

supply / demand

# Confronting the Talent Crunch: 2008

A Manpower White Paper



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The Proactive Imperative

# Confronting the Talent Crunch: 2008

The talent shortage can no longer be viewed as a crisis on the horizon. In many regions and across many industry sectors, it is a crisis that is occurring now, and it threatens to grow more acute and widespread. Talent shortages pose a threat to world economic growth and prosperity. Yet, although many of the problems associated with the talent shortage are broadly acknowledged, potential solutions have yet to be widely embraced or implemented by the companies, governments and individuals who stand to benefit from their application.

Demographic shifts (aging populations, declining birthrates, economic migration), social evolution, inadequate educational programs, globalization and entrepreneurial practices (outsourcing, cross-border recruiting, on-demand employment) are between them causing shortages, not only in the overall availability of talent but also – and more significantly – in the specific skills and competencies required in industrialized, emerging and developing economies.

Furthermore, as a result of technological advances and productivity gains, many low-skill, routine jobs are being eliminated and once in-demand skills are rapidly becoming obsolete. While this reduces demand for some jobs and, thus, tends to minimize the perceived impact of the talent shortage, it also leaves employees potentially jobless, and both individuals and their labor representatives must take steps to ensure they take advantage of all available opportunities for reskilling and retraining to make themselves suitable candidates in the emerging world of work.

This paper (updated since its original publication in 2006) explores which trends are likely to become more pronounced, and how governments, employers and individuals can prepare themselves to confront the growing talent shortage.

## A Human Resources Paradox

According to a recent study released by the International Labor Organization (ILO), 61.7 percent of the global population of working age was employed in 2007<sup>1</sup>. This means that the remainder, over 1.5 billion people of working age, was either unemployed or underemployed.

Yet, as every employer understands, it is not the *number* of available people who will provide the solution to the talent shortage. The solution will depend on having the **right** people available with the requisite skills. And this is where a number of factors conspire to make finding the right people a challenge – one that is impacting the global economy now and promises to impact it even more severely in the years ahead.

Many regions of the global economy are already facing – and will increasingly face – serious shortages in their labor market, arising not only from unprecedented demographic shifts but also from a lack of individuals with the skills required for available jobs. In other words, a demographic crunch is coming and will be exacerbated by a talent crunch that threatens to stall the very engines of that economic growth.

In many developed economies, birthrates are falling to below the replacement rate and life spans are lengthening on the back of better healthcare, leading to workforces incapable of supporting the economic needs of many countries. In some countries, individuals are unemployed or underemployed because their education is insufficient or deficient. In yet other countries, the raw number of people available to work is not lacking, but individuals' skills do not match those required for the jobs, or when the skills are appropriate, the individuals are not located where the jobs are.

This dual reality of unemployment and talent scarcity is creating a unique, self-reinforcing cycle and presents governments and employers with a human-resources paradox: how to find the right people at the right time in the right place – and fill the dearth in the midst of plenty.

*China's current manpower situation could be summed up in one phrase – shortage of the right people. This problem afflicts a wide cross-section of industries, from factory floor to offices. Despite the overall labour surplus, demand for specific skill sets is far higher than what is available.*

The Economist Intelligence Unit, "China Economy: Talent Shortage,"  
22 August 2007

### Figure 1: Headline Evidence of Talent Shortage

A study by the McKinsey Global Institute predicts that 75,000 business leaders will be needed in China in the next 10 years. It estimates the current stock at just 3,000 to 5,000. And that assessment could prove optimistic.

*The Economist, "Capturing Talent - Asia's Skills Shortage,"  
18 August 2007*

Nearly half of [technology] executives say that managing a global talent pool is becoming one of their greatest challenges.

*"Technology Executive Connections – Successful Strategies for Talent Management," Vol 3, PricewaterhouseCoopers*

Around 5m Britons, out of 60m, now live abroad . . . The market for talented people is increasingly fierce – and global.

*The Economist, "A World in Flux," November 2007*

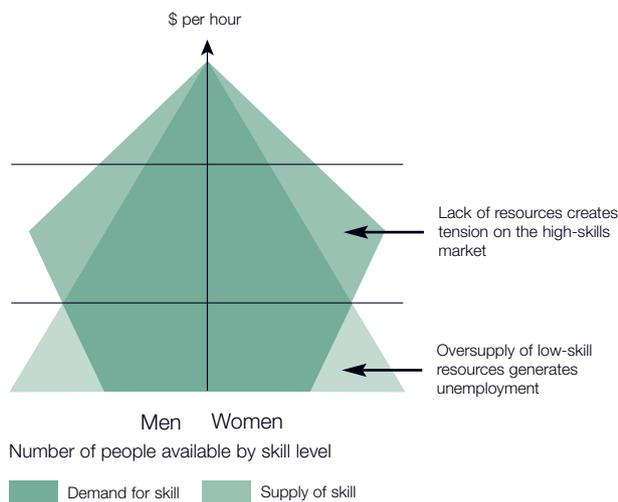
## Intensifying Trends: What's Next?

Governments and employers are already aware of, and taking steps to address, existing talent-shortage trends. These include improving educational and vocational training provisions, adopting strategic migration policies, bringing the economically inactive into a more inclusive labor market, and encouraging skilled and experienced older individuals to remain in employment. But as trends continue and the shortages become more pronounced, there is far more that employers and governments can be doing – in proactive ways – to mitigate the impact of growing talent shortages. In the next decade, a number of existing trends are likely to become more pronounced.

### Demographic evolution

Across the globe, a variety of demographic developments have led to too few people in the right age or skill groups, or the right locations. Moreover, in many parts of the world, fewer people will be entering the workforce in the next 20 years.

Figure 2: The Talent Supply/Demand Disconnect



Flattening (United States and Japan) or declining (much of the EU and China) **birth rates** in many countries mean fewer young people entering and progressing through the labor market's employment lifecycle, which will affect their economies' abilities to sustain growth.

Moreover, as **life spans** lengthen, those active in the labor market will be insufficient to generate the wealth needed to sustain those who have retired or are economically inactive and the living standards to which they have become accustomed – or at least aspire.

To ease the shortage, developed countries will continue to offer incentives to older workers to postpone retirement and remain in the workforce longer in order to maintain adequate levels of skilled talent. Retirees may even be offered attractive incentives to re-enter the workforce. And in some emerging countries, skilled expatriates may be lured back home by opportunities resulting from economic growth fueled by foreign direct investment.

Employers will also continue to look toward new talent markets that can satisfy their needs. This may provide an opportunity for some emerging markets with growing populations, such as some countries in Africa. But opportunities like these will only happen if governments are able to help their growing populations acquire the skill sets desired by employers, and also tackle broader social issues (such as political instability and disease) that may be preventing their countries from being perceived as destinations for talent.

*Italy will lose 28% of its population by 2050. In order to maintain its working age population, Italy would need to start importing more than 350,000 immigrants per year or, alternatively, keep citizens working until they are age 75.*

OECD, "Trends in Worker Requirements and the Need for Better Information to Make More Informed Decisions in a Global Economy,"

June 2007

Working-age individuals from developing and emerging countries are leaving to find employment elsewhere. This resulting “talent drain” deprives countries of the human resources they require to sustain current development and capitalize on future opportunities. Many students, too, are leaving to study abroad and often not returning – leading to a further diminishment of essential talent. While some recipient countries welcome such **migration**, it is less welcomed in others.

Conversely, demographic **immobility** can also cause talent shortages within countries. In China, while some individuals are leaving to attend universities in other countries, some university graduates appear reluctant to leave the provincial cities where they studied and are unavailable for work in the internationally connected cities where most multinational and major domestic industry and commerce are set up. In India, however, Manpower has noted that much of the recruitment activity is now occurring outside of Bangalore and Mumbai, which indicates increasing mobility in this country.

## Economic development

While economic development may not take place at the same pace in every country, it is occurring everywhere, bringing a number of competing forces into play. And in those countries currently experiencing an economic slowdown, it is only a matter of time before the engines of economic growth recover and proceed at a robust pace. This is why it remains vital for employers to have strategies in place that improve the talent supply even though the talent crunch may not currently be impacting their organizations.

On the one hand, it is plainly evident that many companies have attempted to maintain their competitive edge by moving manufacturing jobs out of talent-poor developed countries and into lower-wage emerging and developing economies. However, there is growing evidence that these emerging economies, such as India and China, are having difficulties accommodating the increased demands for talent and, thus, are experiencing talent shortages of their own. More aggressive efforts on the part of India and China to retain their own talent will exacerbate shortages for all economies.

As emerging and developing countries develop their economies and increase their wealth, they will begin to want more talent for their own domestic needs, which they may find in short supply. And, as wages rise in the growing domestic economy, global employers’ cross-border activities will begin to meet intensifying competition from local sources of employment and experience a talent shortage. And this situation will continue to get worse. Emerging markets, such as Poland and the Czech Republic, are already experiencing talent drains as workers seek employment elsewhere in the Eurozone. As a result, local employers are forced to increase wages to entice a shrinking labor pool, and wage increases in both countries are actually outpacing productivity<sup>2</sup>.

*The skills shortage comes in two forms: higher staff turnover and rising wage costs. Pay rates for senior staff in many parts of Asia already exceed those for similar staff in much of Europe.*

The Economist, “Capturing Talent – Asia’s Skills Shortage,”  
18 August 2007

## Global competition

As global competition for customers intensifies, with emerging economies joining the fray, major enterprises have responded by running very lean organizations, both to enhance their strategic agility and to reduce costs. In doing so, they have outsourced those elements of their business that are not proprietary, strategically sensitive or essential to their strategic advantage. Others have also transferred some of their human resource processes to employment services firms to provide recruitment process outsourcing services for all of their permanent and contingent staff recruiting requirements.

This global competitive trend toward outsourcing is unlikely to become any less pronounced in the future. This will mean that flexible, ready-trained, on-demand and enterprise-ready talent will be increasingly sought after. And, while employment services firms are perhaps the best placed specialists to source and deliver such categories of talent, even they may find the shortage of available raw talent a significant challenge. Individuals will be attracted to strong employer brands that are positioned to provide them with the best opportunities.

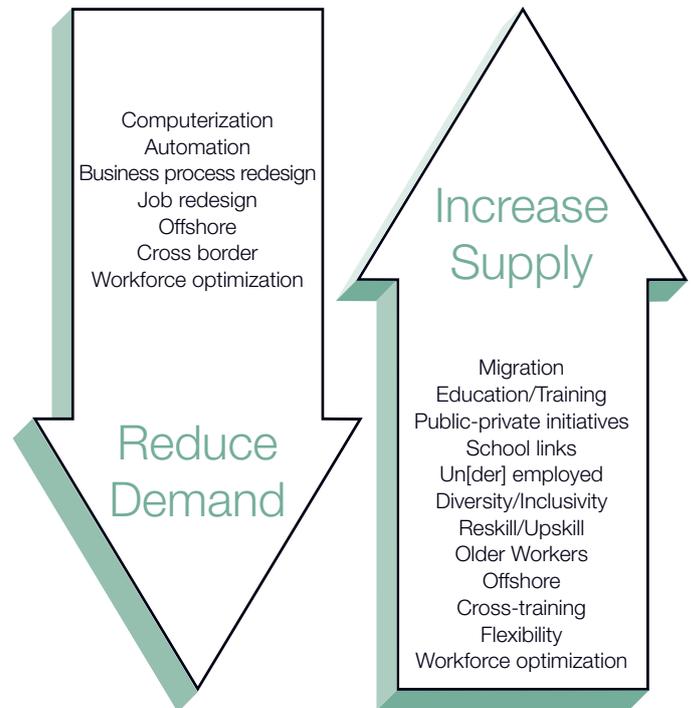
### Technological progress

Advances in computer technology and its application in automation have already made a considerable impact on productivity, and employers have enjoyed the benefits of dramatically improved operational efficiency. But as new jobs are created, requiring new skills and technological competence, employees will need to upgrade their own skill-sets to adapt to the changing world of work. This will make it all the more important for employees in work – and for employers and governments – to ensure that skills are continuously refreshed, upgraded and extended. Training will be paramount, as will planning by employers and commitment by employees.

## Confronting the Talent Crunch: 2008

A shortage of any kind can be addressed in two ways: by reducing the demand and/or increasing the supply.

Figure 3: Reduce Demand, Increase Supply



In facing the current and coming talent shortage, employers need to reduce the number of those jobs for which talent is in short supply, or increase the total available pool of employable talent. They can accomplish this by accessing previously untapped potential. And individuals – the subjects of this shortage – need to stay alert to trends and developments in the employment arena.

Governments and employers can adopt a number of proactive approaches to improve the situation and mitigate the severity of the problem. And individuals and their representatives can take a number of actions to ensure that employee skills are renewed, transportable and relevant – and that they remain employable.

## Governments: Fostering the Right Skills

What can governments do to counter the growing talent shortage and ensure that the right skills are in place to meet their country's talent needs and ensure their economic future? This is a complex question with no simple answer, as most countries in the OECD are finding. One thing is certain: simply offering the possibility to migrate for work is no longer sufficient to attract highly skilled foreign workers. Countries will most likely need to explore other solutions.

### *Facilitate "strategic" migration*

A number of countries are facing considerable demographic declines in their populations, and as time goes on, the labor demand will soon outstrip the supply of available talent. Countries with low labor-force participation rates, such as those in Eastern Europe, the former Soviet Union and sub-Saharan Africa, may be able to develop their own labor reserves and plug the talent gap. However, this expedient will not be available to all countries.

Other countries, faced with the urgent need to meet a growing demand for workers with specific skills in certain sectors, have begun to facilitate labor market access for skilled immigrant workers. Manpower Norway, for instance, is facilitating the immigration of trained butchers from Eastern Europe, Ireland, Brazil and other countries to help ease a national shortage of these skilled workers. Norway's example also demonstrates that the talent crunch impacts a number of skilled professions, not just those associated with high technology or the knowledge economy. Similarly, Japan and the newly industrializing economies of South-East Asia attract thousands of workers from the Philippines, Indonesia, China, Thailand and Pakistan each year, particularly in the services sector.

In the talent poor future, this approach may need to be adopted more widely. Many countries are finding that, after years attempting to prevent workers from crossing their borders illegally, it is now in their best interest to encourage further work migration. Revising immigration-for-work policies may also provide a more formalized process of upskilling potential candidates – especially those who were previously reluctant to embrace training activities because of their illegal status, and who may well have been working for wages below the standard rates

because of their illegal status. Many students leave their home countries to obtain their university-level education abroad. A corollary to migration may involve a nation taking steps to encourage students from overseas to stay in the country upon completion of their studies and integrate into the domestic labor market. Australia, for instance, has been on the leading edge of such reform and has been aggressively recruiting overseas students who possess a range of professional qualifications.

In the reverse migration direction, China, among others, has taken aggressive reform measures to encourage as many of its students as possible who leave to study abroad to return home and energize the emerging economy with their new-found knowledge and skills. Recent trends indicate that these measures are beginning to work. According to the National Bureau of Statistics of China, between 1978 and 2006, only a quarter of Chinese students who studied abroad returned home after completing their studies. But the rate is now increasing "due to the heightened attractiveness of working in their home country."<sup>3</sup>

Reforms have included increased financial and professional support for returning students and scholars, simplifying the return and resettlement process and, perhaps most importantly, publicly declaring the private sector to be an integral part of the national economy, not just a supplement to the state sector. The cumulative effect of these reforms, as well as others instituted at the local government level, is apparently working: from 1994 to 2004 the number of students returning to China after studying abroad increased approximately 400 percent.<sup>4</sup>

### *Invest in education and vocational training*

To create a talent pool of more, better-qualified employees, governments, particularly in emerging and developing economies, will need to make policy decisions to invest in education and vocational and technical training. This will need to be done in the context of bringing educational curriculums, as well as training and development programs, into alignment with the country's economic requirements.

One example of effective response to specific skills shortages is the Manpower Logistics Academy recently established by Manpower Belgium. The academy provides skills and safety training for candidates seeking to enter Belgium's fast-growing warehouse and logistics industry sector. In 2007, the Academy provided hands-on training for 300 individuals. The program represents an innovative approach to skills-based initiatives that can help supply trained workers once critical talent shortages have been identified.

Recent evidence suggests that some emerging countries are also placing renewed emphasis on education to improve the quality of their national talent pools.

In Mexico, for example, the government is taking steps to improve their educational system and access to schools in order to raise educational standards and provide a national pool of employees who are more attractive both to major domestic players and to multinational corporations that may be looking to invest in their country.

*As business needs evolve at the local level, demands are placed on vocational education and training systems to evolve their curricula, but such systems (many of which are relatively centralized in OECD countries) find it difficult to adapt at the required pace.*

OECD, "Designing Local Skills Strategies," 15 January 2008.

As China becomes an increasingly important market in the global economy, it is investing heavily in improving English-language skills and will need to continue to do so, particularly for adults who did not benefit from current efforts to educate children through the school systems. Training more domestic teachers of English and recruiting more teachers from abroad will be imperative. This will make its citizens more employable by multinational organizations and better able to do business around the globe.

Similarly, many European countries will need to accelerate their English-language proficiency efforts in order for their people to compete for jobs in an increasingly global employment market. While in the United States, where it is unlikely that companies will ever compete on the basis of low wages, school systems – primary through university-level – must do a better job of designing curriculums that prepare students for in-demand jobs once they are ready to enter the workforce.

Emerging nations will also find it in their long-term interests to improve the levels of education available – especially at the tertiary level. According to a recent article in the *Financial Times*, only five of the top 100 MBA programs are located in the developing world.<sup>5</sup> This may be one of the major reasons Chinese companies continue to struggle to find suitable management-level talent, with two out of five companies reporting difficulty when attempting to fill senior-management positions. And McKinsey noted in a recent study that only 25 percent of India-trained engineers and 15 percent of finance and accounting graduates have the skills to work for an international company.<sup>6</sup>

Governments everywhere can play their part in upskilling talent and encouraging individuals to acquire the skills they need for continued employment, by promoting vocational courses and qualifications, and by promoting the status of vocational work, which some individuals and sections of society may currently view as a second-best option.

In the future, governments will need to take a more proactive stance in identifying in-demand skills, work to provide individuals possessing outmoded skills with a career path to attain progressively higher skill sets, and transfer existing applicable skill sets to in-demand jobs. The ability of governments to recognize what skills are transferable to these jobs, and implement an effective strategy to fill the skills gap, will determine to what extent their national workforces will be able to compete in the global arena.

*Demand for higher education is likely to increase as people will want to succeed in the knowledge economy and education acquired in different contexts can be expected to be valued particularly highly with the internationalization of production and increased cross-border trade.*

International Labor Office, Geneva, "Competing for Global Talent," 2006

### *Improve public-private initiatives*

Governments and employers can enhance the future labor market supply by becoming better at organizing and improving the effectiveness of public-private partnerships.

As governments themselves find it increasingly difficult to recruit the right talent, they are increasingly looking to employment services providers to find creative solutions to recruiting and training individuals for hard-to-fill positions. The Australian government, for example, has outsourced all of its military recruitment to Manpower Australia over the past several years, resulting in improved performance on recruiting goals and better retention rates.

Additionally, since 1997, Manpower UK has been an especially effective partner in that government's New Deal initiative – part of a welfare-to-work program in South Wales. In an area that has been historically recognized for three generations of high unemployment, Manpower UK has worked with organizations throughout South Wales to provide individuals with the guidance and training they need to develop in-demand skills. With specific programs designed to assist jobseekers gain entry into the construction and railroad sectors, Manpower UK has helped over 6,000 former benefits recipients return to sustainable employment.

Other efforts have proven similarly effective. Manpower France worked with the French Ministry of Social Cohesion and Equality, and the Foundation for Action to Combat Exclusion (FACE) to establish the Job Academy. The Academy helps educated individuals from disadvantaged areas overcome barriers to employment, and match them with companies and organizations that need their skills.

The program provides candidates with the additional training and support they require to gain access to employers and the opportunity to establish themselves in skilled, in-demand occupations. With locations in eight major cities throughout France, the Job Academy has helped close to 1,000 qualified candidates find jobs since it was founded in 2006.

In a similar effort to engage the long-term unemployed and help disadvantaged people return to work, Manpower UK in 2000 worked to establish Working Links, a public/private/voluntary partnership between the UK Government's Shareholder Executive, Manpower, Cap Gemini and Mission Australia.

To date, 90,000 people have found employment through Working Links. Much of this success has been attributed to the revolutionary way in which Working Links has met the real needs of today's jobseekers and employers. The initiative continues to succeed in helping underemployed groups gain skills and find work, with more than 70 percent of the people still working a year later.

Manpower is also working in partnership with the government in Shanghai, China to help architect the future labor market, providing assessment and training services designed to expedite the movement of individuals into middle management and entrepreneurial roles in the labor market.

## Employers: Addressing the Talent Crunch

The talent crunch is creating structural changes in the workforce, and employers who are not paying attention could find their businesses healthy one year and in trouble the next. Many enterprises are so lean today that, if just a few vital positions are unfilled, the entire organization could break down. This means there is a need to focus not just on the top 10 percent of talent categories, but rather on the entire talent spectrum.

So, what can employers be doing now and in the course of the next few years to prepare their organizations for the growing talent crunch that will be upon us in full force 10 years from now?

### *Invest in training and development*

As education policy initiatives take some time to deliver results, employers themselves will need to invest more in work-based vocational and technical training to develop their own internal pool of suitably qualified talent. While this may be a costly process, it will pay dividends in maintaining needed talent supplies.

All too many employers view training as window dressing. While the largest employers have good training programs, they don't mandate training because there isn't enough time in the day, given the lean operations they have created. This will no longer be an attitude that employers can afford to take in the talent-poor future.

### *Facilitate reskilling/upskilling*

Employers will need to do all they can to retain potentially useful and adaptable talent, whatever its current role in the organization. They will no longer be able to afford the luxury of laying off 5,000 employees with obsolete skills one day and taking on 5,000 new employees with the right skills the next. Talent shortages will mean giving careful and timely thought to reskilling and upskilling individuals in redundant or obsolete roles to fill newly created positions.

### *Encourage prolonged working life*

Employers can increase their overall pool of available talent by finding innovative ways to prolong an individual's active working life. Retirement from the age of 50 onwards will not be available to employers or individuals in the talent-poor future. Employers can no longer look at upcoming retirements as cost-saving opportunities – this is dangerous and short sighted. Instead, employers will need to encourage older individuals to stay on – especially to soften the inevitable impact of a generation of Baby Boomers who have begun to retire. According to a recent article in *The Economist*, the 500 biggest companies in the United States will lose half of their senior managers to retirement in the next five years<sup>7</sup>. Most U.S. companies will have a difficult time replacing knowledge and the skills these workers bring to the job. And in Japan, where employers will suffer through a similar generational employee loss, Japanese companies are now required to raise the mandatory retirement from age 60, or to provide retraining and re-employment programs designed to keep more people in the labor market.<sup>8</sup>

Some employers are also offering retirees options to transition to less stressful and time-consuming roles, such as sharing their institutional knowledge and training new generations in the skills they have acquired. It may not be possible to transfer all of this knowledge, but it is entirely possible to:

- Identify critical knowledge and projects to be transferred
- Document important information, processes and business contacts
- Create a mentoring program where the departing employee is able to coach his successor and impart knowledge through on-the-job activities

Instituting a formal process of transferring a retiree's institutional knowledge may result in a considerable savings associated with training younger employees.

## *Investigate job redesign*

Reducing the amount of non-essential work involved for highly skilled talent in high-demand positions can enhance their productivity and reduce the total demand for the amount of people needed in these positions. By redesigning jobs to reduce the lower-skilled elements of work involved, companies can reduce the need for such high-demand jobs, and at the same time create new lower-skilled jobs from the off-loaded elements, for which more people would be qualified and available.

For example, in response to chronic teacher shortages, some U.S. educational institutions have identified aspects of teaching jobs that do not require certification and can be delegated to teaching assistants, or they have adopted less rigorous certification requirements. This allows schools to maintain teaching levels even though they may be experiencing an increase in their teacher/student ratio. A shift to online learning, which allows students to share subject-matter experts between schools, is also helping to alleviate this situation.

Automation can also be used to eliminate some lower-skilled routine work. For years, automation has reduced the need for lower skilled employees in manufacturing plants, but automation is now also used to reduce the need for some higher-skilled positions. For example, as companies have turned to a variety of automated self-service software applications to handle processes like payroll, human resources administration and the like, it has reduced the need for IT, HR and accounting professionals who previously handled these tasks.

*Engagement is big news in management, because research has made a link between highly engaged workforces and profit.*

Financial Times, "When Engagement Doesn't Lead to a Wedding,"  
25 October 2007.

By analyzing high-demand jobs and determining which aspects of these jobs could be re-designed or automated, employers will be able to stretch their highly skilled employees further and, at the same time, keep them more challenged because they will be freed from some of the more mundane aspects of their jobs.

## *Hone attraction and retention approaches*

In a talent poor, competitive future, all organizations will need to become "employers of choice" and more adept at attracting the talent they need, and at retaining it for the long term. This will mean understanding the motivations of individual employee groups, and providing opportunities that are designed to appeal to the expressed desires of specific generational segments.

For example, Generation X & Y employees will likely respond to promising opportunities for promotion. Other employee groups may find the right mix of working conditions very appealing, including flexible hours, maternity and paternity arrangements, and generous annual paid leave allowances, to create an acceptable work-life balance. Older employees may find it easier to adapt and thrive in less stressful positions that still provide them with opportunities to engage with their colleagues and companies. Such segmented approaches to "employer branding" will encourage employee engagement and loyalty.

According to a study recently published by *The McKinsey Quarterly*, employers will need to take active steps to increase the appeal of their company to a broader audience:

"To manage talent successfully, executives must recognize that their talent strategies cannot focus solely on the top performers; that different things make people of different genders, ages, and nationalities want to work for (and remain at) a company; and that HR requires additional capabilities and encouragement to develop effective solutions."

In addressing talent shortages, companies' HR management will need to analyze their overall talent requirements and plan for how they will source them. Manpower has developed a service called Talent Value Management (TVM), which is a holistic and planned strategic approach to talent sourcing and availability throughout the employment lifecycle, aimed at optimizing a company's talent.

This approach involves HR, as a fully integrated part of the strategic management team, in segmenting all roles in the company, regardless of the traditional functional “silo” in which they sit or within the hierarchical level in the organization. This segmentation categorizes roles according to the qualifications, skills, competencies and experience needed to perform them and their strategic value to the business, weighted by the importance of each position to the functioning of the business, as well as the potential difficulty of finding replacements.

Once this segmentation has been made, HR management can decide on whether each role type should be retained in-house within the business or can be outsourced, and whether it needs to be kept close to the main hub of operations onshore or can function equally well remotely in an offshore location.

This analysis and sourcing exercise enables management to tailor employment conditions to each different category of talent and manage it in the most appropriate way all along the employment lifecycle. Specific retention strategies can be implemented for retaining the highest-value employees, who are not necessarily just top-flight managers but those right across the organization in the most strategically significant roles.

### *Make flexible use of available talent*

Encouraging cross-training and promoting labor flexibility can provide an organization with a potential pool of workers who can step into a role quickly with minimal training. Similarly, employers can also take advantage of more contingent talent – temporary, contract, consultant and outsourced – allowing their organizations to quickly adjust to variability in talent demand.

For the largest employers, contingent labor is no longer an incidental extra, concerned with covering for vacationing clerical workers. Instead, it is a strategic imperative essential to workforce optimization. Today’s organizations are leaner than ever before, expecting and getting more from a slimmed-down, highly productive workforce. Now, management won’t go back to the years of large corporate staff – nor will their shareholders let them.

### *Maintain the loyalty of former workers*

In a recent study prepared for the American Institute of Certified Public Accountants (AICPA), firms were offered advice on how to retain the loyalty and interest of employees who elect to leave their jobs to care for children or their elderly parents, to pursue advanced degrees or for other job opportunities. The study concluded that ongoing communication is key to maintaining relationships with these valued professionals. This may take the form of providing former employees with a professional network of resources and colleagues through ongoing access to the firm’s e-mail or providing opportunities for training to help their former employees keep their credentials or regulatory knowledge current. It’s an unusual investment to make in a former employee, but in an effort to compete for talent in a shrinking pool of available candidates, it is an approach that may give accounting firms and financial services companies a competitive edge in the attempt to retain former colleagues who decide to return to the workforce or to their former place of employment.

### *Enhance links with schools*

Students in many countries undertake work-placement activities as part of their education. However, much of this merely involves passive job shadowing and is hardly a true introduction to the realities of the workplace or the necessary attitudes to work. Employers will need to ensure that they establish enhanced links with schools that generate meaningful work-placement opportunities to give students a true taste of real work skills and prepare them for eventual employment.

For example, Mexican employers can take advantage of a program recently established by Manpower Mexico. Through an alliance with six major universities and four national technical schools, Manpower has established on-site job centers at each institution, providing graduating students with convenient access to current job openings and employers with a direct pipeline to the talent they need.

## *Promote inclusivity*

Potential sources of talent can also be acquired by encouraging an inclusive workforce. Women, older individuals, people with disabilities and minorities are all under-represented in many workforces but a potential source of talent that should not be overlooked.

Employers need to work to set expectations and change the culture to one of inclusivity, helping to integrate such groups into the workforce. For example, firms in Mexico prefer to hire younger workers believing they are more productive. This is despite the fact that older workers are often better qualified, motivated and dependable. To help change this attitude and create additional opportunities for older workers, Manpower Mexico recently partnered with Mexico City's Rapid Transit System. The transit system was about to unveil a new ticketing system and required additional staff to explain the new ticketing process to the system's patrons. Within days Manpower recruited approximately 700 older workers for posts, trained them and placed them in assignments ranging from ticket sellers to customer service personnel.

Manpower Sweden and the Swedish Electricians Union also recently established a cooperative agreement to address the country's critical shortage of trained electricians. The initiative was designed to provide a sustainable opportunity for underutilized portions of the Swedish population – including the long-term unemployed such as women, youth and Sweden's growing immigrant population. In the program's first year, 900 long-term unemployed joined the six-month training program.

And in an effort to help those people with disabilities who have expressed a desire to return to the workplace, Manpower UK worked with BT to identify talent needs within the telecom giant and provide qualified candidates with the required training. For example, a number of visually impaired candidates have achieved tremendous success after being trained and assigned to BT's call centers. The candidates receive the rewards associated with employment and independence, while BT benefits from a newfound source of dedicated and highly motivated employees.

Employers can further extend their talent net by investing in “enabling” technology for individuals with disabilities, such as computer readers that vocalize on-screen text and make Web sites accessible for partially-sighted people, and adapted PC controls for those with physical disabilities.

*The ratio of older inactive persons per worker is expected to almost double from around 38% in the OECD area in 2000 to just over 70% in 2050.*

OECD, “Designing Local Skills Strategies,” 15 January 2008

## *Tap into underemployed sources*

Many economies have a wealth of unemployed or underemployed individuals who could be brought into the workforce to fill the skills gaps: the disaffected jobless young; single mothers; disabled people; part-timers who would prefer full-time employment; and older workers needing to work longer to subsidize their shrinking pensions. The talent shortage may make groups like these potentially valuable resources that companies can turn to satisfy some of their immediate talent needs.

Employers will need to create the right employment conditions to attract each of these categories of individuals into the labor market; governments, too, can play their part by creating the right legislative and regulatory climate for the employers to make these individuals fully active in the workforce.

*Statistics show that in the United States, for example, only one-third of disabled people are employed, although most of them would prefer to be working, and for severely disabled adults, the underemployment rate exceeds 70%.*

Journal of Economic Issues, “The Impact of Workers' Compensation Experience-Rating on Discriminatory Hiring Practices,” 1 September 2007

Bringing the unemployed and underemployed into work, particularly those who have been inactive for a long time, will involve providing training in basic work skills and an introduction to the best habits of the work ethic. Manpower has already developed several effective programs that help accomplish these goals.

Manpower's workforce development program, TechReach, is a good example of this approach. The program is designed to prepare unemployed and underemployed U.S. and Canadian individuals for well-paying careers in IT positions, and includes intensive training, certification, job placement and mentoring, in an effort to provide businesses with a new source of skilled technical employees.

### *Capitalize on remaining cross-border opportunities*

Shifting work to lower-wage countries with more plentiful supplies of labor, or outsourcing to other companies, will continue to be a possibility for many manufacturing operations and for transactional and non-customer-intimate service functions. However, only certain non-strategic or non-business-critical jobs will lend themselves to this strategy.

Of course, this solution will remain viable only where transferring labor to other countries is still cost-effective. For instance, a number of English-language call-center positions were recently relocated from remote areas of the United Kingdom to Eastern European locations. The reason was simple: an abundance of workers fluent in English, combined with Eastern Europe's lower wages, provided companies with an improved opportunity to remain competitive.

While a strategy such as this is intended to reduce costs, it is important to note that relocating work to other countries is already impacting wage inflation within the recipient countries. As workers in other developing areas of the globe enhance their own English-language proficiency, employers will likely shift the work to these emerging labor pools in order to maintain a competitive advantage.

### *Consider an employment services partnership*

Establishing a strategic partnership now with a specialist provider of employment services can be an extremely savvy move. Taking a strategic approach to "global" talent management and planning will provide organizations with a more accurate assessment of the types of talent they are likely to need and when. Sharing that strategy with a trusted employment-services partner means that the partner will always be aware of the client organization's likely future needs, in terms of numbers, skills and culture, and be able to develop plans to source, train and prepare the required talent – both permanent and contingent – for delivery as and when needed.

Organizations shouldn't assume that this sort of relationship is only for larger, global concerns. Even small and medium enterprises, if they haven't already, will find themselves competing for talented individuals in order to grow and maintain their competitive edge. Organizations like these will also realize the benefit of making an employment-services firm an essential partner in their long-term growth plans.

## 2008 Talent Shortage Survey Results

The third annual Manpower Talent Shortage Survey polled nearly 43,000 employers from 32 countries and territories across the globe in an effort to determine which positions employers identified as the most difficult to fill this year due to lack of available talent. The survey results indicated that 31 percent of employers worldwide are having difficulty filling positions due to lack of available talent in their markets.

Employers reporting the most difficulty finding the right people to fill jobs are those in Romania (73%), Japan (63%), Hong Kong (61%), Singapore (57%), Australia (52%) and Taiwan (51%). Notably, more than 50 percent of the employers in five of the eight countries in the Asia Pacific region reported difficulty finding suitable talent for available positions.

The talent shortage appears to be least problematic in 2008 in India (12%), United Kingdom (12%), Ireland (14%), China (15%) and the Netherlands (15%).

Skilled Manual Trades (including electricians, carpenters/joiners and welders) were the most in-demand employees in the Global Results, as well as in 15 of the 32 countries and territories surveyed, and were among the top 10 in 27 of the 32 countries and territories surveyed. These results confirm the importance of continuing government investment in education and vocational training.

Eight of the 10 positions in this year's survey were also ranked among the top 10 in the 2007 survey. Two job categories reappeared on this year's list after appearing on the 2006 list, but not placing in the top 10 for 2007. These categories are: secretaries, personal assistants, administrative assistants & office support staff (#7 in 2008); and IT staff/programmers (#10 in 2008).

Dropping off of the 2008 top 10 list were production operators and machinists/operators. However, it is important to note that the Talent Shortage Survey lists the 10 most difficult-to-fill positions that employers identify *each* year. Job titles that consistently made the top 10 lists of individual countries this year, but failed to make the global top 10, include teachers; nurses; customer service representatives & customer support staff; and restaurants & hotels staff.

Figure 4: Comparison of 2008/2007 Hot Jobs



Symbol Key (compared to 2007 survey results):

- ▲ Increase in Rank
- ▼ Decrease in Rank
- Identical to 2007 Rank
- \* Did not appear in 2007

## Individuals: Staying Fit for the Race

And what of the object of all this scarcity – the talent, the individuals themselves? What are the consequences for them of the trends that are leading to the looming talent shortage?

It's clear to many of today's workers that the dynamics of the workplace have changed drastically. Once they believed that the qualifications, skills and experience they brought to the organizations for which they worked would stand them in good stead for a number of years. However, their experience has been otherwise. The accelerating pace of technological and entrepreneurial change has caused many once "hot" skills to go rapidly past their peak and grow decidedly "cold." Many people are likely to find in the future that, despite a shortage of talent in the labor market, which would seem to provide more job stability, their skills and experience have become obsolete and are no longer required.

Today, hot jobs turn cold almost as fast as a product's life-cycle changes. A skill-cycle that once ran for three years now lasts just nine months. A Webmaster was a pretty hot job not so long ago; now, with the right software, you can create a Web site with an off-the-shelf software program, so the market for those skills is significantly lower.

But Webmasters and other technology specialists understand that as fast as one opportunity evaporates, another one is likely to appear. Today JAVA specialists and project management professionals are in demand, and if former Webmasters are able to upgrade their skills appropriately, they'll discover that their ability to adapt to technology change will enhance their value in the labor market – in both the short and long term. While every sector has its own speed of compression, underneath there is a never-ending treadmill of skills improvement, and this makes employee retraining immensely important. In today's rapidly evolving business environment, it is essential for individuals to take the initiative to maintain and enhance their skill levels in order to remain attractive candidates.

*More than half of our study participants indicate that the inability to rapidly develop skills is the primary workforce challenge, and more than one-third state their employees' skills are not aligned with their current organizational priorities.*

IBM, The Global Human Capital Study 2008

## *Maintaining and renewing skills*

According to most estimates, the average person will change jobs at least seven times in their lifetime. This will make it imperative for individuals to make periodic reviews of their career interests, identify additional and alternative potential career paths if their current role should become obsolete, and be prepared to pursue those careers. Leading companies are even empowering their employees with self-service career management tools to help in this regard.

Those individuals who self-limit their capacity to adapt to the changing requirements of the workplace may find their future opportunities growing increasingly scarce. Continuous skills development and training – and lifelong learning – will be the order of the day. While provision will need to be a joint responsibility of governments and employers, it will be up to individuals to seize every available training and upskilling/reskilling opportunity that is offered.

Today, employers provide access to training materials but no longer send employees off to the corporate training center for several weeks to do it. Training is offered at night, on weekends or over the lunch hour, and employees are ignoring it. Individuals may choose training if it is tied directly to a stipend, but many haven't embraced training, and they need to.

Individuals can also help both themselves and the wider community by remaining active in the workforce and being available for employment, whether full-time or part-time.

## Embracing labor union initiatives

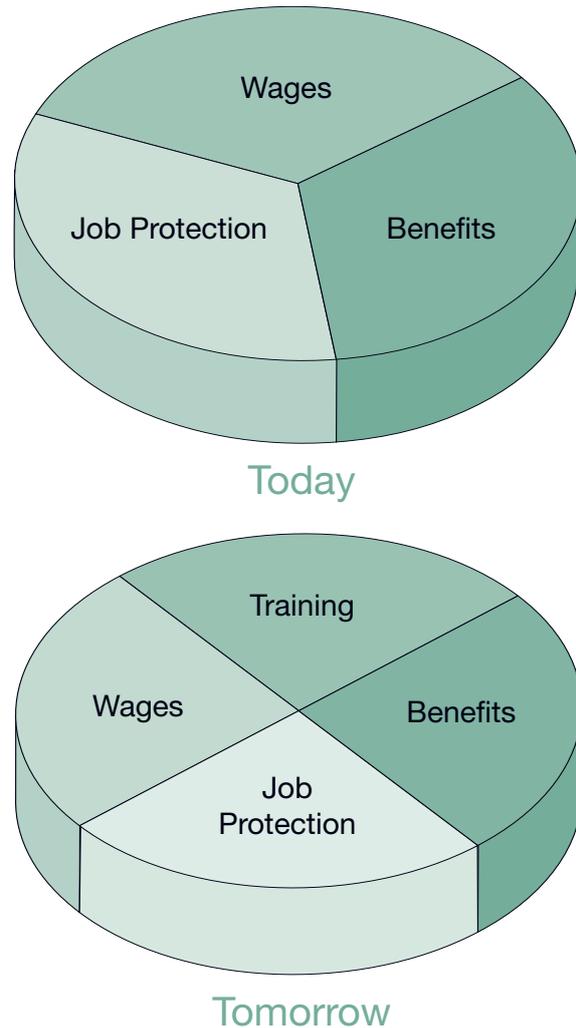
Labor unions traditionally saw the best way to promote the interests of their members through a focus on wages, benefits and job protection. They, too, will need to change the focus of their efforts on behalf of their members and begin promoting training as a means to job protection.

Ultimately, unions face the same problem as everyone else: the need to train and “upskill” their workers. Unions will increasingly need to be asking themselves how they can protect the skill base of their members and ensure they are not losing their jobs because they don’t have the right skills.

Those labor unions that refuse to acknowledge the need to keep their members’ skills current will find the prospects of their membership increasingly bleak. Organizations such as the United Auto Workers (UAW) in the U.S., where thousands of jobs have become obsolete and workers have been laid off, have begun taking a more active approach to reskilling members to fill talent gaps. Union representatives negotiated for the launch of apprenticeship programs that provided qualified members with training for in-demand roles as electricians, machinists, machine repair and HVAC specialists. Unions continue to explore proactive and preemptive retraining and upskilling initiatives, to ensure that their members’ skills do not become obsolete.

There may be a good case to be made for labor union representatives working closely with employer HR management in planning for the training of their members and in organizing for that training, either through their own facilities or through outsourced employment services organizations. This would be to the mutual benefit of both employees and employers, since it would help workers to keep their employment and employers to retain an existing, company-knowledgeable workforce in a time of skills shortages for future jobs.

Figure 5: Labor Union Focus, Today & Tomorrow



## Conclusion: The Proactive Imperative

A variety of trends are already leading to severe shortages of talent in many parts of the world, and these trends will worsen over the next decade – and beyond.

Employers should be determining now how to alleviate the problems these shortages cause and planning to confront the challenges they will face as the trends become more pronounced.

However, IBM's *Global CEO Study 2006* indicated that only 13 percent of the organizations interviewed believed they possessed a clear understanding of the skills they will require in the next three to five years. This will make solving the talent paradox a challenging task, but not an impossible one, assuming employers acknowledge the need to adopt an integrated, strategic approach to talent management – from planning and sourcing to training, development and retention.

Insightful, integrated talent-management practices can not only help an organization overcome a talent shortage, but also deliver the kinds of financial results that will meet with shareholder and stakeholder approval. As McKinsey & Company discovered when they updated their 1998 War for Talent survey of U.S. companies, “[those] doing the best job of managing their talent deliver far better results for shareholders.”

McKinsey's research revealed that companies using the best talent-management practices “outperform their industry's mean return to shareholders by a remarkable 22 percentage points.”<sup>9</sup> While recognizing that talent management was not the only driver of such performance, the evidence suggests that it is clearly a very powerful element in the performance-driving mix.

\* \* \*

Inevitably, there will need to be pain associated with the ongoing talent shortage before people take the issue seriously and integrate it in their strategic thinking; without pain, it is just too easy to keep putting it off and leaving it for someone else to resolve.

In a world of huge demand and straightened supply, those employers who can find the best ways to confront and resolve the talent shortage issue will be the winners, as will those employees who can best equip themselves with the right skills for the emerging world of work.

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