

Dr. Martin Kröll

A competence analysis and competence creation tool to integrate employees in subsidized contracts

Nr. 2
Bochum 2012



RESEARCH PAPER

A competence analysis and competence creation tool to integrate employees in subsidized contracts

Dr. Martin Kröll (2013)
Ruhr University of Bochum
Institute for Work Science

Abstract: In order to address the problem of insufficient reintegration of employees and the challenges of lifelong learning, the Lohnwertmethode which has been developed in the Netherlands, the country with the EU's lowest unemployment rate, has been analyzed in an EU-funded project. Furthermore the possibility to transfer this method to other EU-countries (Germany, Bulgaria, Greece, Italy, Hungary and Spain) was examined. With this instrument the occupational competencies of an employee are assessed together with the responsible manager, the particular employee and a professional consultant by the means of a criterion-oriented questionnaire. Starting points for a specific usage of promoted employment relationships are illustrated. In doing so it is focused on the ways to improve the measurement and development of competencies as well as the reintegration of unemployed.

Key words: Lohnwertmethode, lifelong learning, competencies development, reintegration of unemployed

The following paper has been largely translated from the author's German research paper:

Kröll, M. (2012): Instrument zur Kompetenzanalyse und –schöpfung (INKAS) zur Reintegration von Erwerbstätigen in geförderten Beschäftigungsverhältnissen. In: GFA (Hrsg.): Gestaltung nachhaltiger Arbeitssysteme. Dortmund, S. 559 - 565.

1. Initial situation and theoretical context

Against the background of increasing importance of lifelong learning in a complex and global work environment and the need to secure the employability of the unemployed, approaches to measure job-related competences within education or training and methods for informal learning become more and more important.

According to Eurostat (statistical office of the European Union) in June 2013 26.42 million people have been unemployed in EU27, thereof 19.27 million in the euro zone. A comparison of these numbers with the unemployment figures of June 2012 shows an increase of 1,080,000 for EU27 and 1,129,000 in the euro zone. With 6.8%, the Netherlands show one of the lowest unemployment rates in Europe according to Eurostat 2013. Youth unemployment shows a similar pattern – with 11% the Netherlands have one of the lowest rates in the EU. Highest unemployment rates can be found in Spain (26.3%, youth 56.1%) and Greece (26.9%, youth 58.7% in April 2013). Greece also shows the highest growth in unemployment rates, with an increase from 23.1% in April 2012 to 26.9% in April 2013.

It is crucial to enable a fast return in a labor condition for unemployed with a focus on underrepresented groups, to downsize long-term unemployment and, closely associated, to reintegrate poorly educated and seniors (55+) into the labor market (see European Commission 2012). Against the background that social security systems in many EU-

countries hit their financial limit, this task seems even more urgent (Giehle 2011). Moreover many EU countries realized that they cannot continue the existing practice of early retirement because this contributed to a high debit of the social systems.

A potential starting point to face these challenges could be “Activa Loonwaarde Methodiek” (short LWM, English: reward-assessment method). The main goal of this tool is to show ways for a long-term employment by analyzing and using the potential of the unemployed. Working with the LWM, trained consultants measure job-related competences of employees in the following areas: basis, personal and function-specific competence. The assessed data is then compared to necessary requirements concerning a specific position and workplace. The resulting level of fit between the employee’s competences and the workplace requirements is the reward value.

Over the last few years different theoretical approaches dealt with diagnostic tools for job-related competence and developed such (Jude et al. 2008). Rauner (2008) for instance addresses competence measurement in the commercial and technical field. He defines job-related competence as “indicator for the degree of the achieved occupational abilities” (p. 81) and distinguishes it from qualification and general intelligence. In this matter, concepts of practical knowledge and reflection play a key role. Origin of scientific examinations are the concrete work processes and competences, relevant to achieve those work processes on different levels (from freshman to expert).

Winther (2010) addresses the topic of competence measurement from a socio-economic point of view. To understand job-related competence she points out the meaning of general, as well as domain-specific knowledge and of learnable techniques. In this context she develops measurement tools for job-specific competences. In recent scientific examinations concerning competence development the role of developing and coaching staff is more and more assigned to managers (Kröll 2011). In addition education and training is increasingly becoming a target of criticism, because it does not reach the goals it promised to. Thereby the problem of learning transfer becomes focus of interest and one refers to the advantages of near-the-job learning. As pointed out by the European Commission’s (2010) expert group for “new skills for new jobs”, learning and working will not be separate worlds any longer, but instead integrated into a single lifelong learning process. In this context, adequate practical tools for measuring professional competencies prove indispensable, since their results constitute the basis of workplace-based competency development activities.

Wilson (2010) states that in the 27 EU countries, new jobs will emerge particularly in the service sector in the broadest sense (business & other services) as well as in the distribution and transport sector. In contrast it is assumed that the number of jobs tends to decline in the manufacturing sector.

According to Wilson (2010), jobs are generally expected to become highly knowledge- and skills-intensive, driven by global trends such as globalization and technical change.

2. Project’s goals and tasks

Based on the problems mentioned above, this project aims to implement a method to improve the person-job fit through competence measurement and competence development in several EU-countries. Key topic will be the increase of placement and employability of the poorly educated. Scopes for action will be clarified through the analysis of labor market (e.g. employment legislation, subsidized contracts) with respect to needs and target group in selected European countries (Bulgaria, Germany, Greece, Italy, Spain and Hungary). In this context, the primary question is: how can the EU countries learn from each other with regard to labor policy instruments? We intentionally dispense from just simply implementing one EU-countries model to the other one-to-one. Instead we refer to the Dutch concept of LWM to develop country-specific approaches that build on the re-

spective situation in the different European countries and their cultural and legal framework. Doing this, our intention of matching job-related competence and labor market needs is pursued. This involves promoting the link between learning and professional activities and, in particular, creating the conditions for a learning environment that is conducive for the work place.

Target groups for LWM are (1) labor force, which are in need of support on the labor market (e.g. job-returnees, long-term unemployed and seniors), (2) potential employers that are willing to employ people who only partly possess the relevant competences and (3) job centers that receive regular feedback on the amount and duration of reward subsidy. Primary area of application for this tool will be subsidized contracts. Especially for poorly educated there is the possibility of giving employees important information on development of their employability, facilitating organizational controlling for human resources development and strengthening a region's sustainability. Cities and local authorities are able to accompany the mentioned targeted groups in a more effective and efficient way. Employers are supported in recruiting and developing their employees and will have the opportunity to enhance the productivity and job satisfaction of their employees. Equally, the LWM aims at measuring formally and informally acquired competencies within the meaning of a change in perspective from input orientation to output orientation. The identification of competencies may be used as a basis for continuative intra-corporate competence development.

The activities of the project might be regarded in the context of the flexicurity strategy (Wilthagen/Tros 2004; Jørgensen/Madsen 2007).

3. Reward-assessment method: Conceptual design and possibilities of implementation

The following understanding of competence is the initial point of the theoretical concept for the application of LWM: Competences are contextual and task-specific, i.e. they are learned in a specific context and through specific activities / tasks. At the same time competences may be transferred into another context and a gradual modification caused by new learning processes is possible. Competences are indivisible, meaning they are a unique combination of cognitive and / or kinetic abilities. Moreover, individual learning and development processes are required to acquire competencies and the existence of other competencies facilitates or rather allows for acquiring new competences (synergy effects).

Measurement of competencies within the framework of LWM is implemented with the help of a criterion-oriented questionnaire in form of a structured interview. In scientific examinations structured interviews are considered as valid tools for the selection of personnel (Schmidt & Hunter, 1998). By conducting the LWM, the STARR-method is used: S-situation, T-task, A-activity, R-result and R-reflection. To avoid socially desirable response patterns and get a preferably realistic competence assessment, interviewees (employee and his/her manager) should describe concrete situations with multiple examples. In addition, one can elaborate in which context the competences mentioned were learned and used. Moreover interviewees shall describe concrete activities, so that consultants can assess their amount of involvement, independence and specific competences, e.g. against the background of customer demands. To assess employees' typical behavior and reaction, respective actions are requested. Last but not least, the concerned persons (e.g. customer, colleagues) are asked to evaluate the result. Doing this, work quality, impression on others and realistic self-assessment is addressed. In case of any ambiguity concerning the assessment of competence dimensions, these are talked over in a joint discussion with the consultant. Here the opinion of the employee, his/her direct manager and the consultant are of high interest. Insurmountable differences are decided by the consultant.

If the measurement detects that an employee for instance only possesses 40% of the relevant competences, the employer only pays 40% of the reward. In the Netherlands the residual 60% are paid by the local authority. Generally a minimum of two or more measurements are conducted. After the first measurement the consultant suggests concrete steps for competence development, e.g. training activities or work-related organizational actions. If, in a second measurement after ½ or 1 year, it is detected that the employee developed his competences further, the employer needs to pay a higher part of the reward and the local authority a lower one.

One way to organize the competence development is to an individual development plan. This is an HRM-instrument which is implemented in more and more companies as part of the competence management. The starting point is that the employee engages in the development of his/her own desired behavioral competence and shall stimulate a continuous development process. Here it is required that the employee is motivated for further learning, which is not always given. In the process the following questions are answered:

- Where am I now?
- Where would I like to go?
- What do I have to do to reach this?
- Which actions do I have to perform in order to promote my development?

The individual development plan is a written document, which shows how an employee develops in his/her current capacity. Thereby the current competencies' and skills' level of an employee as well as the desired situation related to the necessary organization's core competencies are considered. It is a possibility to illustrate the employee's ambitions in relation to the organization's ambitions. The employees driving force and desires are clearly outlined. In practice different formats exist but similar characteristics can be observed.

Crucial for the successful implementation of an individual development plan are both employee and managing associates. Therefore both have their own responsibilities. In the development meeting these responsibilities are taken together and the employee's ambitions are discussed. The development meeting consists of 3 phases: image-shaping-phase, judgment-phase and decision-phase. In each phase the individual roles are defined.

LWM is primarily used if all relevant people are in a concrete contract that is mostly subsidized. The LWM concept is built upon three central principles: (1) dialogue between manager and employee, which is professionally supported through a consultant, (2) orientation towards strengths, not only weaknesses of the employees, (3) job-related alignment of individual competence development. Through the orientation towards strengths and potentials, one can overcome the sole search for applicant deficits and thereby the danger of stigmatizing people.

LWM has been developed in collaboration of consulting companies and scientists at the Dutch University Groningen. To guarantee a continuous improvement the tool is regularly tested for evidence and validity by an independent research institute. In the Netherlands LWM has been successfully used about 4,000 times. Moreover the need to use it in connection with subsidized contracts is currently governed by law in the Netherlands. While using LWM, Activa BV (a Dutch consulting company, which co-developed and uses LWM) could determine satisfaction for all participants by the following effects: (1) The use of LWM allows for a gradual integration into a normal working relationship and improves the employee's employability. (2) The concerned employees receive a comprehensive overview of their competences and are able to develop and expand them further. (3) The employer is given a realistic assessment of each employee's potential for the concrete job. (4) Local authorities and employers work together more closely and arrange things with each other more intensively.

When using the basic ideas of the LWM in other EU countries relating to labor market policies, the following has to be considered: Given the current state of innovation research, the initiation, transfer and implementation of innovation (in this case the application of LWM) should be designed as a process open for development. The process itself cannot be considered as fully predictable. To shape it intentionally it is necessary to identify and uncover the existing potential in the country which enables transfer of innovation and support on the one hand and to identify resistance that hinders or avoids implementation of transfer on the other hand. Based on the relevant country's potential and resistance analysis, it is possible to develop appropriate and tailored solutions and implement them. To ensure the sustainability of project activities after project completion, the following actions are taken: (1) Agreements with companies are made with the aim that they are (further) willing to use the LWM; (2) it is attempted to build a consulting structure in the concerned EU countries.

4. Effects of the LWM use and outlook

By reflecting the usage of the LWM in other EU countries the following positive effects should be achieved: (1) systematic skill development of those involved, (2) improving the employability of employees, (3) rapid, efficient and effective reintegration into the labor market, (4) access to lifelong learning for educationally disadvantaged groups, and (5) maintenance and relief of social security systems. In the following the consequences for the different actors or groups (individual, business, society and the EU) are considered in detail.

The interviewed employees get a comprehensive evaluation of the current state and development of their employability. The reward value is determined using the competency assessment in dialogue with the employee whose employment is funded and his line manager. Doing this individual feedback to the employee can be given. Further measurements at specific time intervals illustrate the extent to which the employees' skills have continued to develop and provide immediate feedback on improvements and further optimization.

Based on the results which are identified by using the LWM, companies can clarify what they expect from their employees whose employment is funded, particularly with regard to their future skill development. At the same time, employees may also talk about their expectations towards the company and managers in order to support their skill development. This mutual exchange of expectations offers the possibility to improve the effectiveness and efficiency of the competence development activities. Participating companies receive a reliable instrument for measuring their employees' skills that can be directly connected to employee development activities, specifically those to eliminate the deficits and expand strengths further respectively.

By using the LWM the interests of the public sector and the economy are combined. This can lead to a so-called win-win situation for both of them. With the assignment of the LWM the allocation of public funds becomes more efficient and effective, and eases the identification of developmental opportunities for the concerned employers and employees. Cost units of wage subsidies are given the opportunity to individually customize wage subsidies and use them appropriately. The possibilities to use public funds in a more targeted way for labor-policy tasks and to avoid wastage are improved. Additionally, the following positive effects of successful implementation are expected: reduction of the duration of unemployment and shorter switching times, lower financial expenses to overcome unemployment and the associated discharge of social systems as well as lower public debt.

The pan-European labor market, with its increasing globalization and internationalization, can benefit from the introduction of an EU-wide competency assessment method by increasing the comparability and thus benefit from an improved permeability of the labor markets. Another aspect on the European level affects mobility of labor across national

borders within Europe. The demand for spatial flexibility, even across national borders, still pushes on rigid national apprenticeship and job conditions and regulations that hinder transnational exchange. A consistent, structured and validated measurement instrument can make the skills of a work force comparable across national boundaries.

Boosting reintegration of the unemployed, two alternative strategies can be differentiated:

The first strategy relies on centralization. Its core question is deficit-oriented: What are the barriers to employment? Human resource development, that creates the conditions for employment, primarily addresses those respective deficits. Corresponding methods used are generally off-the-job trainings which are usually conducted by external trainers. The affected people are treated more from a distance. To control these processes is of central importance for those who take on a mediating function in connection with the subsidized contracts, such as the Federal Employment Agency in Germany. In this context, it is particularly important to prevent the misuse of public funds and grants.

The second, alternative strategy is aligned to the contrary and is based on decentralization. Its starting point is a strong focus on a strength-oriented question: Which competences do those who strive for an employment possess? Which of their potentials has not yet been considered yet and should be used in the future? The corresponding competence development activities are organized in the workplace and on-the-job. In particular, the respective managers are, alongside their other duties, increasingly assigned to the role of the human resource developer and coach. (The latter requires that the persons concerned are in employment, whether in the form of an internship, an (unpaid) trial time or a subsidized employment.) Against this background, this strategy is rather concerned with the dialogue between the affected people, e.g. the respective (potential) employees, the manager and the representative of the placement agency. Basis of this dialogue is a certain amount of trust that is to be stabilized and further expanded by confidence-building measures.

Which of these strategies is more suitable to (re)integrate the unemployed should be explored further in the future. In any case, the second strategy offers more potential for taking up aspects of the LWM concept.

It is obvious that a use of elements of the LWM concept can contribute to a development of appropriate mechanisms to uncover the labor market's needs concerning vocational and professional education. At the same time, further ways to revealing, developing resp. compensating and utilizing existing competency potentials and deficiencies with respect to workplace requirements are to be sought.

Literature

European Commission (2010): New Skills for New Jobs: Action Now. A report by the Expert Group on New Skills for New Jobs prepared for the European Commission. European Union.

European Commission (2012): Employment: Quarterly Review shows EU labour market and social situation continues to deteriorate, press release 27/06/2012, <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/695&format=HTML&aged=0&language=EN&guiLanguage=en> (accessed at 17/07/2012).

Eurostat (2012): Unemployment statistics, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics (accessed at 17/07/2012).

Giehle, S. (2011): Tatsachen über Deutschland. Soziale Sicherung, <http://www.tatsachen-ueber-deutschland.de/de/gesellschaft/main-content-08/soziale-sicherung.html> (accessed at 17/07/2012).

Jørgensen, H., Madsen, P. K. (Eds.) (2007): Flexicurity and Beyond. Finding a new agenda for the European Social Mode. Copenhagen.

Kommission der europäischen Gemeinschaften (2009): Kernaussagen des Berichts über die Beschäftigung in Europa 2009. Brüssel: Mitteilung der Kommission.

Kröll, M. (2010): Self-Organization of Competence Development and the Role of Managers, *International Journal of Knowledge, Culture and Change Management*, 10(1), 455-480.

Rauner, F. (2008): Forschungen zur Kompetenzentwicklung im gewerblich-technischen Bereich, in N. Jude, J. Hartig & E. Klieme (Eds.): *Kompetenzerfassung in pädagogischen Handlungsfeldern*. Bonn-Berlin: Bundesministerium für Bildung und Forschung (BMBF).

Schmidt, F. L., Hunter, J. E. (1998): The validity and utility of selection methods in personnel psychology: Practical and theoretical implications of 85 years of research findings. *Psychological Bulletin*, 124, 262-274.

Wilson, R. (2010): Anticipating skills needs in Europe: Issues and Implications. Warwick IER, Number 94.

Wilthagen, T., Tros, T. (2004): The concept of 'flexicurity': a new approach to regulating employment and labour markets, *Transfer: European Review of Labour and Research*, 10(2), 166-186.

Winther, E. (2010): *Kompetenzmessung in der beruflichen Bildung*. Bertelsmann, Bielefeld.