

Making the most out of skills in organisations

Who are we?

Eurofound is the European Foundation for the Improvement of Living and Working Conditions. The only EU agency in Ireland, Eurofound's role is to provide knowledge and expertise to support EU institutions, governments, employers, trade unions and civil society organisations in shaping and implementing social and employment policies.

We conduct research and collect comparative data through high-quality cross-national surveys and through our network of national correspondents.

European Year of Skills 2023

The European Commission states that *'the European Year of Skills helps people get the right skills for quality jobs and supports companies in addressing skill shortages in Europe'*.

It places a strong emphasis on skills supply, speaking about the need for *'having a workforce with in-demand skills... for long-term sustainable growth and competitiveness'*, and to *'ensure that the green and digital transitions are socially fair and just'*.

Yet, without demand side policies encouraging organisations to optimise skills use to achieve competitive advantages, the potential benefits generated by supply side policies aimed at improving the skills base will not fully materialise.

Skills supply in Ireland

Labour and skills shortages are at the forefront of the European political agenda, and job vacancy rates saw a sharp increase in almost all EU Member States in 2021 and 2022, albeit they have dropped slightly again in 2023.

According to Eurostat, in the fourth quarter of 2023, vacancy rates were highest in Belgium (4.4%), the Netherlands (4.2%) and Austria (4.1%), and lowest in Spain (0.8%), and Bulgaria and Romania (both 0.7%). **At 1.0%, the vacancy rate in Ireland was among the lowest in the EU.**

Ireland ranks in the EU's top five in terms of the proportion of the workforce with basic or above basic digital skills.

Skills and worker performance

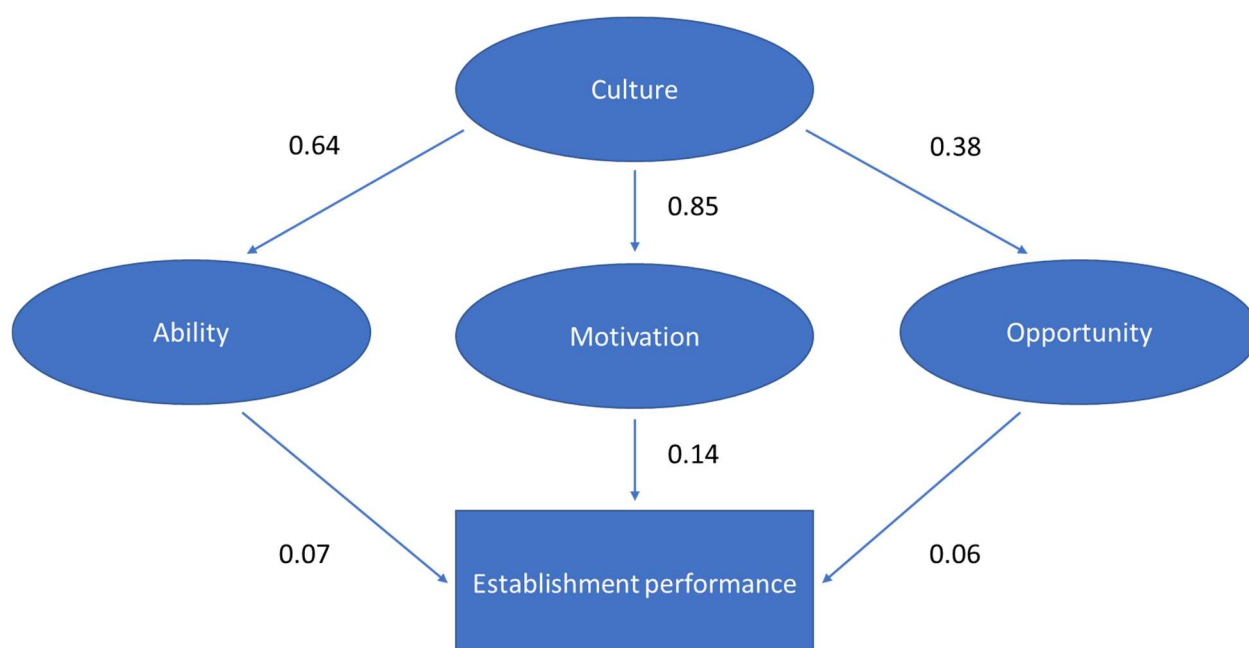
Research has shown that to perform best, employees need the right skills to do the job (**Ability**), the **Opportunity** to use these skills, and the **Motivation** to do so.

Organisations can implement management approaches to facilitate this:

- Enabling learning and skills development through job design
- Putting monetary and non-monetary motivational drivers in place
- Granting autonomy and facilitating voice

Whether they do so, depends on how much the organisational culture is people-centred as confirmed by data from Eurofound's European Company Survey, conducted jointly in 2019 with the EU agency for skills, Cedefop.

Mobilising skills to harness performance

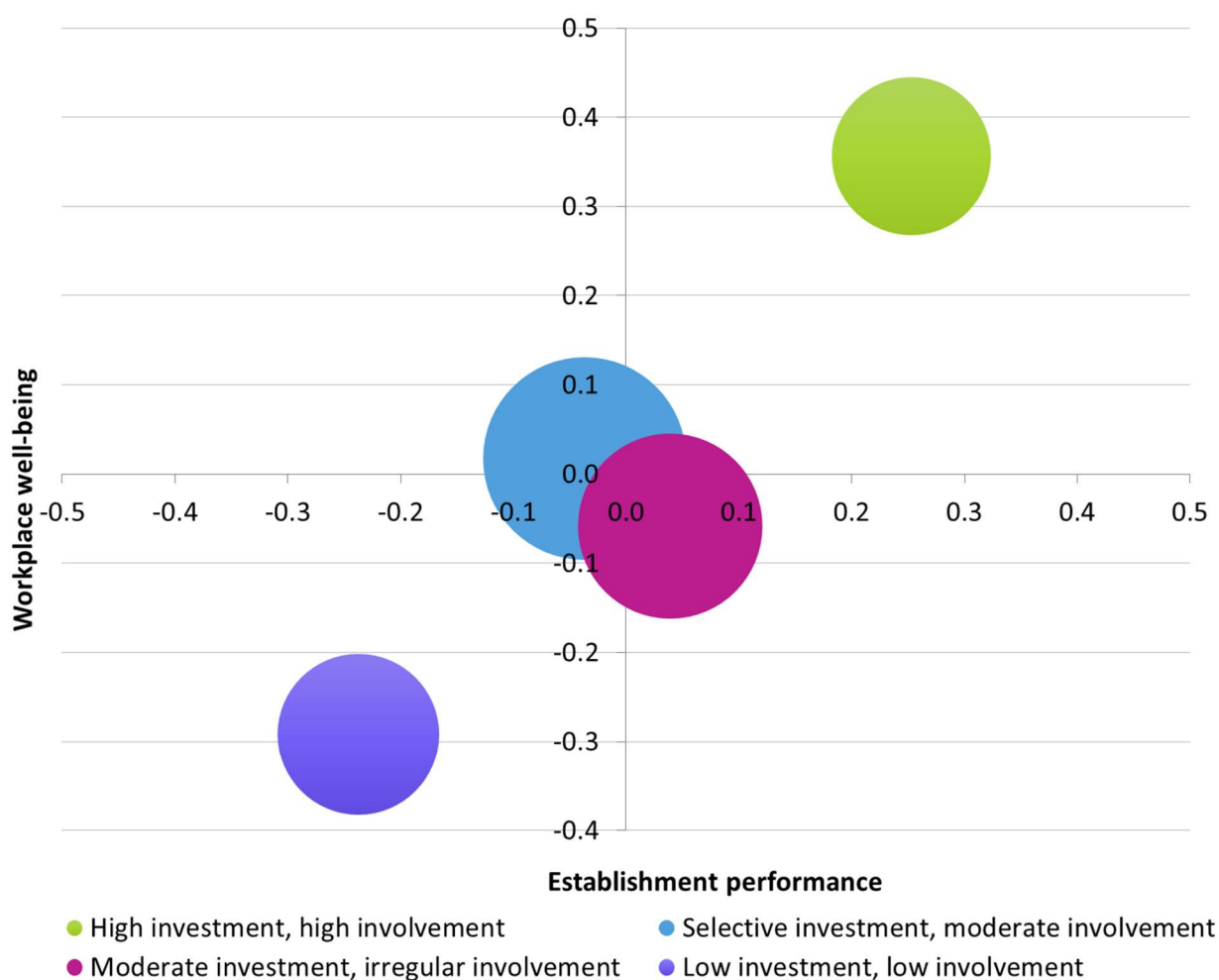


Note: Numbers are Structural Equation Model path coefficients and are interpreted in the same way as regression coefficients. All effects are statistically significant.
Source: Cedefop and Eurofound (2023)

Skills and company performance

Research confirms that businesses and companies with people-centred workplace practices – including practices that foster Ability, Motivation and Opportunity – also do better both in terms of workplace well-being and establishment performance:

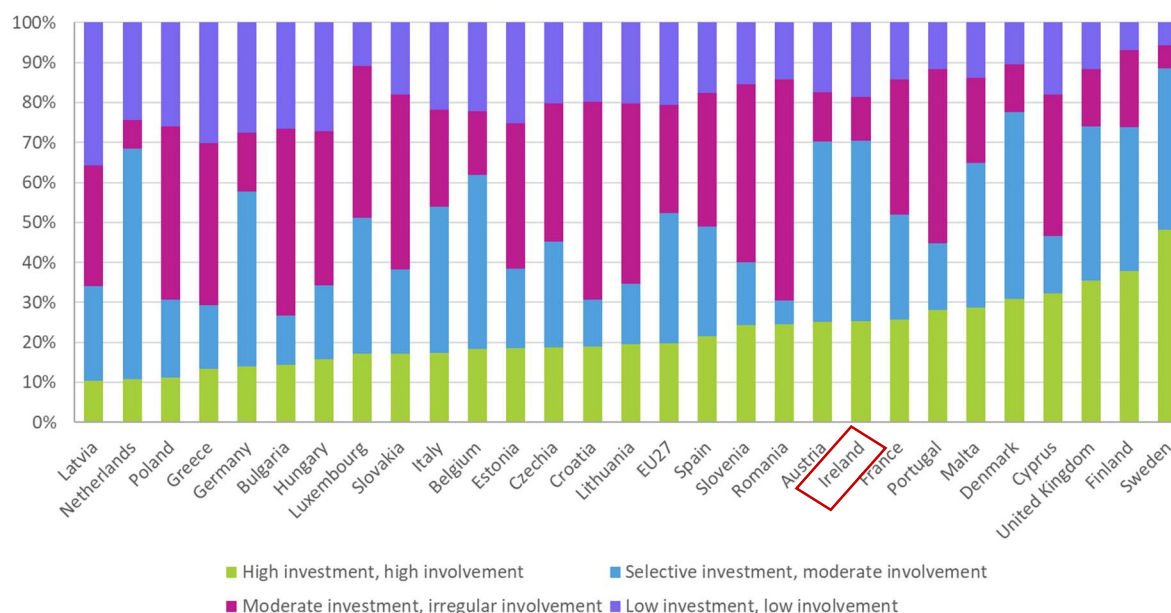
Associations of four types of businesses in terms of workplace practices, with workplace well-being and establishment performance



*Note: Axes indicate average z-scores in for workplace well-being and establishment performance.
Source: Cedefop and Eurofound (2020)*

Ireland is in the top half of EU distribution in terms of the prevalence of people-centred practices:

Four types of businesses in terms of workplace practices, by country



Source: Cedefop and Eurofound (2020)

However, a sizeable proportion of Irish businesses is in the ‘Selective investment, moderate involvement’ group, suggesting there is scope for improving workplace well-being and establishment performance in general, and skills utilisation in particular, by extending existing practices more universally, and deepening opportunities for direct and indirect employee participation.

Key messages

The 2023 European Year of Skills reminded us of the importance of improving the skills base of the labour force. To successfully further the green and digital transitions, active labour market policies need to be revised and curricula for education and vocational training need to be updated to ensure the availability of the skills required to integrate new digital technologies and to take up green jobs.

Our findings underline that such supply-side interventions will be more effective if skills use in organisations is improved. This requires looking at working conditions more generally, ensuring:

- jobs are designed so workers have opportunities to fully deploy, and further develop skills.
- channels are in place for involving workers and their representatives in decision-making.
- monetary and non-monetary motivational drivers (e.g. bonuses, career opportunities, meaningful work etc.) are leveraged.

Such people-centred managerial practices not only improve skills utilisation, but also boost innovation and digitalisation. Our results show that these practices are much more prevalent in businesses with an organisational culture that values human capital. Managerial education should

therefore cover the building of a people-centred organisational culture and the implementing of managerial approaches that create opportunities for employees to use and develop their skills.

People-centred practices are relatively prevalent in Irish businesses. Still, most businesses could improve in terms of the comprehensiveness and inclusiveness of their practices. This would set them up well for the green and digital transitions, improve their attractiveness as prospective employers, and unlock unused potential of existing staff.

Social partners can help promote people-centred organisational culture and can create the right conditions for constructive employee involvement at the workplace.

References

Eurofound and Cedefop (2020). *European Company Survey 2019: Workplace practices unlocking employee potential*. European Company Survey 2019 series. Luxembourg: Publications Office of the European Union. <https://www.eurofound.europa.eu/publications/flagship-report/2020/european-company-survey-2019-workplace-practices-unlocking-employee-potential>

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Questions

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