing buy-in to scale skills-based approaches to other areas of the talent lifecycle should be more straightforward. Plus, with the right technology in place, the process of scaling up will be rapid and effective.

9. FIND THE RIGHT PARTNER

We understand that certain elements of this roadmap have a degree of complexity. With the support of a talent partner, you can break down these steps into manageable goals.

PeopleScout and Spotted Zebra have deep experience of scaling skills-first practices across organizations. We've supported organizations of all sizes in developing the strategy and implementing the technology to build validated skills taxonomies and profiles. Contact us to learn more about how we can help you progress in your skills journey.



The agility to match emerging skill requirements will soon become a competitive necessity. If you haven't started your skills-based transformation, now is the time. The skills required for the modern workplace will continue to progress at a breakneck speed, but the right talent partner can help systematically develop the skills your organization needs for future success.

An RPO partner can provide strategies and methods to embed skills at the core of workforce practices for the future. PeopleScout helps clients with their skills agenda, from skills-based talent intelligence and market insights, building skills frameworks, and creating skills-based success profiles to redesigning recruitment processes, skills-based hiring strategies, and helping you maximize the potential of your existing workforce.

To learn more about PeopleScout's skills-focused talent solutions, get in touch.

[LET'S CHAT](#)



To ensure your organization can thrive despite the skills crisis, you must understand your skills pipeline and the skills you need for now and in the future. A skills-based approach to business not only provides you with this, but it helps you obtain these skills through hiring, upskilling, reskilling and succession planning.

Spotted Zebra is helping some of the world's biggest companies to adopt skills-based practices, solving their skills gaps and delivering dramatic cost savings. Our scalable, skills-based WFM platform allows you to focus on your talent management priority and deliver rapid value. With our iterative platform, it's then easy to scale your skills-based practices across other areas of the talent lifecycle.

We encourage all HR leaders to learn more about skills-based practices and ensure that their organizations are perfectly placed to not just survive, but thrive, despite the skills crisis. We're here to help you learn more.

[GET IN TOUCH](#)

About PeopleScout

PeopleScout, a TrueBlue company, is one of the world’s largest RPO providers managing talent solutions that span the global economy, with end-to-end MSP and talent advisory capabilities supporting total workforce needs. The company’s forward-looking talent professionals provide clients with the edge in the people business by consistently delivering now while anticipating what’s next.

Affinix™, PeopleScout’s proprietary talent acquisition platform, empowers faster engagement with the best talent through an AI-driven, consumer-like candidate experience and optimizes the talent process through data and actionable insights. PeopleScout has served clients across more than 70 countries with headquarters in Chicago, London and Sydney and global delivery centers in Toronto, Montreal, Bristol, Krakow, Gurgaon and Bangalore.



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About Spotted Zebra

Spotted Zebra is an award-winning skills-based workforce management platform and is used by large enterprise companies globally to enable them make high-stakes people decisions about who to hire, develop, succession plan and reskill. Spotted Zebra was founded 4+ years ago by leading occupational psychologist Nick Shaw, and serial tech entrepreneur Ian Monk, and secured £7.7 million in Series A funding in 2023.



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