



POLICY BRIEF **ENABLING YOUTH TO CREATE JOBS INSTEAD OF SEARCHING FOR JOBS: LABOR MARKET-FRIENDLY INCUBATORS**



Task Force 6
**ECONOMY, EMPLOYMENT, AND EDUCATION
IN THE DIGITAL AGE**

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موجز السياسة تمكين الشباب من إيجاد وظائف بدلاً من البحث عن وظائف: الحاضنة الملائمة لسوق العمل

فريق العمل السادس
الاقتصاد والتوظيف والتعليم في العصر الرقمي



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ABSTRACT

Intense global competition and rapid technological advances demand better-prepared graduates as well as a reskilling of the employed. Further, education irrelevancy—wherein graduates lack the knowledge and skills necessary for a job—limits employment options. This situation is worsened by the lack of confidence in the output of educational programs. There is currently a transformation underway in the job market, with traditional job roles making way for more diverse forms of work. Now, the challenge is integrating youth into the work culture as well as helping older workers expand their options. Current efforts to reach gifted youth have been successful, but enabling them to become entrepreneurs who create economic value is a challenging process. Technological disruption, further intensified by the COVID-19 pandemic, also requires the workforce and employers to develop new capabilities. This policy brief proposes a model of labor market-friendly incubators, an attempt that aligns with ongoing efforts in the G20 toward a learning and work-enabling environment that can survive despite changing, unstable, and highly competitive labor markets.

إن المنافسة العالمية المكثفة والتطورات التقنية المتسارعة تتطلب خريجين جيّدي التّأهيل، كما تتطلب إعادة صياغة مهارات الموظفين. كما أن "لا علاقة" التعليم، حيث يفتقر الخريجون إلى المعرفة والمهارات المطلوبة للوظيفة؛ تحد من خيارات التوظيف. ويسوء هذا الموقف بسبب قلة الثقة بـمخرجات البرامج التعليمية. يوجد حاليًا مسار تحولي في سوق العمل بقواعد تقليدية تفتح طريقًا لأشكال عمل أكثر تنوعًا. والآن، يتمثل التحدي في دمج الشباب في ثقافة العمل بالإضافة إلى مساعدة العاملين الأقدم على توسعة خياراتهم. ولقد نجحت الجهود الحالية للوصول إلى الشباب الموهوبين، ولكن عملية تمكينهم ليصبحوا رواد أعمال يمثلون قيمة اقتصادية، تمثل تحديًا. فالتعطّل التقني، الذي زادت وتيرته بسبب جائحة كوفيد-19، يستلزم أيضًا قوى عاملة وموظفين من أجل تطوير قدرات جديدة. ويقترح ملخص السياسة هذا نموذجًا لحاضنات ملائمة لسوق العمل، ويمثل محاولة للاتساق مع الجهود الحالية التي تبذلها مجموعة العشرين نحو تحقيق بيئة تعلم تمكينية للعمل يمكنها الاستمرار رغم تغير أسواق العمل وعدم استقرارها واشتداد تنافسيتها.



CHALLENGE

Massive unemployment is a major challenge facing the world at the moment. Major trends set by globalization and industrial advances are affecting employment rates. Whereas the number of jobseekers is constantly increasing, the question remains: do they have the right skills to ride the wave of business disruption that has occurred in recent years? One major trend that has become a priority for businesses is digitalization; according to one report, 91% of organizations are engaged in business transformation (Gartner 2020a). The COVID-19 pandemic has further intensified this disruption and re-ordered priorities in favor of new educational and business models. The emerging tasks will require a skilled and talented workforce (i.e., better-prepared graduates), a new generation of entrepreneurs, and simultaneous actions to upskill and reskill the currently employed. At present, the job market faces a serious talent shortage. The findings from a McKinsey & Company (2020) survey suggest that companies lack the talent they will need in the future. Of the respondents, 87% stated they are either experiencing gaps now or expect to face them within a few years.

Addressing the gap between the education system and the labor market, Vogel (2015) states that preparing youths to find suitable employment is still not a priority for many universities. Many youths are not adequately equipped to find their place in the 21st century job market, and, with time, they lose the knowledge gained at schools and become less attractive to potential employers. This leads to an increase in long-term unemployment, and, thus, the unemployed settle for less complex and low skill-intensive jobs, with limited opportunities to develop their skills (European Centre for the Development of Vocational Training 2018).

Skill deficits and mismatch will be of great concern in the pandemic and post-pandemic periods. Although being well prepared for a sustainable future is a challenge, it is vital for academic institutions and industries to reassess ways of building a workforce for the future.

The culture of searching for “a permanent full-time job” is still dominant. Moreover, in some societies, there is a belief that governments are obliged to provide job opportunities. Jobseekers primarily target governmental jobs, not only as a source of income, but—unfortunately—as a source of prestige and identity. If this understanding were to dissipate, other forms of work would have the opportunity to grow. Today, the “work” culture dominates the labor market on account of permanent “jobs.” However, it is common practice in many organizations worldwide to fill skill gaps by hiring skilled people on short-term contracts or seeking freelancers’ consulting services. There exists a cultural challenge for societies and for youth, in particular, to adapt to this new reality of the job market. A transformation is currently underway, with traditional job roles making way for diverse forms of work. Now, the challenge is integrating youth into the work culture as well as helping older workers expand their options. The focus should shift to overcoming these challenges and exploring new forms of businesses and work modes that have come to the fore in the pandemic and post-pandemic periods.

Technological disruption will require the workforce as well as employers to develop new capabilities. Business disruption, according to Gartner (2020b), increased 260% in the last five years, and the COVID-19 pandemic is expected to further magnify this disruption. Hancock, Lazaroff-Puck, and Rutherford’s (2020) modeling shows that by 2030, up to 30 to 40% of all workers in developed countries may need to move into new occupations or at least upgrade their skill sets significantly. We are witnessing an accelerated revolution in the world represented by a growing youth population on the one hand and a revolution in the field of technology and smart industries on the other, where both exist as contradictory forces in the job market. As technological revolution reduces the need for humans and partially eliminates job opportunities, it will also accelerate the development of the labor market, increasing the demand for new skills and experiences. This has, in turn, increased the competition for jobs and raised the bar in the labor market. The industry’s priority today is reducing cost and speeding up digital transformation, which implies a need for re-engineering the workforce.



PROPOSAL

Several great initiatives to reduce unemployment rates and engage youth in economic activities have been launched across G20 countries. The concept of establishing incubators is growing popular worldwide, but the scope of such incubators is limited to those who have already developed their own businesses, primarily where entrepreneurs compete for financial resources. Billington and Davidson (2018) question the current approach and mandate regarding the increasing number of incubators. They assert that, while this approach works well for those entrepreneurs who already have a business concept, it ignores many other cases. Therefore, the authors pose a new set of questions: What happens to talented people who have not formalized their ideas, but who would make great entrepreneurs? What of someone who has a unique insight about a customer problem, but has limited business training? How can we attract these individuals, who have the potential to be excellent entrepreneurs? How can we improve their odds of launching a successful business without incurring significant costs?

Numerous types of incubators and business accelerators have been established in the G20 to coach and sponsor entrepreneurs. Some good examples are Saudi Aramco Entrepreneurship Center's "Wa'ed," King Abdul Aziz City of Science and Technology's Badir, the North American business incubators and business accelerators, and the French Station F. These types of incubation programs have worked well with new and growing businesses, but not with disadvantaged groups such as new graduates, the unemployed, and women, among others. Young entrepreneurs from across the G20 through their communiqué, Y20 Summit 2019 Japan, called upon G20 governments to create conditions that will foster widespread and inclusive entrepreneurship in a sustainable environment (G20 Young Entrepreneurs' Alliance 2019).

This policy brief builds on ongoing attempts that have been proven to spur economic growth and create jobs whenever barriers are low. It proposes a model—labor market-friendly incubators (LMFIs)—that will establish a learning and work-enabling environment to target, according to specific criteria, individuals who are in need of skilling, reskilling, and upskilling. The proposal is aligned with ongoing efforts across the G20 to reduce the skill gap among job seekers. It represents a platform for unifying current efforts that should intensify with the requirement of digital transformation and the future of the job market. Exchanging experiences among the G20 group will definitely enrich the subject matter and would be of benefit to youth worldwide.

What are labor market-friendly incubators?

Background

In light of the rapid technological changes in this digital era, unemployment is not the world's only problem. Creating a labor market and maintaining, developing, and increasing opportunities are the main issues facing societies. Today's youth do not lack creativity and understanding of the skills that they need. The real dilemma is whether the unemployed—not only the youth, but all sections of the community—have the necessary knowledge and skills to transform their ideas into reality, and whether they have access to platforms that create career opportunities both for themselves and others. Is there an environment that helps the youth develop their skills continuously—thereby helping them bridge educational output gaps and keep pace with the rapidly changing labor market needs—making it easier for them to join and continue in the labor market? Have business incubators and business accelerators created enough jobs to absorb the unemployed or at least to minimize the rate of unemployment?

The title of this policy brief and its main goal refer to the concept of enabling youth to create job opportunities rather than look for jobs. Ideas and financing are not sufficient to create sustainable job opportunities. There is an urgent need to establish incubators that can provide a work-enabling environment with up-to-date knowledge and skill development—a place to exchange experiences and involve communities.

What should policy makers in the G20 countries do?

Policy recommendations

Policymakers have the responsibility to move forward and sponsor the creation of learning and work-enabling environments. These environments should serve groups and individuals who need skilling, reskilling, and upskilling to prepare them for a changing, unstable, and highly competitive labor market.

How can the G20 achieve progress in view of the vast diversity in knowledge and skills among its population? The preliminary model proposed in this policy brief, which is open for discussion and enrichment, could provide some answers. The proposed model will not eradicate unemployment, but will, instead, reduce the unemployment rate and its socio-economic impact significantly in a systematic manner, if applied efficiently and effectively. This proposal is intended to unify ongoing efforts and define the level of local and global performance more clearly based on specific performance indicators.

Institutionalizing the LMFIs globally:

- An international council under the sponsorship of G20 countries should be established to regulate and oversee the LMFIs.
- The council will work as a catalyst, through data collection, futuristic studies, exchange of experiences, monitoring, evaluation, and reporting on the performance of member countries.
- The council will boost communication and cooperation among all local councils, besides playing the role of informing partners of the emerging jobs dictated by the changing work environment and the digital and post-pandemic era requirements.

Institutionalizing the LMFIs locally:

- In each country, a local council should be established and linked, as a member, to the international council.
- A country's incubators should be affiliated to and overseen by the local council. Business incubators and incubation training programs ending in employment should be linked to LMFIs.
- Planners and policymakers, human resource leaders, higher and vocational education institutions, and labor market leaders should be involved in the local council.
- The mandate of the council would be to define priorities, both present and future, regarding skills required by the labor market and the government's economic plans.
- The council will also be responsible for developing, improving, monitoring, and evaluating the performance of incubators.

Accommodating and funding LMFIs:

- Policymakers should make suitable arrangements to accommodate the LMFIs in local authority/community buildings in the region they will be operating in.
- Technical infrastructure must be provided to facilitate learning, experimenting, simulating, networking, and holding innovative events related to the job skills and demands of the digital era.
- A set of policies and regulations should be in place to mobilize financial resources from both the public and private sectors. Funding can also be in the form of in-kind support—either for technical infrastructure of the workplace or mobilizing professional and retired academics to volunteer in coaching and mentoring.
- The COVID-19 pandemic may call for web-based incubators to keep pace with the digital transformation of business.

Priorities:

- The council should establish a priority action plan according to the market's current demand and emerging skills. The action plan should be guided by the governments' plans and private sector needs.
- Governments, with the participation of the private sector, can approach the council with requests to create specific types of incubators that can respond to certain skill requirements. Digital transformation of businesses and the COVID-19 post-pandemic era dictates the necessity of web-based incubators.
- It is also essential to establish flexible criteria and steps to select and engage various groups, including entrepreneurs, startups, long-term unemployed, and those who are currently working and looking for better opportunities. Special attention should be given to social inclusion.
- Priority should be given to those creating their own jobs, businesses that yield jobs, and entrepreneurs, for futuristic occupational structures.
- While priority, in principle, should be given to the unemployed in terms of enrolment in the incubation programs, preference should also be given to those whose skills are in demand.

Programs:

- Incubators should plan for a pre-incubating program to filter applicants and gain an idea of their needs before entering the incubators. Through this, an appropriate path can be defined, and beneficiaries can be directed to the incubator that best suits their needs.
- Incubators should plan interventions and skill-development programs relevant to the socio-economic situation and local labor market needs, as well as reskilling programs for long-term unemployed groups.
- Incubators must have multi-level programs through which beneficiaries can progress from one incubation program to another according to the skill they gain and their performance.
- Incubators should promote and spread the culture of looking for “work” rather than waiting for a “permanent job.”
- Incubators should be a source of developmental entertainment and not a strict educational academy.
- Local and international grants should be granted for distinguished members.

Key recommendations

At present, massive unemployment is a major challenge that faces the world. The G20 governments should institutionalize work-enabling environments and labor market-friendly incubators that aim at re-engineering the workforce to keep up with fast-changing work demands and explore new forms of businesses and work modes arising out of the COVID-19 pandemic and post-pandemic periods. To facilitate the implementation of the LMFIs' skill-development programs, the G20 should issue a set of policies and regulations to mobilize financial resources that will enable the LMFIs to skill, reskill, and upskill groups and individuals to either create their own jobs, create businesses that yield jobs, or gain the right skills for available and emerging jobs. The LMFIs' action plans should set priorities according to the industry's needs, and should adopt flexible selection criteria, paying special attention to gender-gap bridging and social inclusion.

Conclusion

The LMFI model is a very dynamic platform that will benefit and build on experiences gained from business incubators and accelerators. While current structures limit their role to providing support that may improve access to financial resources and support the growth of existing businesses, the LMFI mandate should be extended to empower various groups to either create their own jobs, create a business that yields jobs, or gain the right skills for the available jobs. The COVID-19 pandemic has amplified the demands and challenges of the fast-changing world of work. LMFIs will further have a vital role in re-engineering the workforce, so it can keep up with the changes in the work environment and explore new forms of businesses and work modes arising out of the pandemic and post-pandemic periods.

Priorities in the LMFI action plan should be aligned with the industry's current and future concerns. Further, more efforts and attention should be given to disadvantaged groups and to social inclusion in general.

Disclaimer

This policy brief was developed and written by the authors and has undergone a peer review process. The views and opinions expressed in this policy brief are those of the authors and do not necessarily reflect the official policy or position of the authors' organizations or the T20 Secretariat.



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