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Future-proofing your workforce through skills- based compliance

Executive summary

When an OSHA inspection revealed that 28% of one manufacturer's production workforce held expired certifications, the cost was immediate: \$425,000 in fines, three days of shutdown across two facilities, and months of administrative fallout. The root cause was not a lack of training, but a lack of real-time visibility into who was qualified, at which station, on which shift, right now.

The collision of two powerful forces – accelerating regulatory complexity and the shift to skills-based workforce models – is creating both unprecedented challenges and remarkable opportunities for HR and L&D professionals. By embracing skills-based compliance frameworks, organizations can meet regulatory demands more efficiently, as well as build more agile, audit-ready workforces capable of adapting to whatever comes next.

In manufacturing environments, the gap between what an LMS records and what the shop floor actually requires can be significant. Operators move across lines and shifts, tasks carry specific machine-level certification requirements, and job titles rarely capture who is truly qualified to do what. Research from Deloitte shows that skills-based organizations are 79% more likely to provide positive workforce experiences and 63% more likely to achieve results compared to traditional job-centric approaches¹. When combined with compliance imperatives, this model can reshape a historically costly burden into a strategic advantage.

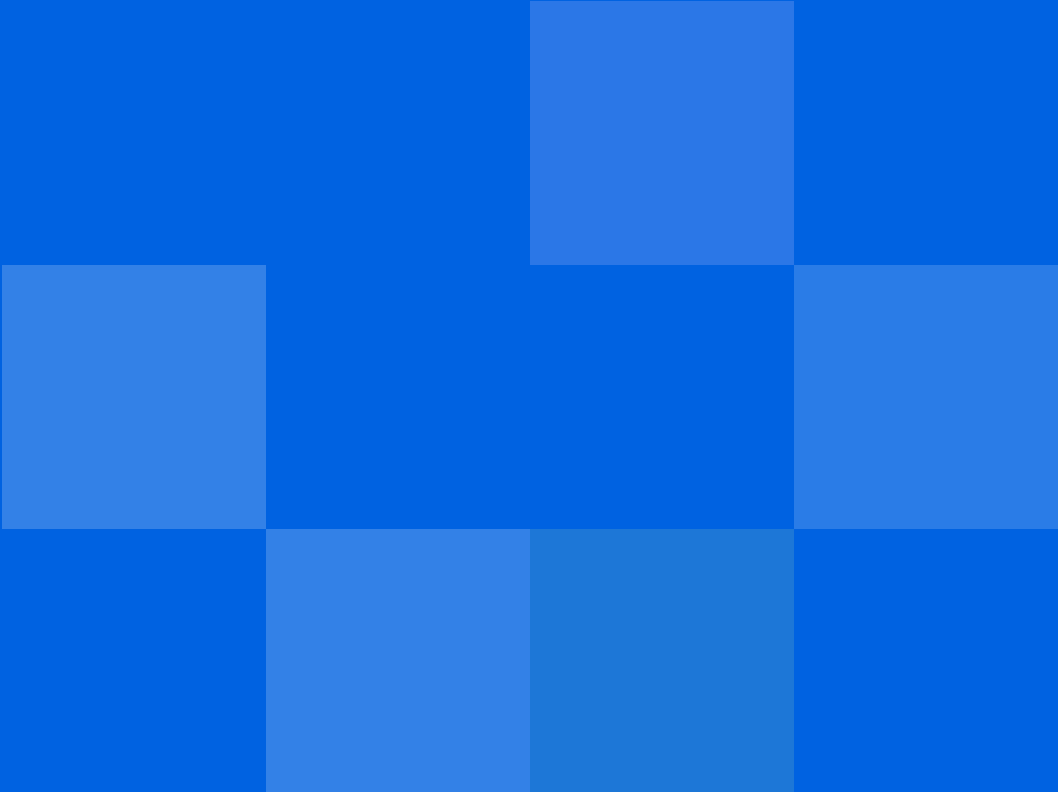
This whitepaper explores how forward-thinking organizations are mapping skills to regulatory requirements, creating dynamic compliance profiles, and using technology to turn compliance into a proactive workforce capability.

The manufacturer in this paper's opening story rebuilt its approach from the ground up: two years later, it completed its annual OSHA inspection in two days with zero citations, reduced safety incidents by 47%, cut voluntary turnover in production roles by 31%, and lifted employee engagement scores 26 points above industry average. That is what skills-based compliance looks like in practice.



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The compliance paradox

Andrew Jacobs remembers the exact moment he realized his compliance tracking system was broken. As Director of Workforce Development at a regional manufacturing company, he'd just received notice of an OSHA inspection scheduled for the following month. He needed to verify that 643 operators across five production facilities held current certifications in forklift operation, hazardous materials handling, lockout/tagout procedures, and confined space entry. The task initially seemed straightforward.



28%

of the production workforce held at least one expired certification.

Three weeks and countless spreadsheets later, Jacobs discovered that 28% of his production workforce had at least one expired certification. The root cause was not a lack of training; it was a lack of real-time visibility into who was qualified, at which station, on which shift, right now. A skills matrix tied to actual workstations and tasks, not just job titles, would have surfaced those 28% of gaps automatically, weeks before the inspection.

As it was, however, the inspection resulted in \$425,000 in fines and operational shutdowns across two facilities. Production lines went dark for three days while workers completed emergency recertification. Beyond the fines, the shutdown revealed a deeper gap: supervisors had no mechanism to verify, at the start of each shift, whether every operator assigned to a station was currently qualified to be there.



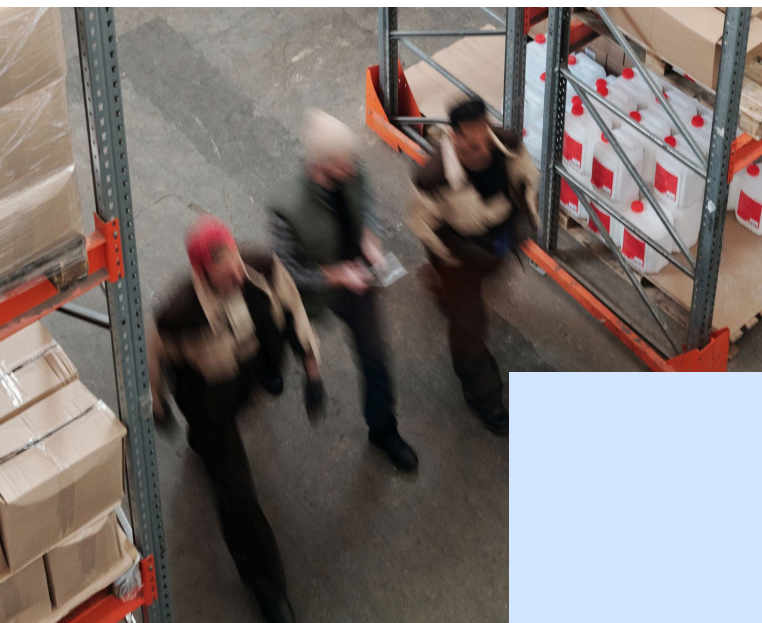
\$425,000

in fines from a compliance problem that should have been visible weeks earlier.

There were other costs, too, although they were more abstract and difficult to quantify: the erosion of safety culture, the lost production time that pushed customer deliveries back by weeks, the overtime costs to make up the backlog, and the administrative nightmare that consumed his team for months while front-line supervisors scrambled to get people back on the floor.

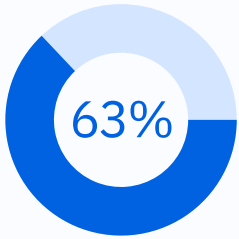
According to recent research, federal regulations cost American businesses roughly \$300 billion annually, and the average US firm spends up to 3.3% of its total wage bill on regulatory compliance².

Yet while compliance costs continue to climb, the fundamental approach most organizations take hasn't evolved in decades.



The skills evolution meets regulatory reality

Something fundamental is shifting in how organizations think about work. Deloitte's research reveals that 63% of current work being performed falls outside of people's core job descriptions, and 81% say work is increasingly performed across functional boundaries.³ For HR teams managing multi-site workforces, this means that a system tracking skills by job title alone will systematically miss the capabilities workers are actually using and developing every day. A common skills language, applied at the task and machine level across sites, is the only way to build an accurate, usable picture of workforce capability.



63% of work is already happening outside people's core job descriptions.

The World Economic Forum's collaboration with PwC on skills-first approaches found that creating skills-based labor markets could help address critical talent shortages while opening opportunities for millions of workers previously excluded by credential-based hiring. Their research emphasizes that organizations can tackle global skills and talent shortages by focusing on an individual's skills and competencies for a particular role, rather than how the skills have been acquired.

For compliance professionals, this shift represents the possibility of aligning how we manage talent with how we manage risk. After all, compliance requirements don't really care about job titles, but rather about capabilities. OSHA doesn't regulate "Safety Coordinators"; it regulates the competencies required to maintain safe working conditions. For example, IATF 16949 requires documented proof that each operator on each production line holds current, verified competency for their specific tasks. When that proof lives in paper binders or disconnected spreadsheets, the audit outcome is unpredictable.

When we map compliance requirements to skills rather than roles, we unlock something powerful.



We can see exactly:

- Which competencies across our organization are subject to regulatory oversight
- Who possesses them, at what proficiency level
- When they need refreshing



79%

more likely for a skills-based organization to provide a positive workforce experience.

We can also identify gaps before they become violations, as well as deploy talent flexibly across projects and initiatives while maintaining perfect visibility into compliance status.

As Deloitte's research notes, skills-based organizations are 79% more likely to provide a positive workforce experience and 63% more likely to achieve results¹. Add regulatory excellence to that equation, and you've transformed compliance from cost center to competitive advantage.

From static roles to dynamic capabilities

Consider how most organizations currently approach compliance training:

- They identify required training by job title
- Assign courses to everyone holding that title
- Track completion rates
- Hope everyone remembers to renew when certifications expire

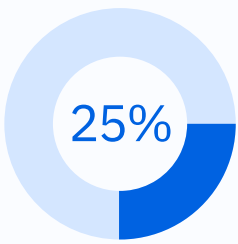
The alternative is to assign training based on actual skill gaps against real task requirements. If an operator is moving from Line 2 to Line 4, the system should automatically identify which new competencies are required, assign only those specific modules, and update their qualification status the moment they are verified with no manual intervention from HR or L&D. It is the only approach that scales across dozens of sites and thousands of workers without generating a compliance backlog.

This is a system designed for a world where people stayed in one role for years, where skills changed slowly, and where regulatory requirements were relatively stable.

None of those assumptions hold true anymore. According to the World Economic Forum, the skills employers seek are changing 25% faster in occupations that are more likely to involve AI, and 69% of CEOs across all industries believe AI will require most of their workforce to develop new skills.⁵



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Faster skills change in occupations more likely to involve AI.



Skills-based compliance takes a different approach. Instead of asking, “What training does this job require?”, it asks: “What competencies does this work require, who in our organization possesses them, and how do we ensure they remain current?” The difference might seem subtle, but the implications are enormous.

In automotive manufacturing, for example, where IATF audits require verified operator competency records at every workstation, a skills-based approach allows quality and compliance teams to instantly identify which operators, regardless of their formal job title, are performing work that requires specific machine certifications and flag gaps before an auditor does.

This granularity matters enormously. Traditional approaches often result in massive over-training requiring courses for people who do not need them simply because they share a job title, and dangerous under-training that misses people who perform regulated work but do not have the “right” title. Skills-based compliance solves both problems simultaneously.



The framework in action

Building a skills-based compliance framework starts with understanding the actual work being performed, not the jobs listed in your company's org chart. This means conducting a thorough compliance audit that maps every applicable regulation to specific, discrete competencies required to meet it.

For a manufacturing organization, this might mean breaking down OSHA compliance into constituent skills:

- Identifying machine guarding requirements
- Performing lockout/tagout procedures
- Conducting hazard assessments
- Executing emergency response protocols
- Maintaining safety data sheets

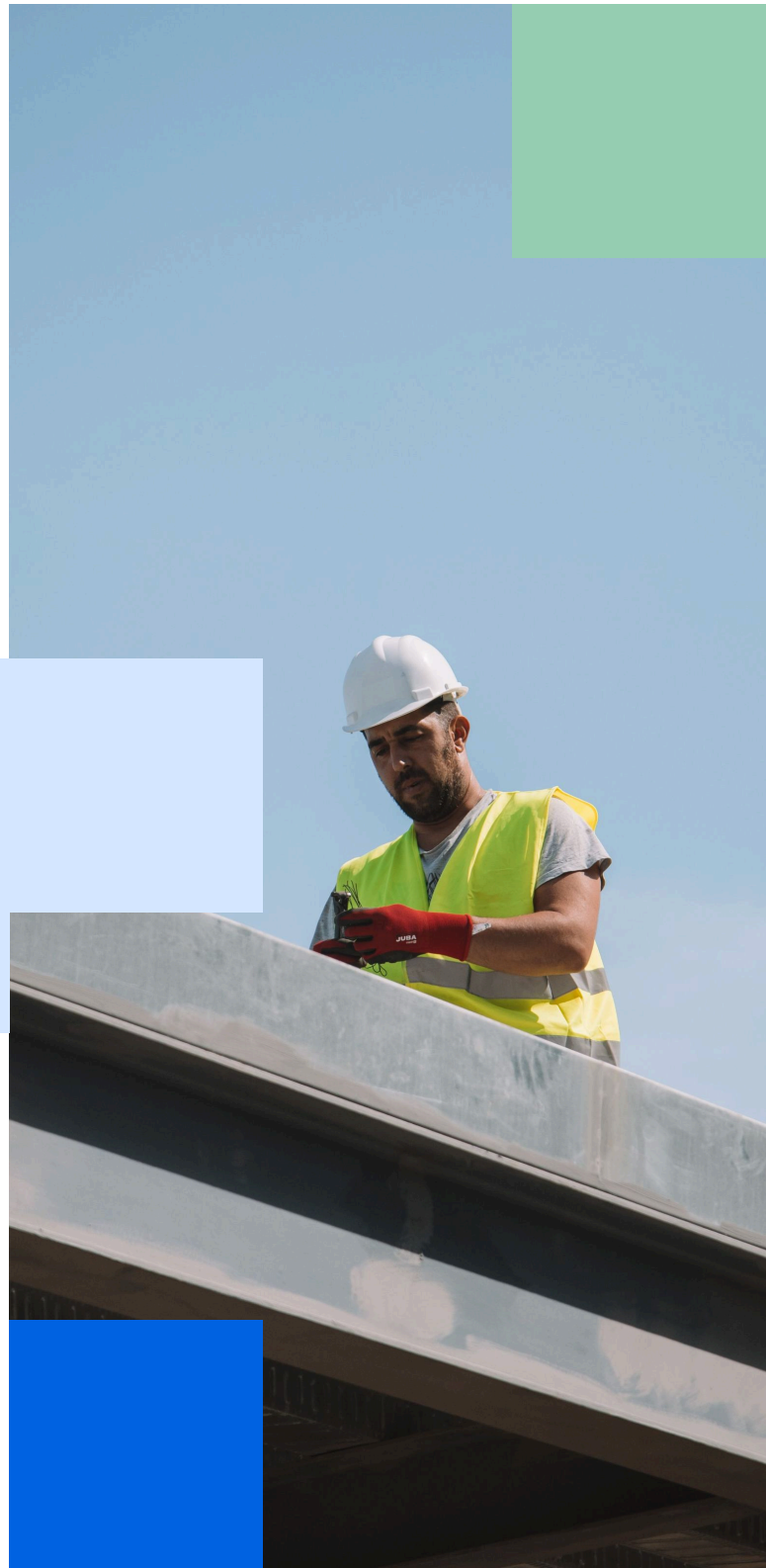
Beyond safety compliance, the same framework applies to production readiness. Breaking down line qualifications into constituent skills – Machine A Level 2 operator, quality inspection certified, SOP revision acknowledged – gives supervisors a live view of who can be deployed where, at the start of every shift. This is where compliance and operational efficiency converge: the same skills data that satisfies the auditor also drives the staffing board.



Each skill becomes measurable, trackable, and developable independent of any particular job role.

These profiles are not created once and filed; they are maintained in real time by the system itself. When a worker completes an on-the-job sign-off on the shop floor, their profile updates immediately.

When a certification expires, an alert fires before the gap becomes a violation. This live, self-maintaining profile is what makes the difference between audit readiness as an event and audit readiness as a permanent state.



Technology plays a crucial enabling role here. Modern learning management systems integrated with skills management platforms can provide real-time visibility into compliance status across the entire workforce. AI-powered systems can predict compliance gaps before they emerge, automatically recommend personalized learning pathways, and streamline the documentation that makes audits feel less like root canal surgery.



23,000 employees

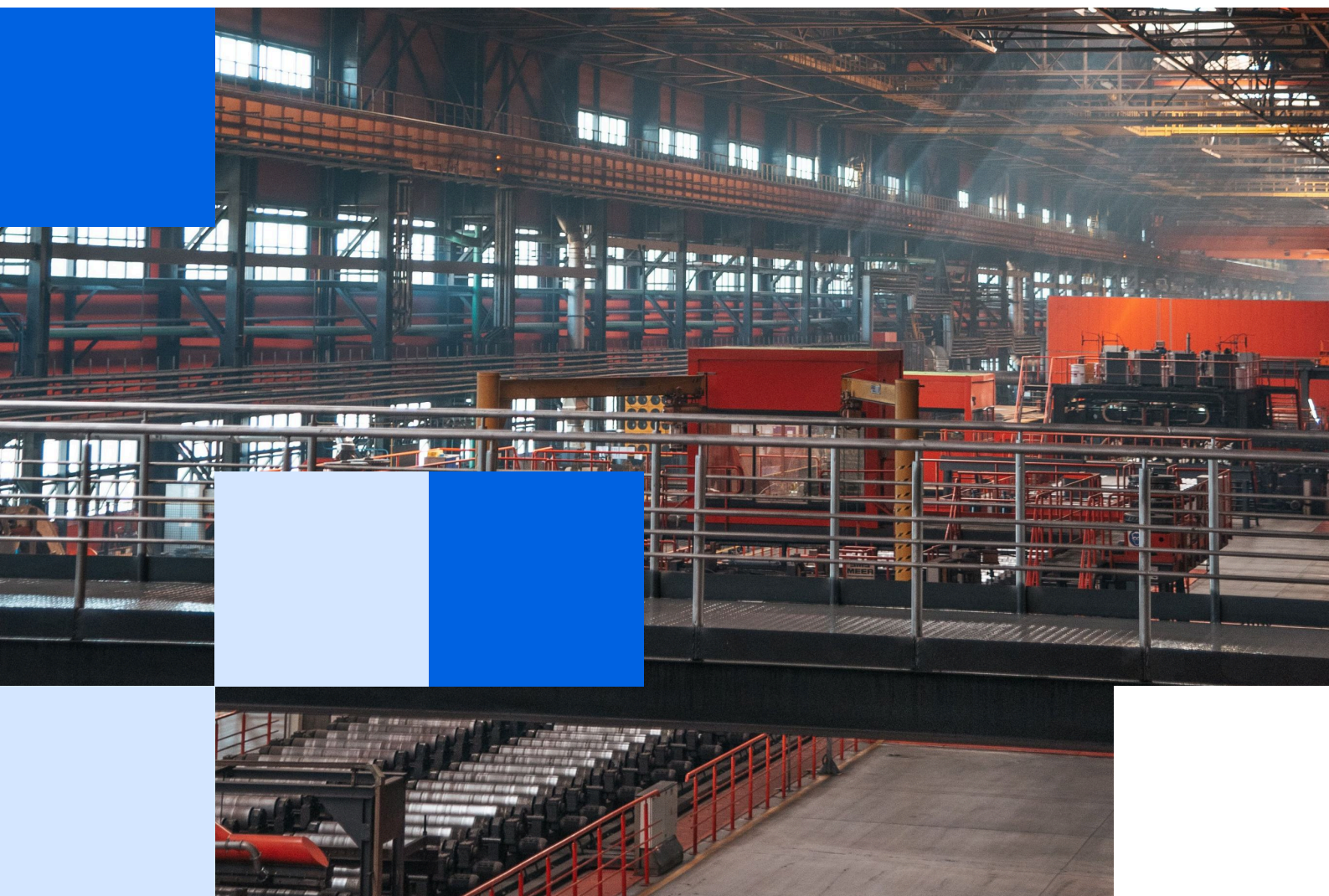
Across 47 countries, supported by one skills-based compliance framework.



18 months

A potential timeframe to reduce compliance training time while improving audit readiness.

Consider a global manufacturing company implementing this approach across 23,000 employees in 47 countries. Within 18 months, it could drastically reduce compliance training time while simultaneously improving audit readiness scores. How? By ensuring that every employee receives exactly the training they need for the work they actually perform – no more, no less – and by maintaining perfect visibility into who possesses which regulated competencies at any given moment.



The human element

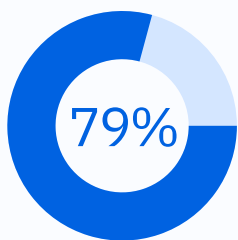
Of course, all the frameworks and technologies in the world mean nothing if employees aren't engaged with compliance as a meaningful part of their work. This is where the insights from Gallup's research on employee engagement become critical.

When employees can see their own skill profile: what they are certified for, what they are close to achieving, what new roles or lines their next certification would unlock, compliance training stops feeling like a corporate checkbox and starts feeling like a personal development tool. For HR teams managing succession planning and career pathways, this is the same data that drives workforce agility and retention, not just audit readiness.

GALLUP'S 2024 STATE OF THE GLOBAL WORKPLACE REPORT FOUND THAT

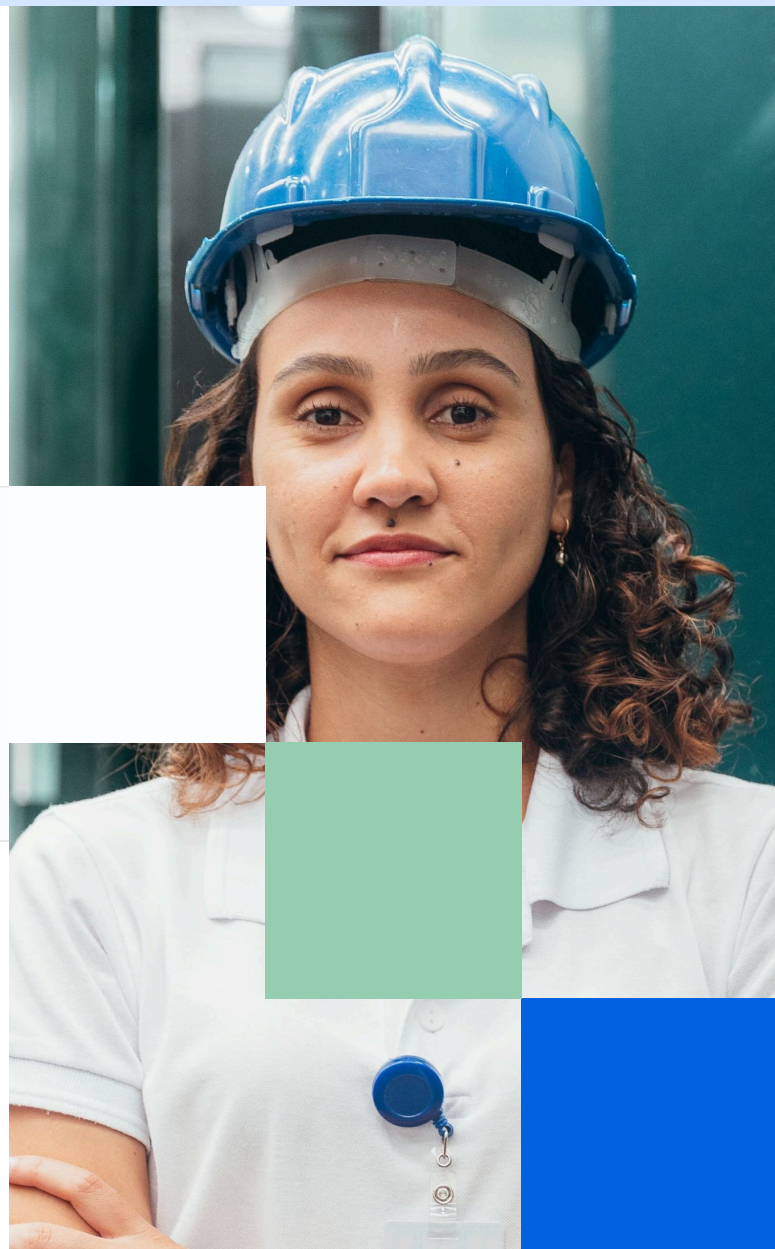
only 21% of employees globally feel involved in and enthusiastic about their work, while 62% are not engaged and 17% are actively disengaged. More importantly, their research shows that variance in employee engagement is heavily attributed to the manager.

This matters for compliance because disengaged employees are significantly more likely to experience or cause compliance incidents. However, skills-based compliance frameworks can actually improve engagement by helping employees understand how their capabilities contribute to organizational success, providing clear pathways for development, and enabling them to use their full range of skills rather than being pigeonholed by a job title.



79% of employees worldwide are not engaged or actively disengaged.

When employees can see their skill development in real-time, when they understand exactly which competencies are required for the work they perform, when they have agency in building capabilities that advance both compliance and career goals, engagement improves. And with it, compliance performance.



Technology as enabler, not solution

Modern skills management platforms are increasingly capable, and have a far reach.

For industrial operations specifically, the technology requirements are different: a touchscreen interface that works on the production floor, not just in an office; digital sign-off capability that replaces paper binders in real time; automated alerts when an operator's certification expires before their next scheduled shift; and a supervisor dashboard that shows, at a glance, whether Line 3 has enough qualified operators to start the night shift.

Apart from using these platforms, organizations seeing the greatest success with skills-based compliance share several characteristics:

- Executive sponsorship that frames compliance as a capability rather than a burden
- Governance structures that clearly define skill ownership across the enterprise
- Integration between skills platforms and existing HRIS systems
- A culture that values continuous learning

AS DELOITTE EMPHASIZES IN ITS RESEARCH ON SKILLS-BASED ORGANIZATIONS

success requires a [common language and framework for skills across the organization](#), data and technology enablers providing a single source of truth, and clear governance around skills ownership and change management.⁸



Measuring what matters

How do you know if a skills-based compliance approach is working? The metrics that matter go beyond training completion rates. Organizations should track:

- Compliance rate by skill (not just by training program)
- Time to close compliance gaps
- Cost per compliant employee
- Audit readiness scores



After implementing skills-based compliance, organizations often discover that their cost per compliant employee drops, as does voluntary turnover in regulated roles. Employees report feeling more valued, because the organization recognizes their full portfolio of capabilities.

They should also measure business impact, including reduction in compliance violations, decrease in audit preparation time, time to fill a qualified substitution when a worker is absent (shift coverage speed), percentage of cross-training targets met by quarter, and number of sites where supervisors can staff a full shift from qualified personnel without escalating to HR.

The road ahead

We're witnessing a reimagining of the social contract between employers and employees. In the old model, employees traded loyalty and years of service for job security. In the emerging model, the currency of that relationship is skills, both in the context of the organization's commitment to developing capabilities, and the employee's commitment to applying them where they create value.

Compliance fits naturally into this new paradigm. When we think of regulatory requirements not as burdens to be borne by people in certain boxes on the org chart, but as capabilities to be developed, deployed, and maintained across a fluid workforce, compliance becomes what it should always have been: a core competency that enables the organization to serve its mission while protecting the people it serves.



The question isn't whether to make this transition. After all, **77% of business and HR executives** say flexibly moving skills to work is critical to navigating future disruptions⁹.

Instead, the question is how quickly you can move, and how deliberately you can design the systems that will define work for the next decade.

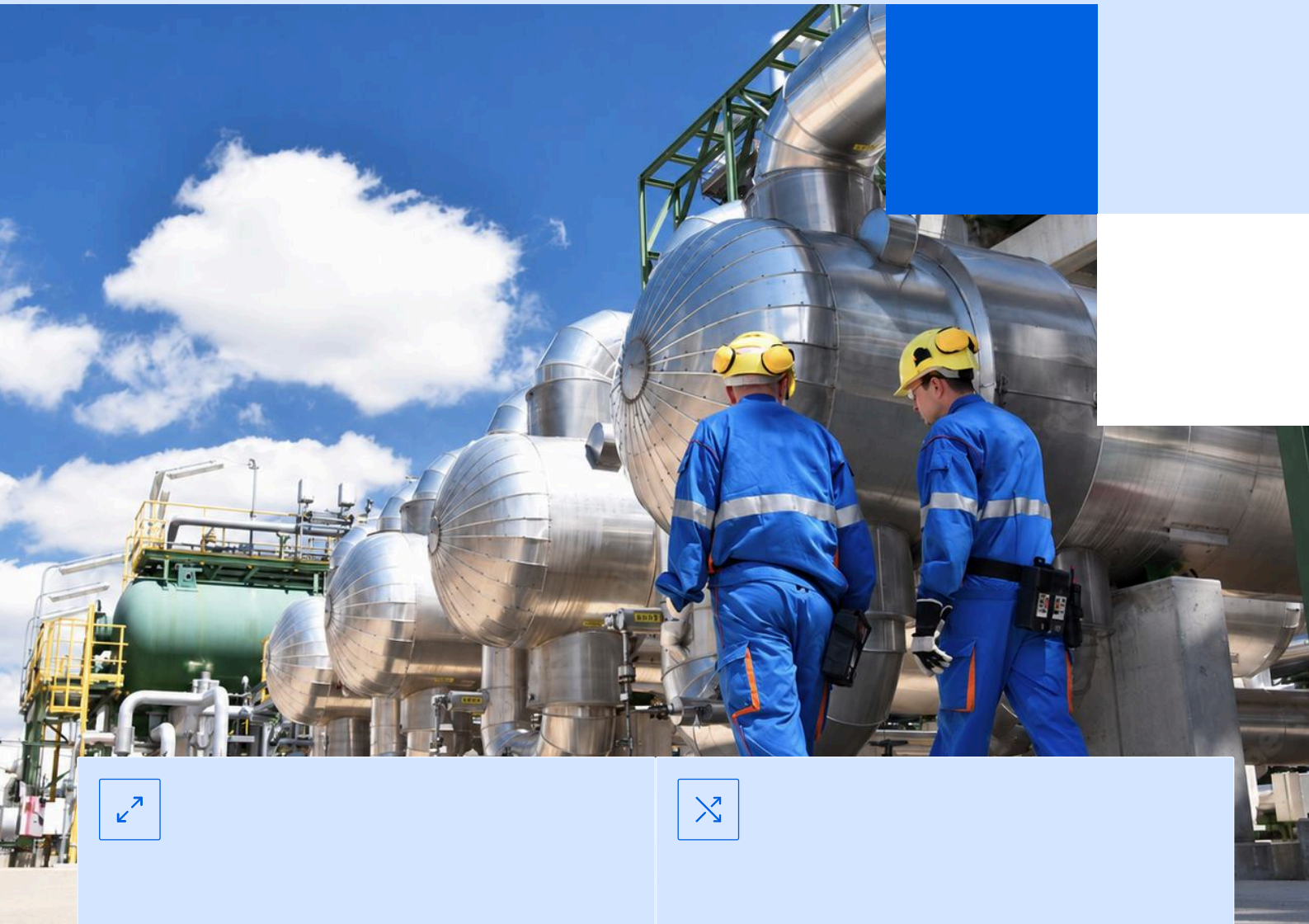
Andrew Jacobs' story has a postscript. Two years after that painful inspection, his organization has fully implemented skills-based compliance. They've mapped 89 distinct compliance-related competencies across their production workforce – everything from specific machine certifications to safety protocols to quality control procedures. They've integrated their learning management system with their production scheduling software and HRIS platform, and have trained supervisors and shift leads to think in terms of skills rather than job classifications.



Last month, they completed their annual OSHA inspection in two days with zero citations. But Andrew is most proud that safety incidents have dropped 47%, voluntary turnover in production roles has decreased by 31%, and employee engagement scores on the shop floor are now 26 points higher than industry average. When workers understand their skills matter, when they see their growth valued beyond just "years on the line," when they're empowered to use their full capabilities across different work areas, they thrive. So does compliance.



If the future of work is skills-based, so is the future of compliance. The organizations that recognize this earliest will be the ones still thriving when the next regulatory wave hits, the next technology disrupts, and the next generation of talent asks "What can I become?" instead of "What job can I get?"



47%

Reduction in safety incidents after implementing skills-based compliance.



31%

Decrease in voluntary turnover across production roles.

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