

Junior Achievement USA

# A Solution to the Workforce Skills Gap



# The Issue

The health of a nation is largely influenced by the make-up of the current and future workforce. The characteristics of the workforce impact productivity, the economy, and global competitiveness. In 2011, approximately 139 million individuals or 58 percent of the non-institutional, civilian population (age 16 and older) were in the U.S. workforce. However, the unemployment rate in April 2011 was 9 percent, with approximately 6.1 million of these individuals being unemployed for 27 weeks or more.<sup>1</sup> Overall, there has been a decline of seven million U.S. jobs since 2007. Today, a total of 20 percent of men in the population are not working, up from 7 percent in 1970.<sup>2</sup> Many of those unemployed were initially laid off from their jobs because of an economic recession that forced a number of corporations to downsize to cut costs. As the economy recovers, former job positions are being replaced by those that require more technical skills or education. Individuals who were forced to leave the job market are finding it very difficult to reenter the workforce because they no longer possess the knowledge and skills employers require. Furthermore, new entrants into the workforce also find themselves unprepared for the demand of entry-level jobs that require higher-level skills. As a result, employers are struggling to fill open positions. More than half (53 percent) of U.S. companies report a major challenge in recruiting non-managerial employees with the skills and knowledge needed, despite the fact that unemployment is hovering around 9 percent and millions of individuals are looking for employment.<sup>3</sup>



To remain competitive as a nation, the gap between the knowledge and skills needed by employers and the number of available workers who meet those qualifications must be addressed. The American Society of Training and Development (ASTD) defines this “skills gap” as “a significant gap between an organization’s current capabilities and the skills it needs to achieve its goals. It is the point at which an organization can no longer grow or remain competitive because it cannot fill critical jobs with employees who have the right knowledge, skills, and abilities.” In a recent poll by ASTD taken by 1,179 organizations, 79 percent report a skills gap within their organization.

<sup>1</sup> Bureau of Labor Statistics 2011

<sup>2</sup> McKinsey Global Institute. (June 2011). An economy that works: Job creation and America’s future. Retrieved from [http://www.mckinsey.com/mgi/publications/us\\_jobs/pdfs/MGI\\_us\\_jobs\\_full\\_report.pdf](http://www.mckinsey.com/mgi/publications/us_jobs/pdfs/MGI_us_jobs_full_report.pdf)

<sup>3</sup> Bridgeland, J., Milano, J., & Rosenblum, E. (2011). Across the great divide: Perspectives of CEOs and College Presidents on America’s higher education and skills gap.

According to respondents, the most noticeable gaps are leadership and executive-level skills (50 percent of respondents ranked this number one) closely followed by basic skills (ranked number one by 46 percent of respondents)<sup>4</sup>. Leadership and executive-level skills include supervision, team-building, goal-setting, planning, motivation, decision making, and ethical judgment. Basic skills extend beyond basic academic skills (reading, writing, math, etc.) to include higher-order thinking skills (creative thinking, problem-solving, etc.) and personal qualities (honesty, self-motivation, adaptability, etc.).<sup>5</sup> Business leaders also report deficiencies in emotional intelligence, which includes skills such as self-discipline, self-awareness, persistence, and empathy.<sup>6</sup> This research substantiates previous findings that show a significant gap between the skills employers need and the skills of high school graduates. In a survey of more than 400 employers in the United States, 42 percent rated the overall preparation of high school graduates for entry-level jobs as deficient—73 percent rated their leadership skills deficient, 70 percent rated graduates deficient in both professionalism/work ethic and critical thinking/problem-solving, and 54 percent rated their creativity/innovation skills as deficient.<sup>7</sup> The knowledge and skills demanded by many employers today for entry-level jobs are also at a higher level than the skills students are acquiring in postsecondary education.<sup>8</sup>



The “skills gap” exists in professions requiring higher-level skills, particularly careers in science, engineering, math, and technology (STEM) and among jobs that are often referred to as “middle-skilled” occupations that require credentials between a high school degree and a four-year college degree. The Bureau of Labor Statistics (2007) estimates that between 40 and 45 percent of all job openings through 2016 will be in middle-skilled occupations. In a recent report by Corporate Voices, the authors argue that the focus on the attainment of four-year degrees ignores the demand for individuals who have a two-year associate’s degree and/or trade-specific credentials, which is critical

<sup>4</sup> ASTD (2009). Bridging the skills gap. Retrieved from [http://www.astd.org/TD/Archives/2010/Feb/Free/1002\\_BridgingSkillsGap.htm](http://www.astd.org/TD/Archives/2010/Feb/Free/1002_BridgingSkillsGap.htm)

<sup>5</sup> Robinson, J. (2001). Skills gap is big concern of employers today. Alabama Cooperative Extension Program. Retrieved from <http://www.aces.edu/dept/extcomm/newspaper/may17d01.html>

<sup>6</sup> ASTD (Fall 2006) Bridging the skills gap. Retrieved from <http://www.astd.org/NR/rdonlyres/FB4AF179-B0C4-4764-9271-17FAF86A8E23/0/BridgingtheSkillsGap.pdf>

<sup>7</sup> Conference Board, Corporate Voices for Working Families, the Partnership for 21st Century Skills, and the Society for Human Resource Management. (2006, September). Are they really ready to work? Employers’ perspectives on the basic knowledge and applied skills of new entrants to the 21st century U.S. workforce. Retrieved January 1, 2007 from [http://www.21stcenturyskills.org/documents/ReportCardFINAL\\_updated.pdf](http://www.21stcenturyskills.org/documents/ReportCardFINAL_updated.pdf)

<sup>8</sup> Daggett, W.R. (2008). Jobs and the skills gap. International Center for Leadership in Education. Retrieved from <http://www.leadered.com/pdf/Job-Skillspercent20Gappercent20Whitepercent20PaperPDF.pdf>

for future workforce demands.<sup>9</sup> Jobs requiring four-year degrees and jobs requiring associate's or trade-specific credentials are both necessary to fill the critical gaps in the current and future workforce. It is estimated that nearly two-thirds of job openings in the next decade will require some postsecondary education.<sup>10</sup>

According to researchers, the skills gap has two primary underlying causes—changing jobs and low levels of educational attainment (ASTD, 2009; Daggett, 2008). Jobs today require workers who possess more knowledge and proficiency in 21<sup>st</sup>-century skills, such as teamwork, problem-solving, and technology skills. The use of digital communications and advanced information systems has enabled employers to have more workers who perform their jobs remotely. This change has facilitated growth in part-time and contingent employment in many fields and the hiring of inexpensive, increasingly high-quality talent from other countries.<sup>11</sup>



Furthermore, the level of educational attainment is not keeping up with the number of skilled workers needed.<sup>12</sup> The need for a high school diploma as a minimum is critical as jobs become more complex in a global economy and traditional jobs requiring less education are no longer in demand. However, more than 18 million U.S. adults between the ages of 18 and 64 have not graduated from high school and therefore do not qualify for most of the jobs in the current and future economy<sup>13</sup>. According to McKinsey Global Institute, there will be 5.9 million more high school dropouts in 2020 than jobs available for workers with that level of education.<sup>14</sup> Further, while more than 70 percent of high school graduates enroll in postsecondary education within two years, less than a third earn an associate's degree within three years and only half complete bachelor's degrees within six years.<sup>15</sup> Of those

<sup>9</sup> Bridgeland, J., Milano, J., & Rosenblum, E. (2011). Across the great divide: Perspectives of CEOs and College Presidents on America's higher education and skills gap. Retrieved from <http://www.corporatevoices.org/system/files/Across+the+Divide+Final+Report.pdf>

<sup>10</sup> Georgetown University Center on Education and Workforce, College is Still the Best Option, <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/collegepercent20stillpercent20bestpercent20option.pdf>

<sup>11</sup> McKinsey Global Institute. (June 2011). An economy that works: Job creation and America's future. Retrieved from [http://www.mckinsey.com/mgi/publications/us\\_jobs/pdfs/MGI\\_us\\_jobs\\_full\\_report.pdf](http://www.mckinsey.com/mgi/publications/us_jobs/pdfs/MGI_us_jobs_full_report.pdf)

<sup>12</sup> Galagan, P. (2010). Bridging the skills gap: Part II. Retrieved from [http://www.thepublicmanager.org/docs\\_articles/current/Vol39,2010/Vol39,Issue02/Vol39N2\\_BridgingSkillsGap\\_Galagan.pdf](http://www.thepublicmanager.org/docs_articles/current/Vol39,2010/Vol39,Issue02/Vol39N2_BridgingSkillsGap_Galagan.pdf)

<sup>13</sup> ACT, 2009 - <http://www.act.org/activity/autumn2009/workers.html>

<sup>14</sup> McKinsey Global Institute. (June 2011). An economy that works: Job creation and America's future. Retrieved from [http://www.mckinsey.com/mgi/publications/us\\_jobs/pdfs/MGI\\_us\\_jobs\\_full\\_report.pdf](http://www.mckinsey.com/mgi/publications/us_jobs/pdfs/MGI_us_jobs_full_report.pdf)

<sup>15</sup> Bridgeland, J., Milano, J., & Rosenblum, E. (2011). Across the great divide: Perspectives of CEOs and College Presidents on America's higher education and skills gap. Retrieved from <http://www.corporatevoices.org/system/files/Across+the+Divide+Final+Report.pdf>



attending college and vocational school, few are choosing fields of study that are high in demand. As a result, many occupations are likely to see potential shortages, including nutritionists, welders, nurse's aides, computer specialists, and engineers. Currently, the number of graduates in the United States in STEM fields (science, technology, engineering, and mathematics) is increasing at only 0.8 percent each year, which will not keep up with the demand in the workforce.<sup>16</sup>

The skills gap is expected to intensify with the gradual departure of the “baby boomers” from the workforce. While many older workers are postponing retirement because of the recession that began in 2007, it is still estimated that approximately 77.2 million will leave the workforce over the next two decades, resulting in an overall loss of expertise and management skills (ASTD, 2009). According to a report by McKinsey Global Institute, a total of 37 percent of the working population will be 55 or older by 2020. While the U.S. labor force is expected to grow steadily over the next decade to an estimated 168.9 million in 2020, the make-up of this growing workforce does not match the needs of the 21<sup>st</sup>-century economy. The number of Americans with a high school degree or less is predicted to increase and the number of jobs requiring postsecondary education is on the rise. In 2020, it is estimated that there will be a shortage of 1.5 million college graduates in the workforce.<sup>17</sup>



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<sup>16</sup> McKinsey Global Institute. (June 2011). An economy that works: Job creation and America's future. Retrieved from [http://www.mckinsey.com/mgi/publications/us\\_jobs/pdfs/MGI\\_us\\_jobs\\_full\\_report.pdf](http://www.mckinsey.com/mgi/publications/us_jobs/pdfs/MGI_us_jobs_full_report.pdf)

<sup>17</sup> McKinsey Global Institute. (June 2011). An economy that works: Job creation and America's future. Retrieved from [http://www.mckinsey.com/mgi/publications/us\\_jobs/pdfs/MGI\\_us\\_jobs\\_full\\_report.pdf](http://www.mckinsey.com/mgi/publications/us_jobs/pdfs/MGI_us_jobs_full_report.pdf)

# Promising Practices

The skills gap has received considerable attention from policymakers concerned that the United States will no longer be able to effectively compete in the global marketplace and will require workers from other countries to fill the current gap. To address the skills gap, President Obama has set a goal for the United States to lead the world in postsecondary educational attainment by the end of the decade. To reach this goal, the nation will need to graduate eight million more students than what is expected or have historically graduated.<sup>18</sup> In response, state school boards, K-12 school districts, and postsecondary institutions are implementing strategies to boost graduation rates and reduce dropout rates.

Corporations are taking steps to address the skills gap by investing significant resources into workplace learning and boosting the skills of their current workforce. This strategic focus is receiving attention from organizations such as ASTD that gives the BEST Awards to organizations that recognize enterprise-wide learning. Winners of this award tend to devote more resources to workplace learning (measured on a per-employee and percent-of-payroll basis), enroll employees in more formal learning, and are committed to measuring the learning to organizational performance.<sup>19</sup>



In addition to the focus on workplace learning and boosting graduation rates, it is critical that policymakers, educators, and nonprofit organizations work together to ensure that the future workforce is adequately prepared with the knowledge and skills needed to meet the demands of employers. Junior Achievement USA is uniquely positioned to serve as a partner in this endeavor by equipping students with the skills they need to be college- and career-ready.

<sup>18</sup> Obama, B. (August 9, 2010). Remarks by the President on Higher Education and the Economy at the University of Texas at Austin, The White House, Washington, D.C.

<sup>19</sup> ASTD (Fall 2006) Bridging the skills gap. Retrieved from <http://www.astd.org/NR/rdonlyres/FB4AF179-B0C4-4764-9271-17FAF86A8E23/0/BridgingtheSkillsGap.pdf>

# Junior Achievement USA: A Real-World Solution

Junior Achievement (JA) inspires and prepares young people to compete in a global economy. Through participation in JA programs, students see the relevance of what they are learning in the classroom and its application to the real world, acquire or enhance the skills they need to be successful in the workforce or postsecondary institutions, and recognize the value of an education.

## Focus on Relevance

For students to acquire the knowledge and skills to be competitive in the workforce, they must be taught how to apply their knowledge to real-world issues or problems. “Unfortunately, most American schools are not organized for application or contextualized instruction, even though we know that when we teach students how to apply knowledge, they retain it and perform well on tests.”<sup>20</sup>

Junior Achievement programs help bridge the gap between what students are learning in the classroom and the application of this knowledge to the real world by using curriculum that is focused on application and the principles of experiential learning.



According to recent nationwide surveys:

- More than nine out of 10 teachers and volunteers (91 percent) agree or strongly agree that Junior Achievement programs connect what is learned in the classroom to the outside world.<sup>21</sup>
- Regarding the effects of their experience with Junior Achievement, more than eight out of 10 (84 percent) of JA alumni indicate that JA enabled them to connect what they learned in the classroom to real life.<sup>22</sup>

<sup>20</sup> Daggett, W.R. (2008). Jobs and the skills gap. International Center for Leadership in Education. Retrieved from <http://www.leadered.com/pdf/Job-Skillspercent20Gappercent20Whitepercent20PaperPDF.pdf>

<sup>21</sup> Results from Ongoing “Program Content & Instruction Survey” available at <http://www.ja.org/programs/programs.shtml>

<sup>22</sup> “Junior Achievement Creates Alumni Success” available at [www.ja.org](http://www.ja.org)

“I attribute my career in business to the positive experience I had with Junior Achievement as a student. It was the only curriculum that taught me “real life” skills that I had substantial interest in learning.

-JA Alumnus

# Skill Development

Junior Achievement equips students with skills that are critical to their successful participation in the workforce and postsecondary education. Specifically, students in JA improve their 21<sup>st</sup>-century skills, such as teamwork, decision-making, problem-solving, and critical thinking. They also improve skills that will make them more competitive in the workforce, including financial literacy and entrepreneurial skills.

According to a national survey of JA Alumni:

- Almost nine out of 10—or 88 percent—of Junior Achievement alumni report they are confident in their ability to manage their personal finances effectively, in comparison to 71 percent of those who did not have the benefit of the JA experience.<sup>23</sup>
- JA students are more likely to own their business. In a recent JA alumni study, 20 percent of respondents indicated that they own their own business, as opposed to 7 percent of the comparison group and 10 percent of the general population.<sup>24</sup>
- Almost nine out of 10 teachers (85 percent) agreed or strongly agreed that participation in Junior Achievement improved students' decision-making skills (85 percent) and critical-thinking skills (86 percent).<sup>25</sup>
- While only 82 percent of non-JA respondents believe they can function well on a business team, 96 percent of JA alumni report that Junior Achievement made them confident about how to work effectively in a team environment. In addition, 88 percent of alumni say JA helped them hone their decision-making skills, and 85 percent indicate that they have strengthened their interpersonal communication skills through JA.<sup>26</sup>



<sup>23</sup> “Junior Achievement Creates Alumni Success” available at [www.ja.org](http://www.ja.org)

<sup>24</sup> “Junior Achievement Creates Alumni Success” available at [www.ja.org](http://www.ja.org)

<sup>25</sup> Results from Ongoing “Program Content & Instruction Survey” available at <http://www.ja.org/programs/programs.shtml>

<sup>26</sup> “Junior Achievement Creates Alumni Success” available at [www.ja.org](http://www.ja.org)

“Junior Achievement helped prepare me for working in a professional environment. I gained valuable leadership skills as well as basic understanding of business principles that help in many settings.

-JA Alumnus



# Focus on Educational Attainment

JA reinforces the value of an education and the importance of educational attainment.

- In recent high school program evaluations, an average of eight out of 10 students report that Junior Achievement programs helped reinforce the importance of staying in school.<sup>27</sup>
- Sixty-seven percent of JA alumni report that JA made them realize the importance of staying in school.<sup>28</sup>
- In longitudinal studies, JA students were significantly more likely than their peers to believe that they would graduate from high school, pursue postsecondary education, and graduate from college.<sup>29</sup>

## Summary

This paper is part of a series of position papers produced by Junior Achievement USA that focus on critical social issues. This paper, centered on the skills gap, provides detailed information about the increasing number of workers in the United States who lack the education and training needed to fill the demand of the current and future job market. It is estimated that there will be a shortage of up to 1.5 million workers with bachelor's degrees or higher in 2020, and approximately 6 million Americans will lack a high school diploma.<sup>30</sup> This report also shows the valuable role Junior Achievement has in alleviating this problem. Junior Achievement programs show students the value of an education, bridge the gap of what they are learning in the classroom with the real world, and equip them with the skills and tools they need to be more successful in school and their future careers.



<sup>27</sup> Synthesis of independent evaluation findings from 2000-2009

<sup>28</sup> "Junior Achievement Creates Alumni Success" available at [www.ja.org](http://www.ja.org)

<sup>29</sup> 2001-2003 Longitudinal findings available at [http://www.ja.org/files/long\\_summary.pdf](http://www.ja.org/files/long_summary.pdf)

<sup>30</sup> McKinsey Global Institute. (June 2011). An economy that works: Job creation and America's future. Retrieved from [http://www.mckinsey.com/mgi/publications/us\\_jobs/pdfs/MGI\\_us\\_jobs\\_full\\_report.pdf](http://www.mckinsey.com/mgi/publications/us_jobs/pdfs/MGI_us_jobs_full_report.pdf) Bridgeland, J., Milano, J., & Rosenblum, E. (2011). Across the great divide: Perspectives

"Junior Achievement helped me figure out the direction I needed to take after high school. Learning about business, entrepreneurship, and leadership helped me realize I can overcome challenges and get what I want in life by working hard."

— JA Alumnus