

Competing for talent: The global struggle for the world's most valuable resource

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Background Paper

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The Big Picture on Global Talent – How to better compete for, and grow talent

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I Introduction

A talent gap of global significance is emerging and will widen in the coming decades. This gap is not only one of talent shortages (lack of manpower) in certain sectors. The divide will also be one of skills mismatches (having qualified workers with skills that are no longer needed in large quantity) and under-skilling (having little or no qualifications). In order to sustain economic growth, “by 2030 the United States will need to add more than 25 million workers and Western Europe will need to add more than 45 million employees.”¹ In other words, in less than two decades, Western Europe will need to attract a workforce the size of the current working population of its largest economy: Germany. This would be the equivalent of recruiting the entire current labor force of countries such as the Philippines, Vietnam or Mexico.²

The widening talent gap coincides with another shift of global significance. For the first time in human history societies are growing old, aging on average and doing so out of choice. Europe is at the forefront of a new era of human development: facing the challenge of ‘orderly’ and managed social stabilization, in the context of long-term population decline. The world population is expected to flatline at the dawn of the next century,³ and to enter slow decline thereafter. However, Europe will pioneer this era of managed demographic decline nearly a half-century earlier, by 2050.⁴ Talent shortages and mismatches are already apparent today in countries such as Germany and Austria. By 2030 skills scarcities are expected to become significant in several European countries, including Germany, Austria and Switzerland.⁵ The self-amplifying forces of: talent gaps, demographic decline and increasing old-age dependency ratios will first hit the most developed countries (especially in Europe) and then spread slowly across the globe. It will be the likely signature of a globalized, peaceful world to which we aspire, at the turn of the next century. Yet how we prepare for this human era, in which people and not capital tip the balance of wealth and prosperity will depend largely on two issues: migration and skilling. Migration and the competition for persons of working age is already playing an increasingly significant role in societies: “over the past decade, new immigrants accounted for 70 percent of the increase in the labor force in Europe, and 47 percent in the United States.”⁶

Talent gaps and population aging are already no longer confined to the “old rich” countries. There are new players in the competition for skills: In 2011, in “Brandz Top 100 Most Valuable Brands List, almost half of the newcomers to the list were Chinese brands.”⁷ And today, most of the world’s

¹ The Boston Consulting Group/World Economic Forum, Global Talent Risk – Seven Responses, Cologne/Geneva, 2011.

² IndexMundi, Thematic Map: Labor force – World, <http://www.indexmundi.com/map/?v=72>, accessed July 2013.

³ United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects – The 2012 Revision – Key Findings and Advance Tables, New York, 2013.

⁴ Eurostat, Population Projections, http://epp.eurostat.ec.europa.eu/portal/page/portal/population/data/main_tables, accessed July 2013.

⁵ The Boston Consulting Group/Rainer Strack, The Looming Global Talent Crisis – How to Counteract Workforce Imbalances, Düsseldorf, 2013.

⁶ United Nations, Department of Economic and Social Affairs, Population Division, Population Facts No. 4, New York, 2012.

⁷ Council of Europe, Parliamentary Assembly, Demographic trends in Europe – turning challenges into opportunities, Strasbourg, 2012.

elderly are in developing countries: “Asia has more than half (55 percent) of the world’s older persons, Latin America and the Caribbean about 8 percent, and Africa slightly more than 7 percent.”⁸

These dynamics will sharply increase the international importance of establishing principles for the talent game. As we approach the era of talentism,⁹ in which financial capital will follow human capital, creating such principles will become mutually beneficial. In an environment, in which skills shortages and mismatches become a key threat to vibrant economies and social cohesion, states will come to view principles for a fair deal on talent as a necessary “good” for sustainable economies and cohesive societies, rather than moral altruism from the more developed nations. In a post-capitalist, pre-talentist world, these principles need to be broadly discussed and built. And Europe will be forced to pioneer this transition out of demographic necessity. Yet in the longer-term, demographic decline and skill mismatches will become global. Hence, it will become essential for governments and businesses to find sustainable strategies for competing fairly for talent, and for growing the global talent pool. In the longer-term, winning at the talent game will not merely be a matter of buying talent by successfully competing for scarce skills on the global labor market. Investing in talent, growing talent, at home and abroad will become important ways of winning at the talent game.

Such actions will also ensure that the talent game will not become a zero sum game of winners and losers. Growing the global talent pool can create advantages for all parties involved. Although there are some promising examples of how the global talent pool is being expanded, and of how employers and governments are attracting talent fairly, these fledgling efforts are limited in scope and must be developed further.

II Key Trends in Global Talent

The big picture on global talent and manpower movements is still emerging. Yet several global trends can reveal the contours of this landscape. These are:

- Global migration flows
- Supply and demand of the choosiest
- Migration of private money and the potential for further migration

Global migration flows can tell us which countries are attractive to the internationally mobile community. Countries that can draw in migrants will have a head start in the emerging talent game. For example, they will have experience with managing migration and diversity and they will be home to diaspora communities that are connected to further pools of potential migrants. Looking at the choices of the highly skilled cohorts (those who have a tertiary degree) of international migrants can reveal further details of the big picture on global talent.

Especially international talent with scarce skills is in high demand and, therefore, often has a choice between more than one destination or employer. Where the most highly educated and skilled migrants choose to go can tell us something about how comparatively attractive different

⁸ United Nations, Department of Economic and Social Affairs, Population Division, Population Facts No. 4, New York, 2012.

⁹ Talentism can be described as a macroeconomic proposition in which human capital is more important than financial capital for innovation and growth. In other words, cash flows will likely follow talent flows and cluster around critical masses of talent, more easily than vice versa.

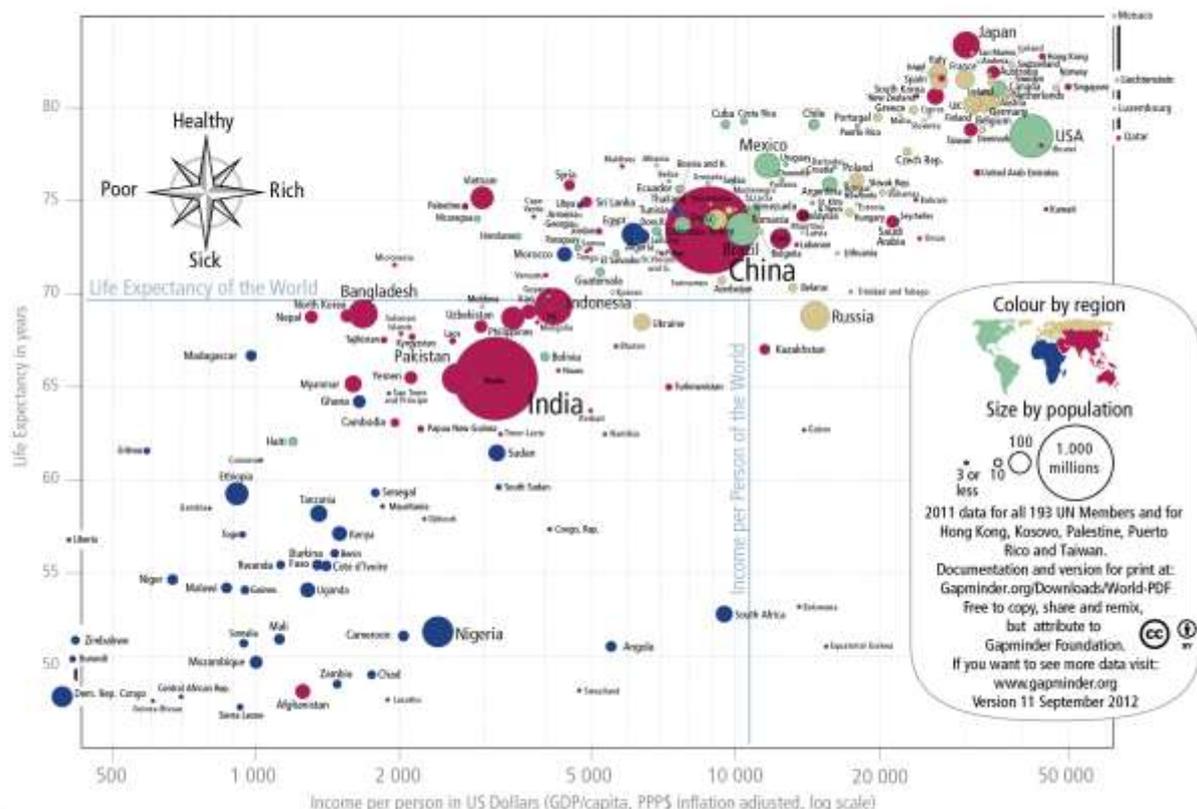
destinations are. Finally, the transfer of private money (remittances) disclose information about networks and tell us something about how connected sources of migration are to destinations thereof. Furthermore, metrics on the potential for migration, that is the desire to leave one's own country for a chosen destination (such as Gallup's survey Potential Net Migration Index (PNMI)) also suggest where current migration hubs are located.

1. Global Migration Trends

The number of international migrants is on the rise. Whereas in 1990 there were only 156 million international migrants, in 2010 that number grew to an estimated 214 million migrants.¹⁰ In other words, circa three percent of the world's population was an international migrant. Migration flows are not predominately from the southern hemisphere to the North. Indeed migration within the southern hemisphere is of slightly greater scope (73.6 million migrants) than South-North (72.7 million migrants) migration flows. The growing symmetry in regional migration movements is an indicator that competition for migrants is becoming more even, as diasporas and communication networks thicken throughout the world, and migrants seek opportunities in less-saturated, emerging destinations. A glance at the current per capita health and wealth of nations underlines the shifting attractiveness of nations, as their relative size, wealth and health begins to align.

Gapminder World 2012

Mapping the Wealth and Health of Nations



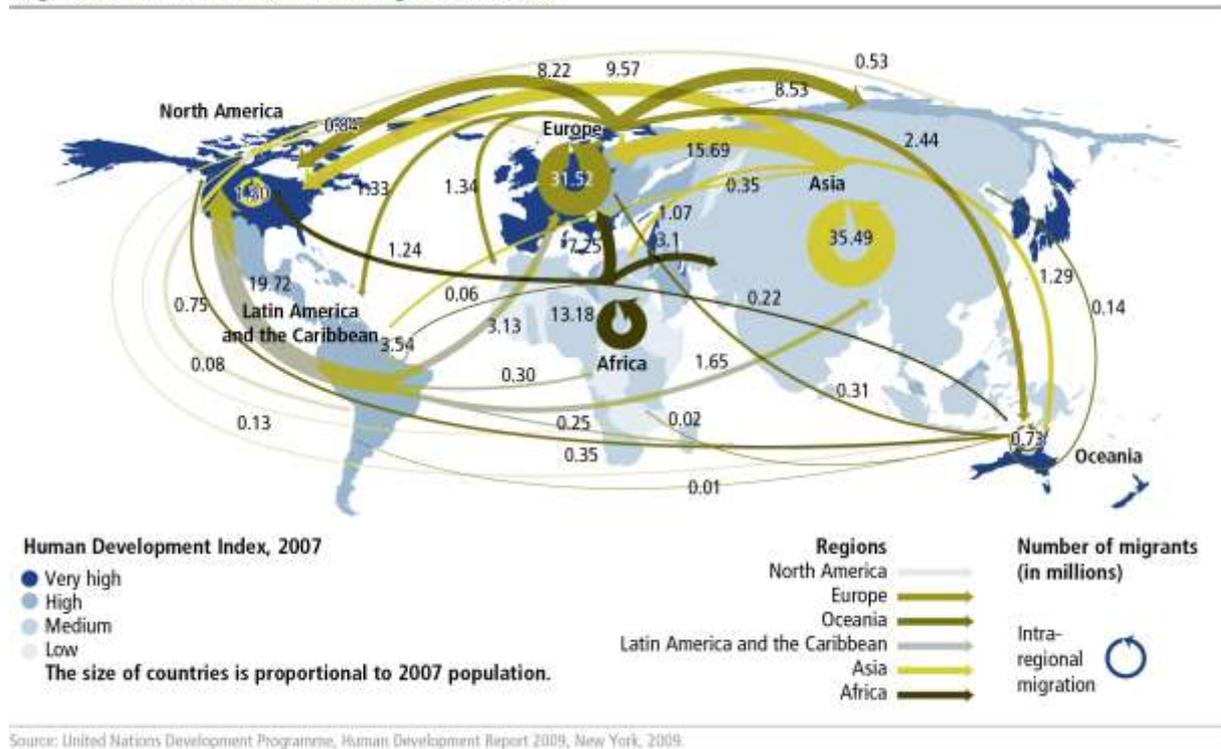
Source: www.gapminder.org; map layout by Paolo Fausone.

¹⁰ United Nations, Department of Economic and Social Affairs, Population Division, Trends in International Migrant Stock: The 2008 Revision, New York, 2009.

We live in a multi-polar world, in which there are many viable options for migrants. It is important to note that the reasons for the relative attractiveness of these destinations cannot be discerned from migration flows alone. For example, it is impossible to know what role barriers to migration have played (admission, cost, etc.) in choosing one destination over another. Thus it is unclear how competitive regions and countries are in their ability to increase their attractiveness based on this one indicator.

Keeping this caveat in mind, according to United Nations projections, the following countries will be the most attractive destinations for migrants during 2010-2050: the United States, Canada, Spain, Italy and the United Kingdom.¹¹ The United Nations also predicts that the major countries of net emigration will be: China, India, Mexico, Pakistan, Indonesia, the Philippines and Bangladesh.¹² The following map shows some of the broader movements occurring today:

Origin and destination of international migrants, circa 2000



2. Supply and Demand of the Choosiest Migrants

Where international migrants with scarce skills go can tell us, given a choice, which countries are most attractive to global talent. Traditional countries of immigration are well suited for attracting the world's best and brightest mobile citizens. Data also shows that it is the highly skilled that are on the move in the most developed countries.

Looking forward, Europe and in particular, Germany and Austria will struggle to not only retain, but also to attract talent. According to the Boston Consulting Group's report "\$15 Trillion at Stake - The Looming Global Workforce Crisis", talent shortages will rapidly spread wider and deeper. By 2030

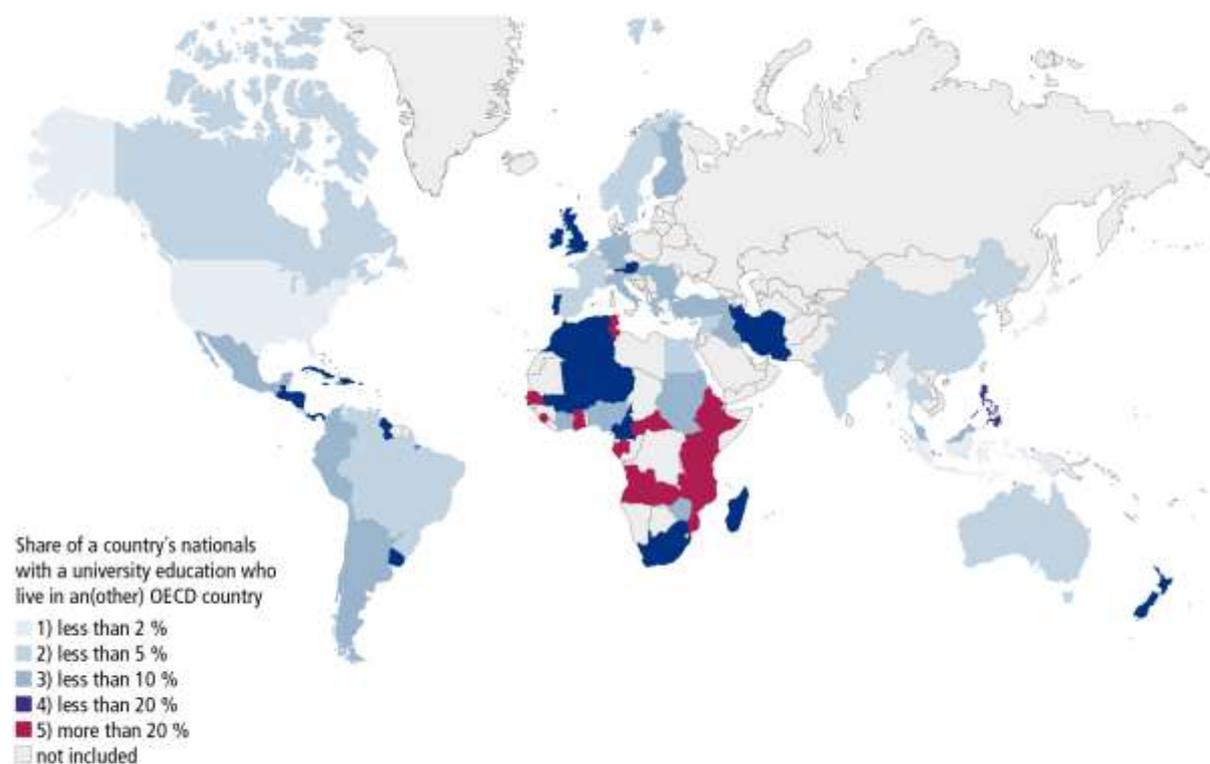
¹¹ United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects – The 2010 Revision – Highlights and Advance Tables, New York, 2011.

¹² Ibid.

it will afflict 12 of the 26 countries from around the globe that it evaluated in its report.¹³ In particular five countries: Austria, Germany, Japan, Poland and Russia will see accelerating contractions in labor supply. They will be joined by seven more. The addition of France, Netherlands, Spain, Switzerland and in particular Italy, whose rate of shrinkage is projected to be second only to Germany, show that this is a particularly acute problem for Europe. Only the United Kingdom and Sweden are projected to experience continued, if tiny, labor supply growth.”¹⁴

According to the OECD, “in almost all destination countries, the share of migrants holding tertiary degrees is higher than that of the native-born.”¹⁵ Yet where is the talent coming from? We see a strong intra-region and transatlantic flow regarding highly skilled migration that originates in Europe. If we now expand our analysis of the emigration of highly skilled to other regions of the world, we will see that this segment of the population is very much on the move everywhere: “In parts of sub-Saharan Africa and Central America, sometimes more than half of all university graduates migrate to OECD countries.”¹⁶

Share of a country's nationals with a university degree living in an(other) OECD country



Source: OECD, Poverty reduction and social development, Paris, 2007. <http://www.oecd.org/dev/poverty/migrationandthebraindrainphenomenon.htm>, map created using StatPlanet <http://www.statsilk.com/maps/world-stats-open-data>

¹³ Austria, France, Germany, Italy, Netherlands, Poland, Spain, Sweden, Switzerland, UK, Argentina, Brazil, Canada, Mexico, US, Australia, China, India, Indonesia, Japan, Russia, Saudi Arabia, South Korea, Turkey, Egypt, South Africa.

¹⁴ The Boston Consulting Group/Rainer Strack, The Looming Global Talent Crisis – How to Counteract Workforce Imbalances, Düsseldorf, 2013.

¹⁵ Sarah Widmaier, and Jean-Christophe Dumont, Are recent immigrants different? A new profile of immigrants in the OECD based on DIOC 2005/06, OECD Social, Employment and Migration Working Papers No. 126, Directorate for Employment, Labour and Social Affairs, Paris, 2011.

¹⁶ OECD, Development Centre, Poverty Reduction and Social Development, Migration and the Brain Drain Phenomenon, Paris, 2007.

For the big picture on global talent (insofar as comparative data allows) these movements suggest that the dice are weighted in favor of traditional countries of immigration. They also suggest that alongside the world's youngest continent, Africa, the world's oldest continent, Europe, will struggle to retain and attract talent in the coming decades. It also shows that with a globally mobile and choosy tertiary class, the competition for talent will be a game in which all will have to engage.

3. Movement of Private Money and the Potential for Further Migration

International workers leave a visible trail, so to speak, when they migrate. They often do so by sending money home in the form of remittances-transfers, usually to family members. In 2011, US \$479.2 billion global personal, recorded remittances were received (and the total including unrecorded remittances is surely higher).¹⁷ Much of these are remitted to developing countries, where they exceed official aid inflows by a factor of four. There is a large body of literature that analyzes the positive impact remittances can have on development.

We can see additional contours to the big picture on global talent for Europe. To gauge the importance of remittance flows for the countries of origin, we can examine the share of total remittances received in the country of origin from the EU, and the relative contribution of these remittances to GDP (i.e. look at the Main EU remittance corridors). Here we can see that non-EU countries play a significant role.

Main EU remittance corridors, 2009

Sending member state	Share of total remittances received (%)	Recipient country	Total received as % of GDP
Austria	6.2	Serbia	12.6
Czech Republic	21.6	Ukraine	2.0
France	17.9	Portugal	1.5
	16.1	Morocco	6.6
Germany	–	Turkey	0.2
	14.2	Italy	0.1
Greece	36.4	Albania	10.9
	19.0	Israel	0.7
Ireland	–	Poland	2.0
Italy	5.7	China	1.0
	5.6	Philippines	11.7
	23.3	Romania	4.4
Netherlands	–	Suriname	0.1
Portugal	11.7	Brazil	0.3
Spain	–	Colombia	1.8
	–	Ecuador	4.5
	–	Bolivia	6.1

Note: – = not available.

Source: The World Bank, edited by Ibrahim Sirteci, Jeffrey H. Cohen, and Dilip Ratha, Migration and Remittances during the Global Financial Crisis and Beyond, Washington, D.C., 2012.

¹⁷ The World Bank, Personal remittances, received (current US \$), Washington, D.C., 2013.

We see through the remittance corridors that the Czech Republic-Ukraine corridor, Greece-Albania corridor, and Italy-Romania corridor play the most significant role, in terms of the share of remittances received from the EU (comparative data on Turkey was not available). At a global level, “India, China, the Philippines and Mexico remain the largest recipients of migrant remittances, though smaller developing countries, such as Tajikistan, Liberia, Kyrgyz Republic, Lesotho and Moldova receive the most as a share of GDP.”¹⁸

For the big picture on global talent, both governments and businesses can look at remittance receiving countries and at remittance corridors – beyond migration stocks and flows – as an indicator of their magnetism and ability to attract talent from a regional perspective. They can also look to this indicator to see who their biggest competitors at the table are in terms of luring away home grown talent. In other words, remittance corridors can signify a potential for further migration.

Another reference point for the potential for further migration – and for gauging the relative strength of one country’s attractiveness on a global level – is Gallup’s Potential Net Migration Index. The surveys that are used as the basis for the index conducted between 2007 and 2010 now include information on 148 countries. Accordingly Singapore, New Zealand, Saudi Arabia, Canada, Switzerland, Australia, and Kuwait atop the list of countries that could see the highest net adult population growth from international migration as a fraction of their current population. The countries most likely to shed population through migration are: Sierra Leone, Haiti, Zimbabwe, Nigeria, Somaliland, Ethiopia, El Salvador, Liberia and Comoros.¹⁹

III Devising a Fair Deal on Talent

Several contours of the big picture of global talent have become apparent through indicators such as global migration trends, the movements of the choosiest migrants and the trail of money that migrants leave. And although the players in the game for talent influence these movements too through policies and at the micro level, through business decisions on the ground, the global talent game remains one of rudimentary principles. Even the most experienced players at the table understand only vaguely the rules of the game. This section will look at key principles in the talent game with the aim of devising a fair deal on talent. Specifically this section examines:

- Understanding supply and demand forecasts and creating talent hubs at the company level and
- Understanding policy levers and creating total immigration packages at the national level.

1. Understanding Supply and Demand Forecasts and Creating Talent Hubs at the Company Level

Businesses, especially human resource departments, and communities are on the front line of the talent game. Many such micro level actors in the talent game have detected that, “where once physical or financial capital conveyed competitive advantage to companies and nations, today talent is the key to sustained success.”²⁰ The emerging talent gap is a challenge for a growing number of employers around the globe. Some sectors of the economy are being impacted sooner

¹⁸ The World Bank, Migration and Remittances Unit, Migration and Development Brief 20, Washington, D.C., 2013.

¹⁹ Gallup Potential Net Migration Index, Migration Could Triple Populations in Some Wealthy Nations. Some poor nations could see adult populations reduced by half, Washington, D.C., 2010.

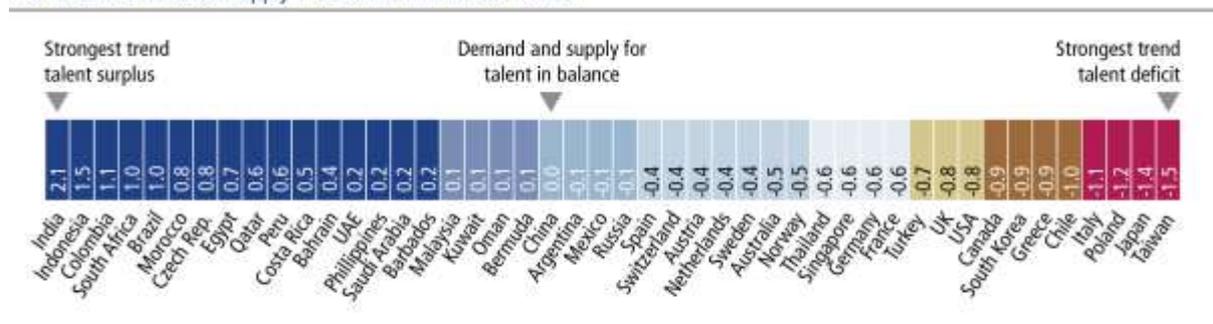
²⁰ Mercer, Creating talent hubs – A focus on the four pillars of talent development, New York, 2013.

and harder than others. For example, “the European Commission estimates a shortage of roughly 500,000 nurses by the year of 2020.”²¹ A 2012 Boston Consulting Group survey of over 4,000 company executives in over 100 countries asked: “Do you face a workforce shortage or surplus in different parts of your company?” 81 percent reported a shortage of some kind – especially in health care, banking, technology, media and telecommunications, as well as public services.²²

But emerging talent shortages (lack of manpower) in certain sectors, which can be solved by moving workers from one place to another, are just one aspect of the growing talent problem. Skills mismatches (having qualified workers with skills that are no longer needed in large quantity) and under-skilling (having little or no qualifications) are also part of the equation. Even countries rich in manpower will face such employability challenges. Some problems of employability have already emerged. For example, companies that are on the front line of workforce transitions have detected these. Companies are constantly responding to changes in demand for goods and services; they are building up their workforces in some areas and laying off workers in others.

The rate of these shifts in labor demand are expected to accelerate, as will the degree of labor force mismatches, according to the result of a survey conducted by Oxford Economics, an independent global advisory firm and a world leader in global forecasting.²³ Looking at the coming decade, a survey conducted by Oxford Economics in 2012 of over 350 human resource professionals globally, determined that the countries that expected to be hardest hit in terms of skills mismatches are: Taiwan, Japan, Poland, Italy, Chile, Greece, South Korea, Canada, USA, and the United Kingdom.²⁴ Only a minority of countries will be able to keep their labor supply and demand in approximate balance; China being the only country predicted to create a complete balance in 2021.

The mismatch between supply and demand for talent in 2021



Note:

1. The table ranks countries according to how their talent gaps are expected to evolve over the next decade.

2. Talent deficits are shown as red (negative numbers), talent surpluses as blue (positive numbers), and broad balance as light blue.

3. Numbers report the average annual % change of the deficit/surplus.

Source: Oxford Economics, Global Talent 2021 – How the new geography of talent will transform human resource strategies, Oxford, 2012.

And yet even in the case of China, projections conducted by the Boston Consulting Group suggest that “China will still face a significant issue with its workers’ employability if government spending

²¹ Global Economic Symposium 2012/2013, Global Economic Solutions, Kiel, 2013.

²² The Boston Consulting Group, Creating People Advantage 2012: Mastering HR Challenges in a Two-Speed World, München, 2012.

²³ Oxford Economics, <http://www.oxfordeconomics.com/>.

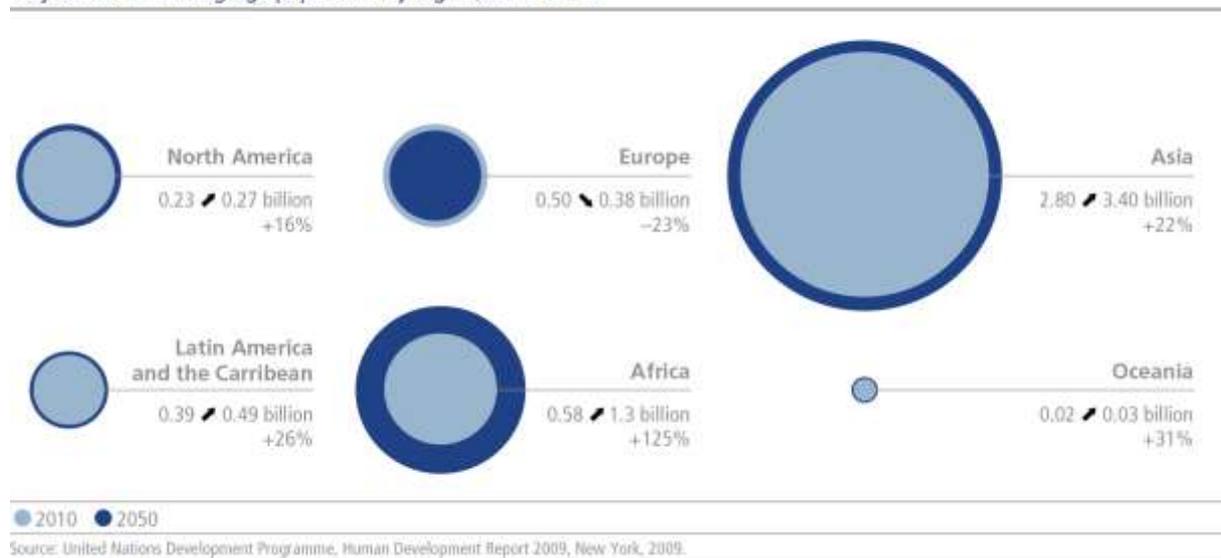
²⁴ Oxford Economics, Global Talent 2021 – How the new geography of talent will transform human resource strategies, Oxford, 2012.

on education does not increase.”²⁵ The country’s one-child generations will by 2050 have to support its baby-boomer retirees from prior generations, reducing the current 10 to one worker retiree ratio to 2.5 to one. Hence, skilling and employability will continue to be a huge problem worldwide. Increasingly education will play a role in creating a fair deal on talent. For example, “because of the uneven quality of education systems, only 25% of Indian and 20% of Russian professionals are currently considered employable by multinationals.”²⁶ Digital education could be a game changer, reducing the price of education and improving its availability. As it increasingly becomes possible to deliver education at no, or little additional cost to the initial cost of producing education materials, “global education and skilling partnerships” could emerge as part of a fair deal on talent package.

The Oxford Economics survey identified skill sets that are currently in growing demand. These are: digital, agile thinking, interpersonal and communications, as well as global operating skills.²⁷ The Boston Consulting Group projected the worldwide need for professionals in 2020 and beyond, displaying a wide range of skill sets that will be in demand in economies of various maturity around the world. For example, skills in increasing demand range from professions in construction to financial services in developed countries.

Furthermore, judging from the United Nations’ projected growth in the workforce overall and in the growth of the most educated, one can expect the talent game to become more intense by 2050, as the working age population will originate, for the most part, in Asia and in Africa, making Europe and North America appear like smaller satellites revolving around an Asian and African “sun”.

Projections of working-age population by region, 2010–2050



One can, therefore, envision the talent game expanding into a common effort to develop human resources worldwide, regardless of their origin or location. Looking at the projected origin of the tertiary educated talent pool in the coming decade, one can also expect both companies and governments to devise strategies on how to create talent hubs and to increase their relative attractiveness as this growth is expected to take place predominantly in: India, Brazil, Indonesia,

²⁵ The Boston Consulting Group/World Economic Forum, Global Talent Risk – Seven Responses, Cologne/Geneva, 2011.

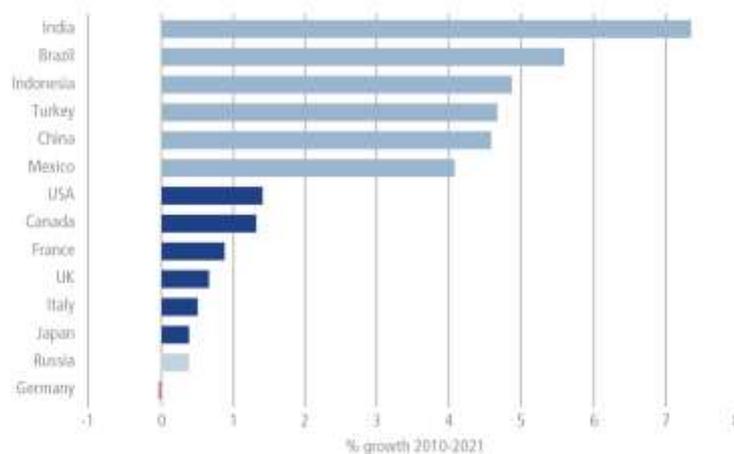
²⁶ Ibid.

²⁷ Oxford Economics, Global Talent 2021 – How the new geography of talent will transform human resource strategies, Oxford, 2012.

Turkey, China, and Mexico.²⁸ In contrast, almost no growth is expected to take place in the college-educated talent pool in Germany in the coming decade.

Growth in the college-educated talent pool

Tertiary educated ("talent"); E7 and G7 countries



Source: Oxford Economics, *Global Talent 2021 – How the new geography of talent will transform human resource strategies*, Oxford, 2012.

Hence, the shifts are expected in the relative size of the tertiary class in the talent pool. Moving our focus from the countries with the largest projected growth of highly educated to those countries with the largest stock of such human capital, according to Oxford Economics, in 2021, China (28 percent) will be home to the largest segment of college graduates, followed by the USA (25 percent), India (13 percent), Russia (11 percent), Japan (7 percent), Brazil (3 percent) and Mexico (3 percent).²⁹

Many countries are experimenting with policy initiatives to link immigration policy with workforce training to devise an international strategy for creating and attracting needed workers. Germany and Japan, for example have initiatives to attract trainees in nursing and eldercare from Vietnam, the Philippines, Indonesia, and elsewhere. Australia has pilot programs to foster skill creation and skill mobility in the Pacific region – the Australia-Pacific Technical College and the Kiribati Australia Nursing Initiative. There are many others. All of these innovative programs face important technical challenges (such as mutual skill recognition), financial challenges (especially mechanisms to fairly share the cost of migrants' training), and political challenges (such as opposition from destination-country labor groups). Two policy institutions, the Center for Global Development and the Center for Mediterranean Integration, are investigating these experiences to draw lessons for the design of such "global skill partnerships" to foster both skill creation and international mobility at once.³⁰

At the company level a template has been developed for creating talent hubs. A talent hub is, "a location that contains a critical mass of talent with the skills and expertise required by employers in a specific company, industry or collection of industries."³¹ Mercer, a global consulting leader in

²⁸ Oxford Economics, *Global Talent 2021 – How the new geography of talent will transform human resource strategies*, Oxford, 2012.

²⁹ Ibid.

³⁰ Many of these arrangements are summarized in Michael Clemens, *Global Skill Partnerships*, Washington, D.C., (forthcoming) 2013.

³¹ Mercer, *Creating talent hubs – A focus on the four pillars of talent development*, New York, 2013.

talent, health, retirement and investments, and the World Economic Forum have identified four pillars for creating talent hubs:

The four pillars of a sustainable talent hub

1. **Education** that prepares people with the knowledge and skills necessary for their roles, and with the broader creative and critical-thinking skills that elevate performance to its highest level, is one foundational element of a talent hub.
2. The **health and wellness** of a population also dictates the extent to which it can learn, grow and contribute to economic success. Productivity cannot be sustained without a workforce that is healthy. Moreover, given the critical connection between health in early life and lifetime development, attention to the health of tomorrow's workforce is just as important as focusing on today's.
3. **Experience** is the third pillar of a competitive talent hub. Talent thrives only with access to progressive opportunities for growth, through experiences that not only accelerate and enhance ability and productivity but also are essential to human satisfaction. Without planned and thoughtful career development, engagement tends to lag and organizations lose the momentum that would result from employees' best work.
4. The **enablers**, or infrastructure within and outside the organization determine the extent to which talent is productively deployed. Within organizations, these enablers include adequate talent management and workforce planning infrastructure and strong leadership support. In the broader environment, they include sociocultural factors impacting the deployment of human capital, the availability of communication tools, and the strength of intellectual capital protection.

Source: Mercer, Creating talent hubs – A focus on the four pillars of talent development, New York, 2013.

For the big picture on global talent, creating a strategy for attracting and retaining talent will become increasingly important in order for companies and localities fare well in the talent game. Formulating this strategy will involve understanding supply and demand talent-forecasts and understanding how to create talent hubs.

2. Understanding Policy Levers and Creating Total Immigration Packages at the National Level

Admission policies for international talent can have a significant impact on the attractiveness of one country, or another for international talent. But beyond the issue of how transparent and likely it is to be able to legally enter and work in a country a variety of other migration-related factors can give a country an advantage over another.

The Migration Policy Institute in Washington, D.C. has created a model that describes the key drivers for migrants to choose one destination over another. These are categorized in first and second order variables that impact a migrant's decision-making. The first order variables are: opportunity, capital infrastructure and the presence of critical masses of other talented professionals. The second order variables are: a fair and generous social model, lifestyle and environmental factors, and a tolerant and safe society. Finally, the model addresses the rules governing migration and argues for countries that want to attract talent should offer a total immigration package, which comprises of: Clear, fair, and transparently applied immigration rules that lead to predictable outcomes, reasonable paths to permanent residency/citizenship,

recognition of foreign credentials and licensing facilitation, as well as opportunities for family members.³²

As some governments work to increase their attractiveness through more transparent and improved total immigration packages, they stand a better chance of competing in the talent pool. The United States, for example, is currently debating an immigration reform. Should it pass, “estimates suggest that skills-based immigration [to the US] could increase from 144,000 to between 554,000 and 696,000 annually by 2018, raising the skills-based share of all permanent immigration from 14 to approximately 35-41 percent.”³³ This would likely draw a significantly larger portion of talent away from other destinations.

IV Recommendations

In the decades to come, human capital will quickly become an even more precious national resource, if not perhaps a new framework for economic development and well-being, as we enter the age of talentism. As many economies and businesses stabilize and return to growth following recessions in many countries, the balance of economic power is shifting and talent flows are changing. It is becoming clear that no locality, business or country has a permanent ability to attract international talent. Economic downturns have led former skills hubs to shed even highly skilled residents who seek opportunity and stability abroad.

Winning at the talent game is not merely a matter of buying talent by successfully competing for scarce skills on the global labor market. Investing in talent, growing talent, at home and abroad are important ways of winning at the talent game. Such actions will also ensure that the talent game will not become a zero sum game of winners and losers. Growing the global talent pool can create advantages for all parties involved.

Several trends around the globe are changing the way governments and companies are thinking about growing and retaining talent. The public and private sector must work together to understand the shifting demands on labor supply, to develop labor forces and talent pipelines, as well as to find principles for creating a fair deal on talent in the future. The broad contours of a fair deal on talent could include the following:

Maintain Existing and Foster New Hubs of Innovation and Jobs through Understanding and Cooperation

The phenomenon of Silicon Valley – the mushrooming of centers of innovation in new places – is likely to accelerate. Clusters of human capital will attract more such people and in these centers innovation and new industries are likely to evolve. Where these new talent hubs emerge will drive which regions grow, prosper and innovate. This incentivizes retaining and attracting talent around the globe. It broadens the nation-state viewpoint from exclusively focusing on the development of people within a country’s border, to one concerned with the global growth of skills-based populations internationally. It does not diminish national responsibilities for growing talent, yet it expands the scope of interest and leadership for upskilling (educating and training) future generations, as well as addressing skills mismatches of working populations.

³² Migration Policy Institute, *Attracting and Selecting from the Global Talent Pool – Policy Challenges*, Washington, D.C., 2013.

³³ *Ibid.*

- **Create a better global understanding for talent flows through longitudinally benchmarking key factors that pull and push talent around the world**
Existing data has not yet been linked consistently together to pool the knowledge that we have regarding where talent goes, or to correlate key factors regarding why it moves. A working group should assess and establish which data sets benchmark global talent flows, and which additional data should be collected. This will enable policymakers to shape future talent mobility decisions on empirical evidence.

- **International ‘Coalitions of the Engaged’ should intensify exchange, in order to deepen, better transfer and communicate what we know about emerging talent gaps**
International learning and exchange platforms should further be encouraged. A Global Talent Summit, including national governments, UN agencies and the private sector in the areas of migration, labor, education and training should be initiated. Additionally, the post-2015 UN development framework should include the element of growing talent globally as a shared responsibility, as part of its eighth goal on jobs, sustainable livelihoods and equitable growth. Furthermore, the United Nations should foster policy innovation on a fair deal on talent as part of its ongoing High Level Dialogue on International Migration and Development that would seek to create a framework in which growing (and not only buying mature) talent is explored. Finally, the European Commission’s initiatives to integrate current parallel processes to modernize the frameworks for human development (renewing the Millennium Development Goals), and for sustainable development (including the formulation of Sustainable Development Goals at the EU and international levels) should be supported.

Counteract Demographic Imbalances and Problematic Old Age Dependency Ratios

The global population of those over 60 is projected to increase very quickly in the coming decades. Europe will be the first continent to enter managed demographic decline. At the same time the young and working age populations will be concentrated in Asia and Africa. Emerging economies will continue to even out differences in wealth, health and economic well-being. Less saturated countries of destination will become more attractive for an increasingly mobile workforce. Accordingly, in the coming decade, it will be less important where talent originates, and more important that talent is globally fostered. Several developed countries are already entering the age of talentism, as their aging and shrinking populations coincide with skills mismatches. Sectoral labor shortages have begun to emerge, for example in Germany and Austria. At the same time, the old age dependency ratio in the EU is expected to climb from one working person for every four retired persons in 2012,³⁴ to four working people for every three retired persons in 2030.³⁵

- **Europe must take a leading role in growing talent globally, as it will be the “unwilling pioneer” of managed demographic decline**
The European Union should foster EU-wide comprehensive strategy on sustainable solutions for emerging talent gaps and skills mismatches in light of longer-term demographic decline. As the EU’s native human capital stocks are expected to shrink by 2050, and some countries are already facing sectoral skill shortages, the EU must intensify its efforts to become a talent hub.

³⁴ Eurostat, in 2012, for every person aged 65 or older, there were 4 people of working age in the EU27, Luxembourg, 2013.

³⁵ European Union, Reflection Group on the Future of the EU 2030, Project Europe 2030, Luxembourg, 2010.

- **Find scalable and economically sustainable models to deliver education and training globally**

Increasing the global skills base, not only within but also regardless of borders should become part of how we compete for talent. In a digital age, the cost of producing education and training materials for one's own domestic population and making it more widely available will increasingly require little or no additional investment. Furthermore, education and training will be the most effective inoculation for young people to escape poverty, live peacefully and enjoy healthy lives.

Influence Major Shifts in Mobility, Increasing National Attractiveness and Creating a Triple-Win from Migration

The willingness of workers to move internationally is increasing, as is the relative attractiveness of one country over another. Hence, governments and employers must think more carefully of how to recruit and select labor migrants. Additionally, part of a fair deal on talent is to create the renowned triple win situation in which migrants, sending and receiving countries of immigration all gain from mobility. Fostering mobility in a fair way is the key to creating this triple win.

- **Global skill partnerships that foster both skill creation and international mobility at once should be investigated and practices identified that can be useful to enhance mobility on a larger scale**

Global skill partnerships would require the further development of equitable systems of financing the training of skilled migrants, regulations for credential recognition and legal migration channels for labor migrants. Global skill partnerships are bilateral agreements to train skilled workers in developing countries, and foster the permanent migration of some of those workers to developed countries. They are designed to benefit both countries: to meet critical skill shortages in developed countries and allow skilled workers free movement to opportunity, while at the same time building human capital in developing countries and ending the fiscal drain that often accompanies skilled migration.

- **Total immigration packages should be pursued at the national level**

Existing labor migration policies should be evaluated and regulations created in order to foster the global mobility of talent. The total immigration package model for creating policies that reduce unnecessary barriers to mobility and increase the attractiveness of destination countries could serve as a model for countries around the globe.

- **Joint talent strategies should be formed regionally along common interests such as linguistic and economic considerations for example, a talent coalition for German-speaking countries could be forged**

As English becomes the global language, countries in which business is conducted in other languages may be seen as comparatively less attractive than English speaking countries. As Austria, Germany and Switzerland are at the forefront of talent gaps and aging societies, these countries could be one of the first to develop a joint talent strategy along linguistic and economic commonalities. These countries could attract talent together, including language training as part of a "talent package" in targeted sectors of the labor market when seeking international talent. Sharing experiences and pooling their efforts could give these states a collective advantage in attracting talent.

Precious few national or international policy initiatives are, today, taking the challenges of emerging talent gaps seriously. However, the next generation of workforce development programs will be designed for a world on the move. An international debate on the principles for a fair deal on talent could be an important step toward successfully meeting the global challenges that emerging talent gaps will cause.

The Looming Global Talent Crisis – How to counteract workforce imbalances

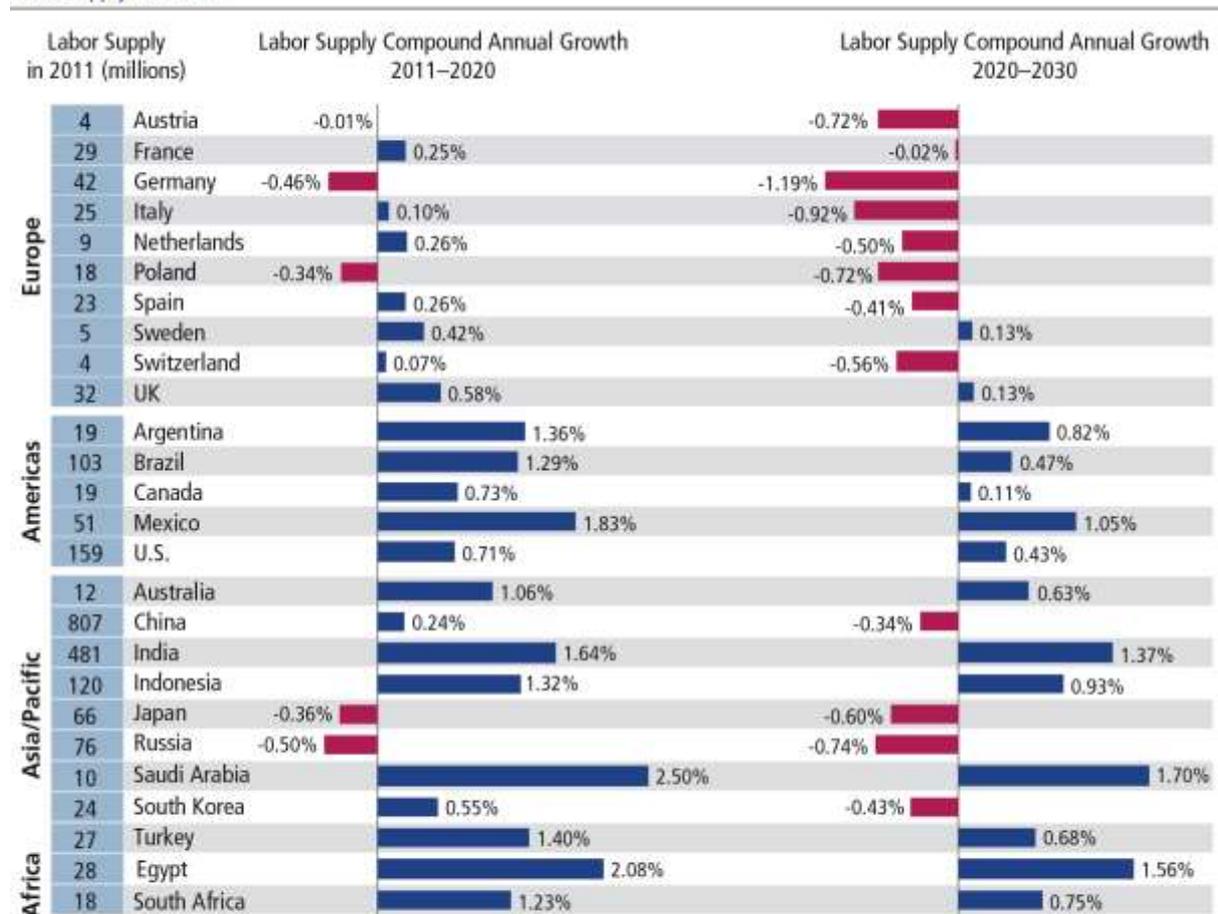
Rainer Strack

I The Global Picture

A global talent crisis looms. The reasons for imbalances may differ between economies at various stages of development – while mature economies struggle to replace retiring baby boomers, developing economies seek the better-educated workers needed to power emerging markets – but the problem is one which is spreading across the world’s economic powerhouses.

The problem is particularly striking in Germany, which is set to suffer greater labor shrinkage to 2030 than any other major economy, but is still no more than the leading edge of a problem with global dimensions. Talent crunches driven by a combination of labor shrinkage and employability challenges will extend beyond mature western economies to afflict emerging economic powers such as China and India. Boston Consulting Group (BCG) analysis of 26 leading economies, including every member of the G20, shows that Germany is one of five countries whose labor supply is already shrinking. Along with Austria, Poland, Russia and Japan it is projected to lose more workers than it gains over the period from 2011 to 2020 (see figure “Labor supply forecast”).

Labor supply forecast



Note: 2030 figures assume the same participation rate by sex and age groups as for 2020.

Labor supply = forecast of the total population (age 15 and over, 5-year age groups) × labor force participation rate (per 5-year age group).

Source: The Boston Consulting Group, \$15 Trillion at Stake – The Looming Global Workforce Crisis, Düsseldorf, (forthcoming) 2013.

BCG's analysis shows that this problem will spread wider and deeper over the subsequent decade. By 2030 it will afflict 12 of the 26 countries under review. All five countries already suffering shrinkage will see this decline accelerate – in Germany reaching more than 1 percent annual compound contraction and in Austria more than 0.7 percent.

They will be joined by seven more countries. The addition of France, Netherlands, Spain, Switzerland and in particular Italy, whose rate of shrinkage is projected to be second only to Germany, show that this is a particularly acute problem for Europe. Only the United Kingdom and Sweden are projected to experience continued, if tiny, labor supply growth.

It is not, though, an exclusively European problem. The implications, for a world which has become accustomed to China as an engine of economic growth, of it falling into labor contraction could be considerable. South Korea too will see shrinkage between 2020 and 2030. And while countries like Brazil and Canada will continue to enjoy growth, this growth will be at a much slower rate than in earlier decades.

Japan, a warning for other nations

Labor shortages have been a considerable factor in Japan's relative economic decline in recent decades, with annual average GDP growth dropping from around 4 percent in the 1980s to less than one percent between 2001 and 2011.

Its working age population began to decline in 1995, some 35 years after it reached full employment. It has made some attempt to counter this trend, using the key levers of labor supply and demand, but has struggled to make any real impact:

Birth rates have declined from 1.7 total births per woman in her lifetime to 1.4 over roughly the past 20 years (1988 to 2008), meaning there will be a smaller labor force in the future, while labor participation rates – in particular those for women – have risen only marginally. Immigration has the potential to fill gaps, but has fluctuated wildly. Later retirement ages are another potential lever, and government is phasing in an increase in the statutory age from 60 to 65, but since this is still well below the de facto retirement age – closer to 70 – may make little real difference. At the same time Japanese workers are working shorter hours, with a 12 percent decline between 1992 and 2011, and are only marginally more productive.

Other countries may not necessarily face the complexities of policy, politics and personal choice which have hamstrung Japan, but its experience is a warning to countries like Germany and South Korea that, unless they activate these levers of supply and demand they could suffer the same problems.

II How Can we Counteract the Looming Talent Crisis?

The talent crisis is a challenge for everybody involved in the development of workforces – not only employers but governments, academia and the wider international community. All have a role to play in responding to this challenge. BCG and the World Economic Forum outlined possible course of action in their joint work on global talent risk.

In particular they defined seven key responses, which are shown in figure “Seven responses to global talent risk to manage the global talent crunch”.

Seven responses to global talent risk to manage the global talent crunch



Source: The Boston Consulting Group/World Economic Forum, Global Talent Risk – Seven Responses, Cologne/Geneva, 2011.

Underpinning all seven responses are three essential principles

- People, skills and credentials all need to be more mobile than they are at present.
- Thinking ahead is essential. The training of skilled staff does not happen overnight, but takes time. Organizations who do not think ahead will struggle to secure the people they need.
- Know your context. There are no one-size-fits-all answers to talent challenges, and the best responses often come from understanding your local context.

1. Strategic Workforce Planning (SWP)

To foster economic growth, we need vast amounts of expertise, know-how and technical skills. An economy has to plan now in order to ensure the matching supply in 10 years from now in order to stay competitive. It is crucial to have a systematic method to gauge and respond to demographic risks in light of the organization's or the states strategic objectives.

This means that both companies and government need to make workforce planning a high priority. This means thinking longer-term. Most companies have a human resource planning horizon of one to three years. Since it takes five to 10 years to train personnel in complex skills, set up vocational trainee programs and establish recruiting strategies for key areas, this leaves them at risk of not being able to find critical personnel. Governments need to be strategic and not reactive, or else

they risk introducing ineffective fragmentary measures and being unable to find enough employees to sustain economic growth.

A BCG survey has found that only around nine percent of companies have adequately analyzed future workforce supply and demand, while merely six percent have developed effective strategies for key areas of likely scarcity.

Strategic workforce planning¹ means doing three things

- Identifying job families and clusters based on the qualifications required for them.
- Labor supply modeling to show the composition, age structure and capabilities of the future workforce.
- Projecting future demand for employees, based on different change factors and scenarios.

This analysis should identify areas of talent risk – those where there is a gap between supply and demand – enabling governments and companies to take early action to redress imbalances.

Examples of corporate best practice are examined in the next chapter.

2. Ease Migration

The Canadian province of British Columbia created the Immigrant Employment Council of British Columbia, which identifies skilled immigrants and matches them with employers, ensuring that qualified talent is fully used rather than wasted in low-skilled jobs. British Columbia is thus a good example of a government recognizing that migration is a positive factor – and of creating a migration-friendly brand that encourages talent mobility.

That's not always easy given the anti-migration mood in many countries following the economic downturn, but governments which are taking talent issues seriously should be easing rather than tightening restrictions on immigration. To make this politically practical they also have to communicate the reality that talent mobility is a driver of economic growth.

Good practice is already in place. Countries need to demonstrate that they are migrant-friendly through actions like those of British Columbia or the Work in Denmark Centre in New Delhi, designed to attract skilled Indian workers to Denmark.

Migration policies need to be streamlined and simplified. Great Britain formerly confused potential migrants with 80 work permit and entry schemes. This has now been replaced with a single points scheme designed to favor applicants with the most skills, and the qualification in highest demand in Britain.

Singapore, which has long benefitted from an influx of skilled professionals from developed countries, has broadened its appeal to bring in the highly-skilled from nations such as Malaysia, India and China since the 1990s.

¹ The whole concept of 'Strategic Workforce Planning' was first published by The Boston Consulting Group in Managing Demographic Risk by Rainer Strack, Jens Baier, and Anders Fahlender, Harvard Business Review, 2008.

Agreements for the mutual recognition of qualifications, such as the deal concluded between France and the Canadian province of Quebec in 2008, which covers 68 trades and professions, can ease the flow of talent. Making remittances easier has an important part to play.

Germany has experienced an average net migration of 200,000 persons per year since the 1950s. This rate was maintained between 1991 and 2010, with 18 million immigrants and 13.7 million emigrants making up a net inward flow of 4.3 million, and this number rose to 369,000 in 2012. This post-1995 peak, up 32 percent on the previous year, was driven by an increasing migration from South European nations hit by the financial crisis. Net migration from Greece, Italy, Portugal, and Spain combined amounted to 68,300 people, up 83 percent on 2011. While driven by lack of opportunities in sending countries, this increase also owed much to economic needs in the German economy, location advantages, the freedom of movement in the EU and German migration regulations.

Austria by contrast has aimed to boost migration from highly-qualified third-country workers and families through the introduction in 2011 of the Red-White-Red card, a flexible immigration scheme which facilitates settlement and employment based on personal and labor-market related criteria.

3. Foster 'brain circulation'

Among the fears of many developing nations – exemplified by the concerns of sub-Saharan nations about the loss of healthcare professionals to developed countries – is that migration will be a one-way street, with their most skilled and talented individuals lost permanently to better-rewarded work in richer countries.

But talent is much less likely than it was to stay in one place. Its movement helps create 'brain circulation' through the exchange of ideas and the creation of international knowledge networks. Countries with substantial numbers of citizens abroad can turn this into an asset rather than regarding it as a loss.

India's establishment of a Ministry of Overseas Indian Affairs to create stronger engagement with a diaspora that is more than 30 million strong and includes highly visible skilled professionals in North America, Europe and the developing world is an attempt to facilitate this.

So too is China's 10 year (2010-2020) Talent Development Plan, aimed at transforming it from a labor-intensive to a talent-rich economy by increasing its talent pool from 114 to 180 million. A strong element in this is encouraging qualified expatriates to return home in greater numbers while also attracting overseas talent.

Nor are these efforts confined to the rising giants of the world economy. Mali has created a program to encourage African scientists into malaria research, funding their studies at leading foreign universities on condition that those studies incorporate research at home. The aim is to integrate them into international knowledge networks while providing an environment which encourages them to stay and devote their talents to Mali.

4. Develop a talent 'trellis'

Migration is one element in a changing view of how careers develop and talent is nurtured. Individuals are now unlikely to follow vertical career ladders taking them up a corporate ladder leading from technical skills into management, but will pursue more varied paths. Rather than

adjusting their lives to the job, many will choose to adapt work to their lives through part-time and virtual employment. The ladder becomes a trellis, with a range of vertical and diagonal paths.

In order to retain and nurture talent, companies and governments need to respond to this change. Again, this involves thinking ahead and – given the time taken to acquire new skillsets – enabling talent to start on pathways five to 10 years before those skills will be needed.

Companies need to ‘step into the shoes’ of talent and understand their needs and desires. Responding to this is an essential element in keeping rather than losing gifted employees. Offering opportunities for personal reinvention, for pro bono and social impact work benefits not only the individual but the company, by retaining talent and readying it for future challenges.

Good practice here includes the IT companies which allow staff to work on independent research one day a week. At government level the US states of California, Indiana and Iowa have created lifelong learning accounts which encourage working adults to undertake fresh education and training. These work like retirement accounts, with individuals receiving tax credits for contributing to their accounts and employers tax breaks for matching individual contributions.

5. Encourage temporary mobility and virtual work

Flexibility in working needs to build on the understanding that it is no longer necessary, except in industries such as mining, to move people to where work is. A networked world makes virtual mobility possible – one example is Pakistani women working from home for US software companies.

Manpower Inc has estimated that 30 percent of tasks in multinational corporations can be done virtually. This mobility can help include women and other groups previously excluded from labor forces.

Buy found that productivity rose by 35 percent in departments which implemented a results-only working environment (ROWE) giving employees the opportunity to work where and when they want.

There are challenges attached to online working. Basic labor protection standards are harder to enforce than in traditional workplaces.

Mobility may still be physical in form, with workers on short-term placements. Senior Experten Service (SES), a non-profit foundation in Germany, long predates the online world with a foundation date of 1983, but exemplifies principles of talent mobility. Its panel of 8,800 registered retired experts work on short-term attachments around the world training specialist workers and managers, receiving room, board, insurance and expenses for assignments lasting from a few weeks to six months.

In 2009 roughly 1600 assignments, such as working with Pakistani mango farmers to combat crop disease and establishing the orthopaedic department of a hospital in Honduras, were carried out in 79 countries. While no longer working full-time SES’s experts continue to participate and foster brain circulation by facing new challenges in fresh environments and taking their expertise where it is needed.

6. Extend the talent pool

Older professionals of the kind deployed by SES are one of the large groups of developed talent currently underused in most economies. Companies and governments need to develop policies for tapping into these groups – older workers, the disadvantaged, immigrants and perhaps most of all, women.

Research shows that company performance improves with higher percentages of women managers and workers. Women comprise 55 percent of college graduates worldwide. While cultural norms undermine female aspirants in some emerging markets, inefficiencies and underuse of talent are global. A survey covering more than 100 countries found that 89 percent of women who voluntarily leave their jobs for a while wish to return to work, but only 40 percent find full-time, mainstream jobs.

Older workers can be encouraged by national programs like the UK Pension Bonus Scheme, which provides incentives for early retirement or company initiatives such as IBM allowing experienced managers to continue part-time.

Companies need to look beyond the obvious in hiring and recruitment. Focusing exclusively on graduates of certain well-regarded universities will give you more of the same. Employers can benefit from diverse skill sets.

7. Increase Employability

Skill sets also need to be a point of emphasis for education policy. Many education systems produce graduates who are highly proficient in fact-based learning, routine and rule-based work as well as silo-thinking, but lack critical thinking, communication and creativity skills.

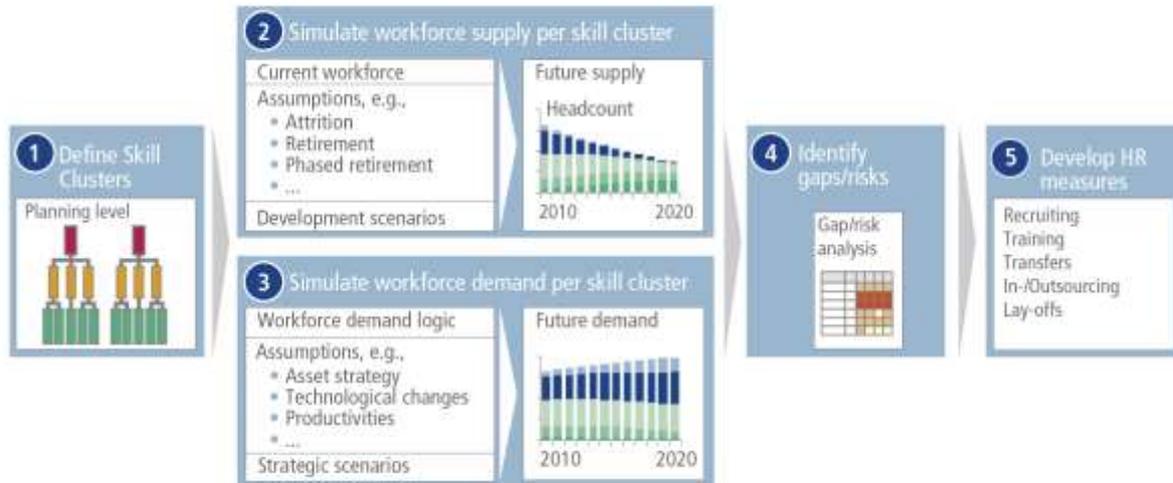
This balance needs to be adjusted to give graduates the mindset, as well as the skill set, needed for a world in which they are likely to change jobs and career paths more frequently than earlier generations. Partnerships with corporations and other organizations will help in this, provided that those organizations are also focused on the skills which will be needed in the future, rather than those they lack now.

One of the best examples of this is the Infosys Campus Connect program which shares the best practices of the IT industry – and Infosys in particular – with engineering colleges in India, Mexico and Malaysia. More than 100,000 students and 5,000 faculty members in India have benefitted since the program – which mixes roadshows, workshops and seminars – was launched in 2004. For the company, it comes under the heading of enlightened self-interest, ensuring a flow of graduates who are equipped with skills that the IT industry needs.

III How to Approach Strategic Workforce Planning

Introducing strategic workforce planning (SWP) is a major challenge for corporations to counteract workforce imbalances. The following figure shows the five steps of the SWP process. The following chapter examines a best practice example of SWP implementation.

How to approach strategic workforce planning?



Source: The Boston Consulting Group, Düsseldorf, 2013.

IV Reducing Workforce Risk: Strategic Workforce Planning at Daimler Trucks²

As Daimler's second-largest division, Daimler Trucks employs around 77,000 people worldwide. In 2007, a year before the financial crisis hit, Daimler Trucks achieved record profits. Looking forward, company leaders wondered how they would be able to forecast expanding workforce needs to meet future demand.

Would they encounter difficulty finding (and retaining) the right number of qualified new employees when and where they needed them? And which areas of operation were more likely to experience overcapacity?

To enable leaders to see the kind of results that could be achieved through a reorientation of their HR planning, Daimler Trucks decided to run a pilot program in strategic workforce planning at one of its plants.

The pilot program followed the five basic steps of strategic workforce planning. First, based on the existing employee classification, Daimler Trucks introduced a job family structure. This new structure helped executives see the distribution of qualifications and skills across job categories – identifying similarities, and thus, where transferable skills resided.

² The Boston Consulting Group/World Federation of People Management Associations, Creating People Advantage 2012 – Mastering HR Challenges in a Two-Speed World, Boston, 2012.

Second, by analyzing the workforce supply, the company extrapolated natural fluctuation rates and retirement trends by job function and age group. This analysis highlighted the areas where supply was at risk.

Third, Daimler Trucks conducted demand analysis – the heart of strategic HR planning. In this step, production-related drivers were defined for each individual job function, and future projections were made based on the company's strategically desired product mix, productivity improvements, and different sales scenarios. This enabled the company to forecast employment needs down to the job-function level and predict the plant's required production in a comprehensive model.

Fourth, by conducting gap analysis of the projected job supply and demand, Daimler Trucks discovered that it would need personnel in nearly every job function throughout the coming years.

Fifth and finally, the company identified concrete steps for meeting these qualitative and quantitative HR requirements.

Pleased with the richer information that strategic workforce planning provided about HR supply and demand, the management at Daimler Trucks decided to roll out the program throughout its German plants.

Thanks to its clear structure, ability to be customized to the needs of individual plants, and – most important – its ability to enable decision making that is aligned with strategy, strategic workforce planning has had a tremendous impact on Daimler Trucks. This has held particularly true for management's medium- and long-term decisions related to such activities as employee training and continuing education.

Strategic workforce planning has provided farsighted planning and a perspective that spans company boundaries, allowing Daimler Trucks to maintain a steady intake of trainees even during the financial crisis and its ensuing sales slump. After the crisis, the company has been able to deploy its new specialists in areas experiencing critical shortages.

"I am truly convinced that the concept is successful and valuable," said Frithjof Punke, director of human resources at Daimler Trucks. "The insights gleaned from our strategic workforce analysis have helped provide transparency on the actions we must take across skill clusters. This visibility enables us to adequately and efficiently implement long-term strategic HR measures."

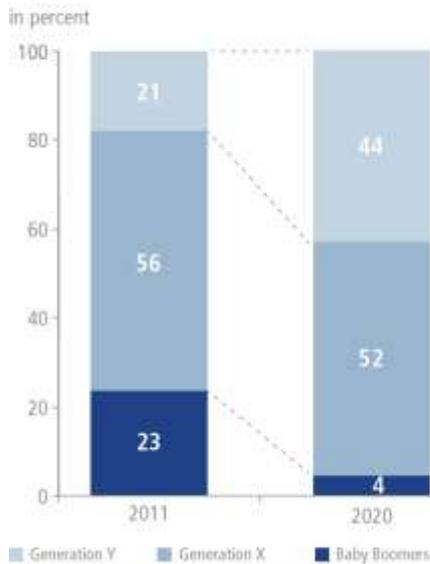
V Beyond an Aging Workforce: Multi-Generation Management

Companies face serious challenges not only at the end of their workforce's age range (the retiring baby boomers) but also at the beginning, namely the incoming Generation Y, born after 1980. As shown in the next figure, the share of Generation Y will significantly increase from 21 percent in 2011 to 44 percent in 2012 (in this example from a Western company).

When managing the younger workforce, companies need to focus strongly on recruitment – an area which has been neglected by many during the downturn – and retention. This means being aware of the expectations that Generation Y talent, in any case tougher to retain than Baby Boomers because of greater career and physical mobility, has of work. The next Figure "Multi-Generation Management" shows both the growing importance of Generation Y in the workforce, and the expectations employers will have to fulfill if they are to recruit and retain the best of it.

Multi-Generation Management

Generational shift by 2020



New talent has high expectations:



Many of these attributes apply in an even more pronounced way to Generation Z

Note: Baby Boomers (born between 1943 and 1960), Generation X (1960–1980) and Generation Y (1981–2000)

Source: The Boston Consulting Group, Düsseldorf, 2013. Photo: Nikolai Sorokin - Fotolia.

VI Conclusions

BCG's projections for the labor force in 26 leading economies show that a talent gap already exists in some countries, with Germany the worst-affected, and that this problem will spread to others in the decade 2020-2030. The demographic challenge is the megatrend of megatrends. While Europe is particularly affected, talent shortages are projected in major economies worldwide.

Talent gaps and shortages are a challenge for stakeholders, such as – but not only – national governments and corporations, which are responsible for creating the employment landscape.

They need to think strategically and long-term about the implications of talent shortages and the countervailing measures needed to address them. The evidence is that corporations in particular are well off the pace.

A checklist for action is provided by BCG's and the World Economic Forum's 'Seven Responses', outlining potential countermeasures. As corporations consider their responses, the evidence from companies like Daimler Trucks is that BCG's model for strategic workforce planning offers early and committed adopters the prospect of long-term competitive advantage in the key contests to attract and retain scarce talent.

Attracting and Selecting from the Global Talent Pool – Policy challenges

Demetrios G. Papademetriou | Madeleine Sumption

I Introduction

More than ever before, human capital is recognized as the one resource that can propel firms and economies to the top tier of competitiveness. In Organization for Economic Cooperation and Development (OECD) countries, emerging economies, and developing nations alike, the value of human capital is widely recognized and both public and private sectors are investing in it. The gradual shift away from agriculture and other labor-intensive activities, the much-reported growth of “knowledge-based” industries such as high-tech manufacturing and financial and business services, as well as rising skills requirements within occupations across the economy, have put a premium on high-quality education, training, and the acquisition and constant honing of skills. At the same time, domestic education and workforce training systems in many countries have struggled to keep up with the demands of employers. The reasons are many and complex. They include underinvestment, high turnover that reduces employers’ ability – and incentives – to provide cost-effective training, student choices that are not always aligned with the needs of the labor market, and the simple fact that even the highest-quality education systems cannot meet employers’ ambitious and ever-changing demands for skills in real time.

The global talent pool has also grown enormously. Some emerging economies are investing in education on a massive scale, even if quality still lags behind quantity in many cases (witness the enormous recent growth in high-school graduation rates in China and university education in Mexico, for example). Growing middle classes in emerging economies are also investing aggressively in education abroad, leading to a rising pool of international students worldwide. The number of international students worldwide almost doubled to over 4 million between 2000 and 2010, according to OECD estimates; that number is expected to continue to grow.¹ International student numbers in EU countries more than doubled, from 800,000 to 1.7 million over the same period. In the United States alone, the number of student visas issued to individuals coming from China rose more than eightfold, from 22,000 in 2005 to 189,000 in 2012.

Taken together, these developments point to substantial increases in both the supply and demand for skilled workers across the globe. In this dynamic environment, governments will have to think carefully about how they engage with the global talent pool and how they can select most effectively from it. Many countries are already doing so – from old players such as Australia and Canada that have substantially reshaped their immigration policies in recent years, to newer ones such as Austria, Spain, Sweden, and – as of about two years ago – Germany. The EU, through the Bologna Process and other measures is also focusing on building further its own talent pool and stemming some of its losses through emigration of some of its most talented young scientists and professionals. Beyond the OECD, emerging economies are also becoming destinations for international migrants. Several have been active in their attempts to develop human capital by funding the education of their nationals abroad, attracting back highly skilled members of their diasporas, and in some cases seeking out foreign professionals with the skills that will help to build new infrastructure and seed high skill-intensive industries. Examples include but go beyond China, India, and several other Southeast and South Asian countries. Russia, several Middle East and Gulf States, Brazil, and the more dynamic middle-income countries are also becoming players in the talent game. As these countries continue to grow, and if their immigration policies become less

¹ OECD, Education at a Glance 2012, Paris, 2012.

bureaucratic and cumbersome, a much greater choice of destinations will open up for the internationally mobile.

II Defining the Policy Challenge

Governments seeking to make the most of highly skilled immigration face two interlinked tasks: attracting immigrants (that is, expanding the pool of skilled immigrants from which they can select); and designing immigration and integration policies that identify those with the best prospects for success and encourage them to stay.

The nature of the first challenge varies widely by country, since some destinations find it much easier to attract immigrants than others. The United States is, of course, the premier example of a country that exerts an overwhelming draw for prospective immigrants around the world; its primary challenge is less to attract new immigrants than to design policies that effectively select from the large pool of highly skilled applicants. To a lesser degree, the other English-speaking countries of immigration – notably Australia, Canada, and the United Kingdom – also attract more skilled applicants than they are willing to accept. Many other countries, on the other hand, select from a smaller pool, for a host of reasons that range from labor markets that provide fewer opportunities for the most skilled, to difficult first languages or even inhospitable physical or cultural climates. For these countries, efforts to build the pool – such as supporting internationally oriented universities that attract foreign students – play a larger role.

In this context, the much-cited “race for talent” may be a misleading metaphor to describe governments’ activities in the field of skilled migration. Many of the major destinations hardly engage in this “race” at all but instead are seeking ways to make their immigrant flows much more selective. Other countries may be more actively seeking to attract a larger pool of immigrants, but this effort is not necessarily a zero-sum game between nations. While some migrants appear to respond to policy incentives (such as foreign students moving to countries that provide post-study work rights, high-income individuals attracted by lower taxes, or investment opportunities in which permanent residence is part of the “offer”), the supply of potential highly skilled immigrants is also on the rise, and with effective immigration and integration policies the pool of potentially successful recruits can be expanded further.² That said, if the United States were to adopt legislation similar to the bill that cleared the Senate Judiciary Committee in May 2013, the concept of a “race” may become a more accurate characterization in light of the sheer volume of new employment-based immigrants the country would begin to attract (see text box “Immigration reform and employment based immigration in the United States”).

This paper provides a brief overview of the factors and policies that countries should consider when designing a strategy to attract, select, and retain immigrants across the skills spectrum.

² The United States receives such large numbers of immigrants a significant immigration reform could substantially reshape global immigration trends. The US Senate’s proposed legislation could ultimately increase skilled immigration by upwards of four or five hundred thousand people per year; this increase alone is more than the number of permanent residence grants to skills-based immigrants in Australia, Canada, New Zealand and the United Kingdom combined.

Immigration reform and employment-based immigration in the United States

If enacted, the US Senate's comprehensive immigration reform bill, the **Border Security, Economic Opportunity, and Immigration Modernization Act**, would represent the most significant restructuring of the US legal immigration system since 1965. It would make major changes to the ways in which prospective immigrants become eligible for visas, as well as the total numbers and distribution among different streams of immigration. The following are among the most notable changes to the skills-based immigration system:

- Immigration on the basis of skills and employment would receive significantly greater emphasis, through an expanded employment-based visa pool and a new “merit-based” visa to be awarded with a points test that would prioritize US employment and work experience. Migration Policy Institute estimates suggest that skills-based immigration could increase from 144,000 to between 554,000 and 696,000 annually by 2018, raising the skills-based share of all permanent immigration from 14 to approximately 35-41 percent.
- Several visa categories would no longer be subject to numerical limits, including international students graduating from advanced degree programs in science and technology. The large increase in skills-based green cards would likely reduce waiting times for many applicants already in the country on temporary work visas – rebalancing the system away from temporary and toward more permanent employment-based immigration, especially for those applying in newly uncapped, high-skill categories.
- While employer needs would drive both employment-based and merit-based systems, workers would gain much greater flexibility to petition for their own green cards – although most would require a job offer or significant US experience to qualify.
- Low- and middle-skilled workers also would be major beneficiaries of expanded work visas, both temporary and especially permanent. In a significant departure from current policy, the legislation would allow these workers to come to the United States to fill year-round, longer-term (rather than strictly temporary or seasonal) positions and ultimately to be eligible to apply for permanent residence.

Source: Madeleine Sumption, and Claire Bergeron, Remaking the US Green Card System – Legal Immigration under the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013, Washington, D.C., 2013.

III Immigrants' Choice of Destination

What do skilled and highly skilled immigrants look for in a destination country? In particular, how do the most sought-after individuals – the elite of the international talent pool – make decisions on when to move, where to work, and how to respond to recruitment efforts? This section examines immigrant selection through the eyes of highly skilled foreign-born professionals, relying in part on the work of the lead author with Will Somerville and Hiroyuki Tanaka on this subject.³

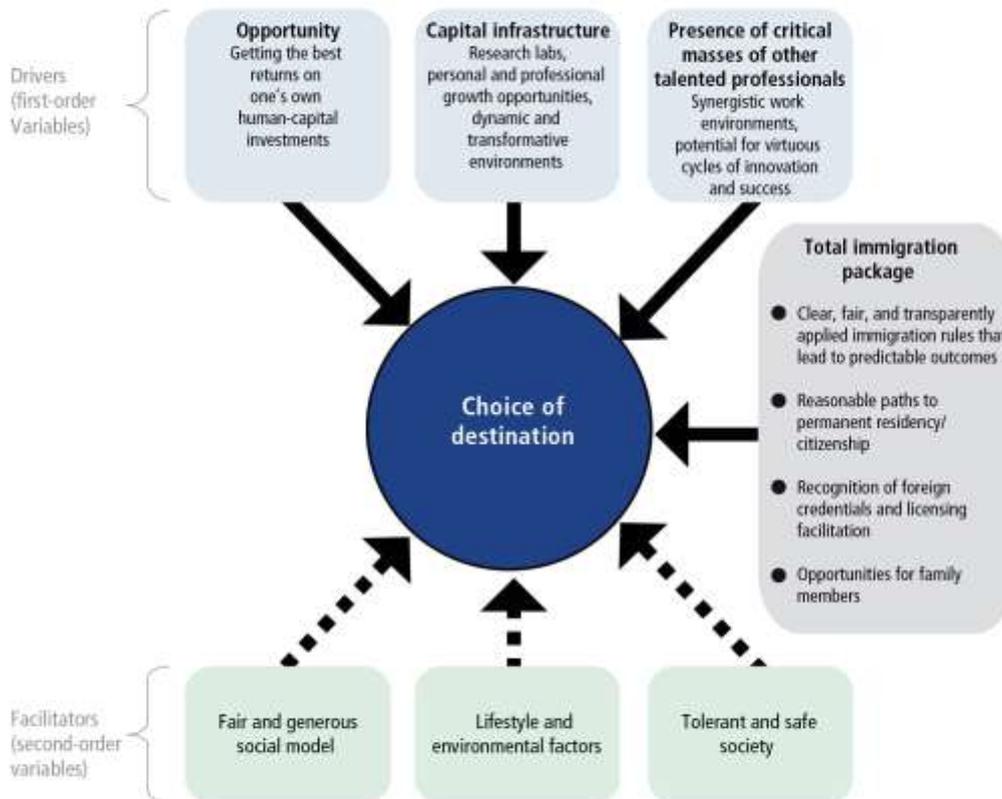
Figure “Decision-making calculus on the choice of destination” lays out the key factors that shape a destination’s attractiveness. The top half of the figure focuses on a series of “first-order” decision-

³ Migration Policy Institute, *Talent in the 21st Century Economy*, Washington, D.C., 2008, updated from Papademetriou, Somerville, and Tanaka, Washington, D.C., 2013.

making variables that we consider essential to the calculations that most talented and highly skilled immigrants are likely to make in the process of deciding where to move.

Decision-making calculus on the choice of destination

New talent has high expectations



Source: Migration Policy Institute, *Talent in the 21st Century Economy*, Washington, D.C., 2008, updated from Papademetriou, Somerville, and Tanaka, Washington, D.C., 2013.

These first order variables comprise the opportunities available to highly skilled immigrants, in various forms. Highly skilled immigrants have made deep and often expensive investments in developing their human capital. As a result, they want to get the best returns on these investments. It stands to reason that, like all "investors," they will look for places where this can be accomplished best and fastest. The opportunities that they seek are not just financial, but include the ability to realize personal and professional goals. This ability often depends on factors such as capital/infrastructure (for instance, research labs for scientists or industrial clusters and the availability of venture capital for businesspeople and entrepreneurs), or the presence of substantial numbers of other talented people in the same field and in other complementary disciplines. The latter matters a great deal because critical masses of highly educated and motivated workers create the synergies and multiplier effects that make highly skilled workers more productive and facilitate breakthroughs in research and product development.⁴

⁴ See for instance: Annalee Saxenian, *Lessons from Silicon Valley*, *Technology Review*, 97, No. 5, 1994: 42-51; Brian Knudsen, Richard Florida, Kevin Stolarick, and Gary Gates, *Density and Creativity in U.S. Regions*, *Annals of the Association of American Geographers*, 98, No. 2, 2008: 461-478; David Audretsch, and Max Keilbach, *Entrepreneurship Capital and Economic Performance*, *Regional Studies*, 38, No. 8, 2004: 949-959; and Robert E. Lucas, Jr., *On the Mechanics of Economic Development*, *Journal of Monetary Economics*, 22, No. 1, 1988: 3-42.

In addition to these top-level factors, other “softer” variables act as facilitators of attractiveness, including the destination’s social model, lifestyle and environment (or “quality of life”), and the ability to live in a safe and tolerant society. The weight these factors receive is likely to vary substantially and depend to a large extent on individuals’ circumstances and expectations. For example, factors such as universal healthcare, affordable childcare and high-quality schools will be important for people contemplating a long stay and those with families. At the same time, some migrants are drawn to countries like Australia and New Zealand in part because of their climate and natural beauty, respectively. For others, acceptance and respect for diversity of language, ethnicity, culture, and religion can be a strong element of attraction, particularly in the traditional countries of immigration such as Canada and the United States.

The immigration package

Finally, the rules and regulations of the immigration system play a distinctive role. Talented immigrants do not move because of immigration policies, and well-designed policies alone cannot make a country inherently attractive. Nonetheless, the “immigration package” that a country makes available to prospective residents affects their ability to take advantage of opportunities in the host country – and badly designed policies may significantly detract from that country’s attractiveness if they undermine these opportunities.

Among the most important features of the immigration system are clear, fair, and transparently applied rules that take the guessing game out of a foreigner’s relationship to the host country’s system – namely what (s)he has to do to maintain his/her status and, crucially, to earn permanent residence and/or citizenship. Permanent residence is the ultimate goal for many immigrants, providing more flexibility, security, and typically many more rights than temporary (time-limited) residence. In fact, many immigrants may seek permanent status even if they have not yet taken decisions about long-term settlement. In some countries, however, immigrants are ineligible for permanent residence or the pathway is long and unpredictable; other countries treat skilled and highly skilled foreign workers as “provisional” immigrants and offer them an initially temporary work visa but put them on a path to permanent residency; while a handful of countries offer permanent residence up front (although even these countries are using provisional visas more often). Regardless of the length of the pathway to permanent residence, transparent selection criteria play a role in providing the predictability that migrants and their employers seek.

A second major feature of the immigration package is opportunities for family members. Family (re)unification is a crucial component of international migration and skilled and highly skilled admissions are no exception. While spouses are often allowed to accompany an immigrant employee, many countries do not allow them to work. For highly skilled, dual-earning couples, the automatic availability of a work permit for both spouses is an important assurance – one that also adds to the accessible human capital that destination countries receive (since highly skilled professionals generally marry individuals with similar levels of education).

Third, systems that allow foreign professionals to have their qualifications validated or recognized in the host country can be crucial for those working in regulated occupations.⁵ Credential recognition systems can be made more hospitable in various ways, including providing tailored

⁵ Data from the UK and Australia suggest that credential recognition policies could have a substantial impact on attractiveness in occupations that require a license: when Australia recently opened a new route for faster (and exam-free) requalification for medical doctors, inflows from countries affected by the changes grew sharply; meanwhile, a UK move in 2003 to end automatic recognition of medical credentials from certain commonwealth countries had the reverse effect, creating a dramatic collapse in the numbers migrating.

assessment options that allow qualified applicants to minimize expensive additional education, training, and examinations; conditional registrations that allow them to be employed temporarily or under supervision while working toward full licensing; and mutual recognition agreements with major sending countries that speed up the licensing process for those with recognized qualifications. A second strategy to improve credential recognition is to select foreign workers from among the foreign student population, a policy approach that is now widely used and is discussed in more detail in the next section.

Shaping attractiveness

Among the factors that shape attractiveness, governments clearly have greatest and most direct control over the immigration package, even if this is not the most important driver of prospective immigrants' decisions. Of course, it may not necessarily be in a country's interest to provide the most attractive possible immigration package. In some cases, there may be a tradeoff between providing an attractive package for immigrants, and ensuring that policies are sufficiently selective. For example, good reasons may exist not to provide permanent residence too quickly if a longer pathway provides more information to determine whether an individual has the capacity to integrate successfully. For most immigrants, an initially temporary visa with a predictable path to permanent residence would be more than sufficient. This is especially the case below the very top echelons of the talent spectrum, as well as in countries that have a large pool of applicants from which to select.

The other factors this section has described are much more difficult to shape. Governments have no control over some of them (such as the climate or a difficult language spoken only in a small country) and their influence over others is far from absolute – such as the development of a welcoming, tolerant society. Indeed, how the society adapts to and treats immigrants is a particularly difficult area and a receiving government's occasional lapses into what is likely to be interpreted as skeptical, if not anti-immigrant, rhetoric color immigrants' perceptions about such a country. Put simply: a government's "body language" about immigrants shapes a society's views and in turn may make prospective immigrants more or less likely to choose a destination.

At the same time, several of the drivers of attractiveness are the subject of a broad range of economic policies, including infrastructure development, research investment, education, and workforce training. Success in these fields is, of course, an ambition for all governments seeking to facilitate economic growth and increase productivity, regardless of their attitude towards immigration. It is only in concert with these other areas of policy that governments can fully capitalize on the potential of immigration.

IV Selecting Effectively From the Applicant Pool

How can countries ensure that they admit the "right" people from the pool of prospective immigrants they are able to attract? More specifically, how can governments a) determine which types of immigration they should seek, and b) identify which applicants meet the criteria that they have determined? This section addresses these two, closely interrelated issues.

Assessing immigration priorities

Governments can take various approaches to determining which skills to prioritize. In many cases, largely qualitative decisions play an important role, with policies often more open to workers in specific fields of work considered strategically important. For example, some countries have dedicated policies for health professionals, as part of a strategy to provide accessible and affordable healthcare (these policies include, most notably, dedicated work permit programs for doctors or nurses, as well as bilateral agreements with countries of origin to facilitate direct recruitment from abroad). Another common strategic priority is researchers and science/technology workers who contribute to research, development, and innovation.

Some countries, including Canada and the United Kingdom, have experimented with policies to target immigration regulations more systematically to skills needs by conducting statistical analyses of occupations thought to face a shortage of workers, in which immigration is thought to be most beneficial. These efforts have presented significant challenges, however. First, there is no single way to define what the labor market “needs” and statistical measures of shortages are often an unreliable guide to actual conditions facing a specific employer who seeks to recruit workers with the right skills. Second, governments have limited options for translating information about “shortage occupations” into immigration policy in useful ways: neither the accuracy of the data analysis nor the administrative agility of government agencies are sufficient to allow them to (for example) determine how many workers should enter for each occupation. As a result, lists of “shortage occupations” tend to play a relatively modest role in shaping flows – for example, by reducing the regulatory burden on employers applying for visas in specific occupations. Third, increasing or reducing immigration in specific occupations in the short run provides no guarantee that immigrants will successfully integrate into the labor market and experience good economic outcomes in the long term. As a result, employment-based immigration systems that allow a transition to long-term or permanent residence must not only admit workers who meet current labor demand, but also select and retain those with the potential to integrate and find sustainable employment opportunities in the long run.⁶ To do this, governments must have mechanisms to assess the outcomes of immigrants admitted under various policies and adjust those policies accordingly, as discussed later in this section.

Making the most of employer selection and hybrid systems

Two competing models for selecting economic-stream immigrants are now widely used in advanced industrialized economies: points-based and employer-led selection. Points-based systems admit immigrants who have a sufficient number of qualifications and experiences from a list that typically includes language skills, work experience, education, and age. Points systems appeal to policymakers because they are transparent, flexible, and can be adjusted to meet evolving economic needs or respond to evidence on immigrants’ integration outcomes. But since employers are not involved in selection, points systems often admit immigrants who are unable to find work at their skill level once they arrive. This undermines both integration and the long-term economic benefits of immigration; both Canada and, more recently, Denmark, have experienced this problem.

Employer-driven systems, by contrast, allow employers to select the workers they need, subject to government regulations. Being selected by an employer is evidence that immigrants’ skills are needed and thus guarantees that they will have a job when they arrive – that they will put their skills

⁶ For a longer discussion, see Migration Policy Institute/Michael Fix, Demetrios G. Papademetriou, and Madeleine Sumption, *Immigrants in a Changing Labor Market – Responding to Economic Needs*, Washington, D.C., 2013.

to use immediately and help to meet labor market demands in real time. However, employer demand may be larger or may encompass immigrants at lower skill levels than policymakers wish to admit. Employers may, for example, select certain immigrants (particularly at lower skill levels) that they need in the short run, but who will not necessarily be able to integrate successfully in the long run. (In effect, this would allow employers to reap the benefits from immigration in the short term while “socializing” the costs in the longer term if the need for their labor declines.)

Hybrid selection systems combine the best ideas from both points-based and employer-driven models. Immigrant-receiving countries that once selected foreign workers using purely points-based or purely employer-led systems have increasingly opted to borrow from the competing model, developing hybrid systems that bring some of the advantages of both. The resulting selection systems have much of the flexibility of points systems, while typically providing several routes to permanent residence and giving foreign workers more freedom to move between employers. Crucially, however, they prioritize employer demand, in the form of a job offer or a good track record of prior employment in the host country.

Temporary to permanent visa pathways

One important type of hybrid model involves temporary to permanent pathways. This approach admits immigrants initially on temporary work permits but provides a clear and predictable path to permanent residence to those with good integration prospects.⁷ It can be a successful selection model because temporary visa holders represent a rich pool from which to choose permanent immigrants. These workers have built language skills, valuable host-country work experience, and local contacts within the country.⁸ At the same time, prospective permanent immigrants with host-country work experience can more easily demonstrate their ability to navigate the labor market and integrate successfully, giving governments more information on which to make selection decisions. The US H-1B system has been a prototype for this model (even if it has recently encountered serious problems arising from long backlogs for a limited number of permanent employment-based visas). Australia has also been a leader in developing such temporary-to-permanent pathways, as have New Zealand, Sweden, the United Kingdom, and, increasingly, Canada.

Effective temporary-to-permanent pathways rely on two policy principles. First, it is necessary to provide clear and predictable rules for the transition to permanent residence that enable workers and their employers to plan ahead, giving them an incentive to invest in the future. Countries with effective temporary-to-permanent pathways typically allow foreign workers to apply for permanent residence from within the country after a set period of time (ranging from one to six years), or as soon as they are able to meet certain predetermined criteria.

Second, temporary-to-permanent pathways grant foreign workers progressively broader access to the labor market. In employer-driven immigration systems, workers initially admitted into the country in order to perform a specific job can typically only switch between firms if the new employer is

⁷ Most employment-based immigrant workers initially enter a host country on a temporary visa, regardless of whether they will eventually seek permanent residence. Even where permanent residence is available as an initial entry route, temporary visas can often be obtained more quickly – and in some cases have less stringent eligibility criteria – while providing greater short-term flexibility for employers. Up-front permanent residence is most common in traditional immigrant settlement countries such as Australia and Canada, although in both cases temporary-to-permanent pathways have expanded enormously. The United States also admits relatively small numbers of newly arriving employment-based immigrants on permanent visas, but the vast majority of workers enter on a temporary visa first.

⁸ Demetrios G. Papademetriou, Doris Meissner, Marc Rosenblum, and Madeleine Sumption, *Aligning Temporary Immigration Visas With US Labor Market Needs – The Case For A New System of Provisional Visas*, Washington, D.C., 2009.

willing to apply for work authorization on the worker's behalf. After a transitional period, however, workers may acquire the right to move between employers without requiring a new visa. This gives prospective permanent immigrants greater mobility and independence from their employers, a process that is completed when they "graduate" to permanent residence and gain full labor market access.⁹

Retaining top foreign students

An extension of the hybrid selection model is to provide pathways into the labor market for the best international students graduating from host-country universities. These individuals are extremely valuable to that country's employers for the most obvious of reasons: they tend to possess locally relevant education, language skills, and cultural knowledge. Many immigrant-receiving countries have reached this conclusion, including Australia, Canada, Hong Kong, New Zealand, and the United Kingdom, and have put policies in place to retain certain international students. It has now become commonplace to offer selected foreign students the opportunity to stay in the host country after graduation in order to look for a job and work for an initially temporary period (this possibility is offered, for example, in Australia, France, Germany, Canada, and the United States).¹⁰ During this time, the students may be able to move between employers without having to apply for a new visa, and their employers may be exempt from any requirement to document or demonstrate their recruitment efforts. This period provides additional time for students to meet the criteria for skilled or highly skilled migration; some countries in fact ease this transition further by exempting foreign students from some of the regulations that apply to standard work-based visas, such as the labor market test (as in Austria and the United Kingdom) or earnings thresholds (as in the Netherlands or the United States, for example).

The success of these strategies depends in part on efforts to ensure that former students are highly selected. Until recently, Australia and the United Kingdom provided generous immigration opportunities for these former students, but found that substantial numbers of them attended less selective colleges or even "diploma mills" that essentially served as a gateway to employment in relatively low-paying occupations.¹¹ To be successful as a highly skilled immigration route, therefore, the international student pathway must rely on careful selection at two junctures: first, when the student gains admission to a selective educational institution that sponsors them and, second, when he or she qualifies to make the transition from a student visa to a work visa.

Streamlined immigration for the most talented

The most talented economic-stream immigrants may require separate treatment from the "merely talented," especially since attracting more of these workers is a priority for most governments. Workers in the highest echelons of the skill spectrum – including top researchers, successful businesspeople, proven entrepreneurs, and creative artists – are more likely to have their choice of destinations, increasing the risk that they will be deterred by long wait times, complex application

⁹ In Sweden, for example, employer-selected immigrants' work permits become portable between employers after two years, and can be converted to permanent residence after four years.

¹⁰ In some countries, post-graduation visas of this kind may also allow their holders to spend three to six months (or in some cases, longer) looking for a job, so that students are not required to have found work by the time they graduate or very quickly thereafter. Austria, for example, offers a 6-month grace period for graduating students, while the Netherlands and Germany offer permits for 12 and 18 months, respectively, which are valid for both job-seeking and work.

¹¹ Australian government research in 2010 suggested that just under half of the workers on "skilled graduate" visas who had not yet qualified under Australia's points-based immigration system were not employed in skilled jobs. A smaller but substantial share of those who did qualify through the points system was also employed in unskilled jobs. Department of Immigration and Citizenship, *How New Migrants Fare*, Canberra, 2010.

procedures, or restrictive visa conditions (such as limited work or residence rights for nuclear family members). Equally, employers who hire these high-level individuals should not have to wait unnecessarily (beyond what due diligence dictates) for their new employees to start work.

Accordingly, openness to the most talented requires predictable visa/work-permit processing decisions, as well as employment authorization that is not subject to numerical limits of various kinds and involves only the lightest reasonable administrative burden. The United Kingdom, for example, exempts those earning more than GBP £150,000 from the numerical limit on skilled migration, and their employers are not required to advertise the jobs in the local labor market before applying for a visa on behalf of the foreign workers. Even some countries with a more restrictive stance on much immigration, such as Germany, the Netherlands, Denmark, and other like-minded EU member States, provide liberal employment-based immigration routes for those earning above a certain wage (typically set between €50,000 and €70,000, or US \$75,000 to US \$100,000). In the United States, where most economic-stream immigration requires an employer sponsor, exceptionally skilled immigrants with widely recognized accomplishments in their field can apply without an employer. (A similar program was recently introduced in the United Kingdom).

Some countries also offer “fast-track” application procedures to facilitate admission for workers with urgently needed skills. US employers, for example, can reduce processing times for some visas from several months to two weeks by paying a “premium processing” fee of US \$1,225.

Rewarding employers who play by the rules

Employers are central to immigration systems, as described earlier, and even countries that use non-employer driven selection mechanisms also typically allow employers to sponsor workers outside of these mechanisms. Regardless of the type of admission system a country chooses, governments face the challenge of creating clear, predictable, and well-enforced rules that employers can understand and observe. After all, steady and even-handed enforcement of the rules is central to safeguarding the integrity of any immigration system. By contrast, immigration regulations that are enforced unevenly or without transparency generate confusion and unpredictable outcomes, and prevent employers from planning ahead. At the same time, complexity tends to channel resources towards immigration intermediaries and disadvantage small businesses and firms that do not hire foreign workers on a regular basis.

Under the current rules of many immigration systems, all employers seeking foreign workers are treated equally with respect to access to visas. This does not have to be the case. “Registered,” “trusted,” or “precleared” employer systems enable governments to differentiate between employers who present higher and lower risks. The basic principle of such systems is that preapproved employers who have demonstrated their credentials as responsible corporate citizens across a reasonable number of criteria can be rewarded with simplified application procedures or similar benefits.

Building institutions with adaptation and flexibility at their core

There is no perfect immigration system. Migration flows and labor markets are dynamic, and effective immigration systems are capable of adapting with them. Good policy development also encourages experimentation, the ability to monitor and evaluate whether policies have lived up to expectations, and a willingness to learn and change policies on the basis of solid evidence.

Governments can create an institutional bias toward adaptation and flexibility by developing research and policy analysis capacities to inform reviews and adjustments to the immigration system. In Australia and New Zealand, ongoing analysis takes place in research departments housed within government agencies, and both countries also engage outside researchers to conduct evaluations.¹² In countries where immigration is politically divisive, an independent agency may be most appropriate for the task. The United Kingdom's Migration Advisory Committee, for example, is widely credited with raising the quality of the immigration dialogue, despite heated public debate on the issue.¹³ The United States proposed immigration legislation would create a similar entity. Other countries, such as Germany and the Netherlands, have formal advisory bodies for similar purposes, but also often rely in a more ad hoc manner on advice from governmental and nongovernmental bodies as well as independent analysts.

Systematic research and analysis promotes flexibility in two ways. First, it improves policymakers' understanding about how the immigration system actually works, the effects of *specific immigration policies* on the labor market and broader economy, and the projected impact of proposed reforms. Crucially, it enables governments to create a link between immigration and immigrant integration, assessing immigrants' labor-market outcomes to inform future changes to the selection mechanisms that admitted them. A prerequisite for this research is appropriate data. These data can be collected from administrative sources (such as computerized systems for tracking employers' visa petitions or the immigration status of foreign workers), as well as from dedicated surveys that explore how entry criteria affect the types of immigrants who are selected, their labor-market experiences, and the integration of their families (detailed longitudinal surveys of this kind are conducted in Australia, Canada, and New Zealand).

Second, by bringing a powerful, evidence-based, rational voice to the debate, advisory bodies can help to generate the political will to review the immigration system *on a regular basis*, and they can do so based on the strength of thoughtful analysis, rather than on political calculation or sheer ideology alone. Countries with immigration systems that are widely recognized as successful laboratories of immigrant selection often use advisory reports or research findings to trigger appropriate adjustments to immigration numbers and selection formulas.

V Conclusions

By way of conclusion, three observations are warranted. First, governments seeking to attract, select, and retain skilled immigrants can rely on a broad range of policies, which must be brought together into a coherent strategy that considers how different measures complement each other. For example, a longer path to permanent residence can provide valuable information on which immigrants are best positioned to succeed. It also brings drawbacks, including the risk of delaying integration by holding individuals back from full membership of society, and creating more uncertainty for migrants themselves (especially in a weak economy when individuals are concerned

¹² New Zealand's International Migration, Settlement, and Employment Dynamics program, for example, is housed within the country's Department of Labor. For details about its research agenda, see Department of Labor, About IMSED Research, <http://www.immigration.govt.nz/NR/rdonlyres/AE1038FF-7419-4B4D-A1F1-E6965B55F357/0/DOL1070510IMSEDAboutUs.pdf>.

¹³ A similar institution, the Standing Commission on Labor Markets and Immigration, has been proposed in the United States. See Doris Meissner, Deborah W. Meyers, Demetrios G. Papademetriou, and Michael Fix, *Immigration and America's Future – A New Chapter*, Washington, D.C., 2006; Demetrios G. Papademetriou, Doris Meissner, Marc Rosenblum, and Madeleine Sumption, *Harnessing the Advantages of Immigration for a 21st Century Economy – A Standing Commission on Labor Markets, Economic Competitiveness and Immigration*, Washington, D.C., 2009.

that they will lose their residence status if they lose their job). However, policymakers can mitigate these risks with complementary policies such as providing progressively greater rights and security to provisional migrants, such as the right to move between employers or spend a certain amount of time searching for a new job if they become unemployed.

Second, the role of employers in both attracting and selecting immigrants is crucial. Immigration policy is not a two-way relationship between governments and immigrants, but a three-way interaction in which employers are front and center. Governments rely on employers to create the opportunities that attract highly skilled immigrants, as well as to identify which applicants have the most needed or relevant skills. Immigration policies must therefore provide a predictable and transparent environment in which employers can do this work.

Third, it is worth emphasizing that attracting skilled immigrants is not just the domain of immigration and visa policy, but also depends on the success of policy efforts in other fields. These include countries' ability to provide a welcoming environment and sustainable opportunities for immigrants and their families. They also include countries' progress toward domestic education and training policies that create a skilled and versatile national workforce – the asset that lies at the heart of competitiveness and economic growth. Immigration must therefore be part of a much broader social- and economic-policy strategy – a strategy that includes education, training, employment, welfare, research, and investment among many others, and that extends well beyond the reach of immigration departments alone.

Creating and Sustaining Talent Hubs – Four accelerators that will advance talent development

Barbara Marder peer reviewed by Rick Guzzo | Christopher Johnson, research conducted by Patty Sung | Erin Milligan

Public and private players alike recognize that talent is a more important determinant of long-term economic success than virtually any other resource. Where once physical or financial capital conveyed competitive advantage to companies and nations, today talent is the key to sustained success. A workforce capable of and eager to undertake the tasks required to fuel public and private growth is the foundation of a strong economy and a strong society.

Yet an accelerating talent crisis is threatening businesses and economies around the world. Employers are struggling to find the talent they need to sustain and grow their businesses even as large numbers of people remain un- or underemployed. Research shows that 35 percent of employers cannot fill available positions,¹ while in 2012, 197 million people were unemployed, with that number expected to reach 202 million in 2013 and increase to 205 million in 2014.² This crisis results from a mismatch between the critical skills and experience people possess and those that people need. While this mismatch is most severe in growth markets, it is also apparent in certain mature markets as well.

As Klaus Schwab highlighted at the 2012 World Economic Forum in Davos – “talentism is the new capitalism” – all businesses are facing the challenge of how to grow and attract the talent they need, where they need it, in order to compete and thrive. The challenge facing governments and municipalities is how to create and sustain local talent pools with the skills and experience needed to attract investment and fuel economic growth.

In the recent past, companies have used “mobility” – moving people to jobs – in order to meet their business expansion needs. While mobility gets the job done, it can be expensive and does not fully tackle the scale of intervention now required. As a result, companies are looking for alternatives, including ways to move jobs to people. Governments are also taking action to ensure local workers have priority over foreign workers in terms of employment. Recent proposed legislation in Australia will, among other things, require employers to provide evidence of labor shortages in Australia, before recruiting foreigners. In Ottawa, Canada, the government did away with a rule that allowed employers to pay foreign workers up to 15 percent less than the median wage and introduced other rules to make it harder and less attractive to bring foreign workers into Canada. A number of countries, including the United Kingdom, are restricting the number of visas for foreign workers.

Mobility and government policy changes will remain keys to successfully competing for talent in challenging circumstances, but new solutions are needed as well. Thus, in addition to enabling the mobility of talent, creating a sustainable local talent hub is equally critical in solving the talent crisis. This requires two key ingredients to be pursued concurrently: 1) A *multi-stakeholder collaboration* across the private and public sectors and 2) initiatives targeting the *four talent accelerators* as identified by Mercer.³

¹ ManpowerGroup, 2013 Talent Shortage Survey Research Results, Milwaukee/Wisconsin, 2013.

² International Labor Organization, Global Employment Trends 2013, Geneva, 2013.

³ Mercer, Talent Rising – High-Impact Accelerators to Global Growth, New York, 2013.

I What is a Talent Hub?

We define a talent hub as a location that contains a critical mass of talent with the skills and expertise required by employers in a specific company, industry or collection of industries. The creation of a talent hub may be driven by “demand”, e.g. natural resources or increasing economic activity, or “supply” e.g. higher education or oversupply of labor due to industry diversification. Talent hubs can be driven by a variety of entities for any number of reasons but are ideally accomplished through collaboration across many stakeholders. A single organization may seek to create a sustainable talent hub to advance its business strategy. For example, in order for Walmart to successfully expand into Brazil, one of the fastest growing economies in the developing world, it has had to collaborate with government and academia to develop talent with the critical retail skills it needs.

The creation of a talent hub may also be driven by the existence of natural resources in a particular location and thus the need for talent with the skills to effectively exploit those resources. As an example, Saudi Aramco has had to actively develop the engineering and technical talent it needs to effectively manage the country’s vast oil reserves. In addition, natural resource-driven talent hubs are developing in many parts of Africa, Western Australia and Canada. Because of the rich resources of Western Canada, Calgary enjoys the highest employment rate (defined as the percent of the population age 15 and over working for pay) in Canada – 70 percent – followed closely by Regina and Edmonton. In contrast, the job picture looks very different in auto-dependent Windsor where the employment rate is just under 53 percent, the lowest in Canada.⁴

Alternatively, talent in a region may already have certain skills that make the location attractive to businesses in a certain industry. For example, the prevalence of English-speakers in India, coupled with lower wages and a large population, has fuelled the growth of that country as a hub for the information technology and business process outsourcing industry. NASSCOM, a trade association for the IT-BPO industry, is now working with government and educational institutions to develop industry-wide critical skills and increase the employability of the Indian workforce.

Finally, the creation of a talent hub may be driven by a government’s socio-economic strategy aimed at enhancing a region’s attractiveness to employers. Since its independence from Malaysia, Singapore has embraced this approach, investing significantly in the education and training of its people and enjoying rapid economic advancement. Additionally, the city of Detroit, Michigan in the US is trying to re-characterize and re-skill its talent in areas other than automobile manufacturing in order to attract other industries to the region.

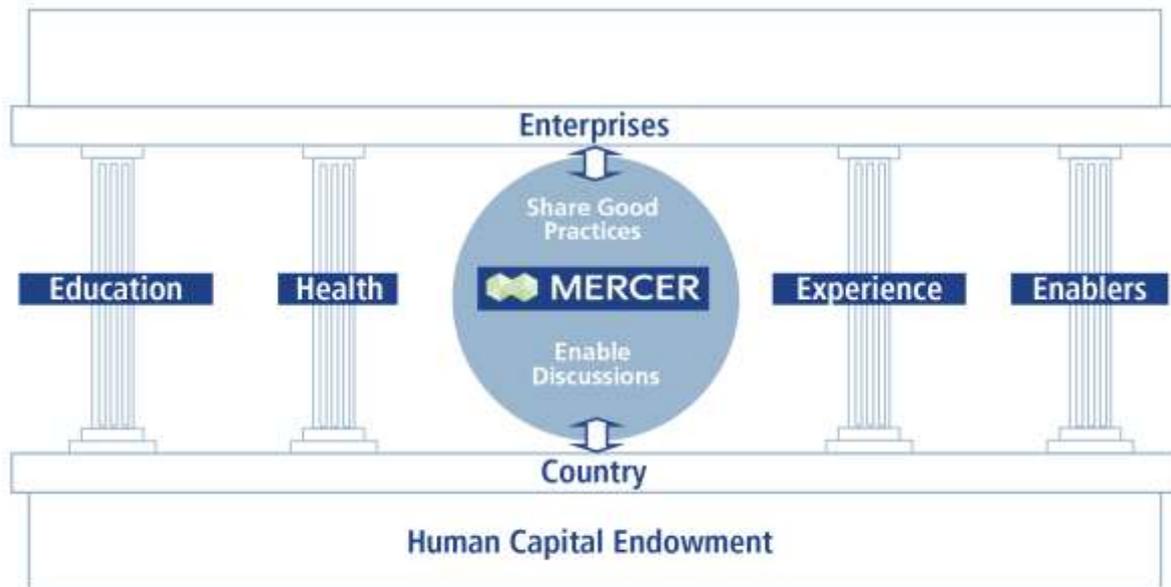
Regardless of the impetus for creating a talent hub or whether the initial actor is private or public, there are key elements that must be addressed in order to grow, attract and sustain high-performing talent. In this paper, we will examine these elements and what companies and localities are doing alone and together to create talent hubs.

⁴ Human Resources and Skills Development Canada, <http://www.hrsdc.gc.ca>.

II The Four Accelerators for Creating a Sustainable Talent Hub

Recent cutting edge research by Mercer and the World Economic Forum⁵ has identified the four critical accelerators speeding the creation of a productive and sustainable talent hub:

Four critical accelerators



Source: Mercer, Talent Rising – High Impact Accelerators for Global Growth, New York, 2013.

1. Education that prepares people with the knowledge and skills necessary for their roles – and with the broader creative and critical-thinking skills that elevate performance to its highest level – accelerates the development of a talent hub.

2. Health and wellness of a population also dictates the extent to which it can learn, grow and contribute to economic success. Productivity cannot be sustained without a workforce that is healthy. Moreover, given the critical connection between health in early life and lifetime development, attention to the health of tomorrow's workforce is just as important as focusing on today's.

3. Experience is the third accelerator of a competitive talent hub. Talent thrives only with access to progressive opportunities for growth, through experiences that not only accelerate and enhance ability and productivity but also are essential to human satisfaction. Without planned and thoughtful career development, engagement tends to lag and organizations lose the momentum that would result from employees' best work.

4. Enablers, or underlying infrastructure, within the organization and outside it determine the extent to which educated, healthy and experienced talent is productively employed to create value for the organization and for society. Within organizations, these enablers include adequate talent management and workforce planning infrastructure, strong leadership support, good governance of talent management programs and systems and a culture that takes talent management seriously. In the broader environment, enablers include socio-cultural factors impacting the deployment of

⁵ Mercer, Talent Rising – High-Impact Accelerators to Global Growth, New York, 2013.

human capital, the effectiveness of the business environment, the availability of communication tools, the degree of innovation and knowledge sharing across sectors and the strength of intellectual capital protection. Enablers produced by the public sector include immigration policies that are aligned with talent needs, tax incentives to attract companies and industries and a favorable work environment in which organizations and their talent can thrive. Global, regional, national and industry-level collaboration among organizations is essential to enable talent to thrive. In the broader environment, enablers include socio-cultural factors impacting the deployment of human capital, the effectiveness of the business environment, the availability of communication tools, the degree of innovation and knowledge sharing across sectors and the strength of intellectual capital protection. Enablers produced by the public sector include immigration policies that are aligned with talent needs, tax incentives to attract companies and industries and a favorable work environment in which organizations and their talent can thrive. Global, regional, national and industry-level collaboration among organizations is essential to enable talent to thrive.

III Activating Four Accelerators to Create Talent Hubs

Proactive governments and leading private organizations around the world are taking the initiative to impact one or more of the four accelerators in order to create valuable talent hubs. Forward-thinking organizations are specifically enabling effective development and deployment of talent through formal strategic workforce planning and better talent practices internally and by advocating for necessary legal and policy changes externally. Additionally, public and private sector organizations are influencing and directly affecting local education systems, from primary schools through tertiary colleges, trade schools and universities.

While some are undertaking this important work unilaterally, the best results have been achieved when organizations collaborate with peers and with entities in other sectors – public and private – to create sustainable talent hubs.

1. Accelerator: Education

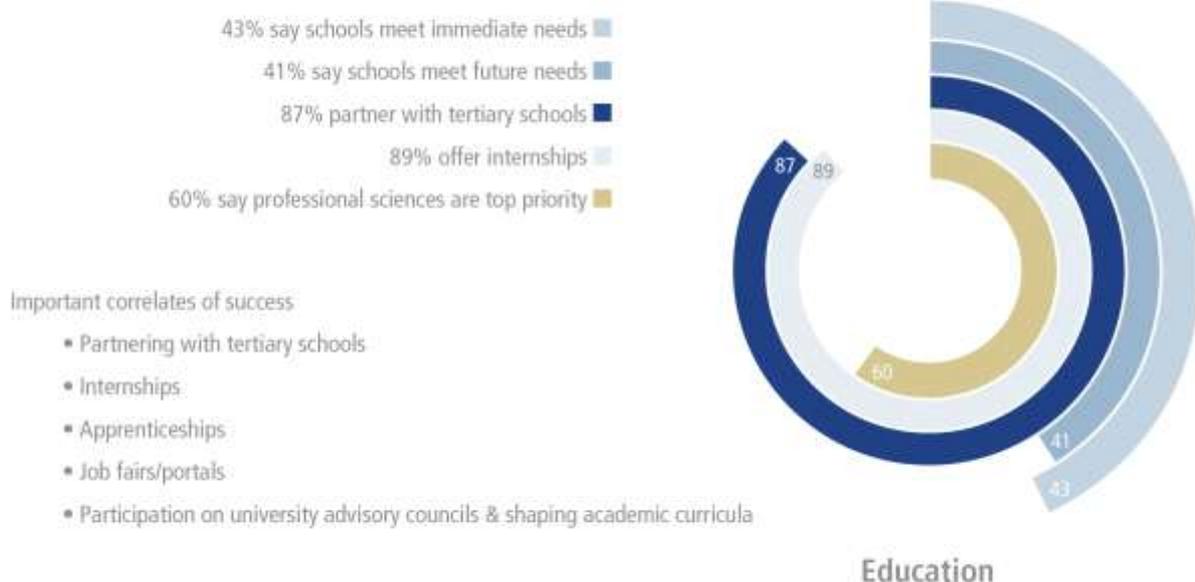
While government often has primary responsibility for educating the future workforce, it is not always able to deliver at the level required by organizations. In fact, organizations participating in Mercer's recent Talent Barometer research⁶ report that educational institutions are not successfully generating talent with the skills they need – particularly in the professional and formal sciences. Yet most organizations still do not get involved in, or partner with, local schools to drive the education agenda. Others do get involved, but perhaps not early enough. According to the Mercer Talent Barometer research, only 20 percent of organizations get involved at the primary school level and only 40 percent at the secondary school level. The level of involvement increases – but only to 60 percent – when it comes to trade/vocational schools and tertiary school programs (Bachelors, Masters or Doctoral).

We believe that companies must help influence the quality and availability of talent in the external labor pool by partnering with secondary schools, community colleges, and universities and should consider getting involved even earlier in the education system. Below are some findings that support the hypothesis that early involvement in education yields better results.

⁶ Mercer, Talent Rising – High-Impact Accelerators to Global Growth, New York, 2013.

Company investments in talent

Company involvement yields better outcomes



Source: Mercer, Talent Rising – High Impact Accelerators for Global Growth, New York, 2013.

Impactful educational intervention involves:

- Partnering with educational institutions to help shape curricula for highly skilled jobs
- Better preparing educators to train students for the jobs of tomorrow
- Helping design vocational education programs that are aligned with local talent needs
- Investing in re-skilling or up-skilling, particularly in those markets in which key skill sets are not being developed sufficiently by the larger society or where there has been a disruption. Life long learning is key to ensure that older workers are a relevant and productive component of the workforce.

Case study: Walmart Brazil's Escola Social do Varejo

In 2010, Walmart Brazil, Brazil's third largest retailer, launched Escola Social do Varejo (Social Retail School) in partnership with public schools to prepare low-income high school students for jobs in retail. Brazil's accelerated growth over the past decade has created a large demand for talent in the retail sector. However, among its large pool of young adults seeking work, many lack the education and work skills needed by retailers. Walmart's program is offered in high schools with Walmart supplying the curriculum and funding a portion of teachers' salaries. Students learn valuable retail skills through 500 free class hours held over eight months. They also are given help preparing for job interviews and are mentored during the first four months of work.

The program has dramatically reduced the dropout rate in the schools in which it is operating and is providing Walmart with better-prepared talent to staff its growing number of stores. The program has also strengthened the company's reputation and employer brand.⁷

⁷ World Economic Forum/Mercer, Talent Mobility Good Practices – Collaboration at the Core of Driving Economic Growth, Cologny/Geneva, 2012.

Case study: BAE Systems's Skills 2020

BAE Systems is a global company engaged in the development, delivery and support of advanced defense, security and aerospace systems. As the UK's largest manufacturer and employer of engineers, and given the competitiveness of the global economy, the company recognized the importance of developing and sustaining a strong pipeline of engineers to serve its needs and the needs of its sector now and in the future.

In 2010, the company launched Skills 2020, an integrated skills and education strategy designed to ensure that UK manufacturers have talent with the skills they need to compete and thrive through 2020 and beyond. Implemented in partnership with government and educational institutions, Skills 2020 encompasses a variety of programs to encourage interest in science, technology, engineering and mathematics.

For example, through the program BAE brings together 30 universities in the UK to create cutting-edge solutions and provide students with exposure to real-world projects. It also offers government-sponsored apprenticeships in advanced manufacturing on several different levels. And its schools engineering road show introduces children ages 9 to 12 to careers in engineering. Teachers have indicated that the entertaining show has led students to think more positively about engineering. These initiatives are helping BAE successfully produce a continual supply of talented young people with the skills and qualifications it needs to sustain and grow its business.⁸

Case study: New South Wales Government and Telstra

The government of New South Wales in Australia has partnered with Telstra, an Australian telecommunications company, to create a training program to help seniors embrace technology. Tech Savvy Seniors provides free or low-cost training with computers, tablets and smart phones to older citizens. The public-private partnership provides funding and training through community colleges and libraries. The program also provides self-training DVDs available through libraries, as well as online self-training videos.⁹ This program is a part of the New South Wales Ageing Strategy, which seeks to provide better learning, career and lifestyle opportunities for the aging Australian population. The program aims to strengthen skills in those over 45 as well as remove barriers to workplace participation.¹⁰

Case study: Finland

Finland began a radical transformation of its education system just 40 years ago, and today is one of the most celebrated systems in the world. Built to support every child regardless of his or her social or economic background, the educational system denies no child access to an education. Teaching is considered a highly desirable profession with fierce competition among candidates so that only the best are selected to educate Finland's youth. A mix of core subjects and creative learning nurtures a wide range of skills. A revised curriculum due in 2015 will integrate 'modern' skills into the curriculum such as problem solving, social interaction and life-long learning.

⁸ Mercer, Talent Rising – High-Impact Accelerators to Global Growth, New York, 2013.

⁹ New South Wales Government, Family and Community Services, NSW Government and Telstra Partner to Bring More Seniors Online, Sydney, 2013.

¹⁰ New South Wales Government, Family and Community Services, NSW Ageing Strategy, Sydney, 2012.

2. Accelerator: Health and Wellness

Organizations concerned about creating a sustainable talent hub must ensure that talent is strong, physically and mentally, and is also engaged, energetic, and able to balance work and life. This not only maximizes wellbeing and productivity, but is a critical attraction and retention lever, helping to establish an organization as an employer-of-choice. Yet according to Mercer research, few organizations today incorporate health and wellness into their business values and strategy or are working to create comprehensive health management strategies.

In most countries, governments are still the primary provider of healthcare. Considerations for the health and wellness accelerator include life expectancy, access to healthcare services and vaccination coverage, as well as incidence of HIV, malaria and obesity.

Advantages of a healthy workforce

Foundation for investment

- **Healthy employees**
 - Are present
 - Are less likely to have high claims costs
 - Have less worksite injuries
 - Set a social norm
- **Engaged employees**
 - Are more engaged employees
 - More focused on their customers
 - Leave the organization less often
- **Employees who are brand stewards**
 - Help business grow
 - Get the word out
 - And brands matters more in emerging markets



Source: Mercer, Talent Rising – High Impact Accelerators for Global Growth, New York, 2013.

These aspects of the overall health infrastructure will impact the strategies pursued by an organization in a particular location. But in general, creating a healthy and productive talent hub involves:

- Developing formal strategic plans for employee health management
- Addressing the needs of all employees across the health continuum, including those who are healthy, at-risk, and have chronic conditions
- Creating physical work environments that support employee health and wellbeing
- Offering employees flexibility in structuring their work to maximize productivity and their ability to balance work with family obligations and health considerations (including on-site child care)
- Designing health benefits to support disease prevention
- Offering on-site preventive health screenings and incentives to promote healthy behaviors
- Assisting employees in managing chronic conditions and evaluating treatment options
- Offering insurance plans and benefits that help employees avoid financial difficulties and encouraging future planning

Case study: American Express's Healthy Living

American Express, a leading global payments and travel company, launched a comprehensive global health and wellness program in 2009. Named Healthy Living, the program provides its employees with free access to preventive care and preventive drugs, health coaching, and lifestyle and condition management, and offers incentives for using these resources. The goal is to increase engagement and productivity, reduce health care costs, and improve employee wellbeing.

American Express implements Healthy Living using a phased approach designed to best support behavior change and inculcate a culture of health. The first phase – “Know Your Numbers” – involves free health screenings and assessments that provide employees with reports on their overall health and risk factors. The second phase – “Pay Attention to Prevention” – includes free condition management for diabetic and cardiac conditions, access to specialist health care counselors and dietitians, and an on-site gymnasium so employees can prevent illness or better manage chronic conditions. The third phase – “Rally Your Resources” – seeks to motivate employees to take advantage of programs such as an employee assistance program, smoking cessation program, or pregnancy care program.

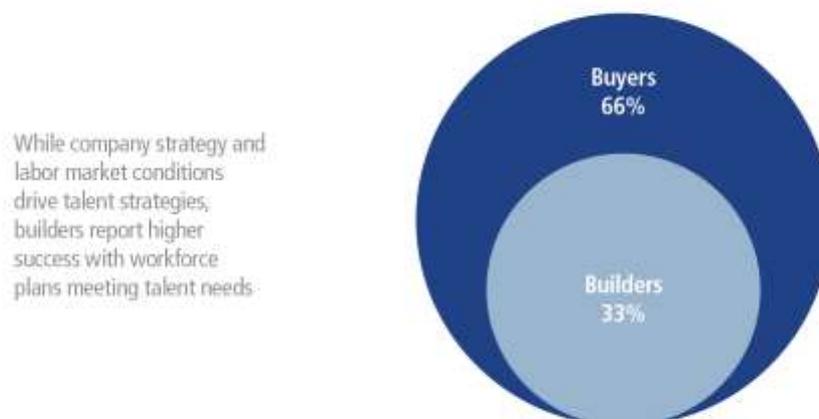
Healthy Living is customized for different markets based on an analysis of the health drivers and engagement drivers in that market. Success is based on a range of measures including program participation, compliance with medication and treatment protocols, the number of medical and disability claims filed and sickness-related absenteeism. The program is succeeding in helping American Express improve employee health and wellness, increase productivity, reduce claims, and build employee loyalty.¹¹

3. Accelerator: Experience

Mercer's Talent Barometer research¹² shows that organizations more often try to buy talent rather than build talent, with 66 percent of respondents relying on buying talent from outside the organization rather than building it from within.

Builders vs. Buyers

While 80% conduct talent review, most report buying critical talent from outside



Source: Mercer, Talent Rising – High Impact Accelerators for Global Growth, New York, 2013.

¹¹ Mercer, Talent Rising – High-Impact Accelerators to Global Growth, New York, 2013.

¹² Ibid.

Organizations and governments can take the initiative to help deepen and broaden the critical skills, knowledge and experience residing within a talent pool through:

- Developing careers through formal and informal training, mobility programs, and reimbursements for degree programs and certifications
- Developing talent through collaborations with other organizations
- Increasing mobility within the organization to develop talent and close talent gaps
- Asking emerging leaders to work on real-world business problems as part of a cross-disciplinary team
- Implementing on-demand technology platforms for learning
- Integrating formal training with e-learning, coaching, expert directories, mentoring, and peer-to-peer collaboration
- Developing high-impact leaders fluent in doing business internationally with multicultural societies
- Developing emerging leaders, front-line leaders, and mid-level leaders as well as executives, senior leaders, and high potentials

Case study: Bosch Suzhou

China-based Bosch Suzhou, a manufacturer of advanced automotive systems, sends young high-potential employees to Bosch headquarters in Germany to work on international assignments for three years. The goal of international assignments is to develop future leaders in China by expanding the views of young employees. These assignments provide a valuable opportunity to experience new cultures, working styles, languages and work relationships.¹³

Case study: Saudi Aramco

Saudi Aramco, the largest oil and gas company in the world, not only relies on frequent job moves to develop its talent and future leaders, but also places top talent in other organizations – alliance partners, joint ventures – so they can gain and share experience from other high-performing organizations and enhance critical skills. Current and projected shortages of seasoned petroleum engineers and technical experts, combined with an anticipated increase in retirements, have raised pressure on the company to optimize its use and management of talent to prepare the next generation effectively and tap into new talent markets around the world.

The company collaborates with its alliance partners throughout the world to place Saudi employees in their firms, exposing them to world-class practices and more diverse technology. Such assignments contribute greatly to internal mobility at all career levels to broaden experience, better match people to jobs, and strengthen engagement and motivation.

In addition to sending Saudis on international assignments, Saudi Aramco relies on seasoned professionals from around the world to come to the Kingdom and help in knowledge transfer on the latest technologies and management practices. About 12 percent of its workforce is non-Saudi, bringing experience in critical oil and gas skills, project management, construction, healthcare, finance, IT and HR. In managing this expatriate workforce, Saudi Aramco is careful not to simply fill positions that cannot be filled by locals, but to ensure that expatriate professionals develop Saudis as well.¹⁴

¹³ Mercer, *Talent Rising – High-Impact Accelerators to Global Growth*, New York, 2013.

¹⁴ World Economic Forum/Mercer, *Talent Mobility Good Practices – Collaboration at the Core of Driving Economic Growth*, Cologny/Geneva, 2012.

Case study: Modern Products Company and Procter & Gamble

A joint venture between Modern Products Company and Procter & Gamble designed a program to help attract and develop top talent and provide the best experience for local talent and leaders. Over 64 percent of the joint venture's workforce is Saudi nationals. The local talent undergoes extensive training, including short- and long-term development programs to build international capabilities. In addition, Saudi employees undergo ongoing internal and external training to develop skills in the latest technology and ensure its talent is competitive in the global workforce.¹⁵

Case study: Canada and Forum for International Trade Training (FITT)

In December 2011, the Forum for International Trade Training (FITT) set out to study the state of the international-trade workforce in Canada and how to enable Canadian businesses to take full advantage of the potential of international trade. Two talent gaps were identified: a gap in the number of current international-trade practitioners and the number required, and a gap in the capabilities that current and emerging workers now have and the capabilities they need to be high performers in international trade. The study, funded by Human Resources and Skills Development Canada, is the first of its kind anywhere in the world and can serve as a proven blueprint for other countries to conduct their own studies.

Mercer led the study for the FITT, assessing 519 specific occupations and interviewing more than 100 leading business owners from across the country. Mercer's recommendation included re-skilling of local talent that is looking to re-enter the workforce. Ideal prospects to join the international-trade workforce include retirees and workers who wish to change their careers, including people in the Canadian Forces. Many military personnel have sharply honed logistics skills and experience working overseas – both of which are relevant and vital to trading internationally. The study concluded that businesses should recruit retirees with trade-relevant capabilities and create partnerships with associations that serve the interests of aging and retired workers. It also recommended that business and Canadian Forces outplacement authorities collaborate to facilitate the placement of former Canadian Forces personnel with international trade-relevant skills and experiences (e.g., logistics, security, multicultural contexts) into trade-relevant positions.¹⁶

Case study: TalentCorp Malaysia

Working to develop quality talent to drive the country's economic transformation program, Malaysia has focused on developing a forward-looking talent pipeline by incenting skilled Malaysians to return from overseas, rewarding talent and preparing younger talent. This initiative, TalentCorp Malaysia, proves that the public and private sectors can work together to succeed. The Scholarship Talent and Retention scheme allows Public Service Department scholars to serve scholarship bonds in the private sector to develop careers with top employers. In addition, the Structured Internship Program contributes to developing local talent. This program has proven to be essential to telecommunications company, Maxis, as it prepares students with practical learning experience to ensure their readiness upon graduation.¹⁷

¹⁵ Arab News, Al-Abdulkarim: Bright Prospects for Graduates of Local Universities, Jeddah, 2013.

¹⁶ Forum for International Trade Training, Human Resources: A Vital Driver of Canadian International Trade Capacity and Capability, Ottawa, 2011.

¹⁷ HRM Asia, Malaysia Boleh!, Singapore, 2013, <http://www.hrmasia.com/news/features/malaysia-boleh/176065/>.

4. Accelerator: Enablers

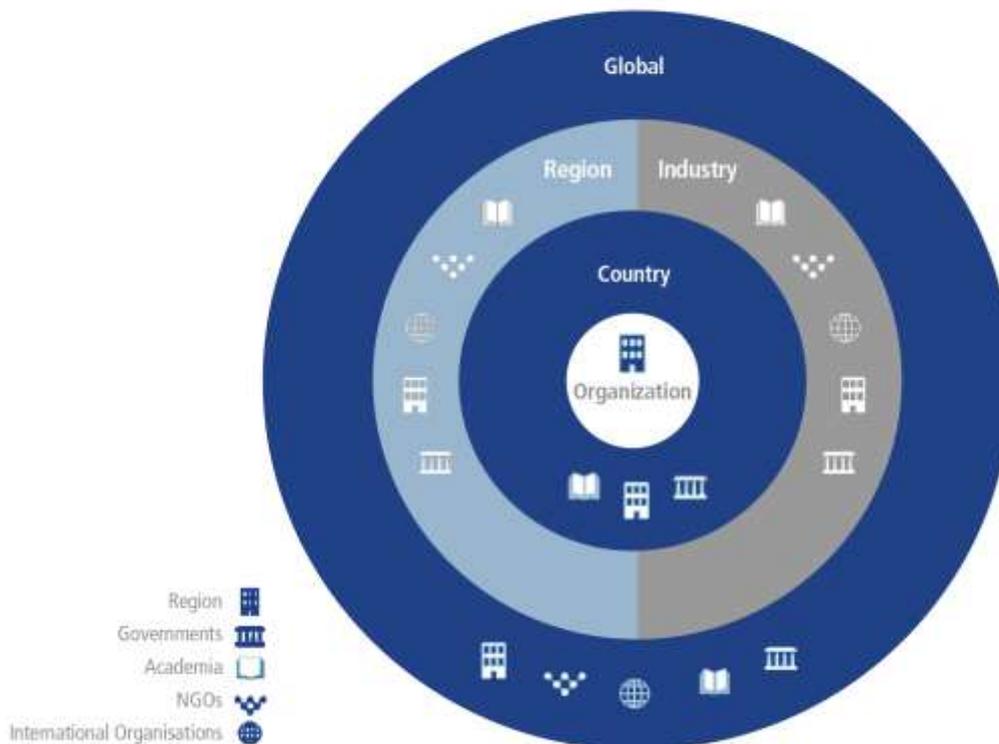
Simply having a talent pool with good health, the right education and apt experience does not guarantee that talent will be effectively deployed where needed. Both individual organizations and governments can create more sustainable talent hubs by engaging in strategic workforce planning designed to anticipate shifts in the type and quality of labor required for future success.

Ensuring that talent is developed and deployed effectively also requires:

- Mapping career paths for highly skilled talent
- Developing good systems for matching talent to open jobs
- Developing a strategy that defines the company's leadership requirements
- Implementing immigration policies that are aligned with talent needs to create a reliable and attractive talent pipeline
- Providing desirable tax incentives to foster interest in development from foreign companies, as well as local organizations
- Creating a favorable work environment that allows organizations to develop talent and grow their businesses

Enabling the creation of talent hub through multi-stakeholder approach

Employers at the heart of collaboration



Source: Mercer, *Talent Rising – High Impact Accelerators for Global Growth*, New York, 2013.

Case study: Toronto Financial Services Alliance

The Toronto Financial Services Alliance (TFSA) was created to grow Toronto's financial sector into one of the top ten international financial hubs. The key challenge was to secure the talent needed not only to sustain, but to accelerate growth. The city faced an aging workforce, underutilized immigrant talent, a new generation lacking skill or motivation for finance jobs, and misaligned education. To address these challenges, TFSA helps to educate the public, government entities

and potential talent about the role and needs of the industry and promote the industry and the city to the firms, investors and talent they are seeking to attract.

For example, TFSA established the Centre of Excellence in Financial Services Education to strengthen and broaden the pipeline of talent and also to identify talent requirements, gaps and the sources of new talent. TFSA has used this information to successfully advocate for immigration policies that would enable the freer flow of needed talent. It has also created standardization for job requirements and opened a dialogue for shaping curriculum in colleges and universities to close the skill gap and provide a better understanding of career options for students.

TFSA's success has partners speaking of a cultural shift in the way financial services is viewed by talent. TFSA has advanced the creation of Toronto's talent hub by driving collaboration across stakeholders, focusing on common issues, utilizing strengths and gaining support from top leaders.¹⁸

IV Collaboration for High Impact Talent Growth

Historically, different sectors of society have been seen as primarily responsible for the various accelerators necessary for the creation of a talent hub. In some regions, for example, education is seen as an issue for government, whereas career development is seen as the task of private employers.

Solving the current talent crisis, however, will require all stakeholders – public and private – to take an interest in all aspects of talent development. As the case studies included in this paper illustrate, successful efforts can start at the company, industry or public-sector level, but collaboration ultimately yields the greatest results. In fact, given the complexities of the critical accelerators, actions to affect them by any entity acting alone are likely to have only a modest effect. Collective action may in some cases be the only way to significantly impact the development of talent hubs.

Effective collaboration will require entities to think broadly, become comfortable with complexity, and understand and find common ground with the goals of other stakeholders. Perhaps most importantly, the successful collaborator will seek to understand and engage the hearts and minds of the people who are to form the talent hub.

Talent hub of today: Singapore

Singapore's substantial targeted investments in education and training, promotion of a healthy society to increase productivity, reliance on rigorous workforce planning methods, and expansive talent mobility and immigration policies and programs gives its citizens the opportunity to fully develop their talent, and gives employers the incentives to invest in local talent. With these policies, Singapore is ensuring not only that it has the workforce it needs to sustain its businesses, but also that the country has a competitive talent pool that will ensure growth for the society as a whole. Besides progressing in all four accelerators, Singapore embraces extensive collaboration across private and public organizations to move the needle on developing a talent hub.

¹⁸ World Economic Forum/Mercer, Talent Mobility Good Practices – Collaboration at the Core of Driving Economic Growth, Cologny/Geneva, 2012.

Future talent hub?

Because of a youth bulge, Africa's labor force will be larger than China's by 2035.¹⁹ In addition, Africa has the largest agricultural potential in the world, yet less than 2 percent of African students are studying agriculture.²⁰ If Africa can leverage its competitive advantage in having a younger workforce and can prepare and equip them for the future by focusing on the four accelerators to create employment and talent opportunities, Africa may be the next location that employers seek for talent.

V Conclusions

Creating sustainable talent hubs is an ambitious undertaking that requires attention to each of the four accelerators underlying talent development and productivity. While efforts to build a talent hub often begin with one organization or governmental entity, collaborative efforts encompassing business, government and academia are usually required to successfully address all four accelerators.

Education

- Fundamentally rethink learning in your organization
- Actively collaborate to drive change
- Prepare educators to train students for the jobs of tomorrow
- Help design vocational programs that are aligned with local talent needs

Health and Wellness

- Commit to driving long term change
- Market the plan to employees
- Develop targeted interventions
- Improve employee resilience
- Create physical work environments that support employee health and wellbeing

Experience

- Create a culture that 'Embraces Talentism'
- Balance building and buying talent mix
- Develop systems for matching talent to jobs
- Develop careers through formal and informal training, mobility programs, and reimbursements for degree programs and certifications

Enablers

- Develop a people strategy
- Create a culture of talent development
- Consistent delivery across organizations

¹⁹ WorldLink/Martha J. Frase, Tapping Into Youth as an Engine for Success, Alexandria/Virginia, 2013.

²⁰ Ibid.

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Trilogie Salzburg

Surrounded by the stimulating atmosphere of the Salzburg Festival, the Trilogie Salzburg convenes leading thinkers, decision-makers and renowned personalities from the arts, civil society, business and politics to engage in crosscutting, inter-cultural and future-oriented debate at a roundtable. The Trilogie Salzburg was originally initiated by Dr. Wolfgang Schüssel, member of the Bertelsmann Stiftung Supervisory Board and former Austrian Chancellor. The Trilogie 2013 focuses on the question how countries, corporations as well as cultural institutions can compete for the world's most valuable resource: talent.

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