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CRIS

Institute on Comparative Regional Integration Studies



## Future Trends Series - GR:REEN Project

### Title of the report

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**Help Wanted: The Future of Work in Advanced Economies**

### Area

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Economy

### Reporter

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McKinsey & Company

### Type of the Reporter

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Private Organisation

### Periodically updated?

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No

### First issued year

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2012

### Latest update

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### Official website

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<http://www.mckinsey.com/>

### Language available

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English

### Short summary

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In this report, long-term issues affecting jobs and employment are examined and a contribution to the public debate on how to address these challenges is made.

The goal of this report is to highlight the structural challenges that are shaping employment and job creation in advanced economies in a way that will help lead to long-term solutions.

To help develop appropriate new responses, five trends that are influencing employment levels and shaping how work is done and jobs are created are examined.

### Key trends

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- **Technology and the changing nature of work:** over the past three decades, technology has altered how production and routine transaction work is done, substituting machines for workers. The next frontier is interaction work, the fastest-growing employment category. This includes employees performing low-skill jobs that must be done face-to-face, as well as the managers and professionals who are the costliest resources. One way to redesign high-skill interaction work is disaggregation, or reassigning routine tasks to lower-skill employees. Additionally, with improving technological innovations, many interaction jobs can be conducted “anytime, anywhere”, from a facility in a lower-cost city, or from an employee’s home.

- **Skill mismatches:** there is a growing mismatch between the needs of employers and skills of the workforce. In 2011, when US unemployment exceeded 9 percent, a McKinsey survey found that 30

percent of US companies had positions open for more than six months that they could not fill. In Japan, 80 percent of companies reported similar gaps. Despite rising educational attainment across advanced economies, by 2020, the United States may have 1.5 million too few workers with college or graduate degrees and nearly 6 million too many who have not completed high school; France could be short 2.2 million baccalaureate holders and have 2.3 million too many workers who lack that degree.

- **Geographic mismatches:** geographic mismatches also are exacerbating the jobs problem. Workers with desired skills may be in short supply where companies are hiring, while places with the highest unemployment may have little job creation. This geographic imbalance is occurring both across national borders and within them. Compared with the United States, the European Union has an even more challenging geographic matching problem, given the barriers of language and culture, and the different systems of professional certification that make it difficult to transport skills. Another dimension of the geographic mismatch is between mature economies and developing ones.
- **Untapped talent:** advanced economies have growing pools of underused talent. Workers older than 55 are highly experienced and can help companies reduce or avoid skill gaps—if they don't retire. Many women have the education to fill the skill gap, but stay out of the workforce given poor access to child care or disincentives in tax policy. Finally, youth unemployment, which has risen sharply since the recession, remains a daunting challenge. Young people who leave school without the skills they need to be hired or who never land an entry-level job where they can acquire skills suffer lifelong earning handicaps and are more likely to require social services.
- **Disparity in income growth:** the trends in job creation and employment described here have significant impact on incomes across advanced economies. Income growth for households at the bottom of the distribution has been low or even declining in many countries, which raises questions about aggregate demand, living standards, and social stability.

## Suggestions

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- **Enable growth in aggregate demand:** job creation depends on economic growth, so government measures to support aggregate demand (i.e., fiscal and monetary policies) and raise consumer and business confidence remain important. Other policies, such as worker training programs, will be ineffective if employers are not hiring.
- **Make raising worker skills a national priority:** this means programs to improve critical thinking and skills in K-12 education; much higher secondary school completion rates; workforce training; and winning the global war for talent.
- **Unlock business-creating investment and innovation:** government can stimulate private sector job creation by promoting entrepreneurship and innovation, catalyzing investment in infrastructure, and streamlining business regulations that unintentionally impede business expansion.
- **Pursue global value chains:** companies will continue to go where the talent is abundant, or where the costs are low, as many have done in the past three decades. But this will require greater flexibility in coming years, since global supply chains are dynamic and the trade-offs in choosing the best locations are becoming more complex. Simple labor cost arbitrage may not be sufficient.
- **Address geographic mismatches:** if workers don't have the right skills or live in the right place, companies can use technologies (i.e., broadband and cloud computing) to bring the work to the workers.
- **Invest strategically in human capital:** instead of leaving it to government to transform education and training systems to meet their needs, more companies will make the strategic decision to take a direct role in creating the skilled workforces and talent pipelines they need. In some industries, the ability to fill talent gaps more effectively may become an important competitive advantage.

## Methodology

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Survey and Modelling

Reference to other trends reports? If yes, which reports?

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