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MANAGEMENT & CAREERS

Why Companies Are Failing at Reskilling

In a tight labor market, employers from Amazon to JPMorgan are trying to get better at retraining the workers they have. 'We need a Waze for your career,' says one labor expert.

By *Lauren Weber*
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While executives bemoan the cost of hiring in a tight labor market to meet fast-changing business needs, there is a ready pool of talent they wouldn't need to spend a dime recruiting: their own workers.

If only they knew how to reskill them.

Thousands of companies across the country are in the thick of a digital revolution that requires them to transform their operations. They need an employee base that's ready to do new kinds of work, filling roles that are just emerging and adapting existing jobs to integrate more data and automation.

Career Options

Shoppers' migration to e-commerce has left many retail workers in transition. Sales associates can put their customer-service skills to use elsewhere.

Source: Burning Glass Technologies

Instead of teaching new skills to their current workers, employers often choose the disruption and high costs of layoffs or buyouts. Why? Sometimes the required skills aren't easily taught to existing employees, experts say. It's also often because companies have only a hazy sense of what their internal talent is capable of, and migrating large numbers of employees into new positions requires time, money and commitment.

Employers are still trying to master the challenge of mapping the skills of their current workers, identifying the skills required of their future workforce and filling the gaps between the two. By the time many companies figure out exactly who they need, it's often too late to invest the necessary time and money into retraining.



Walmart is using virtual-reality training to prepare workers to better interact with customers. Here, employee Andrew Weyand tries out the VR goggles during a training session at a Walmart store in Natrona Heights, Pa., on a recent day. PHOTO: ROSS MANTLE FOR THE WALL STREET JOURNAL

That “buy, not build” talent strategy is getting more difficult—and expensive—to pull off, especially in a market where the supply of skills like cloud computing and cybersecurity can’t satisfy the immense demand for them, said Paul Daugherty, chief technology and innovation officer at Accenture PLC.

“Executives have this idea that ‘as my people become obsolete, I’ll just hire new people,’ ” he said. “Well, they won’t be there.”

That leaves employers with an urgent task: investing in their current workers. Upskilling, reskilling, retraining, even new-skilling—[these words are used interchangeably](#) for the process of preparing workers for jobs that require technical skills along with creativity, interpersonal skills, adaptability and the capacity to continue learning.

SHARE YOUR THOUGHTS

How do you expect new technologies to change your own job in the coming years, and how is your employer re-training its team for the jobs of the future? Join the conversation below.

Companies new and old are trying to get better at reskilling. [Amazon.com](#) Inc. will soon begin offering a path for workers to rise from warehouses to data centers, doubling their earnings along the way and helping Amazon staff a fast-growing part of the business.

Fulfillment-center employees can go through a 16-week certification program in glass-walled classrooms built inside Amazon warehouses and, if the retailer hires them as data technicians, their wages will rise from an average \$15 an hour to \$30. A spokesman says Amazon is exploring other upskilling initiatives.

[JPMorgan](#) Chase & Co. last month unveiled a plan to work with the Massachusetts Institute of Technology's Initiative on the Digital Economy to forecast emerging skillsets and develop training programs for its workforce.

Career Options

General Motors is cutting its salaried workforce and laying off factory workers as it invests more in electric and autonomous cars. It's a sign of things to come for the auto industry, where many jobs face high automation potential. An entry-level assembly machine operator might find better options elsewhere.

Source: Burning Glass Technologies

JPMorgan, which has 250,000 employees, is rolling out a platform called "skills passport." The project so far has been deployed in the bank's IT department, and it will soon be tested with employees in operations roles. Workers use it to take assessments to measure their current skills, and view career options and a curated list of activities and training they can take, said Jennie Sparandara, head of workforce initiatives.

The bank has also pledged \$600 million for workforce development programs through its philanthropy arm. Those primarily benefit non-employees.

At [AT&T](#) Inc., 180,000 employees so far have participated in its Future Ready program. Workers can assess their skills, then pursue short-term badges, nanodegrees taking up to a year to complete, or master's degrees in fields like computer science and data science offered in partnership with institutions such as the Georgia Institute of Technology and the University of Notre Dame. Most classes and credentials are paid for by the company, but workers do the coursework primarily on their own time.

What's key is transparency, said John Donovan, chief executive of AT&T's telecom business. The online system shows which jobs are in high or low demand. "We show the projected annual salary and its projected growth rate, so you can pick a future and get a sense of what would that do to change [your] economics," he said.



Career Options

Amazon and other e-commerce companies have created millions of low-paying jobs at fulfillment centers. At Amazon, some warehouse workers have been offered a data technician training program that could lead to a doubling of wages. For the many others, construction, maintenance and sales jobs offer some alternatives.

Source: Burning Glass Technologies

That doesn't mean layoffs are a thing of the past. The company shed about 15,600 jobs in 2018, after adjusting for several acquisitions, including Time Warner. Many of those have come from the closures of call centers, as AT&T automates some of the work and outsources some to third-party providers.

"We haven't seen evidence these new training programs are being shared across all strata of the company," said Nell Geiser, assistant director of research at the Communications Workers of America union that represents thousands of AT&T employees. "The company is shrinking its workforce and if you don't have a job, you can't get trained for a new one."

Mr. Donovan says that Future Ready has helped AT&T avoid a lot of external hiring in recent years. "We've moved people across groups in really dramatic fashion," he said.

Still, letting go of people whose skills are becoming obsolete remains a stock response to shifts in business strategy in part because shareholders can more readily understand a plan that calls for simultaneous layoffs and hiring rather than a resource-intensive training initiative, workforce planners say. They see it as a cost savings, but in reality fresh talent can also be expensive, and layoffs incur billions of dollars in restructuring costs while creating upheaval for those who lose their livelihoods.

Consider these recent workforce reductions: [General Motors](#) Co. said last fall that it would cut 8,000 salaried employees, many of them engineers and designers in product-development roles,

while hiring aggressively to expand its electric and autonomous vehicle divisions. [Verizon Communications](#) Inc. granted buyouts to 10,000 people in 2018, even as it adds data scientists and marketers to help find new applications for its faster 5G wireless technology. And German software maker [SAP SE](#) recently said it would shed 4,400 jobs while it adds 5,000 to bulk up investments in areas like cloud computing, artificial intelligence, blockchain and the so-called Internet of Things.

Career Options

The help desk can be a first rung on the career ladder for workers with some IT skills. Here are some ways to move beyond.

Source: Burning Glass Technologies

When GM's cuts were announced, Chief Executive Mary Barra said they were necessary to position the auto maker to be "agile, resilient and profitable." She later told reporters that the company would continue to hire and was focusing on the "skillsets of the future." In January, Verizon CEO Hans Vestberg told analysts that the company is undergoing transformation that requires "new ways of working." When SAP Chief Executive Bill McDermott told investors in January about the company's restructuring, he stressed that SAP was "optimizing our workforce." He has said the restructuring would involve new assignments for some workers as well as early retirements and exit packages.

Investing in new technology can often be easier for companies than negotiating the organizational challenges that come with reskilling workers, said Erik Brynjolfsson, director of the Initiative on the Digital Economy at MIT.

"It's one thing to invest in machine learning; it's another to reinvent an organization or a business model," he said. "Human capital is quantitatively a much bigger share of the capital in the economy than physical assets like plants, technology and equipment, and we understand it less well."

Cumulatively, firms spend billions of dollars every year on technology devoted to digital transformation, but executives admit to confusion and uncertainty about the impact. A recent Accenture survey of 1,200 executives found that, while nearly half say skill shortages are a major concern for the future of their firm, only 3% said they will significantly increase their training budgets over the next three years. In a separate survey conducted in 2017 by consultancy McKinsey & Co., 35% of U.S. executives said they believe they will realize their digital goals mainly or only by hiring new talent.

Career Options

Data entry jobs experienced massive growth in the early years of the computer revolution. But automation is destroying many of those roles. Employers will need 7% fewer data entry clerks by 2028, according to Burning Glass.Source: Burning Glass Technologies

Companies also struggle with how prescriptive to be in order to successfully reskill their people. [Tenaris](#) SA, a 23,500-person maker of steel pipes, in 2005 developed a corporate university. Managers assigned employees “a very long and very fixed course of study” depending on the positions they were in, said human resources chief Paola Mazzoleni. But the initial buy-in from employees faded as they came to view the training as a company-organized effort in which they had little say. “It was a gigantic effort from the entire organization,” and yet, she said, “employees were advancing very slowly.”

Now Tenaris puts more responsibility on the shoulders of workers to determine the skills they will need moving forward and urges them to use a company-sponsored online learning platform to retrain themselves. “We’re placing the employee in the center,” she said.

Andy Trainor, Walmart’s vice president of U.S. training, says shoppers have commented that employees seem better prepared since the retailer rolled out customer-service training like this class on a recent day. PHOTO: ROSS MANTLE FOR THE WALL STREET JOURNAL

Employers are getting little help from the government. Washington politicians spend a lot of time talking about training, but U.S. workers receive relatively little career education. A White House report last year showed that nearly all spending, public and private, on education and training occurs before a person turns 25—essentially while they’re in formal school. The U.S. ranked second-to-last among 29 developed nations in terms of taxpayer-funded training investment, according to the Organization for Economic Cooperation and Development, and has shown little appetite for experimentation.

Other countries are being more proactive: Singapore and France recently started giving workers



an annual allowance for approved career training. Through a program called Second Career in Ontario, Canada, low-skilled workers displaced from their jobs receive grants of up to 28,000 Canadian dollars to cover training in growing occupations, along with costs such as child care and transportation.

“Many countries we compete with see continual worker retraining as part of their economic strategy. The way we’ve traditionally treated education in this country is the government is responsible for your education until age 18, and after that it’s more of a private matter,” said Andy Van Kleunen, chief executive of the National Skills Coalition, which advocates for better job training.



AT&T points to LaJuana Reese as a success story in its training efforts. Since her hiring in 1988, Ms. Reese has evolved along with the company. PHOTO: AUDRA MELTON FOR THE WALL STREET JOURNAL

How to break through the challenges, inefficiencies and resistance? Matt Sigelman, chief executive of Burning Glass Technologies, a labor-market research firm, said employers and educators can do a better job of helping people find logical, reasonable career paths. Labor

experts call this “skill adjacencies,” essentially diagnosing a person’s present skills and identifying promising careers that offer higher wages or growth in demand while requiring minimal investments of time and money in retraining.

“We need a Waze for your career,” Mr. Sigelman said, referring to the navigation app that offers real-time maps and driving directions. “You could look at jobs that are adjacent to your skillset or role, and with fairly light training, you can make a jump into a better job.”

The secret to successful reskilling, he says: keeping training short enough and achievable enough that workers can learn real skills and both they and employers get a return on investment.

Mr. Sigelman said the necessary data is out there, stored in billions of job listings, professional profiles, the databases of tech-enabled networking groups like Github or Meetup, and course listings of education providers. But it will take a massive investment of political will and funds to capture and compile all that data into a user-friendly platform that could help individuals and employers map out the career paths of the future, he added.



Icons for some of Ms. Reese's training badges. PHOTO: AUDRA MELTON FOR THE WALL STREET JOURNAL

One success story is LaJuana Reese, 51 years old, who started her career in 1988 as an operator at AT&T. She moved up into a variety of roles in sales, as well as training and management, as the company moved deeper into software-based telecommunications and its old business of wires, routers and switches has faded.

Over the years, she collected more than 100 badges as she took classes in data analytics and agile development methods, among other topics.

In October 2016, Ms. Reese moved from a job doing workforce management and labor forecasting to become a senior program manager in the company's network department, helping to implement big technology projects. The promotion came with a 10% raise.

"I felt it was time to make that leap even though it was very different from what I'd traditionally done," said Ms. Reese, who was identified by AT&T for The Wall Street Journal to interview.

For other companies, the changes are more incremental but no less about the survival of a legacy business. [Walmart](#) Inc. is rolling out new technology, such as robotic shelf scanners and a conveyor system that partially automates unloading trucks.

As Walmart automates functions formerly done by humans, the company is trying to give workers new skills. Here, Walmart's shelf-scanning robot at the Natrona Heights, Pa., store. PHOTO: ROSS MANTLE FOR THE WALL STREET JOURNAL

With humans doing fewer repetitive tasks, Walmart is using the savings to upskill employees to provide better customer service by, for example, using virtual-reality training to prepare them for Black Friday rushes and help them empathize with a customer who is struggling to find the cash to pay for a purchase.

“People don’t need to come to a physical store anymore,” said Andy Trainor, Walmart vice president of U.S. training, citing online shopping and curbside pickup. “The reason people come to a store is for the experience.”

After Walmart rolled out customer-service training more broadly, shoppers reported that more people seemed to be employed in stores and ready to assist them.

“Actually it was the same number,” Mr. Trainor said. “The associates just were no longer in hiding.”

Training Daze

Companies face a number of hurdles to successfully training workers for the skills needed in the

evolving digital economy. Among the challenges:



- **Data:** Companies typically don't have a clear view of their own employees' talents. Few firms have repositories of data on a person's skills, internal reputation, learning capacity, ambitions and interests, said Dani Johnson, co-founder and principal analyst at RedThread Research, which advises companies on their human capital strategies.
- **Speed:** Converting a mechanical engineer into an electrical engineer, or a business analyst into a data scientist doesn't necessarily happen in one quarter — or even a fiscal year—the cadences that shareholders understand. "Upskilling takes time. A hiring manager can usually find someone quicker outside the company," Ms. Johnson says, even if it's a more expensive contract worker.
- **Worker engagement:** If companies involved workers in decisions on new technology to implement, they would find that some already have the knowledge and others can be trained. "If we change that process, then we would see the potential of the workforce. We would see where the training needs are," said Thomas Kochan, a professor of industrial relations and work at MIT's Sloan School of Management.
- **Money:** Employers have long shown a reluctance to invest the dollars needed to successfully retrain large swaths of staff, even when the economy is strong. In 2017, organizations spent around \$1,300 per employee on training, up 8% from 2013, according to the Association for Talent Development. And as the economy declines, training budgets are typically slashed. One paper found a 28% decline in employer-funded training between 2001 and 2009.
- **Unrealistic expectations:** Society needs to recalibrate expectations for worker retraining. Laid-off coal miners probably won't become data scientists, and few AT&T lineworkers will morph into software developers as the company transitions from a telephone company to a wireless and services business.

READER REQUEST

What has your experience with reskilling been like? Write to Lauren Weber at lauren.weber@wsj.com to share your story.

—Eric Morath contributed to this article. Graphics are by Kara Dapena.

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