

## From Learning to Earning: Implementing Skills-Based Pay to Strengthen Workplace Learning

### Abstract

Organisations continue to invest significantly in workplace learning, yet persistent challenges remain in translating learning into measurable capability and business outcomes. This practice brief examines skills-based pay (SBP) as a practical intervention to strengthen the linkage between learning and performance. Drawing on contemporary scholarship and a Singapore-based pilot vignette, the brief outlines a structured implementation approach, examines methodological considerations, and analyses observed outcomes. The findings suggest that aligning learning, assessment, and compensation can enhance workforce agility and learning transfer. However, successful implementation requires deliberate system design, managerial capability, and organisational readiness. Implications for HR and L&D highlight the need for integrated, capability-based operating models.

**Keywords:** skills-based pay; workplace learning; skills-based organisation; workforce development; learning transfer; capability-based HR

### 1. Practice Context and Problem

Organisations across sectors continue to expand workplace learning investments in response to digital transformation, automation, and evolving business models. However, a persistent challenge remains: learning participation does not consistently translate into improved performance, capability utilisation, or organisational value.

This disconnect is often rooted in misalignment between learning systems and reward structures. While employees are encouraged to acquire new skills, compensation systems typically remain anchored to job roles, tenure, or hierarchical progression. Consequently, learning is frequently perceived as an obligation rather than a pathway to tangible outcomes.

Three recurring issues are observed in practice:

- Weak motivation for sustained learning beyond mandatory requirements

- Limited visibility of skill application and capability progression
- Slow workforce adaptation due to weak reinforcement mechanisms

These challenges are particularly pronounced in roles undergoing rapid transformation, such as digital, operational, and analytics functions.

## **2. Practice Insight: Skills-Based Pay as an Intervention**

Skills-based pay (SBP) refers to compensation structures that reward employees based on the skills they acquire and demonstrate, rather than solely on job position. This approach shifts organisational emphasis from “pay for position” to “pay for capability progression” (Lawler, 1990).

SBP functions as a reinforcing mechanism that:

- Signals the value of critical skills
- Aligns individual development with organisational priorities
- Creates a measurable link between learning and performance

Industry evidence suggests increasing adoption of such approaches as organisations seek to align capability development with strategic needs (HUB International, 2026).

### **2.1 Literature Foundations**

Recent scholarship on skills-based organisations (SBOs) reinforces the shift from job-centric to capability-centric workforce models. SBOs prioritise skills as the primary unit of workforce planning, enabling organisations to respond more dynamically to changing demands (Deloitte, 2023). This aligns with the principles of skills-based pay, where compensation becomes a reinforcing mechanism for capability acquisition and utilisation.

Capability-based HR systems extend this approach by integrating talent development, performance management, and rewards into a unified architecture (Boudreau & Ramstad, 2005). Within such systems, learning is embedded within organisational processes rather than treated as a standalone intervention.

Research on learning transfer further highlights that the effectiveness of training depends significantly on workplace application and reinforcement (Baldwin & Ford,

1988). Supervisory support, opportunities for application, and organisational incentives play critical roles. More recent studies suggest that linking learning outcomes to tangible rewards strengthens transfer mechanisms (Grossman & Salas, 2011).

In this context, SBP can be understood as an institutional mechanism that aligns learning, capability development, and organisational performance.

### **3. Practice Intervention: Singapore-Based Pilot Vignette**

A pilot SBP model was implemented within a Singapore-based SME in the professional services sector (Cubic Alpha Limited) to address capability gaps in data analytics.

#### **Context**

Despite the availability of training programmes, uptake was inconsistent and employees perceived limited career or financial benefits from acquiring analytics skills.

#### **Intervention Design**

The pilot involved 15 employees across operations and business functions and included:

##### **3.1 Skill Definition**

Data analysis, dashboarding, and business reporting across three proficiency levels (basic, intermediate, applied)

##### **3.2 Compensation Linkage**

Fixed allowances for certified proficiency and incremental pay adjustment for applied proficiency (demonstrated in projects).

##### **3.3 Assessment Mechanism**

Supervisor validation using work-based outputs and structured rubrics focusing on accuracy, business relevance, and independence.

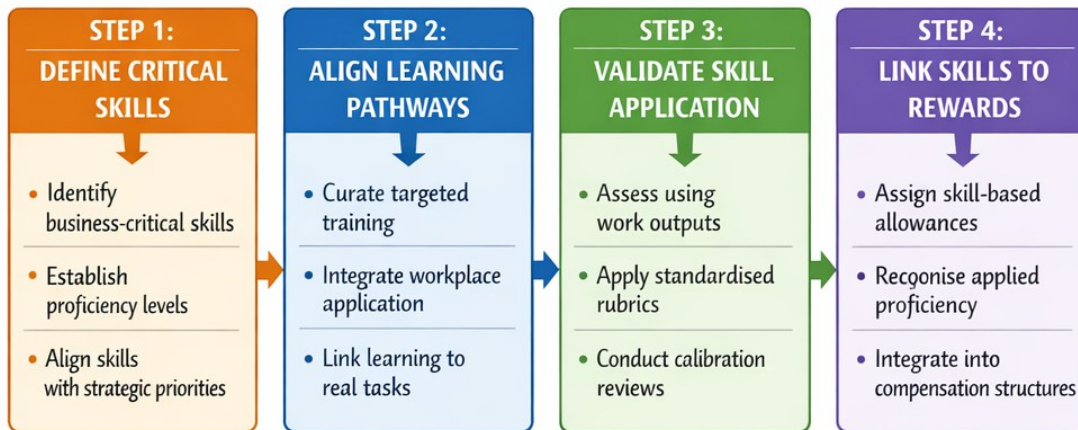
##### **3.4 Learning Alignment**

Curated pathways linked to skill levels and embedded project-based application

## Four-Step Model

The implementation approach can be summarised in a structured four-step model (see Figure 1).

Figure 1. Four-Step Model for Implementing Skills-Based Pay



### 3.5 Methodological Considerations

To enhance rigour of the pilot, several design considerations were incorporated.

#### Employee Selection

Participants (n = 15) were selected using purposive sampling based on:

- Role relevance to analytics-related tasks
- Baseline exposure to data tools
- Manager nomination of employees with potential for capability expansion

This ensured alignment between the intervention and business needs while maintaining feasibility for a pilot.

#### Supervisor Preparation

Supervisors received structured briefings on proficiency definitions, rubric use, and evaluation principles, supported by calibration exercises.

#### Rubric Consistency

A standardised rubric was applied across three criteria: accuracy, business relevance, and independence. Mid-point calibration sessions and cross-reviews were conducted to improve consistency.

While constrained by SME resources, these measures improved the reliability of the assessment.

#### **4. Observed Outcomes (6 months)**

A combination of descriptive indicators and qualitative insights was used.

##### **Learning Participation**

- Increased from 40% to 85%
- Higher completion rates for analytics training

##### **Skill Proficiency**

- 60% achieved intermediate proficiency
- 30% demonstrated applied proficiency

##### **Workplace Application**

- Increased use of dashboards
- Estimated 20% reduction in manual reporting time

##### **Employee Perceptions**

- Greater clarity in development pathways
- Increased motivation due to reward linkage
- Stronger perception of fairness

##### **Manager Feedback**

- Improved data-driven decision-making
- Higher employee initiative
- Ongoing challenges in assessment consistency

These findings, while exploratory, provide early evidence that SBP can strengthen both learning engagement and application.

#### **5. Reflection on Practice**

This intervention highlights several important insights from an action–reflection–learning perspective.

##### **5.1 Alignment Across Systems Is Critical**

The effectiveness of SBP depends on alignment between:

- Learning design (what is taught)
- Assessment mechanisms (how skills are validated)
- Reward structures (how skills are recognised)

Misalignment across these elements reduces impact.

## **5.2 Manager Capability Is a Central Enabler**

Managers are key actors in:

- Validating skill application
- Coaching employees
- Interpreting assessment criteria

In this pilot, variability in manager capability directly affected the consistency of implementation. Future iterations would require structured manager training and calibration sessions.

## **5.3 Simplicity Enhances Adoption**

The pilot benefited from a narrow focus on a small number of skills. Attempts to broaden the framework too early would likely have introduced complexity and reduced clarity.

## **5.4 Perceived Fairness Shapes Trust**

Employees' acceptance of SBP was strongly influenced by:

- Transparency of criteria
- Consistency of assessment
- Visibility of outcomes

Where these were unclear, scepticism emerged.

## **5.5 Learning Becomes Strategic When Linked to Work**

A notable shift was observed in how employees approached learning. Rather than completing courses for compliance, employees engaged more actively when learning was directly tied to:

- Work application
- Recognition
- Career movement

## **6. Practical Recommendations**

Based on the pilot and broader practice observations, the following recommendations are proposed:

### **6.1 Start with a Focused Pilot**

Select a critical skill area aligned to business priorities. Avoid large-scale implementation at the outset.

### **6.2 Integrate Learning and Work Application**

Ensure that learning pathways are directly connected to opportunities for real work application.

### **6.3. Build Manager Assessment Capability**

Provide training on:

- Skill evaluation techniques
- Use of rubrics
- Coaching for skill development

### **6.4 Ensure Transparency and Communication**

Clearly articulate:

- Skill definitions
- Assessment criteria
- Pay implications

### **6.5 Regularly Review Skill Valuation**

Skill value should be dynamically reviewed based on:

- Market demand
- Organisational priorities
- Business impact

### **6.6 Plan for Scalability and Sustainability**

To extend SBP beyond pilot groups, organisations should consider:

### **Scaling Strategy**

- Expand progressively by function (e.g., operations → finance → customer roles)
- Prioritise skills with clear business value and measurable outputs

### **System Integration**

- Align SBP with:
  - Performance management systems
  - Internal mobility frameworks
  - Workforce planning processes

### **Technology Enablement**

- Use skills tracking systems or dashboards to:
  - Monitor proficiency levels
  - Track skill application
  - Support data-driven decisions

### **Organisational Conditions**

Sustained adoption requires:

- Leadership commitment to skills-first practices
- Manager capability in coaching and assessment
- Clear governance for skill validation and reward structures

Without these conditions, SBP risks being perceived as episodic rather than systemic.

## **7. Implications for HR and L&D**

The adoption of skills-based pay necessitates a fundamental shift in how HR and L&D functions operate. Rather than functioning as separate domains, both must converge around a shared capability architecture (Gupta & Shaw, 2014).

A simplified capability-based operating model includes:

### **7.1 Skills Identification (HR and Business)**

- Define critical skills aligned to strategy
- Establish proficiency levels and business relevance

## **7.2 Learning Design (L&D)**

- Curate pathways linked to skill progression
- Integrate formal training with work-based learning

## **7.3 Skill Validation (Managers + HR)**

- Assess skills through real work outputs
- Apply standardised rubrics and calibration mechanisms

## **7.4 Reward Integration (HR)**

- Link validated skills to compensation structures
- Ensure transparency and consistency

## **7.5 Workforce Deployment (Business Leaders)**

- Redeploy talent based on demonstrated skills
- Enable internal mobility and role redesign

This integrated model positions HR and L&D as co-architects of organisational capability, rather than administrators of discrete processes.

## **8. Conclusion**

Skills-based pay provides a practical mechanism for strengthening the link between learning and organisational performance. By linking skill development to tangible rewards, organisations can create clearer incentives for capability development and respond more effectively to changing skill demands.

The experience from the Singapore-based pilot suggests that while SBP can enhance learning engagement and workforce agility, its success depends on careful design, strong managerial capability, and ongoing refinement.

Rather than viewing SBP as a compensation initiative alone, it should be understood as part of a broader workforce transformation strategy.

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