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Suite 105, The Assembly Rooms

Church Street

www.instituteofmanagementspecialists.org.uk

Shipston on Stour

Warwickshire CV36 4AS

info@instituteofmanagementspecialists.org.uk

United Kingdom

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Managing the Challenges of Skills Mismatch (Education and Training in Modern Organizations)

by

Adamou Daniel Kamaru BSc. (Maths.), M.A.S, M.A, Dip (French), PGD (Education) ANIM, FIMS, AICMR, M.fian (Nig.), M.fian (Ghana), MICAD, Ph.D (in view)

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What is Skills Mismatch?

The concept of a skills mismatch means that employees' skills do not match the level of expertise required to perform a particular task or role. It is defined as the

gap between an individual's job skills and the demands of the job market. It is one of the main challenges faced by economies. Empirical evidence shows that, in far too many cases, workers are not well-matched with their current jobs. Some are over-skilled for their current jobs – they are capable of handling more complex tasks and their skills are underused – while others are under-skilled for their current jobs – they lack the skills normally needed for their job.

Skills mismatch on the job can be a temporary phenomenon: sometimes, for example, the demand for skills takes time to adjust to the fact that there is a larger pool of highly skilled workers available. At the same time, the mismatch between workers' skills and their tasks at work can also adversely affect economic and social outcomes. Over-skilling can be a problem because it may lead to skills loss and a waste of the resources that were used to acquire these skills. In addition, over-skilled workers earn less than workers who are well-matched to their jobs and tend to be less satisfied at work. This situation generates more employee turnover, which is likely to affect a firm's productivity. Under-skilling is also likely to affect productivity and slow the rate at which more efficient technologies and approaches to work can be adopted.

What are the Challenges of Skills Mismatch?

We can view these challenges in terms of Education as follows:

The Professionals' Perspective

This session, which featured experts who study education and labour, looked at how the education system of a country is serving the changing needs of her economy.

Today's workplace is changing so rapidly that even in today's strong country economy, companies are going begging for skilled, talented workers. One of the critical problems is that many people don't have the skills necessary to succeed in today's "knowledge economy", which values skills like problem-solving and communication much more highly than ever.

The Practitioners' Perspective

This session looked at the problem from the business sector's point of view.

Companies are desperate for intelligent, professional workers with strong people skills, technological skills and the ability to think independently and creatively in the work environment.

Three areas in particular cause great concern to businesses today:

1. They cannot find enough qualified individuals to handle technological matters, such as writing code or computer programs.
2. The service sector cannot find enough good workers.
3. They cannot find enough talented executives. The best performing companies today are paranoid that they have an insufficient level of

executive talent. This can spring-up numerical value of business, or executive head-hunters.

How do we Manage these Challenges?

The Professionals' Perspective

The new economy which is knowledge-based gives tremendous advantage to those who have knowledge and a tremendous disadvantage to those who don't. In this economy, knowledge is power.

We are now well into the "knowledge" era, and in this era, it is human capital that defines privilege and wealth, and the absence of human capital that defines poverty.

Work attributes can take the form "in" and "out" in today's workplace. On the list of "ins" were: brains, mental dexterity, access to memory and integration of skills and tasks. On the "out" list were: brawn, manual dexterity, memorization and compartmentalization. "What is best needed is an education system that is defined by the attributes on the 'in' list." "What worked well in education for hundreds of years for the majority of people who would become the workforce is now a detriment, not an asset."

The traditional fact-based, test-taking classrooms won't help students when it comes to the time to get jobs in the new workplace.

Both current entry-level and future entry-level employees need to be intelligent, skilled, thoughtful, and able to problem-solve, able to communicate with each other and be able to work together in teams.

Jobs are changing so fast today that even in industries such as auto making, the skills required are dramatically different than in years past. "Fewer than half of the high school graduates in a country like the United States currently have the mathematics skills to get a job in an auto plant."

Many people today don't have the basic skills necessary for such things as locating an intersection on a street map or using a calculator. These workers must be given a proper foundation of reading, writing and math. Without that, the

more critical skills needed in today's economy won't be possible.

Slides were presented showing how rapidly jobs are changing in the world today, with some of today's growth leaders being the computer industry, pharmaceutical companies and financial firms. The point is that not only do the employers change, but the nature of the jobs change as well. That's the constant challenge of the whole education system.

The Practitioners' Perspective

1. A successful plan to teach students so that the necessary skills meant for their workplace is acquired by them.

2. Priority should be placed on training employees to handle work in the Knowledge of economy. This will help to continue on the successful growth path and also help in elevating the quality of knowledge to higher levels. What matters so much is how we educate, not just what we educate. The simple thing about all this is that workers must have basic reading, writing and math skills; must be computer literate; must be able to assimilate into the corporate culture; and be a team player. On the other hand, government is to make improving schools and workers' skill a priority.

General Perspective

Skills policies should be put in place that support employers in making better use of the skills available to them. Mechanisms that help managers, particularly in small and medium-sized enterprises (SMEs), to identify effective work and organizational practices, should be emphasized. These include promoting innovation and adopting technologies and practices that make the best use of the existing skills base.

Offering relevant adult education and employer-provided training can also help tackle skills mismatch, especially under-skilling. Many studies show that training can be complementary to changing demands for skills. The incidence of mismatch can be reduced through better management and more transparent information.

There are several ways to measure skills match/mismatch. Most of the academic and policy analyses on mismatch to date have focused on qualification rather than skills because of data availability. Some analyses use indirect measures of skills mismatch, but few have been based on direct measures. The Programme for the International Adult Assessment of Adult Competencies (PIAAC) will change this situation, as it will provide direct measurement of skills, as well as measures of the use of those skills at work.

The Links Between the Different Types of Skill Mismatch

Over-education and over-skilling are expected to be negatively related to labour shortages. Whenever they coexist it is probably because skills or education are of the wrong type or because the two phenomena refer to different occupations in the same enterprise, industry or economy. It seems there is no strong correlation between the occurrence of skill shortages and skill gaps, but the latter may be closely linked to under-skilling. Various types of mismatch can be present at the same time in firms but probably not simultaneously within specific occupations.

The over-educated suffer a wage penalty, but earn more than their matched colleagues, while the reverse applies to the under-educated. Mismatch between the type of skills someone has and the type of skills required is also prominent and has a negative impact on earnings. There is, however, some disagreement on the extent to which mismatch is a temporary or a long-term phenomenon, but both over-education and over-skilling may persist over long periods. The over-educated may be trapped in low-level jobs while the under-educated or under-skilled are paid more than those with the same level of education in matching jobs and, therefore, have no incentive to move. The duration of skill shortages will be a function of their level and complexity, while the duration of skill gaps is linked to retraining. Skills obsolescence can occur over a relatively short number of years compared to a working lifetime, which means that lifelong learning is essential for successful careers.

To understand the causes of mismatch, one needs to look at its various forms. A core reason explaining over-education is the asymmetry of labour market information. Better-informed individuals are better prepared to avoid over-education than less-informed ones. Part of what is described in the literature as 'over-education' reflects the differences in individual abilities and of skills within particular education categories. Light can be cast on this issue by considering the job satisfaction of workers in this state or the extent to which their skills are used. Several factors are responsible for skill shortages, such as insufficient training, education and training systems responding slowly to market changes, skill-biased technological progress and business cycles. Skill shortages also emerge when people accept a low-skilled job while continuing to search for a better match, for instance when options are limited for personal or family reasons.

Skills obsolescence, which is a process rather than a state, occurs when skills depreciate due to ageing or lack of use at work or when economic developments change the skills that firms need. Mismatch is more relevant for specific groups, such as young people entering the labour market, older workers, females, ethnic minorities and the disabled. Certain racial minorities suffer from mismatch to a greater degree than the majority population. Whether women suffer more than men is less clear. Older workers are likely to suffer most from skills obsolescence but little evidence links skills obsolescence to long-term problems.

Conclusively

Skill mismatch should be of concern to all citizens, but especially to policymakers, employers' associations and trade unions. Because of skill-biased technological change, its incidence will increase over time, though over-education could have some positive effects. Skill mismatch is a crucial policy issue, not only for policy-makers but also for social partners including employers' associations and trade unions. Reducing skill mismatch is likely to generate social benefits with higher job satisfaction for employees and possibly reduced stress from work, increasing health and

wellbeing. At macro level, skill shortages and skill gaps can potentially lead to a loss of competitiveness as wage rates are bid up and productivity lowered within industries where skill problems exist.

Productivity may also suffer if firms are forced to place lower-skilled workers in skilled positions and/or if where a skills shortage exists, workers use their position to alter their employment terms and conditions in a way that harms productivity.

Skill-biased technological and organisational change has not only increased the demand for highly-skilled manpower but has also been encouraged itself by the availability of such manpower. An increasing pace of technological change is likely, however, to result in growing skill shortages and skill gaps if appropriate education and training is not provided. At the same time, the routine tasks of the middle-skilled may be eliminated by new technologies (hollowing out). Mismatches are usually explained by a combination of information asymmetry between employers and employees, incomplete information in the labour market,

differences between people and transactions costs.

Note:

Over-education

A situation in which an individual has more education than the current job requires (measured in years).

Under-education

A situation in which an individual has less education than the current job requires (measured in years).

Over-qualification

A situation in which an individual has a higher qualification than the current job requires.

Under-qualification

A situation in which an individual has a lower qualification than the current job requires.

Over-skilling

A situation in which an individual is not able to fully utilize his or her skills and abilities in the current job.

About the Author: Adamu Daniel Kamaru holds a BSc. (Hons.) Degree in Mathematics as well as a Master's Degree in Actuarial Science both of the University of Ibadan, Ibadan, 1997 and 2002 respectively. He also holds a Diploma in French Language (2008 & 2009), Master's of Art (M.A) Degree in Leadership Studies (2010) and a Post-Graduate Diploma (PGD) in Education (2011). He is at present running his PhD programme.

Apart from being a WEAC and NECO examiner in Mathematics and Further Mathematics in the past, he has worked in financial institutions in various capacities, viz: Aiico Insurance plc (2002) as Marketing Executive; UBA Insurance Ltd (2004–2007) as Risk Advisor (Underwriting); Legend Associates Ins. Brokers (2003–2004) as Deputy Manager (R&B); Nikon Ins. plc (2007) as Senior Officer (Technical); and Staco Insurance plc (2007–2013) as Senior Executive (Technical).

He is a member of several professional bodies namely: The Institute of Management Specialists UK (Fellow, 2013); Nigerian Institute of Management, Chartered (Associate, 2003); Institute of Capital Market Registrars (Associate, 2007); Institute of Corporate Administration (Full Member, 2010); Chartered Institute of Financial & Investment Analysts (Full Member, 2011); Chartered Institute of Financial & Investment Analysts, Ghana (Full Member, 2012); Institute of Loan & Risk Management (Senior Member, 2011); Institute of Public Management (Senior Member, 2012); and Chartered Institute of Stock Brokers (Student Member, final stage).