

Skills for success:

Getting better use of your employees' skills



**SERVICE
SKILLS**
AUSTRALIA

Introduction

➔ Since November 2009, Service Skills Australia has been brokering the Enterprise Based Productivity Places Program and most recently the National Workforce Development Fund on behalf of the Department of Industry.

The policy goal for both programs was to improve labour productivity at the enterprise and industry sector levels through the use of qualifications and skill sets. An important aspect of both programs is the focus on matching skills development with the specific workforce needs of a business. As such, these programs sought to increase the supply of skills while also ensuring they were being put to good use.

To date, Service Skills Australia has supported over 2,400 businesses and 7,140 candidates to access these two workforce development programs. Of those businesses engaged, 1,167 (47%) employ fewer than 20 persons, with a further 1,083 (44%) employing between 20-100 people.

Yet, through this engagement, it was evident that many businesses and their training providers had

little understanding of the skills and workforce needs they required in their businesses. Many worked 'in their business and not on their business' and so often times could not take full advantage of the opportunity to innovate and improve their productivity and competitiveness.

Skills utilisation is a key element of workforce planning that a business of any size can use to improve business performance.

Whilst skills utilisation is recognised as a key for success, less understood is what it is and how any business can apply it to their workplace.

Service Skills Australia is pleased to offer this contribution in an effort to support enterprises in maximising the contribution of their employees in the workplace.



Skills for success: getting better use of your employees' skills

Skills utilisation can significantly boost a company's performance and there is currently a lot of discussion about the need for employers to have more effective skills utilisation in their workplaces. However many employers are not clear what skills utilisation means or why it's needed. Even if they do know what it is and why it's needed, they can still be confused about how to get better skills use from their employees.

This guide addresses these issues of what, why and how in the following sections:

- What's meant by 'skills utilisation'?
- Why does skills utilisation matter?
- What are the challenges with skills utilisation?
- How can employers make sure that their employees' skills are being used properly?

What's meant by 'skills utilisation'?

There's a big push at the moment for employers to take up the idea of having more effective 'skills utilisation' in their workplaces. However when employers are asked why they haven't, the answer is that they often don't understand what it means. The confusion arises because it's a new idea not commonly used outside government and academic circles. Even in these circles there is lot of debate about it, but little research, so that the term remains a bit unclear.¹ Having a clear definition of skills utilisation that is understandable to and workable for employers is therefore important, especially if it's hard for employers to see its relevance to their business needs.

Despite all the debate and confusion, skills utilisation is quite a simple idea. Skills utilisation is simply about making sure that you, as an employer, maximise the use of the skills that your employees possess. Effective skills utilisation refers to:

'... a matching of the skills possessed by workers and the skills needed to do the job'.²

Sometimes workers have fewer skills than they need to do the job—in which case training is needed to up-skill employees. Sometimes there is a good match between the skills that workers have and the skills that they need to do the job, and no action is required. Sometimes workers have more skills than the job requires. As a result, their skills are under-utilised and they are under-employed in work.³ Ways need to be found to help employers make better use of these skills.

Making better use of your employees' skills is one way—but not the only way—by which you can improve your organisation's performance, whether

you measure that performance by increasing efficiency, productivity, market share or profitability—or simply retaining good staff and making them feel useful and valued. For effective skills utilisation to happen, your employees need to have the right skills in the first place and then have the opportunity to be able to use them in their work. In turn, skills utilisation has to help your business needs. Importantly, workers are enthusiastic about being able to use their skills better at work. After all, they have spent time, and often money, in acquiring those skills and so welcome the opportunity to be able to use them. So what is good for you and your business can also be good for your employees.⁴

Why does skills utilisation matter?

Over the past few decades, Australia has increased the number of young people in tertiary education, which means more young people going to TAFE, university or other training providers. As a result there are now more workers who have higher levels of skill.⁵ While a lot of attention is given to the skills shortages that exist for some industries and occupations, a more widespread issue is in fact the under-utilisation of skills. Both employers and employees report that skills are being under-utilised in work. Up to 10–15 per cent of workers say they do not have the opportunity to use their skills in their job. Some reports even claim that the figure is now even higher in Australia, rising to around 30 per cent, or 1 in 3 workers.⁶

Although the figures vary depending on which survey is cited, there is a common pattern across the surveys: sales and service workers, particularly those in the retail and hospitality industries, report being the most under-employed. At over 20 per cent, these two 'stand out' industries have the highest percentage of workers with under-utilised skills.⁷ Thinking in terms of the definition of skills utilisation, it's these workers who have more skills than they currently use at work that is seen as the issue. Too many employers are not using these skills and therefore have untapped potential in their workplace.

It is also, therefore, an opportunity for employers to boost their business success. Employees could do more and would probably like to do more, however it's not about making employees work harder, but better. It's about giving them the opportunity to maximise the use of their skills in a way that benefits your business. The evidence suggests that business performance is boosted by better skills utilisation. It helps encourage product and process innovations, results in productivity gains, reduces labour turnover and encourages workers to put in more effort into their work.

1 Buchanan et al. 2010; Gibbons-Wood et al. 2010; Payne 2013; SQW Consulting 2010.

2 Findlay and Warhurst 2012, p.7.

3 Findlay and Warhurst 2012.

4 Findlay and Warhurst 2012; Skills Australia 2014b.

5 OECD 2014.

6 Skills Australia 2009.

7 Watson 2008.

By encouraging more people to go into education and training, the focus in recent years has been workforce development. However it is now recognised that developing workers' skills is important but not sufficient: those skills need to be used, and used to meet business needs. In other words, workforce development needs to directly support business development.⁸

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In Australia at the moment these business needs are clear. Case study research reveals that there are two reasons why companies promote skills utilisation. The first is tight labour markets and the need to attract and retain good staff. The second is more competitive product markets and the need to become more productive and innovative.⁹

What are the challenges with skills utilisation?

Using the definition outlined in the first section, employers can better understand what skills utilisation means. They can also appreciate why skills utilisation matters and how it can contribute to their business needs. Why then, do too few companies promote skills utilisation? Put another way, what stops some companies from making better use of their employees' skills?

The answer is a series of challenges. The first is to clearly establish a link between workforce development and business development. Case

study research in Australia and the UK shows that being able to use skills involves wider organisational development.¹⁰ Put simply, employers need to provide the right workplace environment.

'Effective skills utilisation requires management and organisational practices that support, inspire and enable employees to use their skills to best effect to improve business or organisational outcomes'.¹¹

The unbroken lines in Figure 1 show the old emphasis on workforce development, and the new emphasis on workforce development needing to contribute to business development. The broken lines show that the link between the two is organisational development, of which skills utilisation is a part.

Getting employers to focus on organisational development can be a challenge, particularly in SMEs. Although skills utilisation might be good for these businesses, for practical reasons, they can have difficulty seeing the need for it, despite wanting to develop their business. Very often the labour market and/or product market signals for change are not being picked up by owner/managers in SMEs. One reason is that they lack the ability to read those signals. The other reason is that owner/managers of SMEs tend to work under heavy, immediate pressures and have little time for long-term market analysis and business planning. Not having the capability and/or capacity to read and respond to market signals is a problem.

Even when the signals are read and the need for change recognised, employers often don't know what skills are available among their employees and which could be better used to meet their business needs. It's often not clear from qualification certificates what workers can do, and how well. Employers therefore need to know what skills their employees have. Skills audits are helpful.

If they do have the skills to enable them to contribute more, employees need to be engaged to use these skills. This engagement requires them to have the opportunity and motivation.¹² In terms of opportunity, the challenge can be that not all frontline managers or supervisors buy into the need for more effective

Figure 1: Linking business and workforce development through organisational development



8 Scottish Government 2008; Skills Australia 2010.

9 Skills Australia 2012a

10 Findlay et al. 2011; Skills Australia 2012a.

11 Findlay et al. 2011: 9-10.

12 This approach is drawn from the 'AMO' – ability, motivation and opportunity – argument about how companies can create advantage through their employees (Appelbaum et al. 2000).

skills utilisation. The focus of these roles can often be the immediate concerns—operations, making sure customers are served or hotel rooms are clean, for example. They often do not have, or do not see the big picture, and just want employees to focus on the task at hand.

Employees also need to be motivated to use their skills. Rewards for improved productivity and innovation are useful. However there are also other benefits for employees. Where workers cannot use their skills they are de-motivated and have less job satisfaction.¹³ In Australian workplaces with better skills utilisation, employees are more satisfied with their work, their jobs and their employer.¹⁴ Some British research even found that workers would prefer to be able to use their skills than receive higher pay.¹⁵ The mutual gains for employers and employees are therefore not hard to find, and are not difficult for employers to offer.

All of these challenges raise a final one: companies' culture and practices need to adapt. Owners and managers have to provide clear leadership and communicate the need for change to others. It needs to be recognised that, given the motivation and opportunity, when employees use their skills it helps the business at both operational and strategic levels.

How can employers make sure that their employees' skills are being used properly?

Knowing and responding to these challenges helps identify how employers can implement better use of their employees' skills. As the managers and employees in Australian case studies illustrate, there can be different starting points, routes to and outcomes from skills utilisation, but there are basic building blocks.¹⁶ Figure 2 shows these building blocks and some of their features.

There are different **triggers** or drivers for companies needing to adopt better skills utilisation. In some cases it can be government regulation or incentives. As we noted, in Australia, the main reasons are tight labour markets and more competitive product markets.

The **deliverers** are the various practices that companies need to have to promote skills utilisation in the workplace. Australian research has found five key practices, including

employee participation and the exchange of ideas between employers, and between employees and managers.

The organisational characteristics that make skills utilisation work are the **enablers**. They create the right environment for skills utilisation to flourish. Setting that environment starts at the top and encourages different ways of doing things.

The **outcomes** of skills utilisation can vary. They can be hard or soft; they can benefit employees as well as employers. Hard outcomes will be measurable, for example profitability. The soft ones, such as job satisfaction, might not be so easy to measure but all outcomes will impact the bottom line.

In short, to promote better skills utilisation, organisations need to develop the right leadership, management, culture and values; have good communication, consultation and collaboration within the organisation; and have, in essence, good HR practices.

Concluding Remarks

In a recent visit to Australia, the OECD reviewed the country's employment and skills strategies. On the whole, the OECD acknowledged that the country is doing relatively well, but it cannot be complacent if its companies are to remain competitive. One of its recommendations was to promote greater awareness of skills utilisation amongst employers and for those employers to be made aware of the business benefits that can be gained from skills utilisation.¹⁷ Those benefits can be significant – better recruitment and retention of staff, and increased productivity and innovation for example. Skills utilisation matters and should be promoted within Australian businesses.

This guide has explained what skills utilisation means and shown why it's important to employers. It recognises that there can be challenges for employers in trying to improve skills utilisation and it has indicated what companies need to do to make it happen. Too many Australian employees are currently under-employed in their jobs because their companies don't maximise the use of their skills. This untapped potential can and should be used by employers. Harnessing those under-used employee skills will make a positive difference to organisational performance. As some Australian employers have already found out, the biggest benefit is to their bottom line.

Figure 2: How skills utilisation occurs and what it delivers



¹³ Findlay et al. 2011; Skills Australia 2012a.

¹⁴ Skills Australia 2012b.

¹⁵ Felstead et al. 2007.

¹⁶ Skills Australia 2012b.

¹⁷ OECD 2014.

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About the author

Chris Warhurst is Professor and Director of the Warwick Institute for Employment Research, the leading multi-disciplinary research centre for applied employment research in the UK. Until recently he was Professor of Work and Organisational Studies at Sydney University Business School. He is an International Expert Adviser to the OECD's Local Economic and Employment Development programme and has worked with Skills Australia and Skills Development Scotland on improving skills policy and practice.

Service Skills Australia

Level 10, 171 Clarence Street
Sydney NSW 2000
T +61 8243 1200
www.serviceskills.com.au

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