Singapore Management University

Institutional Knowledge at Singapore Management University

Research Collection Lee Kong Chian School Of Business

Lee Kong Chian School of Business

12-2018

# Does demography determine talent?

Philip ZERRILLO
*Singapore Management University*, pzerrillo@smu.edu.sg

Follow this and additional works at: https://ink.library.smu.edu.sg/lkcsb_research

Part of the Demography, Population, and Ecology Commons, and the International and Area Studies Commons

## Citation

ZERRILLO, Philip. Does demography determine talent?. (2018). *Asian Management Insights*. 5, (2), 40-42.
**Available at:** https://ink.library.smu.edu.sg/lkcsb_research/6205

This Magazine Article is brought to you for free and open access by the Lee Kong Chian School of Business at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Research Collection Lee Kong Chian School Of Business by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email cherylds@smu.edu.sg.

# Does demography determine talent?

*By Philip Zerrillo*

Among the map of forces that shape a business environment, one of the permanent, pertinent and powerful factors is a nation's demographics. Policymakers can outrun a lot of things to support businesses–they can change laws, correct for mistakes made in regulatory systems and business codes of conduct, as well as offer incentives for attracting investments–but one of the most difficult things to change, once it is put into place, is demographics.

Asia is a very complex place to describe in one word. In so many aspects, its demographics are diverse and defy any kind of homogeneous analysis. While birth rates can say a lot about an economy at a macro level, there are also the micro-level demographic issues that can begin to crop up, creating opportunities as well as challenges. My observation is that, over the last 15-20 years, we are seeing a movement from farms to cities that has gained momentum. While this trend is not new to developing societies, the pace and scale at which it is taking place in Asia, its impact on urban and rural regions, combined with the complacency of policymakers, call for grave attention.

Throughout Asia, younger populations are moving to regions of economic buoyancy. In Vietnam, there is a movement of young population from the North to the South in search of better work opportunities. In Myanmar, while a lot of the IT training is being offered in Mandalay, most IT firms have set up shop in Yangon, resulting in a similar internal migration. And Bangkok and Manila are also facing an influx of labour. And where today's young population settles to begin their careers says a lot about this generation and the next.

This clustering of people and businesses puts pressure on housing, transportation, natural resources, and public services. Simultaneously, this migration leads to a massive hollowing out of talent and skill in the countryside, the rice bowl of these economies. Furthermore, foreign investors are attracted to countries either because they can tap into an expanding consumer base or a growing pool of skilled talent. But the two go hand-in-hand: a well-skilled labour force has access to lucrative employment opportunities and eventually constitutes the middle-class consumers that all businesses target. In contrast, if the urban migrants are unable to find jobs due to lack of appropriate training and upskilling, then it creates a burgeoning segment of urban poor who lack affordability and purchasing power. Inequalities then emerge and social tensions become more pronounced, impacting the overall wellness of life.

## Taking a leaf from the United States?

Western development models may not always be relevant for contemporary Asia, but perhaps the U.S. education model offers some guidance for developing countries today. The Land Grant universities of the U.S. established in the late 19th century paved the way for a much more geographically balanced growth. Many of these universities were set up in the South, Southeast, Midwest and far West–far from major cities, which had by the mid-20th century already started attracting the nation's young population.

By the 1970s and 1980s, these universities spun into new towns and cities, and businesses began to set up shop near these repositories of educated labour. This set off a virtuous circle of development–businesses came in, student graduates got jobs, settled down, had babies, and contributed to the local microeconomy–and a vibrant ecosystem began to form around these academic institutions, preventing the exodus to big cities. Moreover, many satellite tech hubs–Austin, Madison, Columbus–emerged in what were formerly labelled college towns.

Austin, Texas is perhaps an aspirational example of a sustainable growth story. What was the 73rd largest U.S. city in 1970 is knocking on the door of the top 10 today. While it was unimaginable to get a job in Austin in the years prior to the 1970s, today it is a buoyant, independent economy with factories, and even headquarters of major semiconductor companies, equipment makers, software companies, test equipment suppliers, and the like. Austin's story showcases a model for how economic centres can begin to be created around a first-class university.

What happened in the U.S was perhaps not by planning but by happenstance, but it ended up working well for the nation. Asia, however, needs to show greater preparedness

> The movement from farms to cities is a trend that is not new to developing societies—but the pace and scale at which it is taking place in Asia, its impact on urban and rural regions, combined with the complacency of policymakers, call for grave attention.

as the future is churning faster and the stakes are higher. Its university centres tend to be concentrated in the major cities, and all talent is already migrating there. And these cities are fast turning into time bombs, ready to explode.

What Asia will look like in the future will depend on the decisions of today. Factory towns have sprouted up in Asia, but their pulling power is usually quite tied to the industrial lifecycle. Knowledge and universities tend to outlast these cycles. Perhaps India is sowing the seeds of what the future might hold in Asia. The mandate to contribute 2.5 percent of pretax profits to charity has led to the establishment of many business-family based universities. Perhaps these are the starting places for the intellectual breakthroughs that will help the country succeed in the new knowledge economy. Similarly, in the Philippines and Indonesia we see large private businesses establishing universities in an effort to develop skilled workers for their growing operations.

## Skills development in Asia

New technologies and artificial intelligence (AI) are also radically altering talent needs, and will eventually result in a transfer of wealth within nations. I feel countries like Singapore, Taiwan, Japan, Korea, and Germany have rightly jumped on the bandwagon to adopt AI-enabled technologies that will automate or augment much of their ageing/declining workforce. Much of Southeast Asia is also moving in this direction–as the demographic bulge is very fast wearing thin. I have observed the challenges the Philippines' business process outsourcing (BPO) industry is currently facing–while the population is still growing, skills are not. For the BPO industry to evolve and grow with changing demand, the Philippines now needs an upskilling of its workforce. And countries with healthy population growth will use AI to better connect with customers. So different countries will approach this new era of data science in different ways. But either which way, the workforce will need reskilling and upskilling.

The continuous migration of young people will set the pace for how countries develop for the next 20-30 years. And once set in place, the momentum of these demographic trends will be difficult to change. So policymakers need to understand that, 'Where the young people go, so goes the future.' Demography alone does not determine talent; proactive investment into hard and soft infrastructure does. If the right environment is not created, the demographic bonus can very quickly become a curse. Governments and industries in Asia can either take a field position under their desks and wait for it to occur, or they can step up and make the appropriate changes and preparations.

It is our hope that this note will stimulate thought and encourage our readers to share their ideas and experiences on this topic. What are your thoughts? We would love to hear from you.

Please submit your comments to: **editorami@smu.edu.sg**

Dr Philip Zerrillo

*is the Editor-in-Chief of Asian Management Insights and the Executive Director of the Centre for Management Practice, Singapore Management University*

Dear Editor,

The article 'Negotiating the legal systems in ASEAN' in the May 2018 issue of *Asian Management Insights* touches upon an important aspect of conducting business in one of the most exciting markets of the world. While the ASEAN markets represent a lucrative opportunity for global, regional and homegrown entrepreneurs, the lack of a consistent and transparent regulatory system in individual countries presents a significant hurdle to business expansion and foreign investment.

In game theory terminology, this may be categorised as a lose-lose situation for all the players concerned—multinational firms lose the opportunity to expand business and access local talent and technology; the host country is unable to attract foreign investment and sees an adverse impact on its economic growth; and people lose out on potential employment opportunities, access to global products and services, and economic welfare. It might still be an acceptable scenario if this was hurting only the global players. But the worst hit are entrepreneurs who do not have the financial muscle or extended set-up time to negotiate complex regulations and ambiguous laws.

While the article begets the reader to question the concerned governments and political leadership, that would, in my view, be too simplistic an outlook. There are several challenges a government faces in establishing an effective legal and regulatory structure to protect several stakeholders. Efforts in enhancing the knowledge of bureaucrats and keeping them abreast of latest global policy and regulatory frameworks will go a long way in addressing important national agendas while still creating an investment-friendly climate.

Leading universities, industry leading corporates and consulting organisations have an opportunity to influence this discourse through the adoption of a collaborative business-to-government approach towards the creation of national knowhow on legal and regulatory issues.

Ashish Bhardwaj
Vice President Asia Pacific, Middle East and Africa, Graduate Management Admission Council

Dear Editor,

You have raised an important issue in the last edition of *Asian Management Insights* in your column, 'A Walk Through Asia.' The legal and regulatory systems of any country are intrinsically linked to its business environment and are, in fact, a key determinant of it. While technical advancement and human entrepreneurial spirit have enabled the blurring of boundaries among nations and facilitated the emergence of global workers, consumers and markets, archaic rules of law, misaligned policies and ambiguous regulations continue to create challenges to seamless flows of ideas and capital.

It is a fact that the costs of risk management, legal and compliance are growing steadily, and this is exacerbated by local policy and regulation that do not align with internationally laid down law. Such market discontinuities open up arbitrage opportunities, giving rise to crony capitalism and a tilted playing field.

While not all solutions may be in sight, it is important to bring attention to such issues. Asia is indeed a complex region and discussions such as these are very helpful in understanding some of the nuances, which would otherwise leave foreign investors perplexed and unsure.

Steven Burton
Former Managing Director, Executive Degrees at INSEAD