

Moving from unemployability to future skills



September 2013:

The global financial crisis did not end the war for talent. If anything, it is about to enter a whole new level.

The World Bank predicts that we need to create 600 million new jobs worldwide in the next 15 years, with a particular emphasis on Asia and sub-Saharan Africa, to keep up with the massive need. That could sound like there are more people seeking work than organizations wanting to employ them, but the labor market is a world of contradictions. Companies are desperate for skilled, talented workers to fill empty positions – yet unemployment rates are skyrocketing. Just what’s going on?

It’s nothing as simple as poor education, at least in the traditional sense, as each new generation is entering the workforce better qualified than the one before it. The problem is an emerging split between unemployable workers – those who do not have the specific knowledge or skills needed in the future – and the in-demand workers, who have these things in abundance. “Skill development is amongst the single biggest issues that will impact India’s growth in the future,” according to Sanjeev Asthana, Founder & Managing Partner of I-Farm Venture Advisors Private Ltd in India. “We have almost 14 million youths coming into the job market every year, and they are largely unskilled. While they can find some form of employment at the most basic level, the difference between them earning US\$100 a month and US\$300 a month is simple skill sets.

“It’s a huge disconnect that in a country like India with a huge pool of labor, the big issue for any industry or services sector is that they don’t have enough employable people to work, whether it is in agriculture, textiles, hotels, transport, logistics, you name it. There’s a mass of people and a mass of jobs out there but the two are simply not getting matched. There’s a difference between unemployment and unemployability. Yes, you’re available for employment, but you’re not employable because you don’t possess the skills required.”ⁱ

This mismatch is not just an issue for India or other high-growth countries, but one that is confronting societies and businesses around the world. The only way to close the gap is to make sure that workers are prepared to fill the jobs of the future, which means that governments, educators, and businesses need to rethink education and training, including who delivers it.

Unemployment – a growing challenge everywhere

The world is dealing with a systematic unemployment crisis, with economic growth in many countries economic growth still insufficient to make a serious dent in high unemployment rates. For

example, despite signs of tepid growth the Eurozone countries are struggling with extremely high unemployment rates. Spain and Greece are the hardest hit: In May 2013, Greece showed an unemployment rate of 27.6%, up from 23.8% in May 2012, while Spain fared only slightly better with a rate of 26.3% in June 2013. (Source: [Eurostat](#)) Long-term unemployment (the share of persons out of work for 12 months or more) is rising, and is a spiral that is proving hard to break especially in Italy, Spain, South Africa, the UK and the U.S. However, significant declines in long-term unemployment were seen in Brazil and, from high levels, in Germany and the Russian Federation. The median share of long-term unemployed as a share of total unemployed rose to 30.2% in the last quarter of 2012, up from 24.6% at the end of 2007. (Source: [ILO](#))

Unemployment by region, 2007, 2012, 2013 and 2015 (million)

Region	2007	2012	2013	2015
World	169.7	194.5	201.5	207.8
Advanced economies	29.1	44.0	45.5	45.3
Central and South-Eastern Europe (non-EU) and CIS	14.3	15.0	15.0	14.9
East Asia	31.6	38.4	39.5	40.8
South-East Asia and the Pacific	16.4	14.0	14.3	14.8
South Asia	25.1	24.8	25.7	27.1
Latin America and the Caribbean	18.3	17.9	18.9	20.2
Middle East	6.4	8.0	8.3	8.8
North Africa	6.2	7.4	7.6	8.0
Sub-Saharan Africa	22.2	25.9	26.6	28.0

Source: [ILO, April 2013](#)

The current and future employment challenge

We are living in a world only few could imagine some 50 years ago. Ever fewer have the ability to image how the workplace could look like just 50 years from now. Powered by technology, fuelled by information and knowledge we are moving rapidly (if we haven't already made the shift) from an industrial to a knowledge economy. Consequently the nature of work is changing, with shifts from jobs such as typists and switchboard operators to computer engineers and data analysts – jobs that require a higher skill level. What skills will be required of the children starting school now may not yet be fully determined, but it is clear that these skill shifts will continue – and that younger generations need to be better prepared.

It is not only technology that is revolutionizing the way we work and what is demanded of us. Demographics are changing too, adding a different set of challenges, with some countries seeing their workforces diminishing as populations age, while others with large youth cohorts are promised “the demographic dividend” – if skills can be matched to jobs. Both high growth economies and industrialized countries are struggling with educational deficits and a mismatch of talent and jobs. The high youth unemployment levels which are one outcome of these trends, along with rising income inequalities in many parts of the world, are fuelling social unrest, for example in many parts of Africa and Asia which are experiencing rapid population growth.

In our [GT Briefing, February 2013: The Workforce of the Future](#) we have already raised some of the issues below. They continue to be important in considering how governments, societies and businesses can tackle the critical challenge of moving from unemployability to future skills. (Note: Some are updated from the February Briefing.)

In Action!

The youth challenge: Whatever region of the world, the young people (aged 15-24 years) who will drive the future workforce are struggling to gain traction in the labor market. Estimates from the [ILO](#) reveal global youth unemployment of 73.4 million or a rate of 12.6% in 2013, up 3.5 million since 2007, and estimated to increase to 12.8% in 2018. In some countries such as Spain, Greece and South Africa the rates of youth unemployment are alarmingly high at 50% or more. In all G20 countries, except Germany and Japan, the youth unemployment rate is more than twice as high as that for adults. ILO emphasizes that the crisis has trapped many young people, in particular in developed economies, in low-productivity, temporary, part-time or other types of work that will not pave the way for a better job in future. Another unfortunate trend is the rapid increase in young people in developed economies that are neither in employment nor in education (Source: [ILO](#)). Not having access to the means to gain necessary skills early on will have tremendous implications for these young people and our future workforce. This generation of young workers risks keeping the label “the lost generation” if urgent action is not taken by businesses and governments to address the challenges.

The demographic challenge: Even as the planet’s population grows rapidly, many countries will see a decline in the working-age population. For the first time in 2010, the European labor market saw more people retiring from the labor force than entering it. Currently the gap is “only” 200,000 but it is expected to reach 8.3 million by 2030. In Japan more people are already leaving the labor force than there are people prepared to take over. A similar challenge will hit the Russian, Canadian, South Korean and Chinese labor markets by the end of this decade. Other emerging countries, e.g. India, Brazil, Mexico and Indonesia, could see benefits from the relocation of jobs as these countries have a much younger population. However, a positive effect will only be seen if these countries provide their youth with educational and economic opportunities to develop their skills. (Source: [Ernst & Young](#))

Job polarization – is it real? The pattern in the U.S. suggests a shift away from middle-skill occupations, a trend that can be extrapolated as an indicator for other industrialized countries. While these trends play out, one thing is clear: Job requirements in future are likely to shift towards higher-skilled, flexible workers. Today the demand for highly educated workers is already rising faster than the supply. The question is how we anticipate and adapt to what will be the new realities of 21st century work. This needs to be a critical area of focus for both governments and companies – today.

Employment shares by skill level in the U.S.



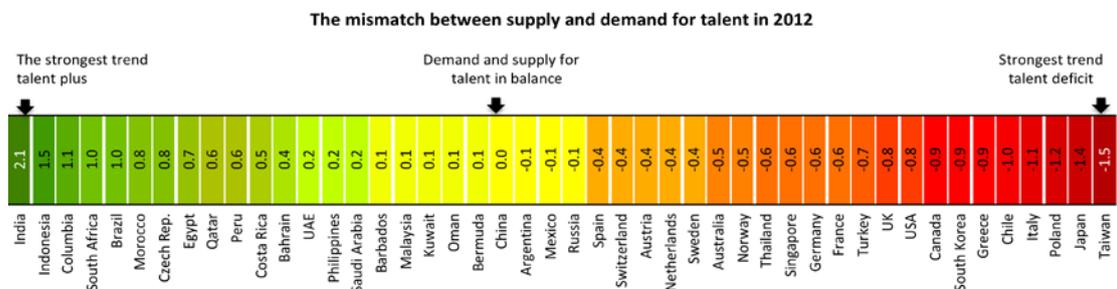
Note: Data are restricted to workers ages 16 to 64 who are not self-employed and are not employed in military or agricultural occupations. Source: Current Population Survey and authors’ calculations.

Source: [Federal Reserve Bank of Kansas City, 2013](#)

Look Out For...

Adapting to an aging workforce: Worrying about an ageing workforce may sound strange in a world struggling with high unemployment rates and, in particular, high youth unemployment. However, the world is not only getting older but also healthier allowing people to stay in the workforce longer. Projections suggest that life expectancy will surpass 100 years in some industrialized countries by the second half of this century. Why is this important? As labor markets tighten, in particular in Europe and Japan, companies will mostly likely need the contribution of older workers. Often older employees are seen as a burden compared to the younger employee so attitudes, training opportunities as well as their physical roles, e.g. allowing them more flexible roles and schedules in the work place need to be redefined in order to retain and make the most of an older work force. (Source: [Harvard Business Review](#))

The talent mismatch: The world's companies and organizations are suffering from lack of available, skilled talent. Globally, 34% had difficulty filling jobs in 2012 showing no change from 2011 but still down from the pre-crisis year 2007 (41%) (Source: [The Talent Shortages Survey 2012](#)). Looking forward, the chart below from the [Global Talent 2021](#) report suggests that many countries, particularly developed ones, will suffer from a talent deficit.



Notes:

1. The table ranks countries according to how their talent gaps are expected to evolve over the next decade.
2. Talent deficits are shown as red (negative numbers), talent surpluses as green (positive numbers), and broad balance as yellow.
3. Numbers report the average annual change of the deficit/surplus.

Source: Redrawn from Oxford Economics, Global talent 2021

The generational perspective: New generations are moving to the forefront, bringing new expectations and demands. In the book, [Ready? The 3Rs of Preparing Your Organization for the Future](#), Shelly Lazarus, Chairman emeritus of [Ogilvy & Mather](#) notes the differences between generations and the importance of not getting stuck with old talent strategies: "The remarkable thing is how Gen Y approaches balance. The generations before the boomers lived to worked, the boomers worked to live, and Gen Y just lives. It's as if their work is episodic. Who can now posit an entire talent strategy on the assumption that people will come out of university, join the company, and stay for 45 years? You can't, not now that you have Gen Y who are always thinking about the next thing, and whose average tenure is 16 months. What you have to do is to figure out whatever it is that they're seeking with a move every 16 months. Can you provide those episodes within the organization? Can you move them fast enough, with enough difference in the challenge of the assignment, to make it the same thing as changing companies?"

Skills of the future

It's no secret that the skills that make workers and leaders successful today will most likely not stay the same forever. Looking forward some specialist skills are in risk of becoming outdated in the near future, while other skills are gaining in importance. Technology is rapidly redefining the work space, even as boundaries between industries, organizations and business and society crumble. Traditional competitive, capitalist thinking is shifting towards a new economic reality which will demand skills such as collaboration, agility, cross-cultural understanding and the ability to work with and along side the machine.

So what will it take for you to stay on top of the game? What kinds of skills are required for those entering the workforce and those hoping to lead the organizations of the future?

In Action!

Social intelligence: Is a skill that has always been important to navigate many aspects of work and life. However, collaboration and teamwork as well as an office full of technological distractions and demands are increasingly the reality for workers as well as managers. In addition, companies are becoming less hierarchical, more networked and increasingly virtual making the ability to collaborate, build relationships, and trust even more important skills in future. How can do we change our educational system from one that promotes one-to-one competition towards a system that requires more teamwork and collaboration? How can your company foster more social intelligence with its organizational culture?

Agile thinking: Emerging-market companies are growing at a faster speed than developed-market companies even when operating in a neutral environment where none of them are based. Why? The management mindset of developed-market companies is often not as willing to adapt as that of emerging-market companies which are built for agility and speed. Today uncertainty rules the market, changes are abrupt and yesterday's market conditions are different to today's. Creative thinking, the ability to innovate, deal with complexity, ambiguity, and paradoxes and prepare for more than one scenario is critical for future success. (Source: [Winning the \\$30 trillion decathlon](#) and [Global Talent 2021](#))

Human-machine collaboration and co-dependence: Technology is penetrating every aspect of our lives and if you want to be top of the game in the labor market, digital and technology skills are not only nice to have, they are a necessity. For decades major transformations in many industries, if not all, have been underpinned by smart machines and technology advances, both replacing and augmenting the skills and jobs of human workers. Today, it is no longer a question about whether we want to be a part of workplace automation and human-machine dependence but more a question of how can the human worker work best alongside the machine? What skill level is needed? Do we need to rethink the content of work? How do we prepare our future generations for a workplace where human-machine collaboration and co-dependence is the norm? (Inspiration: [Future Work Skills 2020](#))

Look Out For...

Cross-cultural skills: As companies cross borders into new geographic markets it will become increasingly important to learn to navigate in a diverse environment. Cross-cultural understanding and communication will play a critical role in successfully carrying out business in a globalized world. According to the report [Global Talent 2021](#), global operating skills such as the ability to manage diverse employees (49.1% of respondents indicating important), understanding international markets (45.7%), ability to work in multiple overseas locations

(37.5%), foreign language skills (36.1%), and cultural sensitivity (31.5%) will be increasingly in demand over the next five to ten years.

The innovative, entrepreneurial mindset: The ability to innovate is a skill in growing demand and often linked to entrepreneurship. However younger generations are challenging how we think about the concept. A recent study “ [Millennials and the Future of Work](#)” suggests that 90% of people think entrepreneurship is a mindset rather than the act of starting a company. When asked to define an entrepreneur, characteristics cited included being a “self-starter,” “risk-taker,” “visionary,” and someone who “spots opportunity.” Moreover 58% of Millennials classify themselves as entrepreneurs and according to the study: “*Entrepreneurship is now accessible to everyone regardless of age or occupation. You don't need to own a business to be an entrepreneur, but you do need the entrepreneurial mindset to be successful in business.*”

Leadership skills: We have already noted the importance of being able to *manage ambiguity*, but that is not the only new skill that leaders need to embrace. As businesses today operate in two time frames, the immediate and the very long term, the ability to *manage contradictions* will be critical. Pressure to deliver results today is intense and growing but so too is the need for fundamental, not incremental, change to succeed in the long term. As no one, individual or organization has all the insights needed to succeed in the future a third important leadership skill is *engagement*. To that end, leaders must engage with stakeholders inside and outside their organization if they are to identify and shape the opportunities and challenges ahead. This requires rethinking relationships from a learning perspective and finding new ways of working together. However a major barrier to engagement is trust – a characteristic not often associated with business today but which must be central to the thinking of future leaders.

Making the move from unemployability to skills of the future

Ensuring the current and future workforce possesses the skills needed to help countries and businesses grow and innovate in future is an imperative. Economic and social development depends on it; the ability for individuals to reach their full potential depends on it – think again of the disenfranchised youth who need to be brought into the workforce, both for their own and broader society’s benefit. The question is who should be responsible for doing so. It is a mammoth task and one that requires more than changes in educational institutions. Governments, NGOs, businesses and other private institutions also need to rethink their role in developing the skills of the future – increasingly they are doing so as the examples below show.

Business

- Chinese computer maker [Lenovo](#) is partnering with top-ranked Chinese universities to identify top talent that may have gone abroad to study, but might be interested in returning to work in their home land. The company is building this talent pipeline three to four years down the road. (Source: [ChinaDaily Asia](#))
- Despite much skepticism among some in the academic environment Wal-Mart Stores Inc. has partnered with American Public University to provide online college degree programs to Walmart’s U.S. workforce. (Source: [Phys org](#))

Non-governmental organizations

- The [IMF](#), responsible for promoting financial stability in the world, is joining the online university network platform edX (set up by Harvard and MIT) in 2014 to run finance courses free of charge. It aims to give the public a better understanding of the big

picture behind problems such as unemployment and to empower people to understand financial issues facing their country. (Source: [BBC](#))

- Education and training, when linked to the specific skill needs of employers, can meet students' needs for good jobs and employers' needs for a skilled workforce. [Skills for America's future](#), an initiative of the [Aspen Institute](#), in partnership with the [Pritzker Traubert Family Foundation](#), is aiming to improve the skills of America's workers by challenging community colleges and employers to make these links, creating important opportunities for workers to get the skills they need to succeed. (Source: [PRNewswire](#))
- Since 2008, financial services provider [Barclays](#) has been working with [UNICEF](#) to help improve youth unemployment by equipping disadvantaged young people across the world with the skills they need to set up their own business or to find employment through the [Building Young Futures programme](#). For example as a part of the programme, staff from Barclays in Brazil volunteer to share some of their skills and expertise with young people, through training and mentoring. (Source: [The Guardian](#))

Governments

- Recognizing that it has lost its competitive edge in the world, in 2011 the UK government put in place a Plan for Growth to provide the infrastructure and skills base that mid-cap businesses need. They pledged to expand the University Technical Colleges programme, to establish at least 24 new colleges by 2014, and to create 50,000 additional apprenticeship places from 2011-2015 (Source: [Gov.uk](#))
- With a tremendous need to educate its youth, in 2009 the Indian government launched the [National Skill Development Corporation](#) to fund training centers and liaise with industry. The National Development Corporation works with 84 approved partners across India. As of April 2013, its partners had trained 620,000 people in 28 states and territories. More than 78% of graduates found jobs. By 2022 it has the target of training 150 million people. (Source: [National Skill Development Corporation](#))

Educational institutions:

- Corporate universities have been around for decades, but have become a growing trend in 21st century. In 1993, corporate universities existed in only 400 companies in the U.S. By 2001, this number had increased to 2,000 and is now thought to be between 2,800 and 3,400. Many of the biggest corporations extensively train their employees with facilities around the world, e.g. [McDonald's Hamburger University](#), [Motorola University](#), [Oracle University](#) and [Disney Institute](#). (Source: [ICT](#)).
- Schools and academic institutions are no longer the only gatekeepers of education. MOOCs (Massive Open Online Classes) are reinventing education as we know it, making education accessible to anyone who wants to learn, anywhere, anytime. Large scale online courses that are increasingly being offered by well-known universities (with a growing trend towards them being accredited by these universities). [Harvard University](#) and [MIT](#) have launched "edX", a combined US\$60 million joint initiative to offer their college-level courses online for free. Four other top universities [Stanford](#), [Princeton](#), [Michigan](#) and [Penn](#) have a similar open platform program [Coursera](#), while [Udemy](#) now have more than 6000 courses online.

In September: Look out for trends in action on the shifting geopolitical landscape!

ⁱ Source: "Ready? The 3Rs of Preparing Your Organization for the Future," Thomas W. Malnight, Tracey S. Keys, Kees van der Graaf, 2013. See www.3RsReady.com