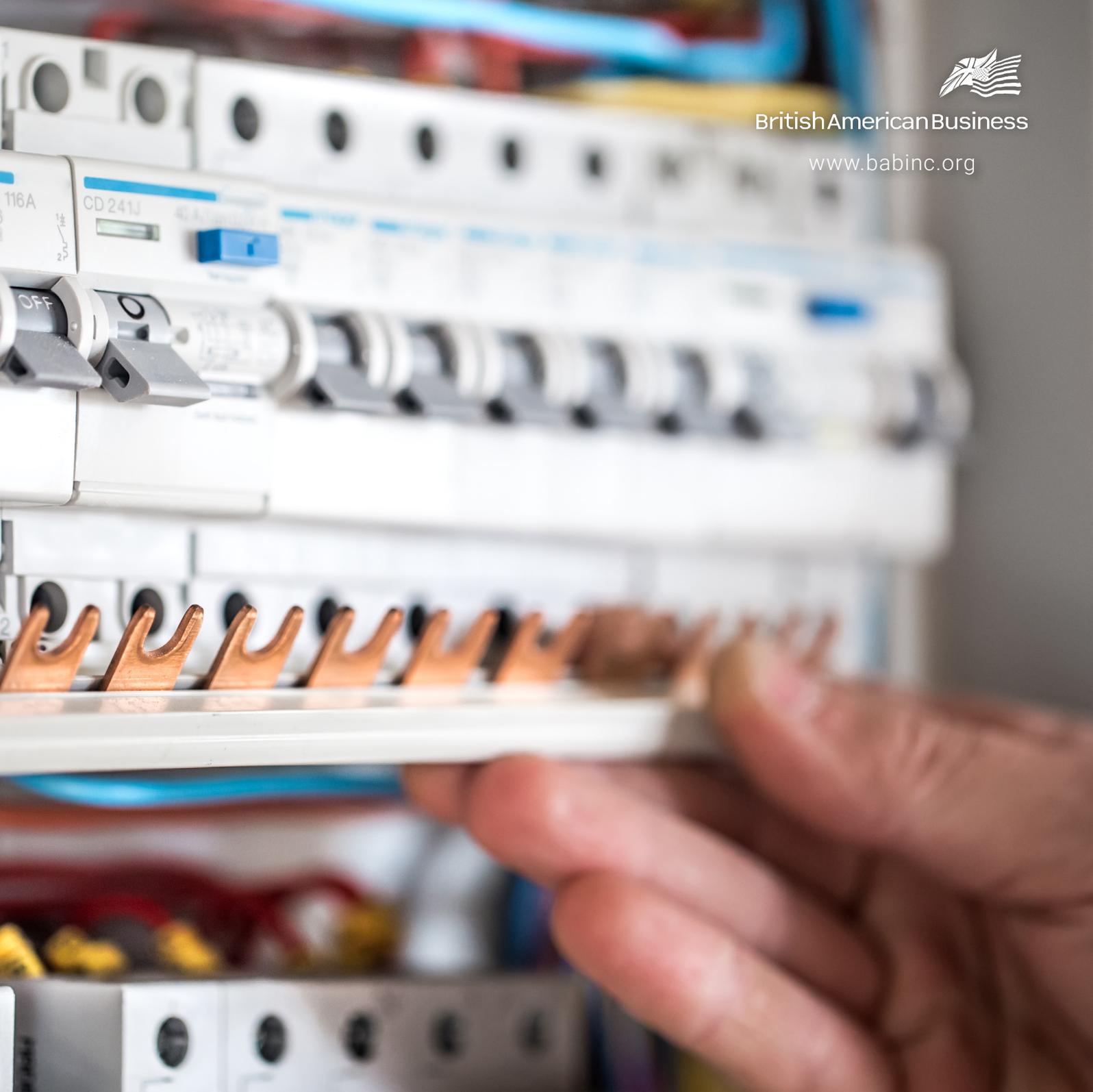




BritishAmericanBusiness

www.babinc.org



Tackling the Skills Shortage

Recommendations to Help Develop the Talent that our Economies Need

Dagny Ahrend, Policy Associate, BritishAmerican Business
Emanuel Adam, Chief Trade and Policy Officer, BritishAmerican Business
Robert Bailey, Strategy Analyst, Accenture, Member of the BAB Policy Group

Introduction

The COVID-19 pandemic has accelerated a longstanding trend: a skills and labor shortage driven by digitalization, automation, globalization, and a change in demographics. In fact, whether it be in IT or logistics, employers are struggling to fill hundreds of thousands of open positions due to a lack of skills and people.

In this context, developing a strong, resilient, and skilled workforce continues to be an even greater priority for government in the United States (US) and the United Kingdom (UK), as well as for businesses who rely on skills and people to grow and innovate.

Addressing the existing skills shortage will require primarily domestic policy solutions. There is, however, also a case to be made for the UK and the US to take a joint lead on this crucial issue, and for transatlantic cooperation to accompany domestic efforts. The UK and US are in a unique position to drive tangible, significant change by setting a bold transatlantic vision for the future of labor markets and education frameworks – leading to sustainable growth for both economies and a more inclusive workforce.

Building on the BAB 2021-2022 Policy Agenda, this white paper sets out the current skills and labor challenges in both markets and identifies areas where progress can be made to tackle these issues.¹ In its recommendations, the paper calls on both the UK and the US governments to prioritize education and skills through domestic policy measures and new bilateral initiatives.

State of Play

More than ever before, digitalization and automation are defining the future of work, and consequently, the future of education. The World Economic Forum (WEF) estimates that 84% of employers are preparing to rapidly digitalize working processes, with the potential to shift 44% of their workforce to remote operations.²

Emerging professional clusters such as cloud computing, data and AI, software engineering, product development, and advanced offerings in the care and green economies will all require high-skilled workers to fill labor needs. Yet, as WEF reports, the greatest perceived barrier to the adoption of new technologies is skills gaps in local labor markets.³

In the UK, there is significant demand for data skills within the labor market. Research has shown that British companies are recruiting for close to a quarter of a million roles requiring hard data skills, comprising almost half (48%) of total British businesses.⁴ Despite this demand, 46% of British businesses have struggled to recruit for these roles in the past two years, due to a limited supply of skilled workers.⁵ Labor shortages in sectors such as hospitality, logistics, or manufacturing are also persistent.

In the US, similar trends have impeded on the labor force's ability to match the demands of the market. The National Association of Business Economics (NABE) found that 57% of respondents to its January 2022 Business Conditions Survey reported a shortage in skilled workers, up 10% from the previous survey in October 2021.⁶ Lack of skill development is especially pronounced in more vulnerable demographic populations like women, youth, people of colour, and the disabled.

Both the UK and the US government have made a welcome and concerted effort to address these challenges and narrow the skills gap. In the UK, skills and education are at the heart of the Government's levelling up agenda. The Levelling Up White Paper, published earlier this year, pledges to significantly increase the number of people successfully completing high-quality skills training in the UK by 2030.⁷

In the US, a number of recent legislative proposals have included provisions to expand access to skills training and workforce development, including the COMPETES Act, the American Jobs Plan, and the Workforce Innovation and Opportunity Act. The Biden administration has made skills and education a central focus of its domestic policy agenda to drive economic recovery and maintain the competitiveness of the American workforce.

These objectives are in line with the strong education programs that many transatlantic companies offer to train workers including through partnerships with educational institutions, investing in digital skills training, or apprenticeship training programs.

While these efforts have been well received, the repercussions from the COVID-19 pandemic have shown that current initiatives will not suffice to successfully address the skills and labor shortage. Both events have placed an unusual strain on global markets by inducing a skills shortage and a worker shortage for both high and low-skilled laborers. Travel and border restrictions in 2020 and 2021, as well as a backlog in processing visa applications, have exacerbated the negative effects of the pandemic and made it more difficult for many industries to recruit skilled workers.

In the UK, the situation is even more pronounced, with the added complexity of a changing immigration landscape following Brexit. The UK Government has sought to address labor shortages by launching a points-based immigration system, which provides arrangements for UK employers to recruit skilled workers through different immigration routes.⁸ This system provides an important incentivization path towards upskilling, with programs such as Skills Bootcamps and the Kickstart Scheme offering workers the chance to develop transferrable skills aimed at increasing their odds of sustained employment.⁹

While recent adjustments to the British immigration system are certainly welcome, at the moment they are still incapable of filling the skills gap and labor shortage. Job vacancies in the UK are at a record-high, 147% of their February 2020 average, while nearly half of UK businesses indicate retaining talent is a top priority for 2022.¹⁰ Left unaddressed, the current skills gap will likely have a negative impact on UK competitiveness post-Brexit.



For transatlantic businesses, whether large or small, the availability of skills and people has become a cornerstone of their growth ambitions. At the latest UK-US SME Dialogue held in Boston, Massachusetts, representatives from small businesses indicated that the continued availability of skills and people will be a defining factor in their future expansion decisions in those markets. Furthermore, the 2022 BAB / Bain & Company Confidence Index, released in July 2022, revealed that transatlantic companies see the current challenges around the availability of talent as a major impediment to their future growth plans.

Businesses are already at the forefront of efforts to narrow the skills gap, and these actions should be supported by government initiatives that accelerate economic growth and help to develop a high-skill workforce. The following recommendations outline areas for transatlantic cooperation, as well as domestic policy solutions in addressing current skills and education challenges.

Transatlantic Business Recommendations to Help Build and Provide the Talent that our Economies Need

1 Develop and expand inclusive education plans and skills training schemes that align curricula with the skills needed to close the digital divide

The root of the skills gap is educational limitations – both within classrooms and skills training programs for working adults. The US and UK have the opportunity to prepare for the future of work by levelling up or developing new domestic training schemes that reflect the economy's future dependency on highly skilled workers.

Digitalization in particular will continue to define the global economy going forward; it is essential that education and jobs-training programs put forth curricula that are aligned to these trends and instil foundational digital aptitude for all learners. It is also critical that these domestic training schemes are designed and implemented with all segments of the population in mind, fostering inclusivity and connectivity to ensure that no one gets left behind as global trends continue to accelerate.

To do this, **both governments should develop and expand inclusive education plans and skills training schemes that align curricula with the skills needed in the market.** The framework for these efforts should be a long-term approach, starting from targeted investment in education and development of science, technology, engineering and mathematics (STEM) skills at school and training of apprentices and students at university.

In the US, expanding and scaling up public-private apprenticeship programs, such as the existing schemes funded by the Department of Labor, would increase access to workforce training across sectors and states. In addition, many US states have established successful workforce development initiatives which could also be expanded to provide equitable access to training and be designed in close partnership with the private sector to align with the skills needed in the workforce.

A current example of a successful employer-led skills and education curricula is offered by the UK company Springpod. The company, which recently launched a partnership with the US State of Rhode Island, has successfully run thousands of apprenticeship programs for young people to help them make educational decisions that are right for their future careers and suited to the skills needed in the workforce.¹¹ Many of these programs are run in partnership with employers or educational institutions, offering a bridge between the education and private sectors to help develop crucial skills

In the UK, commitments set out by the Department for Education to increase local education and training

infrastructure and employer-led programs should continue to be a priority of the government's levelling up agenda, something many transatlantic businesses, such as BAE Systems or Amazon UK, actively support.¹² For example, Amazon is working with local Chambers of Commerce to identify relevant regional skills gaps and giving local businesses the opportunity to learn about Career Choice. Through the Career Choice program, Amazon currently funds 95% of tuition, books and fees for nationally recognised courses up to £8,000 over four years so employees can progress in their careers at Amazon or elsewhere, whether it be training as a truck drivers or getting a college degree.

2 Work to increase minority and gender representation in training programs and the workforce more broadly

A central part of addressing the skills gap will be attracting and retaining a more diverse workforce. There have been a number of welcome initiatives, both by governments and businesses, to increase the diversity of the future talent pipeline by engaging with young students from traditionally underrepresented groups to explore careers in fields like STEM. Continuing partnerships between the public and private sectors to encourage this will help to develop a more inclusive, resilient workforce in the future.

Furthermore, an emphasis needs to be put on female inclusion in the workforce following the employment disruptions caused by the COVID-19 pandemic. In the US, female unemployment rates rose considerably more than the OECD average between 2019 and 2020 and at a higher rate than male unemployment, rising from 4% to 8%.¹³ In the UK, women's employment dropped from 72.6% January-March in 2020 to 71.8% in October-December 2020. Although employment for men dropped by a larger percent in 2020 (from 80.1% to 78.2%), working mothers were 1.5 times more likely than fathers to have either lost their job or quit since March 2020.¹⁴

Even as the US and UK emerge from the pandemic, many women have yet to return to work.¹⁵ **To support women looking to re-enter the workforce, businesses and government alike must review recruitment and training processes and address remaining barriers to workforce participation such as the affordability and accessibility of childcare.**

3 Introduce governmental incentives for skills training through reshaped regulatory and tax frameworks that encourage job creation

Stimulating skilled job creation is paramount for the US and UK in designing their education and skills programs. **The US and UK governments should accelerate private sector-led digital skills training by delivering financial incentives such as tax subsidies, tax cuts, and subsidized loans to businesses as part of a broader strategy for further investment in education and training.**

At the same time, both **the US and the UK should also ensure that the design and implementation of training programs are flexible to meet employer and employee needs.** For example, the UK Apprenticeship Levy could be made more accessible by adopting a flexible approach to functional skills requirements, adjusting the time spent on training, or relaxing requirements for full time employment—the latter of which would



be a valuable way to encourage parents to return to work. The use of levy funds could also be expanded to cover costs beyond training to increase uptake by people from disadvantage backgrounds. Funds generated in London should also be accessible for use in other parts of the UK.

Furthermore, **economic incentives in both countries should be accompanied by regulatory policy changes that remove bureaucratic obstacles to job creation.** By leveraging advanced technologies to make it easier for businesses to meet administrative and licensing requirements, the US and UK can spur entrepreneurship growth as a core component of their upskilling strategy.

4 Build on recent US-UK initiatives to develop the skills both economies need

The US and UK have committed to developing the skills and talents needed in the workforce, deliver jobs at home, and invest in research and development through recent partnership agreements like the New Atlantic Charter, the science and technology partnership announced June 2021, or state-level Memorandums of Understanding (MoU).¹⁶

These initiatives offer a useful starting point for future cooperation to strengthen each country's workforce and should be integrated into a transatlantic education and skills strategy. **The US and UK governments should work collaboratively to evaluate gaps in domestic markets, share best practices, and increase their joint investment in the skills needed for advancement in science, mathematics, or sustainable technologies.**

Making skills and education an integrated part of the UK's state engagement campaign in the US would be one way to accomplish these objectives. Notably, commitments to joint workforce development initiatives were included in a recent MoU between the US state of Indiana and the UK.¹⁷

As part of a transatlantic skills strategy, **the US and UK should also endorse a government-business campaign intended to showcase how transatlantic business investment in people and communities creates the jobs for the future.** The campaign should highlight existing case studies of the many apprenticeship programs, university partnerships, funding schemes, or reskilling initiatives that transatlantic businesses currently support.

The purpose of a joint campaign is twofold: It would keep the momentum behind this policy issue, and act as an encouragement to policymakers and businesses to continue to invest in workforce development, while also raising awareness of the many training programs that are currently available to students and workers across the US and UK.

5 Ease domestic labor shortages by addressing barriers to transatlantic labor mobility, allowing for talent acquisition from international markets to complement home-grown talent

Attracting temporary or permanent international workers has been a huge part of the economic success of both the UK and the US. The deep economic ties between both countries are in part built on the ability of entrepreneurs and company employees to move between the two countries to work, whether short- or long-term. Therefore, efficient mechanisms that allow for the recruitment from abroad should always accompany domestic solutions.

As emphasized in BAB's 2020 White Paper 'Open for Business; Open for Talent,' **the UK and the US Governments should capitalize on the strong bilateral relationship they share to make a positive case for immigration, showing that the UK and the US are not only open for business, but also welcome the**

exchange of workers that is so beneficial for both economies, not least because of the economic and demographic pressures that advanced economies more broadly face.¹⁸

Ways to advance progress in this area include creating a renewable investor and business visa for professionals without a lengthy application process or restrictive quotas, the expansion of mobility provisions in existing bilateral agreements like the UK-US sciences and technology agreement, and the shortening of visa processing times at local embassies.

In addition, **the US and the UK should explore how immigration policies can further encourage professional and educational training opportunities that are currently offered to employees across the Atlantic**. For example, the US company IBM regularly offers their US employees an opportunity to spend a limited amount of time in the UK as part of their professional training.

Conclusion

The US and the UK have common challenge: tackling the skills shortage. This paper makes the case for the US and the UK to take a leading role in establishing the frameworks that will help deliver the talent our economies need.

Both countries have launched ambitious programs to address some of the limitations of the current labor market, but these can and should be expanded to better fit the skills needed by employers and to promote a more inclusive workforce.

To do this, governments should look to introduce new incentives for skills training through reshaped regulatory and tax frameworks that encourage job creation and training.

These steps should be complemented by continuing public-private partnerships, which as demonstrated by many companies across the US and UK, offer tremendous value to students, workers, and employers. Many transatlantic companies have led the way in establishing these programs and can offer a tangible example and template to inform future initiatives.

Greater transatlantic cooperation, whether through joint communications campaigns, efforts to lessen labor mobility restrictions, or the expansion of current bilateral initiatives, would be a valuable addition to these domestic policy efforts.

Addressing the education and skills gap will make the US and the UK a leading force on one of the most important economic issues of our time. It will further cement the special relationship between both countries, to the benefit of their people, businesses, and economies.

References

- ¹ BritishAmerican Business, '[2021-2022 Policy Agenda](#),' October 2021.
- ² World Economic Forum, '[The Future of Jobs Report 2020](#),' October 2020.
- ³ World Economic Forum, '[The Future of Jobs Report 2020](#),' October 2020.
- ⁴ Department for Digital, Culture, Media & Sport, '[Quantifying the UK Data Skills Gap](#),' 18 May 2021.
- ⁵ Department for Digital, Culture, Media & Sport, '[Quantifying the UK Data Skills Gap](#),' 18 May 2021.
- ⁶ NABL, '[Business Conditions Survey](#),' January 2022.
- ⁷ HM Government, '[Levelling Up the United Kingdom](#),' 2 February 2022
- ⁸ UK Visas and Immigration, '[The UK's points-based immigration system](#),' February 2022.
- ⁹ UK Visas and Immigration, '[The UK's points-based immigration system](#),' February 2022.
- ¹⁰ Confederation of British Industry, <https://www.cbi.org.uk/our-campaigns/helping-businesses-navigate-labor-shortages-and-grow/>
- ¹¹ Springpod, <https://www.springpod.com/>
- ¹² HM Government, 'Levelling Up the United Kingdom,' 2 February 2022
- ¹³ PwC, [Women in Work 2022](#), 2022
- ¹⁴ Frances-Devine, B., '[How has the coronavirus pandemic affected women in work?](#)', House of Commons, 8 March 2021
- ¹⁵ Calvin, B. and Rugaber, C., '[Many women have left the workforce. When will they return?](#)' AP News, 4 November 2021
- ¹⁶ HM Government, '[The New Atlantic Charter 2021](#),' June 2021; DCMS and BEIS, '[UK and US agree to strengthen ties in science and technology](#),' June 2021
- ¹⁷ UK Department for International Trade, '[Memorandum of Understanding on economic cooperation and trade relations between Indiana and the United Kingdom](#),' 27 May 2022
- ¹⁸ BritishAmerican Business, [Open-for-Business-Open-for-People-A-Way-Forward-for-UK-US-Labour-Mobility.pdf \(babinc.org\)](#), 2020



Proudly part of



BritishAmerican Business is the leading transatlantic trade association incorporating the British-American Chamber of Commerce in the US and the American Chamber of Commerce in the UK.

We are committed to strengthening the economic corridor between the United States and the United Kingdom by supporting policies and actions that protect and enhance the environment for transatlantic trade and investment on behalf of our members.

We convene and serve a growing network of companies and business leaders through networking opportunities, bespoke programming and marketing platforms.

We actively promote trade and investment and support those who make the transatlantic corridor part of their business growth ambition.

For more information, please visit www.babinc.org

July 2022
BritishAmerican Business
www.babinc.org