


The key to skill formation is innovation in firms

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Part 2 of the series on Lessons from the Cedefop's European skills and jobs survey (ESJS)

In my previous blog entry I demonstrated that the level of skills, both cognitive and non-cognitive, required by a person's job can determine whether skill mismatch has positive or negative consequences for individuals. If you had to bet on whether overskilled or underskilled workers will have better labour market chances in the long run, who would you choose? My smart money would be placed on the underskilled.

The reason is simple. The underskilled are more likely to be in jobs that will 'guarantee' their continued skills growth. Keep on reading to see how this works out...

Lesson 4: not all workers have jumped on the skills bandwagon

Cedefop's European skills and jobs survey (ESJS^[1]) followed a rather direct approach to tracing how people develop their skills in their jobs – we simply asked them straight out if their skills improved or not since they were recruited! Now relying on individuals themselves to tell us if and how their skills have changed can be, admittedly, a tad subjective. Much can be said and done in different ways to measure skills in a more objective fashion.^[2] But the ESJS measure we have obtained was the best we could do – and it has proved to work wonders!

Our measure has revealed that **continued skill formation is not to be taken for granted**, as it is not enjoyed by all EU workers in their jobs. *Around 1 in 5 EU adult employees were found to have failed to further develop their skills in their current jobs.* The young graduate may be set to tread his/her very own, wonderfully fulfilling, path of learning, as s/he moves from acquiring 'book smarts' to 'street smarts' in the world of work. The same cannot be said for older employees, who have already accumulated significant experience over their working lives, and whose employers may be less prone to invest in them. Female workers, who tend to spend a greater share of their time outside of the job market, rearing and caring for children, also have greater capacity to advance their skills at a faster pace than males.

Individuals employed in low-skilled or semi-skilled occupations are the most likely to say that their skills have not changed, or even worsened, during their time at the job. 43% of elementary job holders and 28% of plant and machine operators failed to improve their skills during their job tenure; the same is true

for only 17% of Professionals and 15% of Managers.

Lesson 5: skill utilisation is skill formation[3]

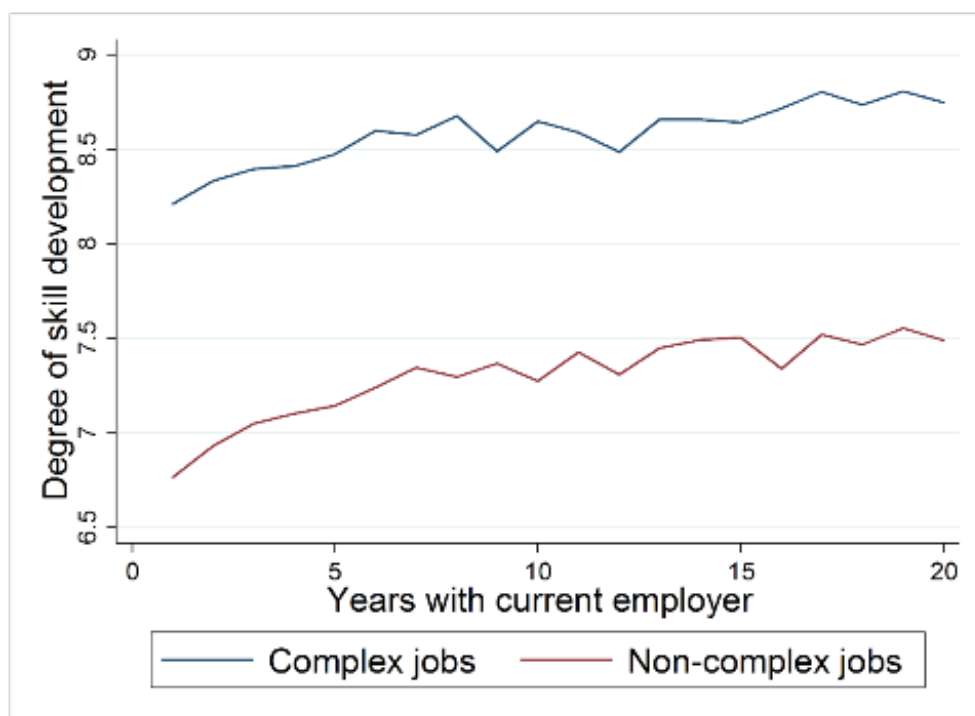
Although it is reasonable that more skill-intensive industries and occupations will be associated with higher skills growth, the ESJS data reveals something more lurking behind the shadows.

It is discretionary, complex and learning-intensive jobs that enable workers' further skills growth—extending over and beyond socioeconomic (occupation, industry) positioning.

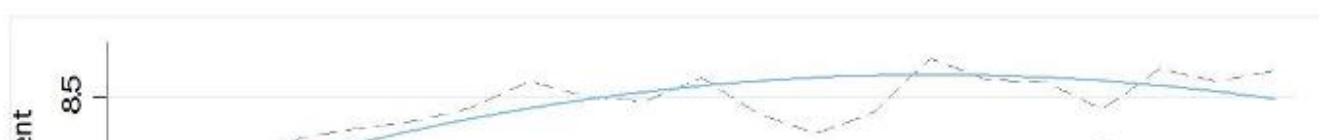
The survey shows that individuals who attended training in the last year, either as a formalised course or as part of the job, are more likely to have seen their skills flourish. Asking workers how they have improved or acquired new skills in their job, 63% responded that they did so by attending structured training courses. Yet, the value of informal learning is all the more evident in our data. The highest majority, 69%, of adult workers said that the main channel for improving their skills was the learning that took place when interacting with other colleagues; for 59% it was through trial and error at work.

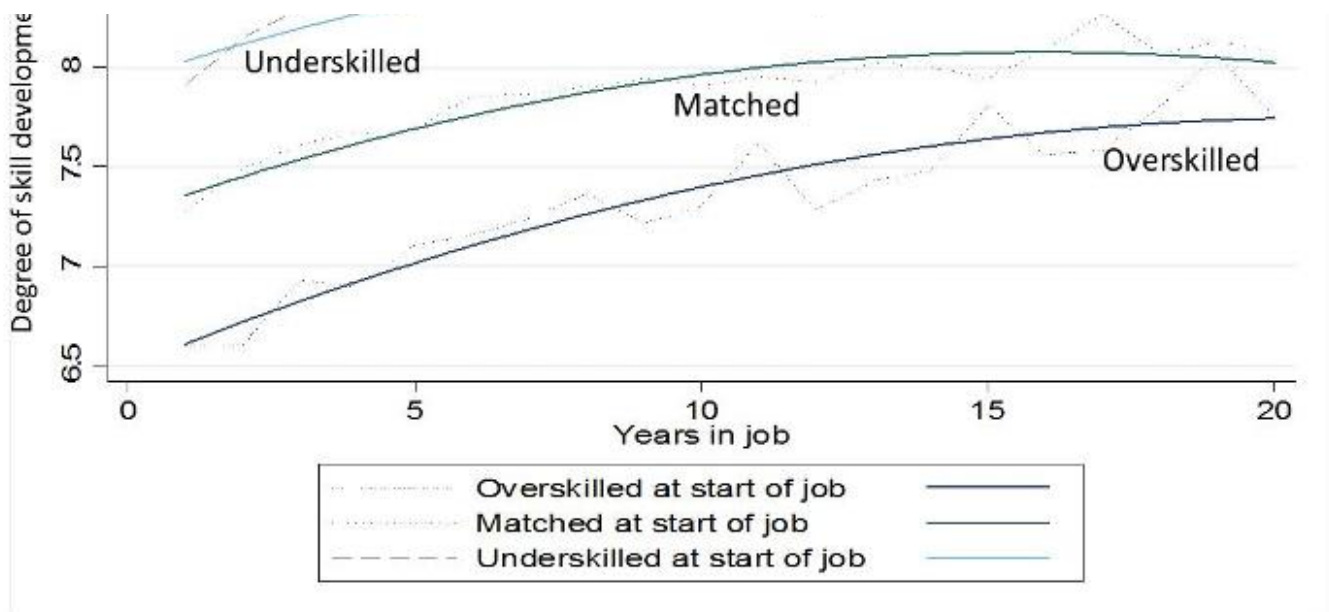
Fig 1 Job complexity reinforces informal learning and utilises skills better

(a) Complex jobs, with greater task variety and need for learning, are associated with higher skills growth...



...which explains (b) why the overskilled have a lower level of skill development than the underskilled.





Source: Cedefop European skills and jobs survey (ESJS)

How does such informal learning come about exactly? As the survey confirms, informal learning tends to be higher in jobs involving non-routine tasks and those with greater autonomy (see Figure 1). Since such ‘discretionary’ jobs are scarcer for overskilled workers, they suffer from very weak continued skill formation. Complex jobs are instead quite prevalent among underskilled employees; this explains why they experience a relatively higher degree of skill accumulation over time. And sandwiched somewhere in between them are employees in matched jobs.

Lesson 6: skill demand varies markedly across sectors

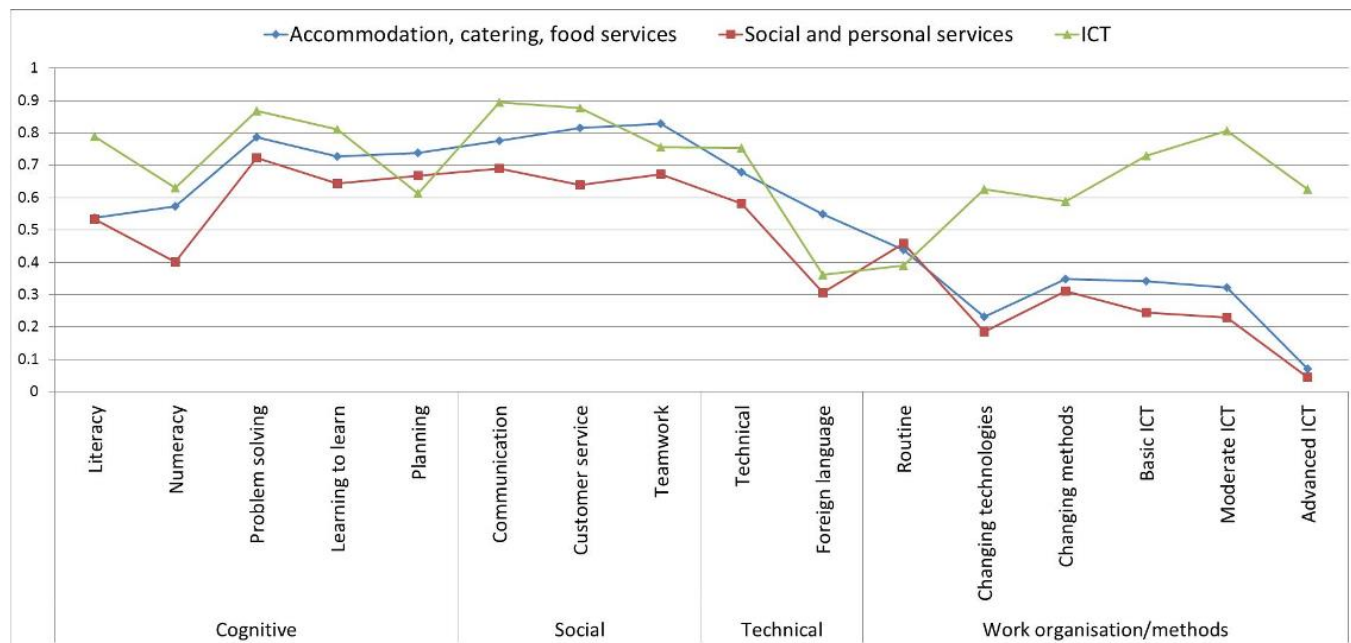
Designing discretionary jobs reinforces informal learning within workplaces. It is employers’ product market strategy and the way they organise their workplaces that determine whether they need higher skilled labour and utilise the skills of their staff to the fullest. Higher skill demand in complex jobs constitutes the engine of further skills growth for a company’s workforce, however not all workers benefit the same. The extent to which firms commit to a competitive strategy that is based on high skills, rather than on saving costs, can vary markedly between and within sectors, and this trickles down to individuals.

Figure 2 provides a simple example of this. It portrays the typical skills profile of a *Personal Services* employee in the EU labour market, as derived from the ESJS. Personal service workers are usually upper secondary education graduates, some from non-tertiary VET schools, although a very high share of them, 45%, tends to consider themselves as overskilled for their jobs.

What Figure 2 shows is how important various cognitive, technical and social skills are for doing their jobs, along with information about the typical work organisation. What is striking is the different level of skills needed, depending on the industries in which they are employed. Personal service workers in the ICT sector are subjected to more frequent changes in the technologies and methods of their work; their jobs are characterised by a higher average need for cognitive and non-cognitive skills. By contrast, the jobs of those who work in social and personal services or in the hotels and food services industry require with some exceptions (like planning or foreign language) lower skills on the whole.

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Fig 2 Skills profiles of a Personal Services worker in different sectors, 2014, EU28



Source: Cedefop European skills and jobs survey (ESJS)

decisions about how to design jobs in the company and the skill intensity of the production process within a firm may be predetermined by past decisions, management’s own skills and the strategy employed by their surrounding competitors.

But they are not immutable.

Policymakers and social partner cooperation can go a long way in informing and incentivising employers so as to make better strategic choices, enjoying the best of both worlds: *Higher productivity in good quality jobs and a continued supply chain of skills.*

[1] Cedefop (2014), *Skills, Qualifications and Jobs in the EU: the Making of a Perfect Match?*

[2] In a forthcoming blog, I will discuss the theoretical and technical aspects we had to consider before converging to this way of measuring skills growth among adult workers.

[3] A phrase coined by my colleague Giovanni Russo - see his #ESJsurvey Insight titled [Skills utilisation = skills formation](#).

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