



#### PEOPLE & ORGANIZATIONS

### Nice Work: How 3 Labor Markets Are Rising To The Tech Challenge

## OVERVIEW

Technology is traveling at a breakneck speed. The computer used to put men on the Moon in the Apollo space missions could store about four kilobytes of data. Four decades later, the Apple Watch has over 13,000 times the storage.

This exponential increase in computing power has led to an explosion in new technology – from the smartphone to artificial intelligence. The continual growth means companies are constantly on the look-out for new business models – and for the right talent with the right skills to adapt to this new environment.

Around the world, some economies and companies are finding it easier to adapt to industry disruption. For some regions, the challenge is to create a deep-enough pool of skilled workers to meet demand. For others, it's a matter of cutting red-tape to encourage new businesses, or embracing new industries.

## IN DEPTH

To explore how labor markets are responding to technology, we look at three economies: Latin America; Europe's biggest economy, Germany; and India, with its billion-strong labor force.

### **Latin America: Welcoming Entrepreneurship**

After an economically difficult few years, Latin America (LatAm) is expected to return to growth as Argentina and Brazil recover from recession. However, as these economies bounce back, there is a risk of them falling into the "middle-income trap" and losing their competitive edge.

Chile is a prime example of this trap: Income levels in the country mean that it cannot compete with low-wage economies when it comes to production costs, or with highly-productive, innovation-led countries when it comes to recruiting new talent. On top of this, Chile is heavily dependent on copper mining, making its economy vulnerable to fluctuations in the metal's value.

Chile is trying to solve these problems through the government's 'Start-Up Chile' initiative, which offers incentives to start-ups from around the world to spend six months in the country. In return, the start-ups are obliged to help encourage local companies and talent through initiatives such as business coaching and coding training. So far, more than 3,000 companies have participated, 60 percent of which are still active.

Meanwhile, LatAm's wider start-up ecosystem is attracting growing attention from global investors. The Latin American Venture Capital Association reports close to half a billion dollars in venture capital funding was raised across the region in the first half of 2017, almost as much as was invested in all of 2016.

The region's start-up ecosystem is led by Brazil, seeing close to \$300 million invested last year. As the country emerges from a deep recession, its start-up and tech sector is poised to play an important role in employing and developing the skills that the region's future workforce will need to flourish.

## **Germany: Europe's Economic Powerhouse**

Europe's largest economy boasts an impressive unemployment rate of just 3.6 percent and has exports worth €1.21 trillion (\$1.4 trillion). Germany got to where it is today thanks, in part, to a series of labor reforms implemented in 2003.

The so-called Hartz Reforms helped the country recover from the crippling costs of its reunification in 1990 and helped keep the country's unemployment rate low after the 2008 economic crisis. It also created "mini-jobs". These part-time jobs which pay €450 or less a month are exempt from taxation, and have long been a way for lower-income Germans to make money outside their day-to-day jobs.

The mini-job concept is now going digital. The rise of the on-demand or gig economy has opened up more ways for a person to earn money outside of their full-time job. Research shows as many as 22 percent of Germans have tried to find work via online platforms in the past year, with 4 percent finding work through this method at least once a week.

The German tech scene is awash with new on-demand platforms offering flexible short-term work. Berlin, the capital, has a pro-entrepreneurial business culture and is aiming to lure London-based firms, particularly in tech, in the wake of Brexit to create more jobs.

## **India: Moving To Specialization In The Face Of Increased Automation**

India has long held a reputation as the world's home of outsourcing and Information Technology (IT) support services. But the vast number of Indians employed in low-skilled, low-wage IT positions are finding their jobs increasingly threatened by automation.

"In addition to the threat of automation, increased protectionist sentiments around the world have impacted India's visa requirements, hindering ease of travel for Indians who would like to work abroad," says Tarandeep Singh, Partner and Regional Assessment Practice Leader, APAC & Middle East, Aon.

These twin changes are driving a change in focus for the country as a whole, with India now in transition from a focus on IT support to more lucrative and highly-skilled innovation-based tech services, Singh explains.

But the transition will be challenging. 10 years ago, India's IT sector growth rate was 30 percent. In 2018, IT sector revenues are projected to grow by just 11 percent. Meanwhile, more of the country's tech giants are considering downsizing to refocus their business from support services to more advanced offerings such as artificial intelligence, cloud services, and human-led analysis.

These new technologies and rising efficiency requirements are leading to an increase in demand for newer, more strategic skills – such as machine learning, automation, cyber security, and analytics.

"Education and preparing tomorrow's workers is important, and there are significantly more career opportunities for graduates from tier 1 engineering colleges," says Singh. In addition to educational systems, the Indian government is attempting to retrain the workforce with initiatives such as 'Skill India' aiming to train more than 400 million people with these new skills by 2022.

## **Technology And Rethinking Talent: All Challenges Bring Opportunities**

Each of these economies has found its own way to respond to disruption and embrace the power of new technologies. Latin America is attracting innovative businesses to harness their growth potential. Germany is welcoming the gig economy to supplement low wage growth. And India, having made IT support one of its greatest exports, is now opening up a new advanced tech skills market. All three are strong examples of labor markets adapting – and a reminder that behind all new tech ideas, there are innovative people.

## **TALKING POINTS**

 "To keep our society moving forward, we have a generational challenge – to not only create new jobs, but create a renewed sense of purpose" – Mark Zuckerberg, CEO, Facebook

 "The challenge is to how to mobilize serious candidates, give them quality training, create superior infrastructure, boost capacity of trainers, streamline accreditation of the training centers and get greater industry engagement" – Sougata Roy Choudhury, Senior Director for Skills, Confederation of Indian Industry

## **FURTHER READING**

- Latin America's Star Pupil Needs Some New Ideas – Bloomberg, November 24, 2017
- Brazil: A Look Into Latin America's Largest Startup Ecosystem – TechCrunch, January 19, 2017
- The Real Reason The German Labor Market Is Booming – Harvard Business Review, March 13, 2017
- Trump Threats On H-1B Visas Scaring India Outsourcers – Forbes, June 28, 2017