Lifelong Education and Labor Market Needs

An examination of how ongoing learning benefits the society, the corporation and the individual
Executive Summary

Many North Americans have trouble keeping pace with the changes occurring in today’s workplace. Despite the existence of 9.3 million unemployed Americans, the country experienced a shortage of 7 million skilled workers in 2010, a shortage that is expected to climb to 21 million by 2020. A lack of educational attainment sits at the root of the issue. So much so, that unless more North Americans strive to achieve a higher level of education, average income per capita is going to decline within the next decade.

The EvoLLLution commissioned an independent research firm to analyze the changing dynamics between lifelong education and workforce productivity. The research included in-depth interviews with North American employers from three different sectors of the economy, as well as a thorough review of existing research.

The results of the primary research reveal that employers believe ongoing education and skill upgrades to be critically important in today’s workplace. 70% of employers believe that employees need continuous learning simply to keep up with the demands of their current jobs. Beyond keeping up, ongoing education helps employees ascend the corporate ladder, allowing corporations to significantly reduce their bottom line by avoiding the high costs associated with outside hires.

In addition to benefiting society and the corporation, continuing education and professional development efforts reward the individual with increased compensation, with nearly 9/10 of employers factoring it into pay increases.

Labor needs vary by industry. Of course, each industry has slightly different education needs. Regulations and credentials drive learning in the healthcare industry. The technology sector requires just-in-time learning for employees to stay on top of the industry’s rapid changes, while companies in the business sector present more varied needs. Regardless of the industry, systems are in place for employees to get ahead in the workplace, but they must take advantage of the learning opportunities in order to succeed.
Survey Background

In October 2011, The EvoLLLution commissioned an independent market research firm to interview 200 employers from across North America ranging from mid-sized firms with approximately 250 employees to large firms with over 100,000 employees. The companies, based in the United States (166) and Canada (34), came from the following industries:

The research set out to understand the perspectives employers hold about lifelong learning and higher education in light of the massive changes recently experienced by the workforce and the resulting structural unemployment facing the nation. The research addressed these core questions:

1. What do employees need to do to get ahead?
2. How are employees rewarded or otherwise compensated for their educational efforts?
3. How does employee learning affect the company and the larger society?

Introduction: Continuous Education is Vital for a Successful Workforce, Economic Security

Today’s rapid pace of change demands that workers continuously educate themselves in order to avoid stagnating the economy.

Workplace roles and requirements are changing at an unprecedented rate. Of the employers surveyed, 70% believe that employees need continuous education just to keep pace with the demands of their current jobs. While on-the-job training or other informal methods of learning can be somewhat useful, formal education is considered to be much more effective. A recent global study of 12,500 managers strongly concluded that formal education was the most effective way to develop necessary workplace skills, outscoring all other training methods.

Despite widespread recognition of the importance of formal education, the average education level of the American workforce is expected to decline in the next decade, further widening the gap between the skills required by the economy and the skills possessed by the labor force. Already, 93% of mid-level professional jobs require an Associates degree or higher, yet only 38% of working age Americans have attained this level of education. This resultant gap between education levels and labor market needs is one driver behind the historically high levels of structural unemployment. 12.7 million Americans (8.2% of the working-age population) were unemployed in 2010, yet the nation experienced a shortage of 7 million skilled workers, a shortage that is expected to balloon to 21 million workers by 2020. Left unchanged, the skills gap will contribute to a decline in the average per capita income during the next 10 years, unless more Americans attain the necessary level of education—a level of education that is continuously upgraded over the duration of a career.

Degree Requirements VS Attainment

93% of mid-level positions require at least an Associates degree

Only 38% of Americans possess at least an Associates degree
The Challenge of Promoting from Within

An undereducated workforce has serious implications for the bottom line of companies. In addition to decreased productivity, undereducated employees cannot be promoted, and as such employers must make costly external hires in order to fill mid and high-level positions. 

Employers show a strong preference for promoting their own employees into mid-level positions, but many do not have qualified candidates to fill these jobs. As previously indicated, employees are largely unable to keep up with their jobs without ongoing education and as such they cannot be promoted. Just under two-thirds of employers said they first look internally to fill management-level positions. However, over one-third of employers reported that they are forced to look externally to fill those positions because:

• Current employees simply don’t have the skills needed for mid-level positions and have made little attempt to acquire the required knowledge and skills.

• Too many employees had been promoted without the necessary skills in the past.

• There are often not enough qualified people internally to move into a mid-level position; those that are qualified have already been promoted or requested the additional responsibility.

• The organization lacks a defined in-house employee development plan process.

Hiring staff from outside the organization can significantly increase costs for employers. Recruiting and training are costly initiatives that can be avoided through internal promotions, but failure is associated with an ever higher price tag for the corporation. Within four years, 64% of externally hired executives will fail at their new jobs. By comparison, 62% of internally promoted executives will still be with the company and 46% will be promoted a second time. For executive positions, the costs associated with turnover can be as high as 24 times the base salary. The cost of replacing a failed employee tends to be between 30-45% of the base salary.

Developing existing personnel through on-going education is clearly an effective means of managing labor costs. Mid-level positions require a fairly high degree of education. However, companies are more than willing to give entry-level employees time to procure these credentials in preparation for advancement. While 93% of mid-level positions require at least a two-year degree and 47% require a secondary degree on top of a bachelor’s degree, only 80% of entry-level jobs require a two-year degree or higher, and only 14% require an advanced degree on top of a bachelor’s degree. By systematically educating current employees, companies ensure their workers are performing optimally at their current position and prepare them to advance. Therefore, they are able to buoy their bottom line not only through increased worker productivity, but also by decreasing their turnover rate and hiring costs.

### Level of Education Require for Entry Level Jobs compared to Mid-Level Jobs

<table>
<thead>
<tr>
<th></th>
<th>High school diploma or nothing</th>
<th>Associate’s degree</th>
<th>Associate’s degree or professional licence</th>
<th>Bachelor’s degree or professional licence</th>
<th>Bachelor’s degree or professional licence</th>
<th>Master’s degree or professional licence</th>
<th>Professional licence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry Level Positions</td>
<td>17%</td>
<td>18%</td>
<td>9%</td>
<td>40%</td>
<td>9%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Mid-Level Positions</td>
<td>4%</td>
<td>10%</td>
<td>5%</td>
<td>61%</td>
<td>14%</td>
<td>22%</td>
<td>5%</td>
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Mid-level positions require a much higher level of education than entry level positions. Employees must therefore upgrade their education in order to be promoted or advance.
Employers agreed that education provides significant value to the company throughout the employee lifecycle, from initial hire to promotion and onwards. During the hiring phase, educational attainment gives employers a way to vet prospects, saving both time and money. In fact, more employers used scholarly credentials—more than any other means—as a way of verifying a prospective employee's knowledge and skills. The benefits of lifelong education, however, are greatest after the initial hire. 96% of employers said ongoing education has a positive impact on their employees’ job performance. According to employers, certain key characteristics differentiate the lifelong learners from the rest of their employees. Lifelong learners demonstrate ambition, leadership, and a desire to remain ahead of industry trends and advancements.

There is clear evidence from the survey that employers are willing to reward employees for their educational efforts. 78% of employers said ongoing education has a positive impact on career advancement and 87% said educational attainment positively affects compensation and salary. More than half of respondents revealed that credential accumulation directly affects pay. According to a report by the Georgetown University’s Center of Education and the Workforce, employees who engage in ongoing education regularly earn between 3-11% more than their counterparts.\textsuperscript{xii}

Employers have sent a clear signal that ongoing education will be rewarded. Reasons cited by employers include:

- Continuous education helps employees take on more projects and has a positive impact on the quality of work they are completing.
- Employees who take continuing education are enhancing their skill set within the framework of their work environment.
- Continuing education makes employees more qualified and easier to promote.

95% of the employers studied stated that they financially support employee education through various means. However, employees rarely take advantage of these opportunities. According to a study by Bersin and Associates, when 10% of employees participate in a tuition reimbursement program it is considered “very high” participation.\textsuperscript{xiii} Employers suggested that the most common factor for the low participation rates was poor employee motivation.

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\includegraphics[width=\textwidth]{chart.png}
\caption{Employers Say Ongoing Education has Positive Implications for the Company and the Employee}
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Employers recognize the impact of ongoing education and reward their employees accordingly.
Return on Education Investment By Industry

Ongoing education benefits society, the company and the individual; however, the type of education and its particular impact varies significantly by industry.

**Technology**

Moore’s Law states that computing power doubles every 18-24 months. It is not surprising, then, that the vast majority of technology employers stressed the importance of ongoing education as a means of maintaining currency in the field. 94% stated that ongoing education is “important” for their mid-level professionals, while nearly two-thirds of said it was “very important”.

The technology sector places significant emphasis on the development of skills, but is much less concerned with formal credentials. 75% of technology sector employers said ongoing learning was crucial for their employees to keep pace with their jobs, yet 69% have no preference for credit or non-credit courses—both statistics being the highest of any industry. Technology sector employees tend to favor “just-in-time” learning, with clearly defined outcomes. This is reflected in the preference (72%) in this sector for short-term seminars, individual courses or certificate programs — a marked 29% increase over the average in the two other sectors.

Employers in the technology sector are also most likely to promote from within rather than hire externally, with 71% of employers looking internally to fill mid-level positions. In order to best take advantage of this, employees must engage in ongoing education. Although employers have little preference as to whether employees take for-credit or non-credit courses, employees at certain stages of their careers may be best served by focusing on formal, for-credit education. Whereas only 47% of entry-level positions require a four-year degree or higher, 85% of mid level positions require the same. Furthermore, only 18% of entry-level positions require professional licensure, whereas 58% of mid-level positions have this requirement.

Succeeding in the technology sector requires employees to stay on top of industry trends and changes in skill requirements. As such, employees should look for licensures and certificates that provide them with the specific competencies needed by employers in their industry.

**Healthcare**

Ongoing education plays a larger and more official role in healthcare than in either of the other sectors studied. 98% of healthcare employers believed that ongoing education has a positive impact on their employees’ job performance. As one employer pointed out, participation in lifelong education demonstrates a willingness to learn more about the industry, and a desire to make more-informed decisions.

Healthcare industry employers are more willing to compensate employee learning than employers in other sectors. 89% of employers said the completion of additional study while employed is a positive factor in employee advancement and promotion, a 14% increase over the technology sector and a 24% increase over the general business sector. Furthermore, 95% of employers state that education has a positive impact on pay scale, with 68% noting a direct correlation. One employer pointed out that earning advanced degrees is rewarded with a 5% pay increase.

While ongoing education plays a substantial role in the healthcare field, 15% fewer employers said that education is necessary for employees to keep pace with their jobs than did employers in the technology sector. This apparent contradiction is explained by the importance of regulation and accreditation in the health care sector. Many positions in healthcare are regulated, and require specific educational credentials. Personnel are often required to obtain CEU’s (Continuing Education Units) in order to maintain their licensure, earn promotions, or both.

The importance of ongoing education in healthcare, though, varies by level of the position. This is made especially clear when considering the difference in requirements between entry-level and mid-level positions. On the one hand, entry level positions in the healthcare field require a lower level of education than other fields, with only 41% of jobs requiring a bachelor's degree or higher. On the other hand, 87% of mid-level positions possess the same requirements. The survey results made
it clear that the type of education is more important in this sector than in the others. 48% of sector employers felt industry-specific courses were most valuable for their employees to enroll in—more than any other sector. 44% of healthcare employers prefer for-credit courses over non-credit courses—a departure from other sectors in which the difference is less marked. Employees appear to have responded accordingly: 84% of employees enroll in degree, certificate or licensure programs.

Healthcare sector employees are more than twice as likely to enroll in licensure programs than are employees in the other two sectors studied. Given the highly regulated nature of the healthcare industry, employers most value for-credit licensure, certificate and degree programs for employees. To advance in the healthcare industry, employees must ensure they are taking programs that provide them with required credentials.

**General Business**

92% of general business-sector employers responded that it was important for their employees to participate in ongoing education during their employment. Nonetheless, ongoing education is considered less important in this sector than in the technology or healthcare sectors. This could be explained by the fact that the general business sector places greater emphasis on practical and applied knowledge than on theory. General business sector employers frequently pointed out that more practical courses with a spectrum of soft-skills incorporated into the curriculum would increase the relevancy of formal learning opportunities.

Among general business employers, only 71% said that completion of additional study is a factor in promotion and advancement—less than the technology (77%) or healthcare (89%) industries. However, increased credentials are still often required to advance. Only 51% of entry-level positions require a bachelor’s degree or higher, whereas 80% of mid-level positions require one. Despite their lower level of reliance on education, 95% of general business sector employers agreed that ongoing education has a positive impact on employee job performance. Furthermore, 79% of employers drew a link between salary and educational attainment, many pointing out the virtues of employees who show dedication to obtaining new skills and further integrating themselves further into their chosen industry. The development of soft skills, such as communication, management, and a customer service orientation, are of particular importance in the business sector.

Each sector has slightly different uses and levels of reliance on education. For example, the technology sector relies on education for employees to keep up with the rapid pace of change, whereas the healthcare field relies on certifications to keep employees on par with tight regulations.
Conclusion: Increasing Numbers of Adults are Enrolling in Continuing Higher Education to Climb the Corporate Ladder

Higher education institutions must adapt to serve the needs of this growing population of non-traditional students.

Ongoing education is highly valued by employers across all three sectors as a way to develop more productive and better-equipped employees. Consequently, employers take steps to ensure that their employees have access to continuing education. The growing emphasis on ongoing education is reflected in adult enrollment numbers collected by the National Center for Education Statistics (NCES). According to the group, enrollment of adult students has increased by 43% overall during the past decade, making up 42% of students enrolled in higher education institutions in fall 2009. This compared to only a 27% increase of “traditional age” students in the same period. Over the next decade, the NCES predicts there will be a further 23% increase in the number of adult students attending degree-granting post-secondary institutions, and only a 9% increase in “traditional” students.

Clearly, formal learning can no longer cease once a student enters the workforce. Continuing education is integral to the success of the employee, the company and society-at-large. The most successful employees will continue learning through their lifetime. Post secondary institutions, for their part, should be prepared to work closely with corporate clients in order to understand and ultimately meet the needs of adult learners in the workforce.
References

i Aslanian Market Research


ix Ibid.


xv Ibid.