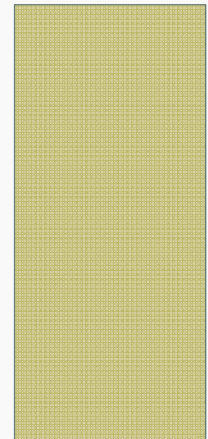


# **Addressing the Mismatch:** **Narrowing Supply-Demand Gaps in the Labor Market**

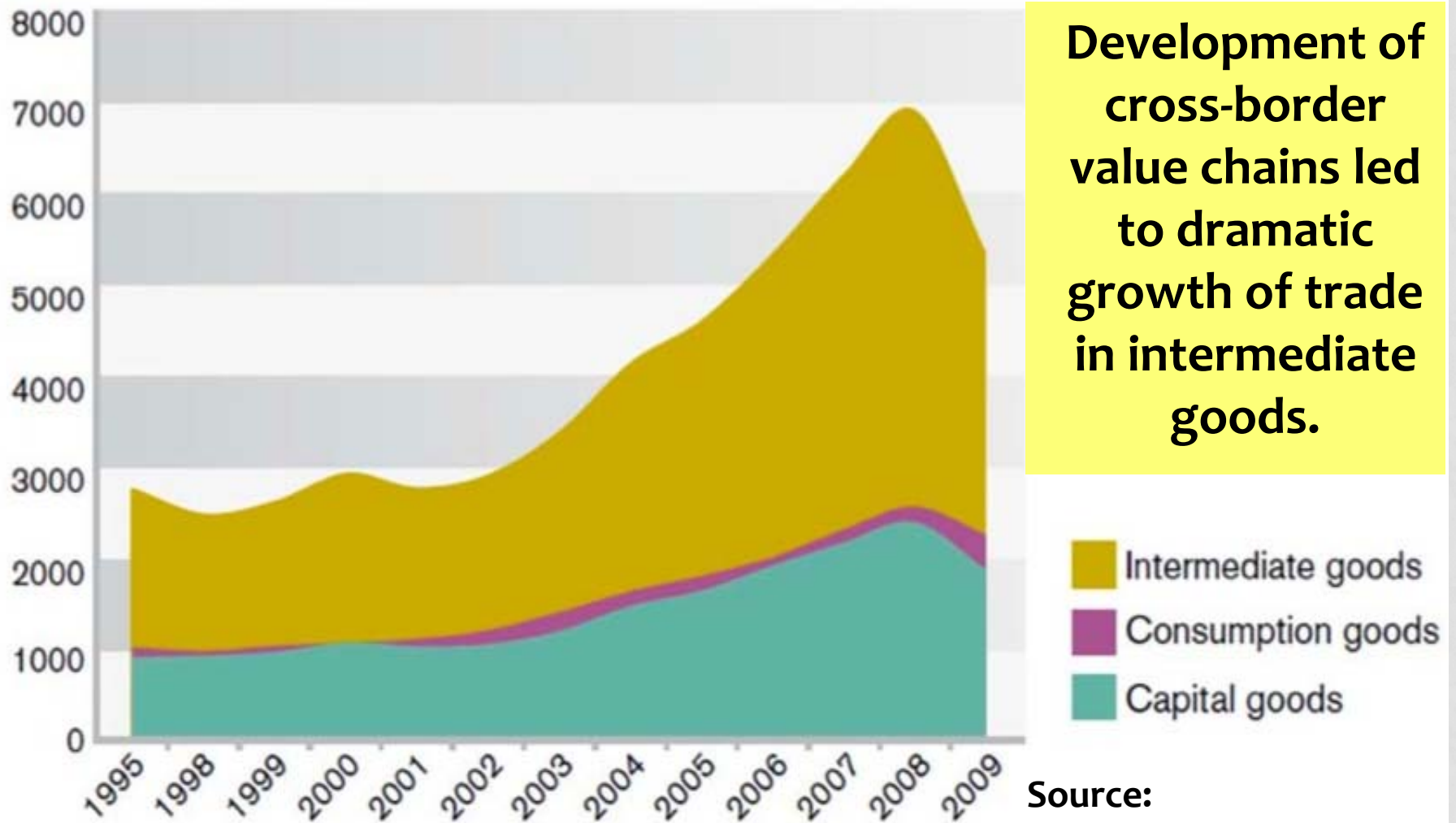
**Cielito F. Habito, Ph.D.**  
**Ateneo de Manila University, Philippines**



# Four Observations

- The global economy & labor market has changed significantly.
- Jobs-skills mismatch is a global challenge; the Philippine mismatch is particularly severe.
- Creative & innovative HCD approaches are called for.
- Closer, more deliberate industry-academe coordination & collaboration is key.

# The Changing Shape of Global Trade & the Global Economy



Development of cross-border value chains led to dramatic growth of trade in intermediate goods.

Source:  
Sherry Stephenson (2013)

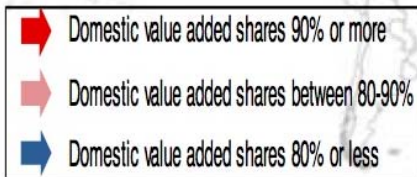
# Trade Patterns Have Changed

**Before (1995):**  
Goods with almost 100% domestic content

Value chains cross national boundaries:  
Boeing jets,  
iPhones/iPads are  
“Made in the World”  
(not ‘Made in USA’ or  
‘Made in China’)

**Now (2005):**

1. Goods with lower domestic content



2. More intra-regional trade within Asia especially South East Asia

Sources: Sherry Stephenson (2013); OECD

# International Trade

## New Features

- More *intra-industry* trade (in products belonging to the same industries); greater interdependence among economies
- Value chain design & location of various business functions can be tailored to varying human capital endowments across countries
- Greater trade, offshoring and migration served to integrate national labor markets into a more global market (McKinsey 2012)

# **Jobs-Skills Mismatch: A Global Challenge**

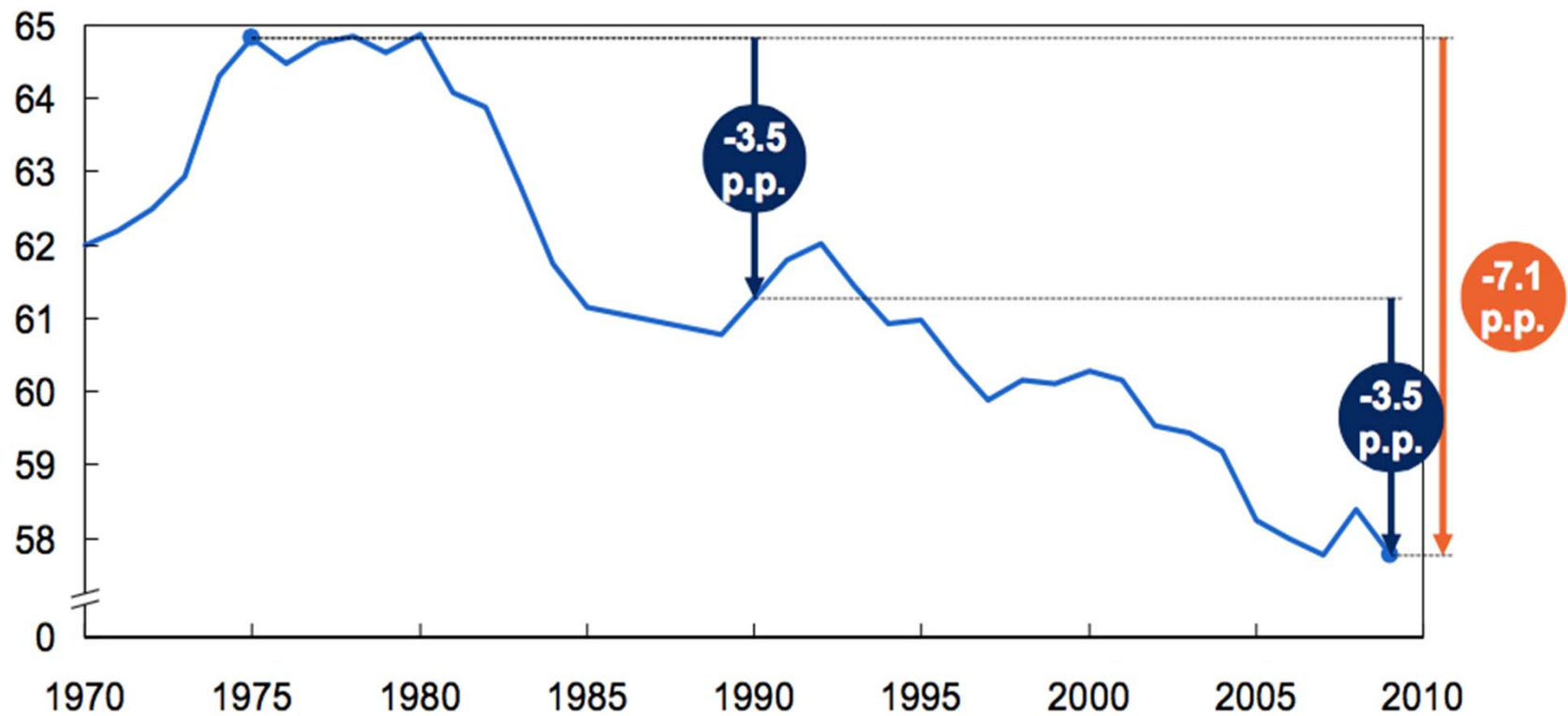
- Emerging Gap: Too few high-skill workers and too few jobs for medium-/low-skill workers
- Knowledge Economy: Rising demand for highly skilled, high-productivity human resources; falling demand for low/unskilled workers (automation)
- Labor share in Total Income: Continuously falling since 1975 peak

**→ Widening income disparities**

# Jobs-Skills Mismatch: A Global Challenge

Labor share of income in advanced economies<sup>1</sup>

% of total



→ Widening income disparities

# Jobs-Skills Mismatch: A Global Challenge

- Growth in number of tertiary graduates not keeping pace with growth in demand for high-productivity labor
- By 2020, advanced economies could have
  - 16-18M deficit in workers with tertiary degrees (10% of demand); China – 23 million deficit (16%)
  - 32-35M oversupply of workers with maximum secondary education

(McKinsey 2012)



# Jobs-Skills Mismatch: A Global Challenge

- With present patterns of educational attainment and job creation in developing countries, the “demographic dividend” threatens to become a demographic burden instead.
- India could have 27M too many low-skill workers; “young developing” economies could have 31M
- India and “young developing” economies could have 45M deficit of workers with secondary education. (McKinsey 2012)

# The Philippine Mismatch

- Unemployment Rate – 6.4%;  
Underemployment Rate – 17.8%
- Phil-JobNet website posted **268,278** job vacancies in January 2013; number of registered worker-applicants was only **116,795**
- Less than 1 out of 10 applicants finds a job in DOLE job fairs, even as jobs offered well exceed total applicants

## **Wanted:**

### **Creative & Innovative HCD Approaches**

- Greater role for private sector (PH corporate giants now investing prominently in HEIs)
- Greater challenge in raising secondary school enrollment and completion rates (62%)
- Redesign curriculums toward more job- and entrepreneurship-oriented training
- More teacher-recruits with specialized skills and less formal teaching qualifications

## **Wanted:**

# **Creative & Innovative HCD Approaches**

- More job-focused vocational training: e.g., dental assistants, medical technicians
- Dual system (Germany): partnership between tech-voc schools and companies
- Adult “paraschools” (South Korea): short courses on literacy to low-skilled workers
- Online learning, digital delivery (e.g. DVDs) with occasional face-to-face interaction

# Industry-Academe Collaboration:

## Modes

- On-the-job training programs required by HEIs
- Coordinated course and curriculum design
- Academic research agenda setting
- Faculty enrichment thru industrial immersion; guest lectures from industry practitioners
- Scholarship programs (general & purposive)
- Equipment donations/loans to HEIs

# Industry-Academe Collaboration: Institutionalization

- Formalize industry-academe partnership (PH Higher Education Productivity Project facilitated establishment of industry-academe councils at national & local levels)
- Foster information/data exchange and strategic forward-looking skills demand projections; communicate results to parents and students at large
- Attitude change required on both sides

# Concluding Remarks

- Dynamic global economic landscape and labor market conditions demands dynamic approaches to narrowing the skills gap
- Supply & demand imbalances in the labor market call for closer interaction between the supply & demand sides of the market
- Need private sector to be proactive, academe to shed 'ivory tower' mentality, and government to facilitate collaboration between the two