

Financial Literacy Capacity Assessment

LEARNING BOOK

PART I: BASIC LEVEL

Chapter 1: Education & Career

The job market is shaped by fundamental economic, social and technological trends, including **automation, globalization and outsourcing**. Everyone should understand what these terms mean and how they impact the labor market of today and tomorrow.

AUTOMATION is the ability of machines like computers and robots to perform tasks previously done by humans. Its main impact on the job market is to reduce demand for repetitive tasks. Some jobs disappear, others are redesigned so machines do the routine work while humans focus on tasks that require personal interaction, specialized know-how, or creativity.

EXAMPLES: Bank tellers may be replaced by ATMs and mobile banking for routine tasks, but human input is still needed for complex transactions and personalized advice. Store merchandising may be less important, but demand for e-marketing expertise will increase. Careers as robot technicians may replace assembly line jobs in manufacturing.

The definition of repetitive work continues to evolve as technical progress expands the scope of tasks that can be automated. For example, computers powered by Artificial Intelligence may replace some call center and telemarketing jobs,

while self-driving vehicles may take over from taxi and lorry drivers.

GLOBALIZATION means increasing exchanges of goods, services, capital and labor among countries. Since 1945, national economies have become much more interdependent. Many goods are made from raw materials and components that are sourced from a wide range of countries and cross several borders before reaching their final destination. We live in one global, interconnected economy.

A smartphone sold in the UK may use software from the US, chips from Japan, batteries from China, and cases from Taiwan; it may be assembled in China and carried to the UK by a Danish shipping line operated by Filipino seamen.

International trade helps countries specialize in activities where they are most productive, thus raising efficiency and lowering costs. But it can lead to painful disruptions for entire industries and regions. Governments can help by supporting the transition to new activities. Workers need to be flexible, changing jobs and learning new skills.

Globalization combines with automation to reinforce trends in the labor market, like **the decline in unskilled jobs in rich countries**. Immigration has also risen in many countries, adding new skills to

the economy but also competition in low-skilled occupations.

There has been some backlash against globalization, as people worry about social disruptions and rising inequality. Globalization is unlikely to beat a full retreat, though some things could be made closer to home in future.

You need to follow these trends and choose career paths that offer good prospects in the place where you live. In addition to labor market demand, you should consider your abilities and preferences – choose something you're good at and like to do!



Best prospects are in jobs that cannot easily be taken over by either machines or overseas workers – e.g., jobs that require personal interaction, creativity, teamwork, and communication skills.

Examples of jobs that offer good prospects include:

- *Creating and maintaining the tools and software that support the global connected economy*
- *Creative services for businesses*
- *Personalized services for individuals*
- *Services consumed where they are produced*
- *Jobs in new or emerging industries, such as online learning, cyber-security, clean energy, wellness, personalized medicine, digital marketing, and many others*

Growth in **OUTSOURCING** is another trend, as businesses purchase from external suppliers goods or services that were previously made in-house. The suppliers can be located in low-cost developing economies or they can be next door.

One form of outsourcing is the “gig” economy, where businesses replace employees with independent contractors. This can lead to lower costs for consumers and can provide advantages like flexible working hours for workers, but can also result in long working hours and low pay with few benefits, job security, or career prospects.

The gig economy is an extreme aspect of a long-running general trend in the labor market: **the rise in short-term or part-time jobs** at the expense of long-term, permanent employment.



This more precarious work environment has two key consequences for everybody:

1. **You must rely on yourself to achieve basic financial security, including saving for a rainy day and building a nest egg for retirement**
2. **You must continuously upgrade your skills and knowledge to remain in demand in the labor market.**

HUMAN CAPITAL is a key concept: it represents the sum of formal education, skills, and experience acquired by people. Investments in human capital offer among the best returns available, as they raise long-term earning potential. University graduates, for example, tend to earn higher salaries over the long run, with the extra income more than offsetting the cost of studies.

Human capital includes:

- *Technical and professional knowledge, which can be acquired through a college degree, vocational or on-the-job training*
- *Soft skills, such as problem solving, critical thinking, and communications*
- *Experience working in non-profit and voluntary organizations*
- *Knowledge gained through self-study and online learning in addition to formal classes*

A key takeaway is the crucial importance of **EDUCATION** for everyone. This can take many forms, from practical training and online courses to university degrees, often in combination. Higher studies can be expensive but the cost can often be defrayed by stipends or student loans. Loans may cover living expenses in addition to tuition, and offer favorable terms like long repayment periods and exemption under certain circumstances.

HOW ABOUT BECOMING AN ENTREPRENEUR?

Starting your own business is an option that attracts many people. It can be a highly rewarding experience and lead to big profits and personal fulfilment. But the risks are high, working hours can be forbidding, and the uncertain revenues make it harder to plan your financial future. It's a big decision that requires careful homework and advice from experienced sources. Look at flops and failures, not just success stories!