Between the pandemic and new technologies, the labor force is experiencing massive disruption. Many workers are leaving their jobs to take better positions elsewhere. But some workers are stuck in undesirable jobs, and companies struggle to fill open positions, hindering economic growth.

While the pandemic accelerated the disruption, technology was already displacing workers. Technological advances and related transformation of business models—think of the upheavals in everything from media to retail to taxicabs—are likely to drive big economic shifts in the foreseeable future.

Governments worldwide are trying to bring labor policies in line with this new economic reality. The goal is to future-proof the labor force—to foster a workforce as dynamic as the economy it fuels. These policies seek to improve the efficiency of labor markets, including changes to education, skills training, credentialing, and employment frameworks.

Consider some of the workforce challenges today:

- There is a skills mismatch. Changing technology has made some skills obsolete while creating unfilled demand for others. According to the World Economic Forum, the half-life of a job skill is about five years. In November 2021, the United States had 10.6 million job openings, an eye-popping 1.5 open jobs for every job seeker.

- Labor force participation rates declined. According to the OECD, its 38 member countries have seen 14 million workers exit the labor market.

- Job turnover has reached new heights. In November 2021, the US Department of Labor...
reported 4.5 million workers quitting or changing their jobs—the highest number in history.\(^5\)

- Remote work has radically altered where and how work is performed, creating competition for talent across geographies.

- In Europe, 24 million people—around 11% of the workforce—are estimated to have worked on digital platforms at least once.\(^4\) Independent workers who were hit by the economic downturn often lacked access to critical government support.

The disruption in labor markets preceded the pandemic, but the pandemic massively accelerated the turmoil.

What about unemployment? The pandemic triggered an initial surge in unemployment, but the overall unemployment rate has largely returned to normal (figure 1).\(^7\) The increase was driven in large part by countries such as the United States where the unemployment rate increased from 3.5% in February 2020 to 14.8% in April 2020.\(^8\)

This relatively rosy unemployment picture is hiding a great deal of turmoil. The recovery this time doesn’t seem to be following traditional patterns. The global decline in labor force participation rates is one troubling signal. Meanwhile, many workers are switching jobs, seeking higher pay or more flexibility.\(^9\) About 41% of employees globally are considering quitting in the next year, according to a 2021 survey of more than 30,000 employees.\(^10\) While many may be moving to greener pastures, employee stress and burnout may be contributing to what some have called the “great resignation.”

To function effectively in this fluid environment and endure future shocks, economies need adaptive workforces. Unfortunately, many government workforce policies have been based on an industrial-era model of employment. Work is changing at a dizzying pace and labor policies need to keep up.

**FIGURE 1**

Unemployment rates in many countries surged at the onset of the pandemic

Percentage of the labor force

OECD—Total

Trend drivers

Governments face multiple pressures to develop workforce resilience:

- The pandemic and its enduring impact on the labor market.
- A rapidly changing technological landscape, with automation, AI, and digital technologies disrupting workers and industry alike.
- A growing need for an adaptable, resilient workforce to enable the economy to quickly react to rapid shocks.

Trend in action

Many jobs lost during the pandemic are not expected to come back. Researchers at the University of Chicago project that 32–42% of COVID-19-induced layoffs will be permanent. This means that despite a strong labor market, some workers will need to learn new skills for new careers.

Many governments are enacting policies that equip people to adapt not only to new jobs, but to entirely different fields. Six adaptive workforce shifts identified are:

- Shift 1: Government’s role in promoting alternative credentialing
- Shift 2: Job-centric upskilling
- Shift 3: Governments playing matchmaker
- Shift 4: Redefining employment for gig workers
- Shift 5: Infrastructure support to enable an adaptive workforce
- Shift 6: Adapting to the changing nature of higher education

SHIFT 1: GOVERNMENT’S ROLE IN PROMOTING ALTERNATIVE CREDENTIALING

Alternative credentialing can encourage reskilling amid rapidly evolving technology.

The shrinking shelf-life of digital skills requires continuous reskilling. Employers desire tracking and verification of those skills. As a result, the job market increasingly calls on training providers and academic institutions to offer “credentialized” records of learning and mastery.

Rather than relying heavily on two- and four-year degrees, skill-specific microcredentials, digital badges, or certificates specify the exact technologies an applicant has mastered. This simplifies career shifts and employee selection, making labor markets more efficient.

The New Zealand government’s policies acknowledge alternative credentials. The New Zealand Qualifications Authority (NZQA), a government agency, aims to deliver a unified vocational education system that will bring together industry, Māori groups, and educators. The process invites industry to work with higher education to develop microcredentials, which are reviewed to ensure quality standards.

As of January 2022, there were 203 NZQA-approved microcredentials. For example, forestry operations—environment was a microcredential developed for building practical skills in forestry; 65 learners were awarded the microcredential within the first year of introduction in FY19–20.

In March 2021, the Ontario government in Canada expanded the Ontario Student Assistance Program (OSAP) to include more than 600 microcredential programs, making those programs feasible for students on financial support. The 2021 provincial budget includes an additional CAD 2 million to develop a virtual skills passport. The passport will track learners’ credentials and let them share credentials digitally with prospective employers.
Similar efforts are also being undertaken in Australia, Europe, and parts of the United States.\textsuperscript{19}

**SHIFT 2: JOB-CENTRIC UPSKILLING**

Even before the pandemic, many sectors faced a skills gap. Traditional job training programs, however, often struggled to fill the gap.\textsuperscript{20}

Governments are embracing a job-centric upskilling model. Job-centric upskilling focuses on capabilities for specific, in-demand jobs. Industry contributes suggestions for training, and in many cases, offers on-the-job-support to workers. Results are measured not merely by job placement, but by success in the job. For example, through a public-private partnership called “Back to Work RI,” the state of Rhode Island provides targeted skills training and support services to displaced workers, ushering them into growing sectors such as health care and information technology.\textsuperscript{21}

Job-centric upskilling can be especially important for workers with limited job skills or those going through life challenges that make professional success difficult. The Hospitality Workers Training Center (HWTC) in Toronto found that the personal needs of its participants varied widely, ranging from child care, to housing and food security, to substance abuse counseling, to transportation. To help participants overcome these hurdles, the HWTC performs an extensive assessment of participant needs upfront. After participants’ training, a job coach assesses their post-training needs and works with employers to address performance issues that may impact job retention. This program, funded by the government of Canada, has improved its participants’ job prospects. About 80% of HWTC’s participants get employed in Toronto’s hospitality industry within eight weeks of training.\textsuperscript{22}

**SHIFT 3: GOVERNMENTS PLAYING MATCHMAKER**

Governments are creating online talent platforms to help businesses find the skills they need. Online matchmaker platforms can introduce jobseekers to the educational requirements of their desired careers, identify training opportunities, and establish contacts with employers.

India’s National Career Service (NCS) is a job search and matching initiative launched by the Ministry of Labor and Employment that aims to provide end-to-end employment-related services to workers. Through the NCS digital centralized portal, a wide range of career-related services including job search, job matching, rich career content, career counselling, and information on job fairs are provided. This portal brings together job seekers, employers, skill providers, career counsellors, government departments, and other stakeholders under one roof.\textsuperscript{23}

Similarly, in Australia, the Tasmanian Government’s Rapid Response Skills Matching Service was developed to support Tasmanians whose positions were affected by the pandemic and to simplify access to reemployment funds. The Skills Matching Service is an easy way for employers to identify the right person for a vacancy. Between March and December 2020, it facilitated the introduction of nearly 600 Tasmanian job seekers to their next career opportunity.\textsuperscript{24}

Governments are also trying to expand the universe of people welcome in the labor market. For instance, in the United Kingdom, there are 7 million working-age people with a disability or long-term health condition, but only a little over half of them hold jobs. According to the 2021 UK Disability Survey, 56% of people with disabilities wanted more support in finding a job.\textsuperscript{25} The Department for Work & Pensions (DWP) collaborates with the National Autistic Society to adapt DWP’s “Jobcentre Plus” sites to accommodate job seekers on the autism spectrum. Additionally, more than 26,000 work coaches at these sites undergo specialist accessibility training to better understand disabled clients.\textsuperscript{26}
SHIFT 4: REDEFINING EMPLOYMENT FOR GIG WORKERS
COVID-19 not only highlighted the value of gig workers but also the risks they face every day. Many governments are considering new policies to patch holes in the safety net, which gig workers once used to fall through. In the United States, a new federal program, Pandemic Unemployment Assistance, provided unemployment benefits to independent workers. Gig workers, including drivers, technology contractors, and house cleaners—who were traditionally ineligible for unemployment benefits—collected benefits during the worst of the pandemic. The European Union launched a public consultation with trade unions and other employers on the need to improve long-term working conditions for gig workers. In the first stage of consultation, it identified seven areas where action is needed. Some of these include employment status, working conditions, access to social protection, and bargaining. In June 2021, it launched the second stage of consultation to identify actions to take in each area. A similar effort began in New Zealand, which formed a tripartite working group between the government, business, and the Council of Trade Unions to improve work conditions for contractors. Options under consideration include steps to deter misclassification of employees as contractors and enhance the protection of contractors who are not classified as employees.

SHIFT 5: INFRASTRUCTURE SUPPORT TO ENABLE AN ADAPTIVE WORKFORCE
As the workforce continues to adapt to a digital world, governments are increasingly focused on providing workers and companies access to broadband, which helps working-age adults access education, work remotely, and find employment. The United Kingdom’s Project Gigabit, for example, is a £5 billion government infrastructure project that aims to deliver fast and reliable digital connectivity to the entire country. In the United States, the infrastructure law enacted in November 2021 includes US$65 billion to expand broadband access.

SHIFT 6: ADAPTING TO THE CHANGING NATURE OF HIGHER EDUCATION
The explosion of digital technology, automation, and changes in the nature of work are prompting many universities to rethink their mission. According to a 2020 World Economic Forum report, employers believe the following competencies will be most in demand by 2025: critical thinking; analytical skills; problem-solving; and skills related to self-management, such as active learning, resilience, stress tolerance, and flexibility. However, very few education programs explicitly include developing these competencies in their curricula. The report also indicates that employers estimate they will need 40% of their employees to learn new skills in the next six months. Some governments are playing a major role in transforming higher education to meet these demands. The National University of Singapore (NUS) launched the School of Continuing and Lifelong Education in 2015 to expand its offerings for working adults. This includes part-time degrees, modular certificate courses, executive development programs, and even free classes for NUS alumni wishing to keep their skills sharp. Similar continuing education training centers have been launched across other institutes of higher learning in Singapore.
MARYLAND’S EARN PROGRAM

Employment Advancement Right Now (EARN) is Maryland’s nationally recognized workforce initiative. EARN helps employers with similar talent requirements collaborate on proposals to the state. These proposals describe the skills the companies are looking for and suggest programs to train people in these skills. A program could combine a variety of training methods, including classroom and online instruction, on-the-job training, or internships.

This model is in stark contrast to the traditional approach, where trainers provide generalized skills training and hope trainees find work. “A really important stakeholder was completely missing from the equation—the employers,” says EARN’s director, Mary Keller. “The result was that training wasn’t nearly as relevant as it should be.”

Maryland founded the EARN program in 2014. By February 2020, it supported 72 strategic industry partnerships and has added 33 more since. Of the approximately 4,500 individuals who have completed EARN training for entry-level jobs, more than 84% have secured employment. Funding for EARN comes entirely from state sources, and each dollar invested generates US$18.97 in economic activity (compared to the national average of only US$3 for other workforce development programs).

Because EARN designs training around the needs of companies and job seekers, it can satisfy a wide variety of labor needs. Job seekers end up in fields ranging from welding to information technology.

Moving forward

- **Invest in lifelong learning** to delay the onset of dependency among rapidly aging populations, resist inequality, and promote intergenerational learning, thereby creating more resilient families and communities.

- **Rethink the definition of the term “employment”** to include new forms of the workforce, including gig workers. Design and modernize employment policies for this expanded workforce.

- **Strengthen the workforce ecosystem**: Too often, the various players in the workforce ecosystem—universities and community colleges, workforce philanthropies, government, and, especially, the business community—are isolated from each other. Bringing all these groups to the table can foster win-win solutions and creative ways to pay for job-centric upskilling.

- **Set up mechanisms for alternative credentials** that provide a clear, concise way to understand and evaluate them and to ensure these mechanisms are transferrable or applicable outside of regional or industry limits.
MY TAKE

Rachel Wernick, senior assistant deputy minister, Employment and Social Development, Canada

Why “soft” skills are the new “hard” skills

Even before the pandemic, labor market changes required more workers to improve their skills to transition into new jobs or meet shifting job requirements. The pandemic has increased the scope, scale, and speed of change and amplified the call for skills policies and programs that future-proof the labor force.

As policymakers, we need to approach predictions about which technical skills will be needed in the future and which occupations will disappear, appear, or dramatically change with humility. Our track record on this front is uneven and increasingly challenged by unprecedented disruption, as occupations appear, disappear, and change, seemingly overnight.

We know that foundational and transferable skills—such as writing, digital, collaboration, and problem-solving skills—will continue to be fundamental to all jobs. These skills are necessary for learning all other technical or job-specific skills. While employers refer to these as “soft” skills, improving them can be seen as hard, and many struggle with effectively assessing and integrating these skills into training.

We also know that these skills increase the adaptability of workers and boost labor market resilience. Workers with low levels of these skills will find it increasingly difficult to maintain a job or transition to new jobs. Importantly, low levels of these skills are concentrated in some populations, many of which were disproportionately impacted by the pandemic. Improving access to training that improves these skills is essential to reduce the risk of exacerbating existing gaps.

The Government of Canada invested CAD 298 million over three years in the Skills for Success program in our 2021 budget. This reflects a growing recognition that one of the best ways to future-proof the labor force is to ensure workers in all occupations are equipped with strong foundational and transferable skills to weather dramatic and rapid change.
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