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## Conference Paper

# Skills for the new wife of globalization

Session Handouts, Global Economic Symposium 2008 (GES), 4-5 September 2008, Plön Castle, Schleswig-Holstein, Germany

### Provided in Cooperation with:

Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges

*Suggested Citation:* Blinder, Alan S.; Buerkner, Hans-Paul (2008) : Skills for the new wife of globalization, Session Handouts, Global Economic Symposium 2008 (GES), 4-5 September 2008, Plön Castle, Schleswig-Holstein, Germany, Kiel Institute for the World Economy (IfW), Kiel

This Version is available at:

<https://hdl.handle.net/10419/79086>

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## Growth: Benefiting from Globalization

# Skills for the New Wave of Globalization

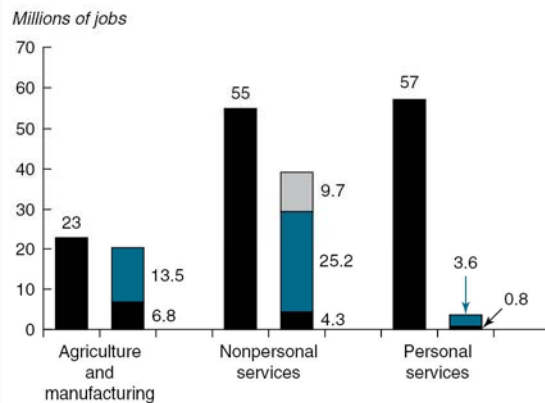
### Summary

The new wave of globalization – in which outsourcing and offshoring includes not only unskilled and manufacturing jobs, but also skilled and service sector jobs – makes new demands on education and training systems around the world. Globalization is no longer about trade in things that can be put in a box, but about trade in everything that can be digitalized. We are moving from trade in goods to trade in tasks.

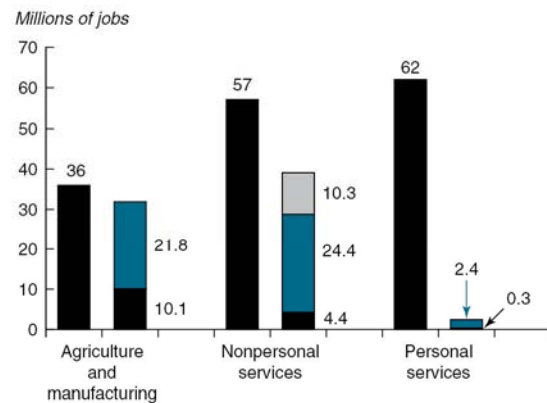


What skills do workers require in order to benefit from the new wave of globalization? Which sorts of jobs are most at risk to the new wave of globalization? What government policies and business strategies are required to develop the skill base that allows individuals, firms and society at large to be successful in a highly competitive global economy? What is the role of business, government and the individual in this process?

**Jobs and potential for outsourcing, United States**



**Jobs and potential for outsourcing, EU15**



Sources: Jensen and Kletzer 2005; World Bank staff calculations.

Note: The first, black bar for each sector represents the number of workers currently employed in that sector. The second bar indicates the number of jobs potentially globally sourced. The black section represents only workers in highly geographically concentrated industries subject to global sourcing; the other two sections represent workers in less geographically concentrated industries (see text).



## **Proposed Solutions**

### **Expert Opinion**

Globalization has entered a new phase in which an increasing number of jobs previously sheltered from international competition is threatened by potential outsourcing and offshoring. Raising protectionist barriers against offshoring or picking and subsidizing “national champion” firms will be futile, because adjustment will be more at the level of individual tasks and less at the level of firms. Governments should therefore focus on helping workers adjust rather than helping sectors adjust.

In order to cope with the challenges from the new wave of globalization, education and skills will be key. Since it is hard to predict, what jobs will be available in the future, learning how to learn may be more important than learning any particular set of skills. Assuming that those tasks are most at risk of being offshored that are routine or prone to routinization and that do not require personal presence, creativity and imagination, social competence and communication skills will become ever more important. Education has to be understood as lifelong process of personal development. Moreover, individuals will have to take on a higher level of personal responsibility for their own (and their children’s) training and education than ever before, although there are still important roles for business, government and academia in providing individuals with the understanding, the incentives and the institutional arrangements they need to accept and fulfill their increased responsibility.

Early childhood education is crucial in creating the abilities and motivations that affect learning throughout an individual’s life. Social competence, communication skills, the motivation to learn and other crucial aptitudes are most easily acquired at young age. Any reform of the education system therefore has to pay particular attention to pre-school and primary school education.

The institutions and the content of secondary and tertiary education must be designed in conjunction with potential employers’ needs so that young generations enter the job market with the required skills. Here policy makers, business, and academia need to work together to ensure that skills requirements are clearly articulated and education programs reoriented to fit with that demand. Policy makers should, however, be aware that information about future needs is necessarily incomplete and that business will pursue their own interests that may prove short-sighted and too specific from a national perspective.

Because of imperfections in labor, capital and training markets, investments in adult training and development may generally be sub-optimally low without policy intervention despite their benefits to employers and employees. Special savings schemes for adult education and continuing training may help promote lifelong learning and provide the basis for increased activity and at the same time enhance motivation and awareness among both employers and employees.

### **Strategy Perspectives**

#### ***Offshoring, Workforce Skills, and the Educational System***

Alan S. Blinder

*Professor of Economics and Public Affairs, Princeton University*

My premise is that offshoring, especially service offshoring, will substantially and systematically change the mix of jobs available to workers in the rich countries. More specifically, I believe



that 20-30 years from now the workforces of these countries will feature relatively more jobs in what I call the personally-delivered services, and relatively fewer jobs in manufacturing and what I call the impersonally-delivered services. If so, these countries should reform their elementary and secondary education systems, and perhaps higher education as well, in ways that make the schools prepare relatively fewer young people for jobs in manufacturing and impersonal service occupations and relatively more young people for personal service occupations.

What might that mean, concretely? The central idea is pretty simple: We want to emphasize the development of skills that a computer cannot replicate and that an educated Indian, say, will have a hard time doing nearly as well as, say, an American. That suggests emphasizing things like creativity, inventiveness, spontaneity, flexibility, and interpersonal relations over rote memorization. Thus I think the fetish with standardized testing is a vestige of the First Industrial Revolution that needs to be (largely) jettisoned as quickly as possible – or at least the tests must be quite different from the ones to which we are accustomed.

The task of reform starts in the elementary schools, where we need to develop children's imaginations and people skills as well as basic literacy and numeracy. Instead of rote drills on questions with pat answers that can be graded by optical scanners, perhaps we should be posing more novel and even ill-defined problems that have no simple answers – questions that can be wrestled with productively and that, though they have no "right" answers, certainly have better and worse ones. More group activities and interactions may also be essential components of the new curriculum--including, where appropriate, grading the group's performance rather than the individual's. All this would, of course, typify the work and social environments in which all of us actually live.

These new types of education probably need to be continued and made more sophisticated in the secondary schools, where, for example, good communications skills also need to be developed. And in the universities, we may need to de-emphasize the traditional lecture model in favor of a more participatory learning process that features learning by doing.

More vocational education is probably also in order. After all, nurses, carpenters, and plumbers are already scarce, and we will likely need many more of them in the future. In our present culture, most of these occupations are viewed as a step down from those that require a university degree. It would be useful to change those attitudes.

### ***Skills for the New Wave of Globalization***

Hans-Paul Buerkner

*President and CEO, Boston Consulting Group*

While globalization presents many new challenges, the basic skill requirements remain the same both for individuals and for companies.

The individual has to be able to take responsibility for her or his life. In order to do so, the individual needs a good education comprising language skills, quantitative skills and/or practical skills. From early childhood, people need to get an understanding that they are responsible for their lives and that they can shape their lives rather than to expect that others will take care of you and therefore no personal efforts are required to survive.

Given that with globalization more change comes in shorter intervals, a first key skill is openness, openness to new developments, to change, to new impressions and learnings. Individuals need to preserve a sense of curiosity that every child has and that adults tend to lose. A second key skill to acquire is flexibility, i.e. accepting change and being able to cope with change. Individuals need to learn that they will have to learn continuously and need to



embrace continuous learning as a positive that makes their lives more interesting and stimulating. And a third key skill is to accept and embrace diversity in your surrounding.

From early childhood up to old age, these skills need to be nurtured, in kinder garden, in school and university, in business, government entities and in society-at-large.

For companies, the everlasting task is to preserve and enhance competitiveness. Competitiveness is the prerequisite for survival. Companies need to look for competitive advantage continuously. How can they stand out? Cost, price, quality, speed, innovativeness, etc.? Companies need to mobilize their people on all levels to strive for competitiveness, to look for improvement, never to stand still.

In the globalized world, competitiveness can only be assured, if companies optimize their global value added chains. Where should R&D take place, where should products be manufactured, where should administrative services be delivered, etc.? Companies and their leadership have to have the skills to look beyond traditional boundaries, to identify new challenges and new opportunities. They have to embrace diversity. Ideally, their management comes from different cultural backgrounds so as to understand and to deal with different countries. Management should comprise business, technical and people skills.

As for individuals, globalization requires companies to be more open to change and more flexible to adjust or even innovate their business models. Constantly, they need to challenge the status quo. In order to pick up the signals of change, the company will be organized as a decentralized network. And it will be much flatter so that information can flow faster, both to identify changes in demand and supply and to provide the right signals for change.

Governments will find it much more difficult in a globalized world to have an impact on the economy. The most important service they can deliver is to enable their citizens to increase their skill sets and to enable companies to enhance their competitors. Thus, investments in elementary and secondary education and universities and research institutes are key. At the same time, regulations that protect the status quo need to be abandoned to enable and to force companies to increase competitiveness.