

Labour Market Conundrums: A Quick Look

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Introduction

The global socio-economic landscapes are changing fast- much faster than anyone would have comprehended even half a decade ago. Rapid rise of a few Asian economies while slowing of the others, large-scale migration, record high youth unemployment, global financial shake-ups, economic slowdowns, geo-political conflicts and changing demography are some of the key factors responsible for such a change. Today, **V**olatility, **U**ncertainty, **C**omplexity and **A**mbiguity (VUCA) have become the new normal. To respond to such situations and maintain order, economies have to strive to improve their efficiencies in a number of areas including that of the labour market.

Labour Market: What it is and why bother?

A labour market can broadly be defined as a system of exchange of work for capital (Fay, 2011). Driven by the demand and supply mechanism, the labour market can primarily be of two types: a) Internal and b) External. The internal labour market relates to the specific characteristics that exist within an organisation and include specifically its business/labour policies, practices and priorities and labour (human resource) 'stock'.

The external labour market is about the external supply or available labour outside the organisation and is affected not only by business/ labour policies, practices and priorities of the organization, but also by multiple factors like industry specific skills-demand, changing demography, government regulations, etc. (Wilton, 2010).

The World Economic Forum (WEF) explains labour market efficiency as, *'the efficiency and flexibility of the labour market are critical for ensuring that workers are allocated to their most efficient use in the economy and provided with incentives to give their best effort in their jobs. Efficient labour markets must also ensure a clear relationship between worker incentives and their efforts to promote meritocracy at the workplace, and they must provide equity in the business environment between women and men. Taken together these factors have a positive effect on worker performance and the attractiveness of the country for talent, two aspects that are growing more important as talent shortages loom on the horizon'* (WEF, 2013, p6-7).

Exhibit 1: Labour Market Efficiency and Overall Global Competitiveness Ranks of a few key economies

| Country | Labour Market Efficiency (2008-09) | Overall Global Competitiveness Rank (2008-09) | Labour Market Efficiency (2013-14) | Overall Global Competitiveness Rank (2013-14) | Labour Market Efficiency (2015-16) | Overall Global Competitiveness Rank (2015-16) | Net Change in overall rank of Labour Market Efficiency (2013-14 and 2015-16) |
|----------------|------------------------------------|---|------------------------------------|---|------------------------------------|---|--|
| Australia | 9 | 18 | 54 | 21 | 36 | 21 | 18 |
| China | 51 | 30 | 34 | 29 | 37 | 28 | -3 |
| France | 105 | 16 | 71 | 23 | 51 | 22 | 20 |
| Germany | 58 | 7 | 41 | 4 | 28 | 4 | 13 |
| Hong Kong | 4 | 11 | 3 | 7 | 3 | 7 | 0 |
| India | 89 | 50 | 99 | 60 | 103 | 55 | -4 |
| Indonesia | 43 | 55 | 103 | 38 | 115 | 37 | -12 |
| Italy | 126 | 49 | 137 | 49 | 126 | 43 | 11 |
| Japan | 11 | 9 | 23 | 9 | 21 | 6 | 2 |
| Korea, South | 41 | 13 | 78 | 25 | 83 | 26 | -5 |
| New Zealand | 10 | 24 | 8 | 18 | 6 | 16 | 2 |
| Singapore | 2 | 5 | 1 | 2 | 2 | 2 | -1 |
| South Africa | 88 | 45 | 116 | 53 | 107 | 49 | 9 |
| Switzerland | 3 | 2 | 2 | 1 | 1 | 1 | 1 |
| United Kingdom | 8 | 12 | 5 | 10 | 5 | 10 | 0 |
| United States | 1 | 1 | 4 | 5 | 4 | 3 | 0 |

Source: WEF, 2015, 2014, 2008 compiled by Aei4eia

Exhibit 1 above shows, Labour Market Efficiency and overall Global Competitiveness Index (GCI) ranks of a few key economies of the world. GCI ranks are published yearly by the WEF and are based on assessment of the ability of countries to provide high levels of prosperity to their citizens and how productively a country used available resources (Wikipedia, 2016).

To summarise, labour market efficiency is about balancing demand of labour with supply. Such a process includes matching available knowledge, skills and abilities with the work requirements of the organisation or country in order to convert work into capital. Interestingly, in a recent report, the WEF (2014) identified **skills-mismatch** as a serious issue affecting labour market efficiency where **large-scale unemployment** and **talent scarcity** goes hand-in-hand. What is the reason for such a disparity? Is it **Skill-mismatch or introduced skill-mismatch or misperceived inefficiencies? What are the implications of labour market inefficiencies on economies? Does anyone prosper from labour market inefficiencies?** Some of these questions perhaps need a closer look and we shall discuss more of these in our following research snippets.

*[This article is based on the research work done by **Aei4eiA** and published as a book co-authored by **Dr. Jayantee Mukherjee Saha**, Director and Principal Consultant, Aei4eiA, titled, 'The Changing Role of the Human Resource Profession in the Asia Pacific Region', Elsevier, Oxford, UK].*

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