

3

Persistent structural unemployment

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The world has finally woken up to the problem of persistent structural unemployment. There is a growing consensus on the fact that, unless we address chronic joblessness, we will see an escalation in social unrest. People, particularly the youth, need to be productively employed, or we will witness rising crime rates, stagnating economies and the deterioration of our social fabric.

The fact that governments and businesses are acknowledging these concerns gives me reason to be optimistic, particularly in the West. The latest Pew Research Center data shows that lack of employment opportunities consistently comes out top when people in North America and Europe are asked which issue the government should tackle first. But to make a change we need to follow that realisation with real innovation and investment, working across borders, all around the world. This isn't a national problem, so it's essential that governments and the private sector take a global view of unemployment and resist tendencies toward protectionism.

In this respect globalisation has already given us many gains. In India alone, millions of jobs have been created and the middle class has grown from 30 million people to 300 million in my lifetime. The IT sector,

From the Survey

"A generation that starts its career in complete hopelessness will be more prone to populist politics and will lack the fundamental skills that one develops early on in their career. This can undermine the future of European integration, as the countries with the highest youth unemployment rate are on the periphery."

where I work, employs 2.2 million directly and 8 million indirectly. That's a good start, but in a country of 1.2 billion people with about 11 million unemployed, it's a drop in the ocean.

Governments must create regulatory structures that encourage employment and economic stability, first of all incentivising companies to create jobs and then to invest in their workers. This investment is essential because people can no longer expect the guarantee of lifetime employment; a person who is employable today may well not be ►

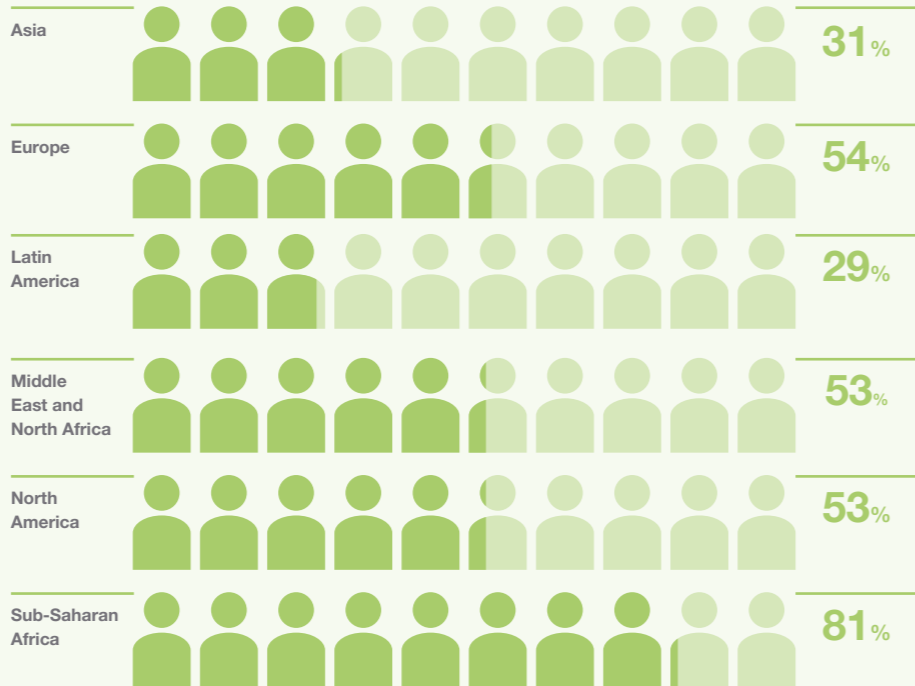


People queue to enter a government-run employment office in Madrid © Reuters / Sergio Perez

3

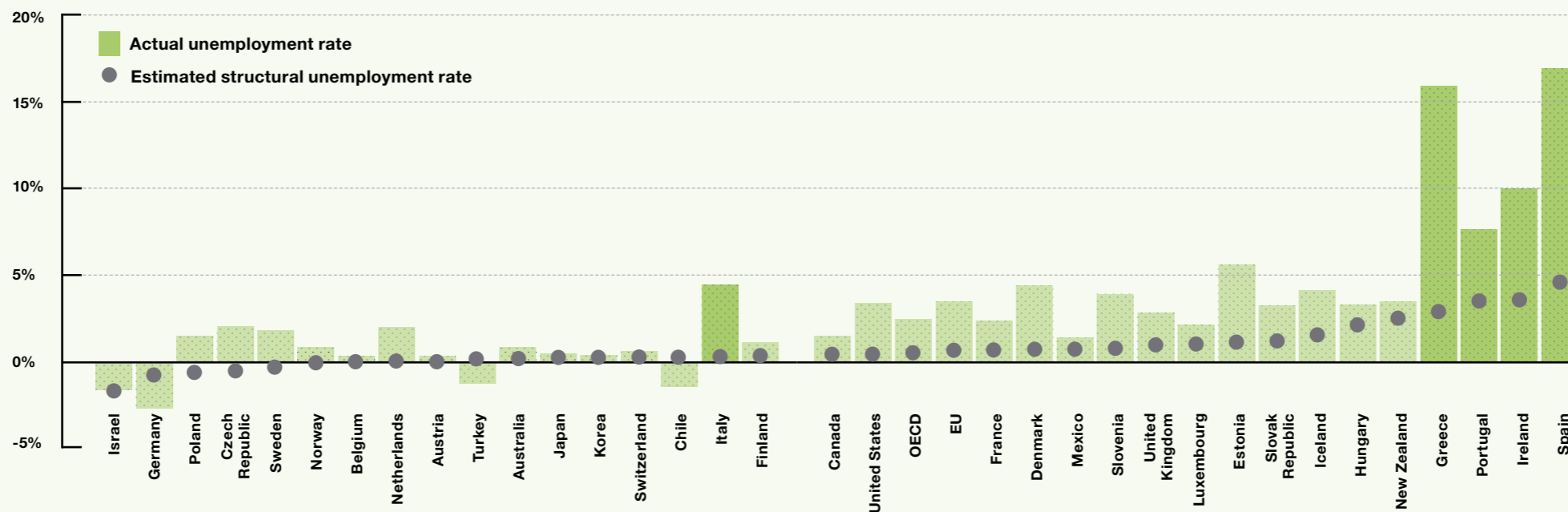
Inside the data

Percentage of people who say structural unemployment should be their government's top priority



Source: Survey on the Global Agenda 2013 – Respondents chose between: Lack of employment opportunities; Public debt; Rising prices and The gap between rich and poor. This question was developed in collaboration with Pew Research Center

Changes in global structural unemployment (Q4 2007 - Q2 2012)



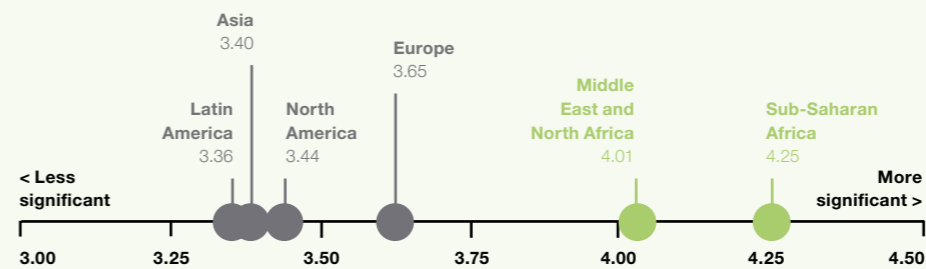
Source: Economic Policy Reforms 2013: Going for Growth, OECD, 2013

Unemployment: a global issue

Unemployment, and specifically youth unemployment, is the second-most commonly identified issue

Source: Survey on the Global Agenda 2013

How significant do you consider structural unemployment to be in your region?



1.00 = Not significant at all 2.00 = Not very significant 3.00 = Somewhat significant 4.00 = Very significant 5.00 = Extremely significant

Source: Survey on the Global Agenda 2013



“People, particularly the youth, need to be productively employed or we will witness the deterioration of our social fabric.”

employable in four years, unless their employer invests in them or they invest in themselves. Workers today are competing in a global environment and that means they need quality education, schooling in soft skills and opportunities for retraining.

The solutions required vary in every region around the world. The US talks about having 8.5% unemployment, but unemployment is only 3.5% in the technology sector, so there's an opportunity there for more technology jobs to be created and more people to retrain. Europe, meanwhile, has a serious shortage of talent in healthcare, a sector that will always be needed.

India's unique challenge relates to the fact that given the size of the population, any solution needs to be implemented on an enormous scale. We may have three million graduates a year, including one million engineers, but only 25% are considered directly employable. The others need more training to make them industry-ready. Meanwhile, some 16 million Indian children are not in schools at all. India is working on it, but the results will take time.

This is where I see potential for innovation. Enterprises should take part in the fight

against youth unemployment, by training and mentoring young people in roles that offer career opportunities and eventually by hiring some of them in a full-time role, or at least assisting with their placement in another company.

I think it's our responsibility to create opportunities like this. Technology and the efficiencies it brings are too often blamed for unemployment, but jobs are not disappearing. They're evolving. Losses in one sector often mean gains in another; for example at the airport I now check in at an automated kiosk. That may be a job loss for counter agents, but think of the thousands who worked to create that check-in software.

We are all custodians of social wealth. No institution or agency can do this alone. That's where organisations like the World Economic Forum can help, by providing a global platform for exchanging ideas and innovation. This is going to be a long journey, but if we work at it together I can only see progress ahead ■