

MANAGING OF SKILLS IN A COMPANY FROM PERSPECTIVE OF EUROPEAN LABOUR MARKET

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Abstract

The aim of article is to add some points to the discussion on the appropriate actions in regards to investment in human resources management, the proper managing of skills in companies in context of internal European labour market. The content takes a look how to protect and develop human capital in company at the same time and how to mitigate the negative impacts of actual and expected labour shortages on the basis of future staff demands foresight. The current European initiative of the *New Skills for New Jobs* is shortly described, as well as the problem of skills' recognition and matching is discussed via the tool for skills' assessment – *European Qualification Frame*. An idea is important, that the efforts to monitor and anticipate of labour market and skills requirements are necessary to help – especially temporary unemployed people – to be better adopted on labour market.

Key words: labour policy, skills' management, skills' assessment.

Classification JEL: J08 – Labour Economics Policies, J24 – Human Capital, Skills, Occupational Choice

1. Introduction

The current economic crisis has destabilized the labour markets in many European countries and has caused problems for various enterprises and many workers in both the west and the east of Europe. The sharp fall in global economic activities that began in the closing months of 2008, and lasting through the year 2009, lead to a number of problems in the world's labour markets, one of which is large-scale job losses, as it is reported in many countries across Europe (ILO, 2009, p. 5). The evidence from previous economic crises clearly suggests that increased unemployment may push a number of people into long-term unemployment and labour market withdrawal, and may therefore negatively affect overall participation rates in labour markets in the longer term. This could further aggravate the probable situation of labour shortages in separate branches.

But when the economy – and together with it – labour market – will be revitalized, the composition of jobs will obviously change. The boom industries of recent years, such as finance and construction, may never bounce back to pre-crisis growth levels. Car manufacturing, steel production and other industries that are experiencing temporary plant closures may eventually face permanent job losses. But at the same time – it could be observed the positive result of investment in job creation through current stimulus packages, done by national governments of different UE countries and by European anti-crisis policy to mitigate the impact of crisis. It will cause a rise in public employment and new jobs are expected in many branches: in infrastructure, carbon-neutral building, in ICTs and nanotechnologies, renewable energies and energy efficiency (European Commission, 2009, pp. 106 – 126).

The labour markets will therefore require different and totally new skill profiles from job applicants, including – temporary unemployed workers. This could be – paradoxically – a positive effect of the current crisis, which will push economic restructuring, especially job positions restructuring, and may therefore have a lasting structural effect on skills demand which are described for specific positions in organization. Globalization, ageing populations, urbanization also accelerate the pace of change in labour market and skills requirements.

For these reasons – as a part of the *European Economic Recovery Plan* (European Commission, 2008), was launched the initiative to promote employment and reintegration into

the labour market of workers made redundant through activation, retraining and skills upgrading measures.

2. Current skills and labour shortages in European Union

European Member States have already experienced skills and labour shortages for some years, with a negative impact on the productivity and profitability of enterprises, a widening of wage differentials and a loss of competitiveness for their economies. Despite differences in economic structure, there are striking similarities in the occupations experiencing shortages between the EU-15 and the EU-12. Some of the new EU member countries, with respectively fast growing economy (beside of economical crisis), are suffering job shortages - mostly due to the migration of workers with the requisite occupational skills to the EU-15.

And although the mismatches between the supply of skills and labour market demand are known for at least some years as a global, worldwide problem, it seems to be an alarm issue, that such European countries, like for example: Romania and Poland shows one of highest worldwide indexes of job shortages (see: Figure 1, respectively: in Romania 62 %, in Poland 48 % companies have difficulties with filling vacancies).

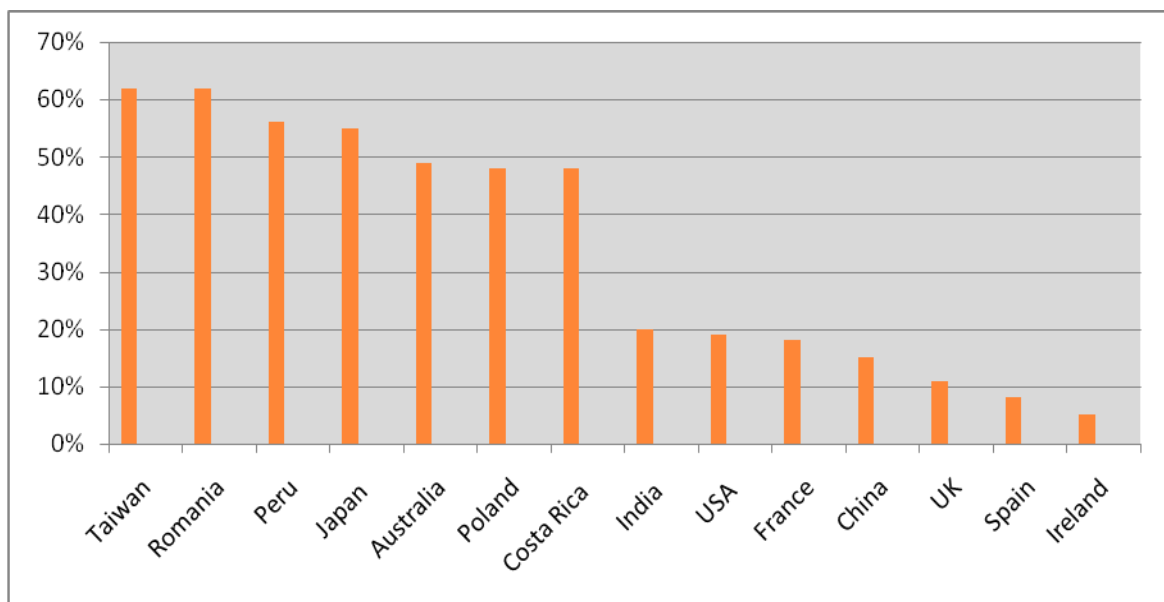


Figure 1: The world countries where are highest and lowest problems with filling vacancies

Source: Manpower: The Global Talent Crunch, 2009, p. 2

More detailed situation presents Figure 2, where are demonstrated indexes of job shortages in EMEA region (Europe/Middle East/Africa), specified on the same basis of current Manpower report (Talent Shortage Survey Results, 2009, p. 4).

The question however arises: why companies suffer with job shortages during time of high unemployment rates? We can only put the hypothesis, that – due to imperfect information and many structural rigidities, workers and businesses are not provided with the right level of skills in the right areas, which damages competitiveness in particular of smaller enterprises.

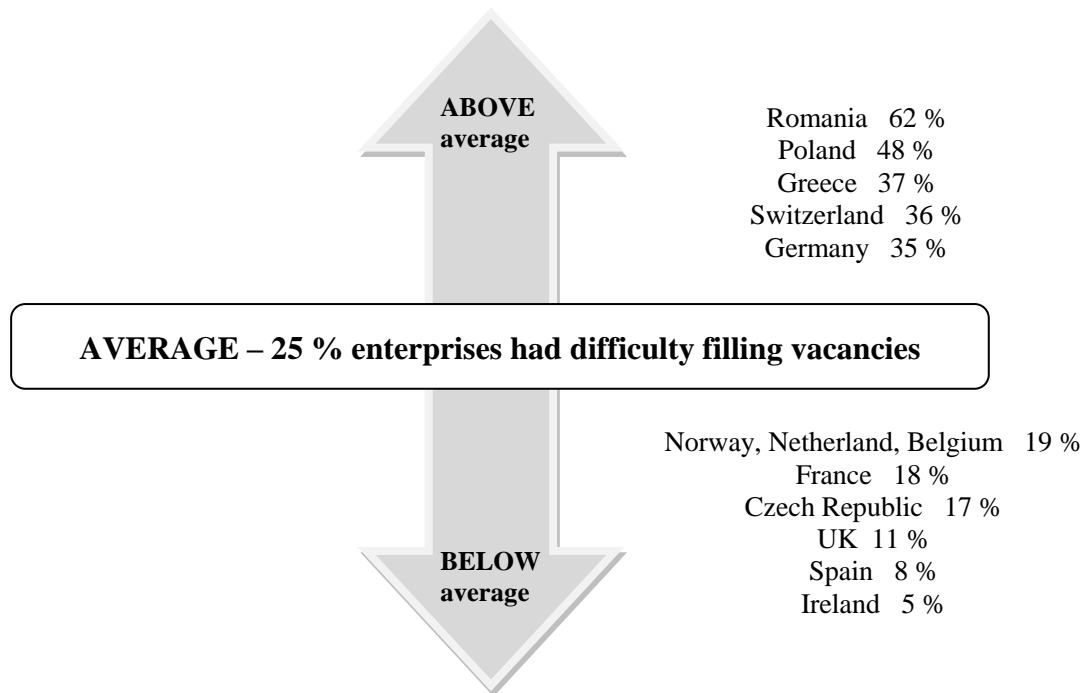


Figure 2: The European countries where are highest and lowest problems with filling vacancies

Source: Manpower: Talent Shortage Survey Results, 2009, p. 4

Occupations in which there are shortages in west and east of Europe include high- skilled specialists: scientists, engineers, doctors, nurses, IT specialists, managers, accounting and finance staff, restaurant and hotel staff, but also: skilled manual trades (carpenters, bricklayers, electricians, etc.) and selected low-skilled manual jobs (Talent Shortage Survey Results, 2009, see Table 1)¹.

During last ten years there have been significant employment shifts by occupation in both the EU-15 and the new EU-12 Member Countries. According to the last data from report *Employment in Europe 2009*, employment growth between 1996 and 2006 was particularly significant in skill-intensive occupations, such as technicians and professionals, legislators, senior officials and managers, but also in elementary occupations. On the contrary, employment fell in manual skilled occupations of craft workers, agricultural and fishery workers, as well as clerks. But currently companies are faced with reoccurring staff problems such as lack of: core skills, ICT skills, foreign languages, teamwork, interpersonal communication, initiative, creativity, entrepreneurship, leadership and management, presentation skills, ability to learn, etc. Analysis of the desirable skills composition of employment shows a clear trend towards up skilling, as the share of secondary and tertiary educated workers has increased significantly in all occupational groups, including elementary occupations. The trend may signify the substitution of

¹ Manpower Inc. surveyed nearly 39,000 employers across 33 countries in the first quarter of 2009 to determine the extent to which talent shortages are impacting today's labor markets. The results revealed that 30 percent of employers worldwide are having difficulty filling positions due to the lack of suitable talent available in their markets, which is one percentage point weaker compared to last year's survey – a surprising result given the current downturn and the associated high unemployment in many markets. These results indicate that people don't generally have the skills that organizations are looking for. Employers having the most difficulty finding the right people to fill jobs are those in Romania (62 %), Taiwan (62 %), Peru (56 %), Japan (55 %), Australia (49 %), Costa Rica (48 %) and Poland (48 %). The talent shortage appears to be least problematic in Ireland (5 %), Spain (8 %), United Kingdom (11 %), China (15 %) and the Czech Republic (17 %).

qualifications as a result of skills mismatches as well as a rise in educational attainment levels of the European workforce, which are pushing skills levels on the labour market upwards.

Table 1: The top 10 jobs that employers are having difficulty filling positions in United Kingdom (as representative of EU-15) and in Poland (as representative of EU-12)

| United Kingdom | Poland |
|--|--|
| Jobs ranked in order: | |
| 1. Engineers | 1. Skilled Trades |
| 2. Skilled Trades | 2. Project Managers Sales Representatives |
| 3. Sales Representatives | 3. Sales Representatives |
| 4. Management/Executives | 4. Engineers |
| 5. Accounting & Finance Staff | 5. Drivers |
| 6. Chefs/Cooks | 6. Laborers Management/Executives |
| 7. Restaurant & Hotel Staff Labourers | 7. Secretaries, Pas, Administrative Assistants & Office Support Staff |
| 8. Mechanist/ Machine Operators | 8. Chefs/Cooks |
| 9. Technicians/primarily Production/Operations, Engineering or Maintenance) | 9. Production Operators |
| 10. Receptionists | 10. Customer Service Representatives/Support |

Source: own elaboration on basis of: Manpower: Talent Shortage Survey Results, 2009, pp. 11 – 12

3. New skills for new jobs

Since the Lisbon Strategy, adopted by the European Council in 2000, had placed new emphasis on knowledge, education and training, the professional skills, knowledge, and competencies are increasingly seen as crucial prerequisites for productivity and competitiveness. In 2008 the European Commission and European Council once again stressed that investing in people and modernizing labour markets is main priority area of the Lisbon strategy (compare: Hingel A. and others, 2008) and had unveiled a new initiative – *New Skills for New Jobs* – to help to anticipate the skills needed for the jobs of the future (Commission of European Communities, 2008).

In this elaboration was stressed that severity of the current financial crisis adds an exceptional degree of unpredictability about the future of the world's economy – yet in order to put Europe on the road to recovery, it is essential to enhance human capital and employability by upgrading skills. But upgrading skills is not enough: ensuring a *better match between the supply of skills and labour market demand* is just as necessary.

Three main conclusions done in report *New Skills for New Jobs* were:

- a) first, there is in the medium and long term a great potential for employment creation in Europe – both for new and replacement jobs;
- b) second, the skills, competencies and qualification requirements will increase significantly, and across all types and levels of occupation;
- c) third, there is a need to ensure a better long-term match between skills supply and labour market demand.

This first assessment of anticipated skills was based on an elaborate forecast of future skills needs, made in June 2008 by the European Centre for the Development of Vocational Training (Cedefop) in report: *Skill Needs in Europe. Focus on 2020* (2008).

4. New jobs

In long-term perspective the Cedefop foresight (2008, pp. 14 – 15) suggests that there could be approximately 100 million job openings in EU 25 over the period from 2006 to 2020. In addition, to the creation of 19.6 million additional jobs, another 80.4 million replacement jobs could be available as workers retire or leave the labour market. In 2020, almost three quarters of jobs will be however in service sector, especially in business services. The primary sector could lose 2.9 million jobs while construction should tend to stabilize. Manufacturing would experience a net loss of 800,000 jobs despite an increase in engineering; however, given the impact of a strong replacement demand, there would still be important job openings in manufacturing, which will therefore remain a crucial sector for the EU economies. Expected new job creations between 2006 and 2020, by broad categories of occupations are showed below (Figure 3).

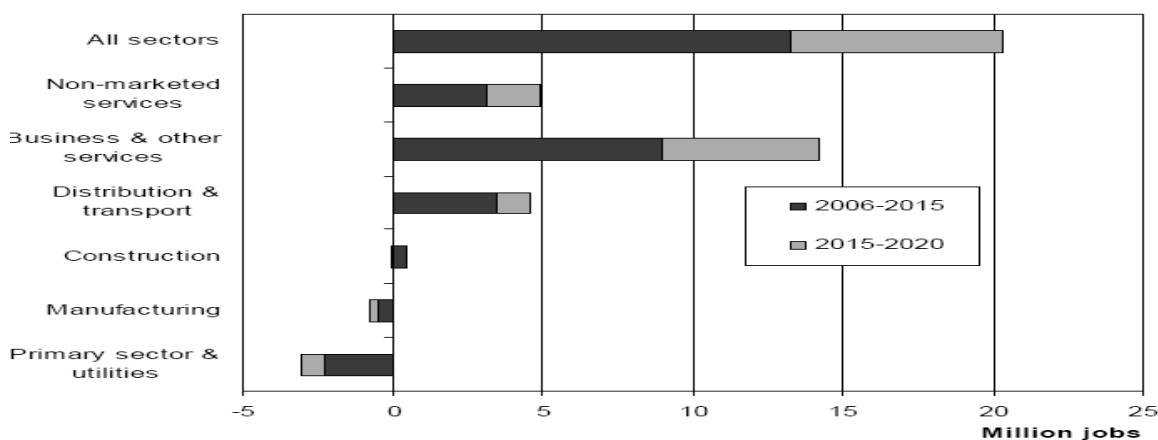


Figure 3: Employment trends by broad sector, change in millions, EU-25+ (not included: Bulgaria and Romania)

Source: Cedefop, 2008, p. 14

5. New skills

According to foresights, the next decade will see an increasing demand for a high-qualified and adaptable workforce and more skills-dependent jobs. General upward trend in skills demand can be illustrated by looking at required levels of education attainment, although these are very approximated variable for skill levels.

In EU 25, between 2006 and 2020, the proportion of jobs requiring high levels of education attainment should rise from 25.1 % to 31.3 % of the total. Jobs requiring medium qualifications would also increase slightly, from 48.3 % to 50.1 %. This would amount respectively to 38.8 and 52.4 million high- and medium-level job openings. At the same time, the share of jobs requiring low levels of education attainment would decline from 26.2 % to 18.5 %, despite 10 million job openings (Cedefop, 2008, pp. 13 – 14, see: Figure 4).

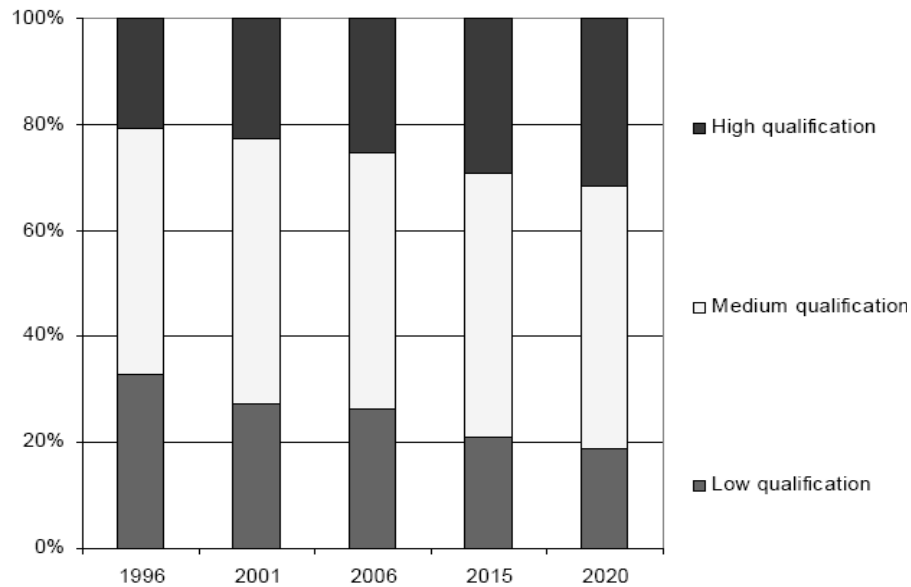


Figure 4: Past and likely future structure of jobs by education attainment level, EU-25 (not included: Bulgaria and Romania)

Source: Cedefop, 2008, p. 18

As it is predicted, most jobs in non-manual skilled occupations will require highly qualified workers; workers with medium educational attainment will increasingly fill skilled occupations. Since overall education rates increase at a faster rate than labour market changes, only half of elementary jobs will be held by workers with low educational attainment (see: Figure 5).

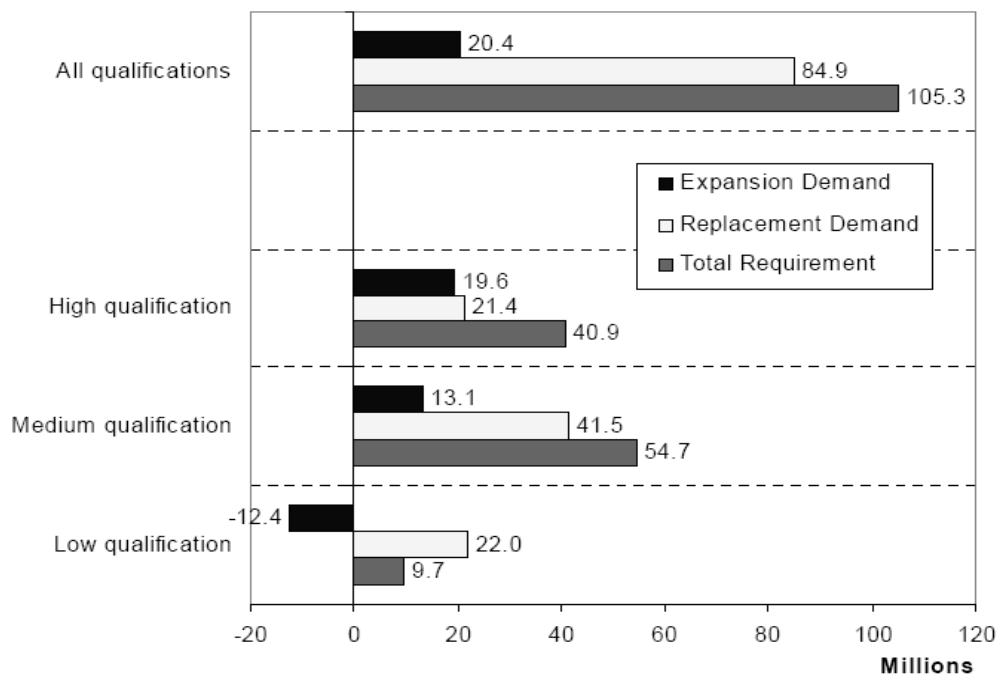


Figure 5: Total requirement by qualification level, projected change 2006 – 20, in millions, EU-25+ (not included: Bulgaria and Romania)

Source: Cedefop, 2008, p. 19

In the service sector, there is a clear tendency towards the broadening of the required skills portfolio at all occupational levels, linked to “non-routine” tasks. For example: ICT professionals have to develop skills in marketing or management; services workers have to develop customer orientation skills and digital literacy. In lot of knowledge – intensive sectors, both managerial skills and scientific knowledge are needed. In social care and education, further skills upgrading is needed to improve the quality of services. This reflects the growing demand from employers for transversal key competencies, such as problem-solving and analytical skills, self-management and communication skills, linguistic skills, and more generally, “non-routine skills”.

6. Skills assessments: formal qualifications versus broader competences

The recognition of the skills, competences and qualifications of workers in context of internal European mobility is very problematic issue. But definition of professional skills, named often as *portability*, supported by global international qualification frameworks, could help workers to obtain employment that is appropriate to their real skills level and in the same – to adopt to the full competencies of the labour market (ILO, 2008, p. 16).

The proposal, done in 2008 by the European Parliament and European Council, is to introduce a new tool: **European Qualification Framework** (European Council, 2008) as a “translation instrument” between the different European education systems and encompasses general education, adult education, vocational training and continuing education and higher education. The idea of European Qualification Framework (EQF) is to relate different countries’ national qualifications systems to a common European reference framework and to construct the common framework for *lifelong learning* which makes the European education and continuing education system more transparent and accessible. Those in charge of education, as well as employers and employees are to be provided with a facility for better comparing qualifications. Individuals and employers will be able to use the EQF to better understand and compare the qualifications levels of different countries and different education and training systems. The EQF encourages countries to relate their qualifications systems or frameworks to the EQF by 2010 (what seems to be hardly achieved) and to ensure that all new qualifications issued from 2012 carry a reference to the appropriate European Qualification Framework level.

As the new tool of measure of skills – EQF has to substitute the older one and more traditional approach represented by ISCED (The International Standard Classification of Education). EQF and ISCED are two totally **different approaches** to setting standards for the categorization of competences and qualifications:

1. The ISCED framework focuses on *formal educational activities* designed to meet learning needs. Consequently, the framework excludes various forms of learning that are not organized and the basic unit and analytical focus of single *educational program*, especially its scope (e.g. field) and level.
2. In contrast, the EQF represents a more modern approach linked to the context of lifelong learning. The EQF defines learning as taking place in *formal as well as informal* settings. The analytical unit and focus of the framework is the *learning outcome* which defines the competences of an individual at different levels of reference.

The core of the EQF are eight reference levels describing what a learner knows, understands and is able to do – “**learning outcome**”. Levels of national qualifications will be placed at one of the central reference levels, ranging from basic (Level 1) to advanced level (Level 8). It will therefore enable much easier comparison between national qualifications and should also mean that people do not have to repeat learning if they move to work to another European country. The new system shifts the focus from the traditional approach which

emphases “learning inputs” such as the length of a learning experience, or type of institution – to approach centred on really achieved competencies. It obviously also encourages lifelong learning by promoting the validation of non-formal and informal learning.

The European Qualification Framework seems to be much more relevant as a framework for skills assessment than the ISCED framework. As was mentioned above, the analytical unit of the EQF is the learning outcome which defines what the individual is *expected to know, understand and/or be able to do after the learning at a given level*. As such, the EQF framework is more feasible for developing descriptors for tests items as well as “can do” statements for self-assessments.

There are important specific potential benefits of making use of the European Qualifications Framework in relation to adult skills assessment and the use of information gathered from international adult skills assessments (Haahr, Hansen, 2006, pp. 89 – 92):

- a) if adult skills assessment test scores can be presented and interpreted in terms of EQF levels, the informational value of the results is increased. The results are then related to an external standard, where the level of the assessed skill can be described in absolute terms;
- b) in a future situation, where the principles of the EQF has been implemented in various countries’ educational systems, meaning that descriptions of specific learning outcomes at different levels have been developed for different competences in relation to different educational programs, competence profiles of populations and segments of populations, as described by data from adult skills assessments, can be translated directly into the need for specific educational programs and/or other forms of training measures;
- c) assuming fully implemented EQF in a given domain of competences, the formal educational background of a given person could be translated into an EQF level of competences. In this situation, differences between the predicted competence, as suggested by formal educational background of respondents, and the level of competence found via direct skills assessments can potentially point to the significance of informal learning or, alternatively, to deficiencies in the learning outcomes of the formal education system.

And although full implementation of EQF systems in all EU Member Countries will be difficult and long-term activity (and will finish obviously later than to the end of the year 2010 or 2012) it represents easy adaptable to tests items in assessment questionnaire, very useful tool for a better match between skills and labour market needs. It has only be adapted and disseminated in job counselling institutions and in Human Resources Departments in companies.

7. Conclusion

In conclusion it could be assumed, that efforts to monitor and anticipate of labour market and skills requirements are necessary to help – especially temporary unemployed people – to be better adopted on labour market. Such proposals of European labour policy, as are: *New Skills for New Jobs* initiative or *European Qualification Framework*, facilitate the matching with existing vacancies and orientate skill development in order to improve long-term job prospects – as well as for individuals, like for companies. A substantial improvement in the Member States’ and the Union’s capacity to forecast, anticipate and match future skills and labour market needs seems to be moreover a crucial precondition not only for the design of efficient employment, education and training policies or individual career choices – but also for long-term competitiveness of European Union as a global economy.

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