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Evidence-based policy making

Skill utilization at work: Opportunity and motivation

Challenging jobs and work incentives induce workers to use their skills but make life difficult for managers

Keywords: job demands, skills, tasks, skill utilization, incentives

ELEVATOR PITCH

Organizational characteristics and management styles vary dramatically both across and within sectors, which leads to huge variation in job design and complexity. Complex jobs pose a challenge for management and workers; an incentive structure aimed at unlocking workers' potential can effectively address this challenge. However, the heterogeneity of job complexity and the inherent difficulty in devising a correct set of incentives may result in misalignment between job demands and incentivized behaviors, and in complaints by employers about the lack of skilled workers.

EU companies cite a range of concurring difficulties when recruiting graduates

Lack of skilled applicants:

without concurring difficulties: 24%

with 1 or more concurring difficulty: 76%

Difficulties include:
- No training programs for graduate recruits
- Starting salary not competitive
- Limited resources to market graduate vacancies
- Applicants withdrawing due to slow recruitment process

Source: Author's own compilation based on unweighted Flash Eurobarometer Survey 304 data. Online at: http://ec.europa.eu/commfrontoffice/publicopinion/flash/fl_304_en.pdf

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KEY FINDINGS

Pros

⊕ Effective skill utilization requires complex and challenging jobs.

⊕ Organizations have a large amount of leeway in how to combine tasks to form jobs.

⊕ Skills are found in people; organizations need to offer the right incentives to unlock workers' potential.

⊕ Skills can be built on the job, and workplaces are great learning environments.

⊕ Job complexity has a motivational component that can be used to induce workers to apply and develop their skills.
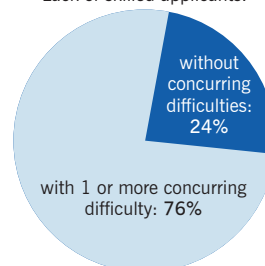
Cons

⊖ Complex jobs pose challenges for management.

⊖ Organizations that adopt non-standardized technologies will likely encounter difficulties attracting appropriately skilled applicants.

⊖ Finding the right incentives to motivate workers to use and develop their skills can be difficult, and mistakes can be costly for organizations.

⊖ Human resource (HR) policies may not deliver the intended results due to misalignment between HR managers and line managers.

⊖ Job complexity strains workers' cognitive and emotional resources; without adequate resources, workers may be at risk of stress-induced burnout and display counterproductive work behavior.

AUTHOR'S MAIN MESSAGE

Technological choices, product market strategies, and other organizational characteristics affect how tasks are grouped into jobs. The design of jobs determines the skills needed by workers in order to do them effectively. However, people possess skills and organizations need to find the right incentives to motivate workers to fully apply their skills. This is not an easy task and mistakes in the design of incentives can have disastrous consequences for firms' survival. Policymakers should complement policy interventions aimed at skilling the workforce with interventions aimed at increasing skill utilization.