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How the financial crisis affected the world's workforce

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ILLUSTRATION BY KATIE EDWARDS

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BRIDGING SKILLS GAPS REQUIRES UNDERSTANDING HOW LABOR MARKETS HAVE CHANGED IN THE DECADE SINCE THE FINANCIAL CRISIS—PARTICULARLY FOR YOUNG PEOPLE AND WOMEN

by Rumki Majumdar and Patricia Buckley

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WE SPEAK OFTEN of the "future of work," usually probing how technology is redefining the very nature of what we do. Yet the composition of the supply of labor—the actual people who do the work—seems to get less attention. How have global labor markets changed in the decade since the global financial crisis? To find out, we examined the labor markets of the 20 largest economies, the G20, focusing on two workforce categories often targeted by policy initiatives and interventions: youth and gender. Our findings? There has been uneven progress among both groups, leading to some potentially worrying implications for how workforce demands can be met in the years ahead. And that means policymakers and businesses should consider how to develop more effective policies and programs that match these new realities.

The disparity between the unemployment rates of young men and women is striking—and likely attributable to broader country-by-country trends related to education, the shifting nature of work, and progress on diversity.

Persistent youth unemployment

Of the several lingering consequences of the financial crisis that began in 2007, youth unemployment has been one of the most challenging for both developed and developing G20 countries. Although economic growth has gained momentum over the past few years, the recovery in youth unemployment has been too weak to reverse the impact of the crisis for most of these nations. In fact, the problem has worsened for two-thirds of the G20 countries in the past decade (figure 1), and most European Union nations have yet to see youth unemployment rates below precrisis levels.

One fundamental shift affecting youth employment is the changing nature of most entry-level roles. Young people are more likely to fill these critical first rungs on the career ladder, which have historically comprised basic and routine functions. Yet the definition of "entry-level" is changing as technology automates tasks,[1] with obvious implications not only for young people generally but, more specifically, for developing nations, as they have a larger share of the global youth population. In past years, developing countries could better absorb these new entrants as most marketed themselves to the world as the lowest-cost producers, but their relative labor cost advantage is eroding as the nature of entry-level roles becomes more advanced: Brazil and South Africa were among the G20 countries most hit by rising youth unemployment in the decade to 2017, and the youth jobless rate actually increased in India and Russia during that period, despite each country's overall jobless rate falling.

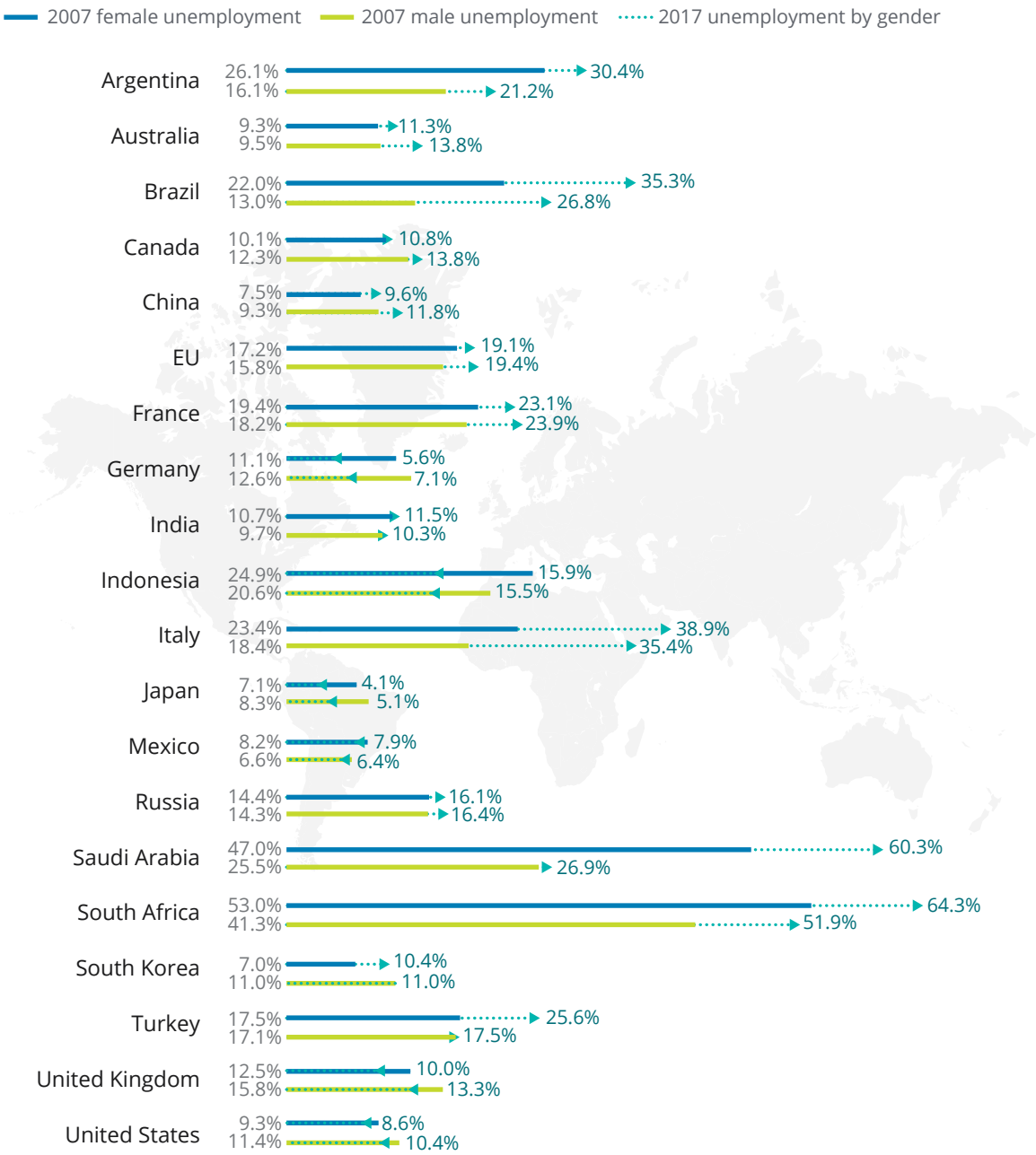
We also found a widening gender gap among unemployed youth. Six members of the G20—five of them developing countries—had a significantly higher female youth unemployment rate in 2017; developed nations, meanwhile, largely had higher male youth unemployment rates (figure 1). The long-term implications of this remain uncertain, but the disparity between the unemployment rates of young men and women is striking—and likely attributable to broader country-by-country trends related to education, the shifting nature of work, and progress on diversity.

Uneven progress for women

Looking more broadly at the role of women in labor markets, we found a disturbing trend: the

FIGURE 1

Youth unemployment has generally risen since 2007, with the largest increases among women in developing nations



Source: World Bank data, sourced from Haver Analytics; International Labour Organization, ILOSTAT database, May 2018.

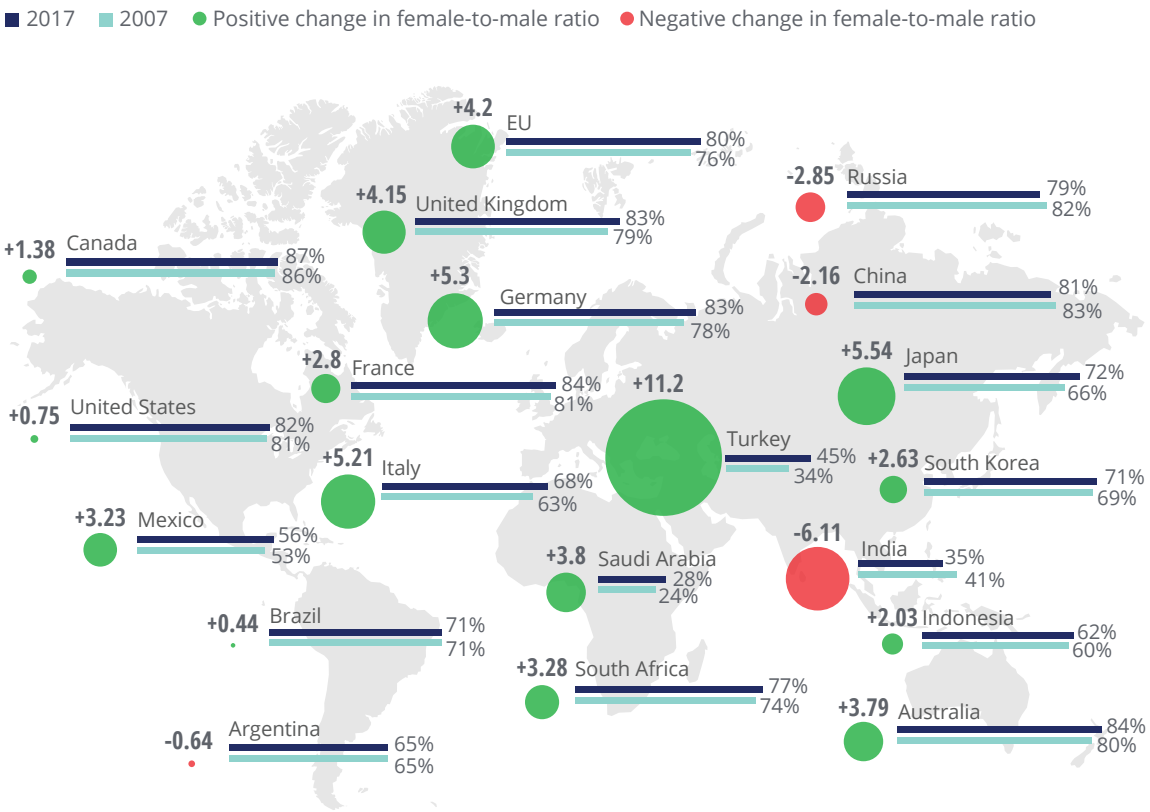
continued uneven progress toward workforce inclusion. The value of diversity within organizations is increasingly clear, and many organizations are contributing to a powerful movement to diversify today's workforce in terms of gender, age, background, experience, and viewpoint.[2] Yet the labor force participation numbers show only modest increases in the ratio of women relative to men in G20 countries during the past decade. In fact, Turkey is the only nation where relative female participation has grown noticeably, while India saw a significant decline (figure 2). In other major economies, progress has been mixed.

This uneven progress is despite an ongoing foundational shift toward the services sector, which increasingly employs women. The proportion of women employed in the services sector rose in every G20 country with the exception of Saudi Arabia in the decade to 2017, with the United States the only developed country where the sector employs fewer

FIGURE 2

Female labor-force participation has barely changed in most G20 countries

Percentage of women in the workforce, 2007 and 2017; bubbles indicate change in female-to-male employment ratio.

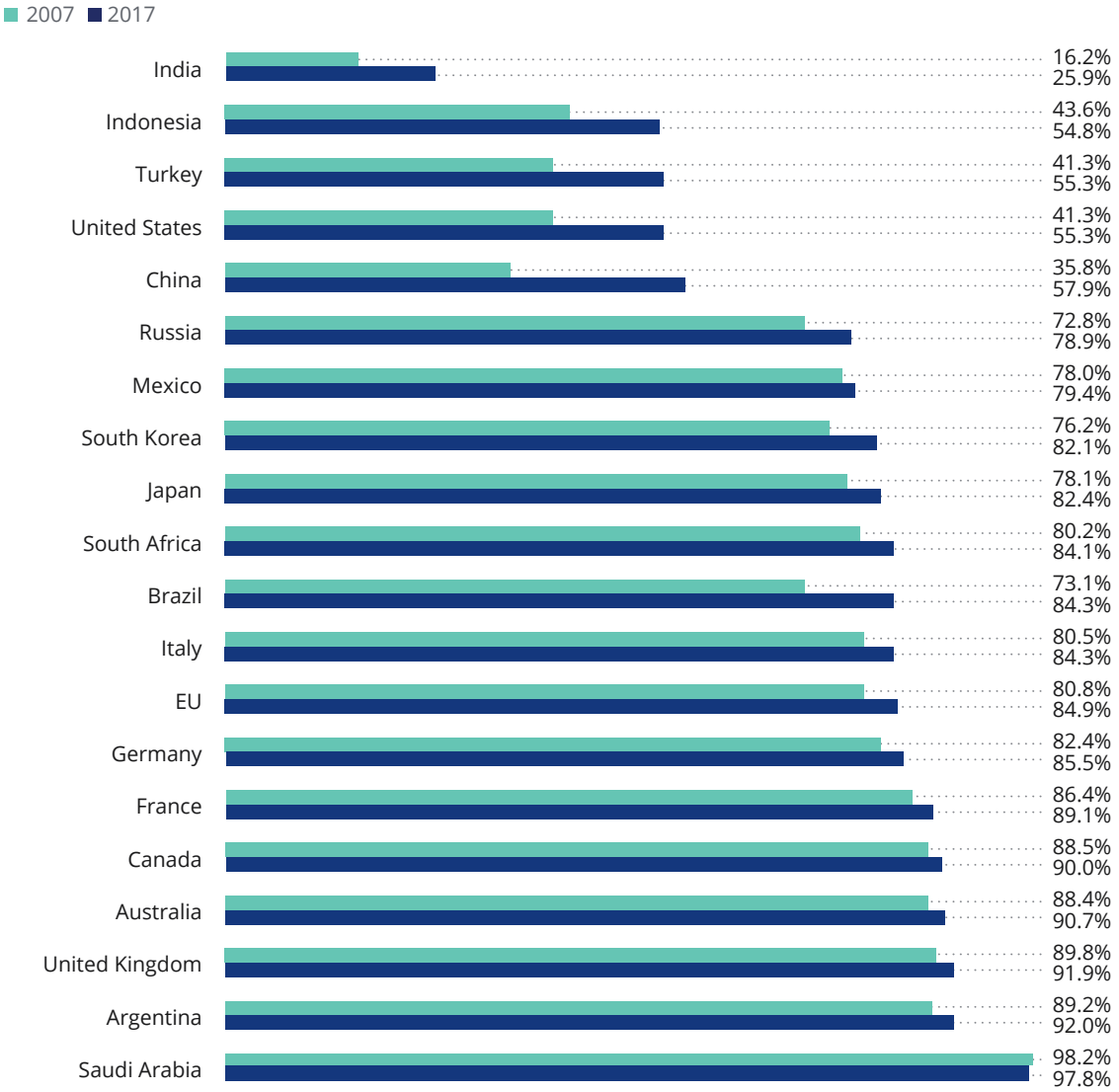


Source: World Bank data, sourced from Haver Analytics, May 2018.

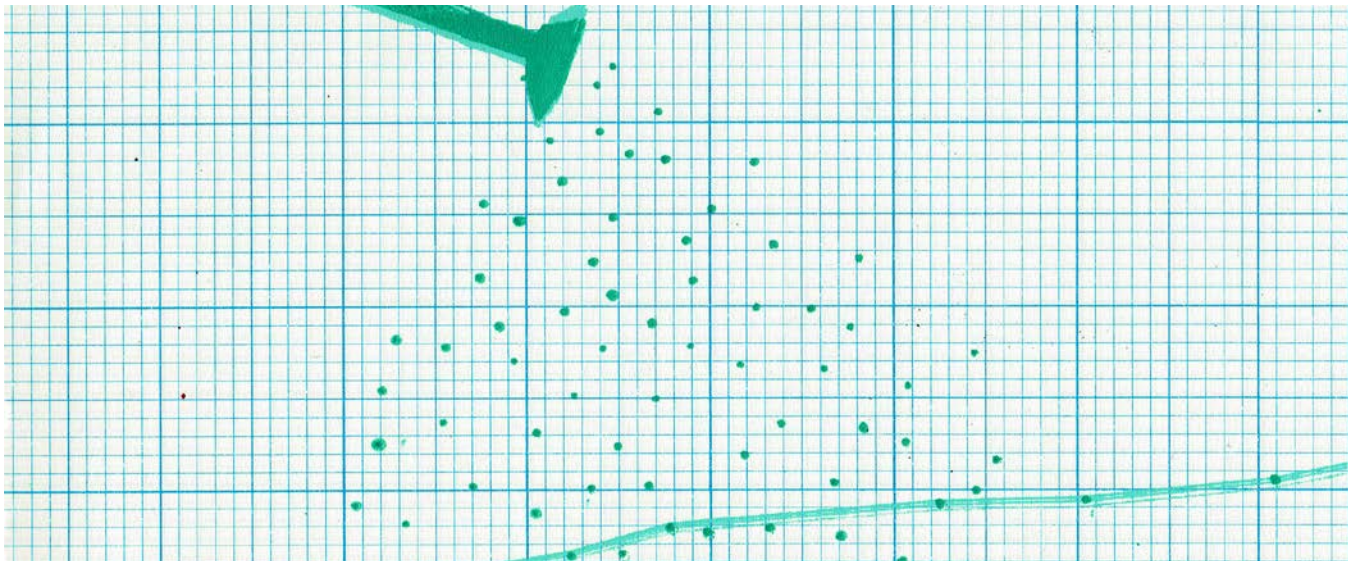
than 60 percent of all employed women (figure 3). Several factors drive female participation in services roles, including the fact communication and interpersonal skills are at a premium and women have a natural comparative advantage in both fields. In addition, many services positions are difficult to automate, such as health and personal care and household work.[3]

FIGURE 3

More and more women are working in the services sector



Source: World Bank data; International Labour Organization, ILOSTAT database, May 2018. Employment is defined as persons of working age who were engaged in any activity to produce goods or provide services for pay or profit.



Bridging the skills gap

So what are the implications of these changes to labor markets? As jobs shift toward the service sector and many industries require more advanced skills, companies risk a shrinking pool of qualified candidates. The key is overcoming the gap between the needs of the business and the talent available, a mismatch often exacerbated by the failure of traditional education systems to develop dynamic skills to assist students in transitioning to the workforce.

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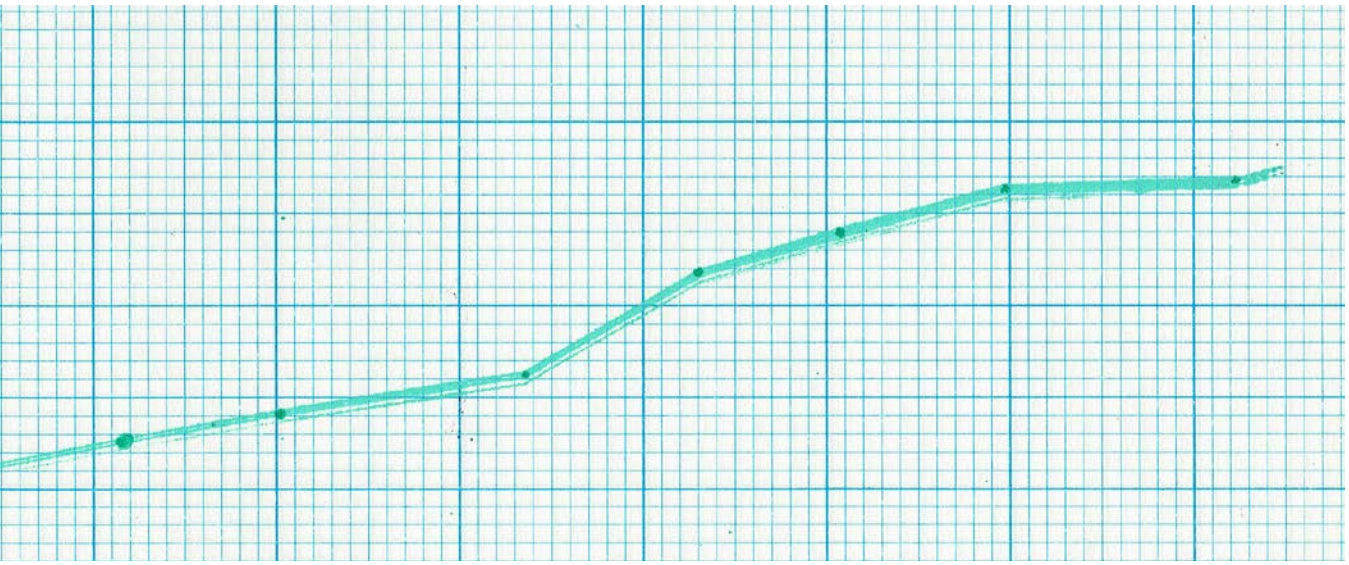
Indeed, educational achievement remains very uneven across nations. Fewer than half of the adult population in developing nations in the G20—aside from Russia and South Africa—complete at least an upper secondary education, and women are significantly less likely to do so than men in three-quarters of all G20 countries. This disparity—which likely hinders efforts to improve gender diversity in the workplace—is particularly acute among youth. Since 2013, most G20 nations have reported a higher proportion of young women not in education, employment, or training, with the difference notably higher among developing countries.

While policymakers should be leading efforts to improve access to and the quality of education, companies also should play an active role in closing these gaps. First, they can redesign entry-level work by re-evaluating traditional approaches to employee acquisition as well as job assignments, employee development, and influencing overall organizational culture.[4] Second, while companies often plan to invest in upskilling employees by providing more on-the-job training and education, that effort can start earlier. Companies can allocate resources to support training and developmental programs to bring change at an early stage of education, and those with global outreach can involve and engage students in schools and colleges to help them envision a career path and resources



they need that can help them steer into the industry. Finally, companies can promote a culture that values employees for their unique skills, experiences, and perspectives. The question isn't whether labor markets have shifted in the decade since the financial crisis, driven by societal, economics, and technological changes. What's important is the collective response.

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