

## THE IMPORTANCE OF SKILLS IMPROVEMENTS

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**Abstract:** *The present paper has as main theme the importance of skills. The first part of represents a short incursion in the related literature and then goes further by identifying the benefits of skills for society, economy, individuals and employers. The accent of the paper is on the labour force skills at European level. We analysed the situation of employment and unemployment for levels of qualification and identified some key players that may put into practice the proposed solutions for skills improvement.*

**Key words:** *skills, jobs, employment, levels of qualification, labour market*

### 1. INTRODUCTION

The main subject of this paper is labour force skills and their importance for economy of a country and of enterprises. Labour force was studied in time by numerous economists, starting with Petty and Smith. Labour force as primary production factor is a determinant of development and social progress and implicit of the economic competitiveness. We can say that the notion of labour is referring to the economic nature activity but also to social activity.

The most recent and relevant paper, in our opinion, that refers to the subject of this paper is a report issued by European Commission that points out the necessity of upgrading, adapting and widening the skills portfolio of individuals to create and fill the jobs of the future (European Commission, 2010). Actually this is the greatest challenges that Europe is facing today.

People generate capital through competence (represented by skills and education), their attitude (which covers the behavior of employees towards their work) and their intellectual agility (represented by innovativeness and openness to changes) (Roos et al., 1997). That is why enterprises will invest in humans, in employees to increase their skills, knowledge, and abilities if they are justified that they can produce future returns through increased productivity (Lepak & Snell, 1999).

People are viewed as a kind of capital because individuals with skills, knowledge, and experiences are believed to add economic value to enterprises. However, this kind of capital compared with others has mobility to some extent. That is way economists suggested capital of humans is the knowledge that employees take with them when they leave the firm at the end of the day (Sánchez et al., 2000). Theorists focus on the need to develop a pool of human capital that has either higher levels of skills, or achieving a better alignment between the skills represented in an enterprises. In our times the level of education must a proxy for employee cognitive skills (e.g., absorptive capacity) and a motivational need for achievement.

Highly skilled workers tend to be more innovative and productive. They are therefore of crucial importance to both enterprises and economies. It therefore follows that enterprises and governments have to have an incentive to invest in training for employees and schooling for the entire population respectively.

### 2. THE BENEFITS OF SKILLS IMPROVEMENT

Unlike physical assets, competencies do not deteriorate as they are applied and shared. Instead they grow. For example, diversified giant NEC competed in seemingly disparate businesses-semiconductors, telecommunications, computing, and consumer electronics-and dominated them all. NEC proves that used its core competencies to achieve what most companies only attempt: invent new markets and exploit new ones, delight customers with products they hadn't imagined but needed them. This is the way how we can maintain world manufacturing dominance in core products and can be seen as the power to shape the evolution of end products (Prahald & Hamel, 2010). The embedded skills give rise to the next generation of competitive products and economies. The benefits of skills improvements can be seen in four directions:

- 1) **for society** - increased participation; health improvements; greater social cohesion and mobility;
- 2) **for economy** - increased productivity and competitiveness; increased employment and entrepreneurship and reduced economic inactivity;
- 3) **for individuals** - improved job entry and job sustainability, ability to move between jobs, higher rate of successful starts-up, increased wage return, high job quality and satisfaction;
- 3) **for employers** - enhanced productivity; better business performance; greater profitability.

### 3. LABOUR FORCE SKILLS IN EUROPE

In the last decades European Commission made efforts in order to improve de labour market situation. There is a visible good tendency if we look to unemployment rate by qualification level in EU-27 (Tab. 1). Also as structure of employment, it is obvious that people with high level qualification have the smallest unemployment rates, between 6% and 5.2%, because their skills permitted them to find jobs. In this moment, namely the year 2010, the employment rate for those with high skill levels across the EU as a whole is approximately 85 %, for medium skill levels 70 % and for low skill levels it stands at 50 %.

| Year | Level of qualification |        |      |       |
|------|------------------------|--------|------|-------|
|      | Low                    | Medium | High | Total |
| 2000 | 12.9                   | 10.7   | 6.0  | 10.5  |
| 2001 | 11.5                   | 10.2   | 5.2  | 9.6   |
| 2002 | 11.9                   | 10.0   | 5.3  | 9.6   |
| 2003 | 12.4                   | 10.2   | 5.6  | 9.8   |
| 2004 | 13.6                   | 10.9   | 5.8  | 10.3  |
| 2005 | 12.9                   | 10.1   | 5.5  | 9.8   |
| 2006 | 12.1                   | 8.7    | 5.5  | 8.7   |

Tab. 1. Unemployment rates by qualification level (EU-27)  
 Source: EU Labor Force Survey database

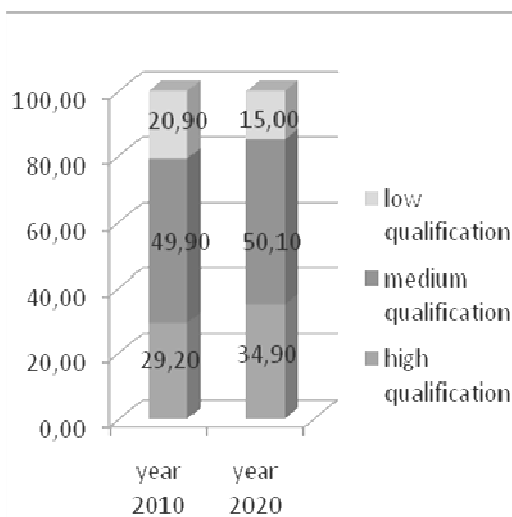


Fig. 1. Employment structure (forecast data) by level of qualification, 2010 and 2020 (EU-27 + Norway and Switzerland)

Source: CEDEFOP, 2010

And yet, it is an inconvenient truth that, despite progress in recent years, much of Europe is still not sufficiently skilled. Nearly one third of Europe's population aged 25-64 – around 77 million people – have no, or low, formal qualifications and only one quarter have high level qualifications (European Commission, 2010). Of course those with low qualifications are much less likely to upgrade their skills and follow lifelong learning. A problem that needs to be solved is to ensure that people have the right skills. This is not just a question of short-term employability, but of our capacity to adapt to and shape the jobs of tomorrow.

Education and training systems in Europe have gain much more power and become more relevant and responsive to the needs of society; but labour market mismatches still exist and create the painful and wasteful situation of both skill shortages and skill gaps co-existing with unemployment: an economic and social exclusion that is very obvious in this period of crisis.

The 'skill intensity' of jobs has been rising in recent years and is expected to continue to do so, as employment trends of CEDEFOP. Most job creation is projected for higher level occupations but also for occupations involved in service activities. As a result we expect the proportion of jobs employing high qualified people to increase to over a third. The proportion of employment of those with low qualifications is expected to decrease to 15 %. Those requiring medium level qualification will continue to constitute half of all jobs (Fig. 1).

Also the demand for some new skills will be created as new 'green-collar' occupations emerge to support adaptation to and mitigation of climate change (e.g. support and servicing of solar, wind and other renewable energy technologies) (European Commission, 2009).

#### 4. SOLUTIONS FOR SKILLS IMPROVEMENT

We can achieve to a high rate of skilled people and together with that to have competent enterprises that innovate and support the economy by identifying and putting into practice some solutions for skill improvements.

Both individuals and employers must invest in skills, but the investments must be smart. That is why European Union needs better incentives and services for citizens of all abilities, and better incentives for enterprises of all types to invest in, and make the best of, people's skills.

The world of education and training is a helping hand for young people and must be used. By collaboration, labour

market and education institutions can create nests of skilled people that can innovate better and faster in time. We need innovation and entrepreneurship to make education and training more flexible and open as well as to develop more effective relationships between providers, employers and guidance and placement services. Lifelong education is important for the next generations to come and it is a continuing step to the future labour market.

In European Union already people are conscious about the necessity of the right mix of skills and their developments.. Specific job related competences learned throughout education and training must be underpinned by transversal competences, especially digital and entrepreneurial competences.

A deep and continuous analysis of the labour market will always show and anticipate the future skills needs. In general, **key players** of employment partnerships that can help putting into practice solutions for skills improvement are identified as: local and regional authorities; governments; education and training providers; public employment services; social partners; enterprises as employers; third sector/voluntary organisations (e.g. social enterprises, the church etc.).

#### 5. CONCLUSION

In this new era in which innovation determines economy to rise up and move forward employees and employers need better skills that allow them to innovate. Society and economy will gain from the skills improvements; by improving skills, labour market shocks may diminish and the present situation regarding the unemployment rate, problem that affected all economies of all EU members states, may be convert into a responsive climate for the present situation. In every single EU country, unemployment rates systematically vary with qualification levels.

Stabilized labour market taking measures focused on maintaining existing employment and creating new jobs, improving workers' skills and matching labour-market demand and supply more closely. Employment policies therefore need more than ever to focus on better skills matching and upgrading. In view of this, various measures to facilitate labour market transitions and to support employment are required. Everyone, starting with individuals and continuing with private and public employers, the education sector and governments at all levels must move forward. Improving people's skills is a real 'win, win' for all – for the economy, for society, for employers and, of course, for individuals themselves.

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