

# **THE IMPORTANCE OF COMPETENCIES IN THE LABOR MARKET**

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## SUMMARY

Throughout this paper, the main aims were to carry out a study to assess the relevance of competencies in the labor market and to analyze previous literature work to offer a framework on the topic. To do that two hypotheses were suggested. First, “I assume that organizations that exploit and nurture competencies in people are more likely to meet their goals.” and the second, “I assume that organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies.”. To prove or deny these hypotheses, the study conducted needed to take into account four specific goals. First, to identify whether there is a need of employing people with the right competencies in organizations. Second, to analyze whether the external environment of an organization and its market rivalry influences its talent management strategies. Third, to clarify what the expectations of obtaining competent people are for people and organizations. And fourth, to identify what the benefits of getting the right set of competencies among employees are for both people and organizations.

The methods used to accept or reject the hypotheses suggested were, first, a questionnaire that would act as the quantitative method and in-depth interviews that would act as the qualitative one. Participants of the questionnaire were those who have had working experience in organizations of any kind, people who while working have faced decision-making processes, the achievement of goals, teamwork dynamics, and all those aspects that working for an enterprise entail. 161 people answered this questionnaire which took place on an online platform. Participants of in depth-interviews were people that have a much more experience and knowledge in human resource-related areas and in team-leading dynamics. Thus, being able to offer much more enriching insights for the study purposes.

An overview of the literature review and results of the paper goes as follows:

As in any other market, the labor market is a constant search for the product that best fits. The labor market trades talent which is offered by candidates and taken or hired by organizations that reward such talent in form of salaries, incentives, compensation systems, etc. Nowadays, the labor market is highly competitive due to the fact that globalization has made it possible for people to access opportunities beyond their geographical location and also because education programs are much more accessible for more people. Thus, the talent

pool is more demanding, and organizations must find a way to attract those with the competencies they need.

Competency is a concept that has been present in literature for decades since David McClelland approached it in his 1953 paper “Testing for Competence Rather than Intelligence.” When trying to prove that the best way to assess performance was by considering people’s personal traits or competencies. However, its definition has not been completely settled in academic settings. Based on those many definitions, it can be said that first, competencies comprise concepts such as skills, characteristics, abilities, and qualifications when referring to performance. Second, competencies also lead to goal accomplishment and task completion. Third, competencies offer a framework for delimiting good and bad performance.

Competencies in the labor market are always changing since organizations are in constant evolution. Thus, those competencies that might be relevant as of now, might not be required in a near future. Therefore, in order for people to keep up with the labor market, they must adapt to influential factors such as technological development, education systems, social environment, economic environment, etc.

Human resources as the part of management that deals with the relationship between people and organizations, must revolve around competencies so that organizational goals can be accomplished. Thus, competency-based strategies must be carried out to look for people with the right competencies and enhanced such competencies, which brings benefits to both organizations and employees.

The talent management strategies implemented by organizations should be focused on the development of competencies for succession planning. They must include knowledge management since it has to deal with the creation and handling of knowledge, and also to achieve a higher level of engagement among employees. Thus, producing organizational knowledge and solid structures, reducing turnover costs and waste of training programs.

Performance management and evaluating performance is taking place as an important tool for enterprises to assess if their current staff is aligned with the strategic side of the organization. This alignment assessment must be conducted based on the performance that

the competencies from employees have used, explored, and improved. At the very end, tools such as appraisal management must be used to reward positive outcomes.

The development of an organization's workforce is related to the accomplishment of organizational goals since it motivates staff to explore and enhance their competencies. This way, they are motivated to perform more effectively and efficiently, which enables them to find ways of pursuing tasks and projects in a more aligned and coherent way for the purposes of the enterprise, thus, benefiting both the staff and the organizations since it adds to the professional development of people and the accomplishment of the strategic view of enterprises.

Organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies. This comes from the need to stay current and relevant in the labor market, companies need to put themselves out there to get the best-qualified candidates. Then, they need to accompany their new additions along the way for them to adapt and perform successfully in a new environment full of challenges where the organization is expected to assist them and develop their competencies.

The results of this paper are applicable to any organization that wishes to learn more about how essential competencies are for the labor market and internal organizational processes, and of course, for organizations to see what both employees and experts in the field think based on their experiences and knowledge.

This research showed the importance of contemplating competencies to achieve goals in an organization and how essential they are when it comes to implementing talent management, recruitment, and selection processes. On this basis, future research should detail how competencies management practices are carried out by organizations and to what extent they impact the outcomes of a company.

This study approached the importance of competencies in the labor market. Therefore, future research should study to what extent competencies are being taken into account in a particular sector of the economy and propose a framework for such dynamics.

