**Hourglass Economy**

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**Introduction**

In recent years, a new economic phenomenon has emerged, reshaping the dynamics of labor markets and posing unique challenges to Human Resource Management (HRM) practices. The “Hourglass Economy” is a term that describes the polarization of the job market into two extreme segments: high-skilled, knowledge-intensive jobs at the top, and low-skilled, often low-wage positions at the bottom. The middle-skill jobs that once formed the backbone of the workforce are dwindling, resulting in an hourglass-shaped distribution of employment opportunities.

This discussion aims to explore the Hourglass Economy and its profound impact on HRM. We will delve into the factors contributing to this economic shift, the consequences it has on organizations and their workforce, and the strategic implications HR professionals must consider to navigate these turbulent waters effectively. The Hourglass Economy’s rise is the product of various interconnected forces, such as technological advancements, globalization, and changes in consumer behavior. These factors have fueled the demand for highly skilled workers, engineering, and mathematics (STEM) fields, while simultaneously creating a surplus of low-skilled jobs that are vulnerable to automation and outsourcing.

In light of this economic transformation, HRM faces significant challenges in talent acquisition, talent retention, and workforce development. The scarcity of middle-skill jobs has led to increased competition for high-skilled workers, making talent acquisition more complex and expensive. Simultaneously, organizations grapple with managing a sizeable low-skilled workforce, which demands different recruitment, training, and motivation strategies. In this paper identifies the main reasons which have led to an hourglass economy and critically discusses its impacts on HRM.

**Reasons that led to Hourglass Economy**

One reason that has led to an hourglass economy is technological advancements. Rapid technological progress, particularly in automation and artificial intelligence, has revolutionized industries and led to a shift in demand for labor (Lauder and Mayhew, 2020). High-skilled jobs that require specialized knowledge and creativity have seen increased demand, while routine, middle-skill jobs have been automated or outsourced. Automation and robotics have revolutionized industries, particularly in manufacturing and routine-based tasks. Many middle-skill jobs, such as assembly line work and data entry, have been replaced by machines, leading to a decline in employment opportunities for workers in these sectors. According to Berry et al., (2018), AI and machine learning have been employed in various sectors to streamline processes and enhance decision-making. This has resulted in a demand for high-skilled workers who can develop and manage AI systems, while routine tasks performed by middle-skill workers are automated. The rise of digitalization and e-commerce has transformed retail and supply chain industries. Traditional middle-skill jobs in brick-and-mortar retail, such as cashiers and sales clerks, have been impacted by the shift to online shopping and self-checkout systems. Technological disruptions in traditional industries, such as finance and healthcare, have led to a surge in high-skilled jobs while reducing the demand for middle-skill roles (Mäntymäki et al., 2022).

Another reason is globalization and outsourcing which has facilitated the movement of jobs to countries with lower labor costs, leading to the offshoring of many middle-skill jobs. This has resulted in a concentration of high-skill jobs in developed countries and low-skill jobs in emerging economies. According to Cleveland and McCutcheon (2022), globalization has enabled companies to access cheaper labor and production costs in other countries. As a result, many middle-skill jobs, particularly in manufacturing and some service industries, have been offshored to countries with lower labor costs. This has led to a decline in middle-skill employment opportunities in the home country. While middle-skill jobs have been offshored, high-skill jobs have often remained concentrated in developed countries. This is because high-skill jobs often require access to advanced infrastructure, technology, and a skilled workforce, which are prevalent in developed economies. Furthermore, globalization has facilitated the growth of a knowledge-based economy in developed nations, where high-skilled workers in science, technology, engineering, and mathematics (STEM) fields are in high demand. This has resulted in a concentration of high-skill jobs in sectors that drive innovation and economic growth (Ikumapayi et al., 2020).

The COVID-19 pandemic is another reason that has further accelerated digital transformation and automation, impacting certain industries and exacerbating the hourglass economy in some sectors. Many high-skill industries, such as technology, finance, and healthcare, experience relatively less disruption during the pandemic. In some cases, these industries even thrived as the demand for digital services, telemedicine, and remote work increased (Kutana and Lau, 2021). This further concentrated high-skill jobs in specific sectors. Middle-skill sectors, such as retail, hospitality, and some manufacturing, were hit hard by lockdowns and social distancing measures. Many middle-skill workers in these industries faced job losses or reduced hours, exacerbating the decline in middle-skill employment opportunities. The pandemic led to the rise of the gig economy, with an increase in temporary and freelance work. While some high-skill freelancers thrived, many gig economy workers in low-skill roles faced economic insecurity and income instability. School closures and disruptions in education during the pandemic disproportionately affected students from low-income backgrounds (Shah et al., 2021). The digital divide and limited access to remote learning tools have widened education disparities, potentially leading to long-term effects on future workforce skills and employability.

Skills mismatch is another factor. There is a growing disconnect between the skills demanded by employers and the skills possessed by the workforce. As technology evolves, the demand for certain skills surges, leaving many workers with outdated or insufficient qualifications (Grugulis et al., 2019). The nature of jobs has evolved with technological advancements, automation, and digitalization. Routine and repetitive tasks are increasingly automated, leading to a decline in middle-skill jobs, while demand grows for workers with adaptable and high-level skills. Workers has faced geographical barriers to access job opportunities, especially if high-skill jobs are concentrated in specific regions. This lack of labor mobility have exacerbated skills mismatches in different areas. Moreover, as older workers retire, there may be a lack of younger workers with the necessary skills to fill high-demand roles. The speed at which the economy and job market evolve can outpace traditional education and training systems. This leads to a lag in skills development, resulting in a shortage of workers with the expertise needed for emerging industries (Sullivan et al., 2020).

In response to the challenges presented by the hourglass economy, HR managers need to make significant adjustments in the main HRM concepts. These adjustments are crucial to navigate the polarization of the labor market and create a balanced and adaptable workforce. Let’s explore each concept and support the arguments with business examples.

**Talent Acquisition**

HR managers should develop targeted talent acquisition strategies to attract and retain high-skilled workers, who are in high demand in the hourglass economy. This may include leveraging technology and social media platforms to reach potential candidates in specialized fields, promoting employer branding to showcase the organization’s commitment to innovation and career growth, and offering competitive compensation packages to entice top talent (Pillai and Sivathanu, 2020).

**Targeted Talent Sourcing**

The hourglass economy demands a more focused approach to talent sourcing. HR managers must identify the specific high-skill areas that are critical for the organization’s growth and success (Pattnaik and Jena, 2020). Instead of relying solely on traditional recruitment methods, organizations should leverage data-driven talent analytics, industry-specific job portals, and professional networking platforms to reach potential candidates with the required skill sets.

Business Example: Technology firms in Southern America experiencing a shortage of skilled software engineers adjusts its talent acquisition strategy by actively participating in coding boot camps and hackathons, where high-potential candidates are honing their skills. They also invest in targeted advertisements on platforms frequented by developers, allowing them to attract and engage the right talent.

**Enhanced Employer Branding**

To compete for high-skill talent in the hourglass economy, organizations must focus on enhancing their employer branding and value proposition. High-skill workers are often selective about their career choices and prioritize factors like work-life balance, career growth, and a positive work culture.

Business Example: A multinational corporation around the world faces tough competition in attracting data scientists. To differentiate itself, the organization highlights its commitment to cutting-edge data projects, flexible work hours, and opportunities for career advancement. Through thought leadership articles, they showcase their expertise in data analytics, establishing themselves as an employer of choice for data-driven professionals.

**Investment in Continuous Learning**

Upskilling and reskilling programs are indispensable adjustments in talent acquisition to address the skill mismatches in the hourglass economy. Organizations must invest in learning and development initiatives to equip both existing employees and potential hires with relevant high-skill competencies (Nue and Manara 2022).

Business Example: An American financial institution identifies that many of its middle-skill employees have the potential to transition to high-skill roles with the right training. They implement a comprehensive upskilling program, offering online courses and workshops in data analysis, machine learning, and blockchain technology. This not only attracts high-skill candidates interested in these opportunities but also retains and motivates existing employees.

**Diversity and Inclusion Initiatives**

Embracing diversity and inclusion in talent acquisition is an essential adjustment for organizations in the hourglass economy. According to Velasco and Sansone (2019), a diverse workforce brings a variety of perspectives and skills, contributing to greater creativity and problem-solving.

Business Example: An engineering firm actively promotes diversity in its recruitment processes and encourages the participation of underrepresented groups in engineering fields. This approach attracts high-skill candidates from diverse backgrounds who appreciate the inclusive culture and the opportunities to contribute to impactful projects.

**Skills Development and Training**

HR managers need to focus on upskilling and reskilling initiatives to bridge the skills gap and ensure the workforce remains relevant and adaptable. Implementing continuous learning programs, providing access to online learning platforms and workshops, and offering educational opportunities that align with the organization’s future needs can enhance the skills of employees (Jansen et al., 2019).

**Addressing Skills Mismatches**

In the hourglass economy, there is a significant mismatch between the skills demanded by employers and the skills possessed by the available workforce. Skills development and training programs can play a pivotal role in closing this gap (Brunello and Wruuck, 2021). By identifying the skills in demand, HR managers can design targeted training initiatives to upskill and reskill employees, thereby aligning their competencies with the needs of the job market.

Business Example: A manufacturing company in Japan faces a decline in middle-skilled workers due to technological advancements. In response, the HR department collaborates with vocational training institutes to design customized training programs for employees. The programs focus on developing technical and digital skills, enabling middle-skilled workers to transition into high-skilled roles.

**Boosting Employee Retention and Engagement**

In the hourglass economy, high-skilled workers are in high demand and are often sought after by competitors. Skills development and training serve as an adjustment to retain and engage high-skilled employees. Offering continuous learning opportunities demonstrates an organization’s commitment to employee growth and career advancement (Pattnaik and Jena, 2020).

Business Example: An IT company invests in employee training and certifications to keep pace with evolving technologies. Employees are encouraged to pursue industry recognized certifications, and the company provides financial incentives and recognition for achieving these milestones. This adjustment fosters loyalty and a sense of belonging among high-skilled employees.

**Enhancing Adaptability and Innovation**

The hourglass economy is marked by rapid technological advancements and evolving industry demands. Skills development and training foster adaptability and innovation among employees. According to Grass, et al., (2020), employees with diverse skill sets are better equipped to respond to changing circumstances, making organizations more resilient in the face of uncertainty.

Business Example: Financial services firms among Europeans countries embraces a culture of continuous learning by encouraging employees to participate in cross-functional training programs. This fosters a multi-skilled workforce that can tackle complex challenges collaboratively, driving innovation and creativity in the organization.

**Promoting Inclusivity and Diversity**

Skills development and training initiatives can also address diversity and inclusion challenges in the hourglass economy. By providing equal opportunities for training and upskilling, organizations can bridge the gap between low-skilled and high-skilled workers, promoting a more inclusive workplace (Metzger et al., (2020).

Business Example: A retail chain implements a comprehensive training program that focuses on leadership development and communication skills for all employees, regardless of their position. This initiative empowers all staff members to contribute to decision-making processes, fostering a culture of inclusivity and diversity.

**Performance Management**

HR managers should adjust the performance management system to recognize and reward high-skill employees. This may involve adopting a more flexible and agile performance management approach, setting clear career progression pathways, and offering continuous feedback and coaching (Murphy, 2020).

**Recognizing and Rewarding High-Skilled Workers**

In the hourglass economy, high-skilled workers are in high demand and are crucial to an organization’s success. Performance management must adapt to recognize and reward the contributions of these employees adequately (Dong et al., 2020). Setting performance goals that align with the organization’s strategic priorities can encourage high-skill workers to excel.

Business Example: Tech companies in South Africa focuses on performance metrics related to innovation and problem-solving for high-skilled software engineers. Those who demonstrate exceptional creativity and contribute to the development of groundbreaking solutions are rewarded with promotions and recognition.

**Developing Career Pathways for Middle-Skill Employees**

In an hourglass economy, middle-skill employees may face limited career advancement opportunities (Frady, 2021). Performance management should address this challenge by developing clear career pathways for these employees. Providing opportunities for skill development and growth can improve their job satisfaction and retention.

Business Example: A manufacturing company implements a performance management system that emphasizes continuous learning and development for middle-skilled workers. By identifying their aspirations and skills gaps, the company offers training programs that align with potential career paths within the organization.

**Flexibility and Agile Feedback Mechanisms**

The hourglass economy demands agility and adaptability in performance management. HR managers should implement flexible feedback mechanisms that allow for regular assessments and adjustments (Gonçalves et al., 2021). Providing timely feedback can enable employees to course-correct and adapt to changing business needs.

Business Example: A marketing agency embraces agile performance management methodologies, conducting weekly stand-up meetings to review progress and provide real-time feedback. This approach enables the team to adapt quickly to market demands and make data-driven decisions.

**Promoting a Culture of Continuous Improvement**

Performance management should foster a culture of continuous improvement in the hourglass economy. Encouraging employees to seek opportunities for growth and development can result in a more agile and adaptable workforce (Tariq et al., 2022).

Business Example: A healthcare organization implements 360-degree feedback processes to provide comprehensive insights into employee performance. This approach encourages open communication and promotes a growth mindset among employees.

**Balancing Performance Metrics Across the Skill Spectrum**

To ensure fairness and inclusivity, performance management should be balanced across the skill spectrum in the hourglass economy. Recognizing the contributions of both high-skill and low-skill workers contributes to a harmonious and collaborative work environment (Brand et al., 2015).

Business Example: An education institution aligns its performance management system with the diverse roles of its workforce. High-skill researchers are assessed based on publications and research grants, while administrative staff are recognized for their efficiency and excellent service.

**Conclusion**

In conclusion, hourglass economy has emerged due to a confluence of factors, including technological advancements, globalization and outsourcing, skills mismatch, and demographic shifts. This has resulted in a polarized labor market with a scarcity of high-skilled workers and an abundance of low-skilled workers. In response to the challenges presented by the hourglass economy, HR managers have taken proactive measures to adapt and thrive.

HR managers responded to the hourglass economy by implementing targeted talent acquisition strategies to attract high-skilled workers, leveraging technology and employer branding to stand out in the competitive job market. They have invested in skills development and training initiatives to bridge the skills gap and ensure employees remain relevant and adaptable. Embracing diversity and inclusion, HR managers have fostered a culture that embraces a multi-skilled and diverse workforce. By focusing on continuous learning and talent retention strategies, HR managers have cultivated a dynamic workforce capable of navigating the ever-changing job landscape. Through strategic adjustments in recruitment, training, and talent management, HR managers have positioned their organizations to succeed in the hourglass economy and embrace a more resilient and agile future.

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