Global Talent 2021:
The Transformation of Labor Supply
and Demand in World Markets

Adrian Cooper
CEO and Chief Economist
Oxford Economics
acooper@oxfordeconomics.com

September 2012
Global Talent 2021 – key research issues

- How will global business demands for labor evolve over the next decade? Which skills will be in demand and which will fall out of favor?

- How will demographic trends – from aging population and birth trends – affect the availability of global talent?

- Will the expected supply of skilled labor meet business needs? Where will we see employment dislocations and gaps?

- How can companies best prepare to meet the attraction, retention and engagement issues of today to be best positioned in 2021?

- How should governments and senior executives address these issues?
Global Talent 2021 – study components

- Survey of 350 senior HR executives in Americas, Europe, Asia-Pacific and Middle East/Africa
- Forecasts for employment trends in major sectors for 46 countries, including 9 from Latin America
- Assessment of the impact of demographic and education trends on the global supply of talent
- An analysis of the link between talent practices and company performance
- A ranking model that can be used by executives to assess the impact of adopting more rigorous HR approaches
Strongest talent demand in emerging markets

Survey: how will the demand for talent change over the next 5-10 years

Source: Oxford Economics
Strongest talent demand in emerging markets

How will the landscape for talent change over the next five to 10 years?

<table>
<thead>
<tr>
<th></th>
<th>Western Europe</th>
<th>North America</th>
<th>Developed Asia</th>
<th>Eastern Europe</th>
<th>MENA</th>
<th>Latin America</th>
<th>Emerging Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total (% change)</strong></td>
<td>3.5%</td>
<td>6.1%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>12.7%</td>
<td>13.0%</td>
<td>22.2%</td>
</tr>
<tr>
<td><strong>Industrial</strong></td>
<td>-0.5%</td>
<td>-2.4%</td>
<td>11.4%</td>
<td>2.4%</td>
<td>28.7%</td>
<td>17.1%</td>
<td>37.7%</td>
</tr>
<tr>
<td><strong>Emerging</strong></td>
<td>26.1%</td>
<td>38.3%</td>
<td>8.4%</td>
<td>19.8%</td>
<td>6.3%</td>
<td>10.2%</td>
<td>13.3%</td>
</tr>
<tr>
<td><strong>Heavy manufact.</strong></td>
<td>24.6%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>33.2%</td>
<td>10.3%</td>
<td>17.8%</td>
<td>60.3%</td>
</tr>
<tr>
<td><strong>Business services</strong></td>
<td>-4.4%</td>
<td>0.3%</td>
<td>51.4%</td>
<td>6.8%</td>
<td>30.1%</td>
<td>0.6%</td>
<td>40.0%</td>
</tr>
<tr>
<td><strong>Financial services</strong></td>
<td>13.2%</td>
<td>-8.1%</td>
<td>4.9%</td>
<td>-9.9%</td>
<td>31.6%</td>
<td>48.6%</td>
<td>20.9%</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td>-11.3%</td>
<td>22.7%</td>
<td>8.0%</td>
<td>8.7%</td>
<td>12.2%</td>
<td>-11.9%</td>
<td>33.0%</td>
</tr>
<tr>
<td><strong>Travel and transport</strong></td>
<td>-9.3%</td>
<td>-1.4%</td>
<td>36.5%</td>
<td>5.0%</td>
<td>14.1%</td>
<td>32.9%</td>
<td>32.6%</td>
</tr>
<tr>
<td><strong>Life sciences</strong></td>
<td>-4.1%</td>
<td>4.2%</td>
<td>8.2%</td>
<td>19.7%</td>
<td>8.6%</td>
<td>20.4%</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
But 2021 talent shortage worse in industrialized world

The mismatch between supply and demand for talent in 2021

[Diagram showing talent surplus and deficit by country, with India, Indonesia, and South Africa having the strongest talent surplus and Japan and Italy having the strongest talent deficit.]
How will market shifts impact talent needs?

Americas: Which market shifts will have the biggest impact on your organization's talent requirements over the next 5-10 years?

- Globalization of markets
- Increasing competition
- Technological and digital change
- Industry consolidation and transformation
- Changes in customer needs and behavior
- Labor markets shifts
- Shift of market momentum to emerging markets
- Sustainability and the environment
- Increasing focus on diversity
- Geopolitical trends
- Generational, social and cultural drivers
- Regulatory changes
- Other

% of respondents

Source: Oxford Economics
How will strategy shifts impact talent needs?

Americas: Which strategic initiatives at your firm will have the biggest impact on your talent requirements over the next 5-10 years?

- Global expansion
- Cost reduction and efficiencies
- Improving quality and customer service
- Emerging market focus
- Driving innovation
- Extending product and service portfolio
- Process improvements
- Reinventing business models
- Developing digital channels
- Penetrating new customer segments
- Supply chain management
- Mergers, acquisitions and alliances
- Outsourcing and offshoring
- Speeding time to market
- Organizational realignment
- Downsizing and restructuring
- Other

Source: Oxford Economics
Future need for agile thinking skills

Which of the following agile thinking skills will be in highest demand at your firm over the next 5-10 years?

- Ability to consider and prepare for multiple scenarios
- Innovation
- Dealing with complexity and ambiguity
- Managing paradoxes, balancing opposing views
- Ability to see the "big picture"

Source: Oxford Economics
Which of the following agile thinking skills will be in highest demand at your firm over the next 5-10 years?

- Ability to consider and prepare for multiple scenarios
- Innovation
- Dealing with complexity and ambiguity
- Managing paradoxes, balancing opposing views
- Ability to see the “big picture”

Source: Oxford Economics
Future need for interpersonal/communication skills

Which of the following interpersonal and communication skills will be in highest demand at your firm over the next 5-10 years?

% of respondents

Source: Oxford Economics
Future need for digital skills

Which of the following digital skills will be in highest demand at your firm over the next 5-10 years?

% of respondents

- Ability to work virtually
- Digital business skills
- Understanding of corporate IT software and systems
- Digital design skills
- Ability to use social media and “Web 2.0”

Source: Oxford Economics
Future need for global operating skills

Which of the following global operating skills will be in highest demand at your firm over the next 5-10 years?

- Ability to manage diverse employees
- Understanding international markets
- Ability to work in multiple overseas locations
- Foreign language skills
- Cultural sensitivity

Source: Oxford Economics

% of respondents

US/Canada
Latin America

[Bar chart showing the percentage of respondents in US/Canada and Latin America for each skill category.]
Forecasting talent demand

- We forecast labor/talent demand in 2021 in 46 countries across 21 industries and 10 occupation groups

- Our demand forecasts draw on:
  - Our macroeconomic forecasts (GDP growth, productivity, unemployment)
  - Forecasts from our industry models for the shift in industrial composition of employment
  - Analysis of trends in labor force composition (occupations) within industries
  - Regression analysis of trends in educational qualifications within occupations
Talent demand growth to 2021

Growth in talent demand (college educated workers)

Average % change 2011-2021

Source: Oxford Economics
Talent demand by sector - Mexico

Growth in the demand for talent 2011-2021 in Mexico

Average % change, 2011-2021

- Primary
- Manufacturing, Utilities
- Construction, Distribution
- Communications, Finance, Real Estate
- Professions, Arts, Media
- Education, Health

Source: Oxford Economics
Mexico talent demand growth fastest in services…

Mexico: Labor demand by industry in 2011 and 2021, college educated individuals

Source: Oxford Economics
…focused on most skilled occupations

Mexico: Labour demand by occupation in 2011 and 2021, college educated individuals

 Millions

Source: Oxford Economics
Our talent supply-side forecasts draw on:

- Detailed demographic projections from UN and country agencies
- Regression analysis to capture trends in educational attainment together with the impact of past public investment in education
- Our global survey of workforce skills, conducted for this study
- Other major surveys of educational attainment, such as the OECD PISA survey
- Migration projections from UN
Talent supply growth also rapid in emergers

Growth in talent supply (college educated workers) Average % change 2011-2021

-2 0 2 4 6 8

India  Colombia  Brazil  Indonesia  Costa Rica  Bermuda  Turkey  China  Peru  Mexico  Argentina  Barbados  Chile  USA  Canada  France  UK  Italy  Japan  Russia  Germany

Source: Oxford Economics
Where will college-educated talent pool be in 2021?

- **China**: 28%
- **US**: 25%
- **India**: 13%
- **Russia**: 11%
- **Japan**: 7%
- **Brazil**: 3%
- **Mexico**: 3%
- **Other**: 10%

*Note: “Other” contains those with less than 2% of the total, including Canada, France, Germany, Indonesia, Italy, Turkey and the UK.*
Talent supply in Americas

Growth in talent (college educated workers)
Average % change 2011-2021

Source: Oxford Economics
Talent supply vs demand in Americas

**Americas: Supply and demand of talent**
Average % change 2011-2021

- Colombia
- Brazil
- Costa Rica
- Bermuda
- Peru
- Mexico
- Argentina
- Barbados
- Chile
- USA
- Canada

Source: Oxford Economics
Talent balance in Americas

Americas: Talent balance 2011-2021
Average % change 2011-2021

-1.5 -1.0 -0.5 0.0 0.5 1.0 1.5

Colombia
Brazil
Peru
Costa Rica
Barbados
Bermuda
Argentina
Mexico
USA
Canada
Chile

Source: Oxford Economics
Mexico’s talent balance by sector

Talent balance, Growth 2011-2021 in Mexico

Average % change, 2011-2021

-1.5  -1  -0.5  0  0.5  1  1.5

- Primary
- Manufacturing, Utilities
- Construction, Distribution
- Communications, Finance, Real Estate
- Professions, Arts, Media
- Education, Health

Source: Oxford Economics
College vs high school talent

Workforce supply by education, Growth 2011-2021

Average % growth 2011-2021

- Colombia
- Brazil
- Costa Rica
- Bermuda
- Peru
- Mexico
- Argentina
- Barbados
- Chile
- USA
- Canada

Source: Oxford Economics
College vs high school talent

Workforce supply by education, Growth 2011-2021

Total increase in millions, 2011-2021

Source: Oxford Economics
Supply-demand gaps smaller for high schoolers

Demand and supply of high school educated workforce, Growth 2011-2021

Average % growth 2011-2021

Source: Oxford Economics
Implications for corporate HR strategies

- Apply the same rigor, effort and sophistication to human capital planning as is given to designing overall business strategy
  - Greater evidence-based approach to talent management
  - Use more sophisticated analytical tools for making global staffing decisions

- Think more broadly about how and where talent is sourced
  - Improve employee engagement

- Invest more in retraining and reskilling
  - Ensure open dialogue and partnerships with educational institutions and government employment development agencies
  - Move rapidly to develop new forms of digital and technology-enabled training programs
Emerging markets increasingly using HR analytics

Future approaches to talent segmentation

- Formally identifies top-performing employees
- Formally identifies employees in pivotal roles
- Formally identifies high-potential employees

Source: Oxford Economics
Some policy implications

- Addressing the talent challenge will require partnership between corporates, government and academia both nationally and internationally - appropriate forums need to be established, especially at a sector level.

- All governments should undertake skills assessments and projections for key growth sectors to guide talent policy. And companies should survey staff to identify skills gaps and training needs.

- Too few employers are providing training – barriers need to be identified and appropriate support and incentives provided.

- Equally, workers need to be encouraged to actively embrace lifelong learning.

- Policy should aim to enhance labor participation among, for example, women and older workers (eg improved childcare, facilitation of virtual working, reform of retirement regulations).

- National borders should be open for movement of skilled labor – aided by an international code to facilitate migration (eg points based, free flow of remittances).
The Global Talent 2021 study is available at

http://blogs.oef.com/globaltalent2021/
Which of the following interpersonal and communication skills will be in highest demand at your firm over the next 5-10 years?

Source: Oxford Economics
Future need for digital skills

Which of the following digital skills will be in highest demand at your firm over the next 5-10 years?

% of respondents

- Ability to work virtually
- Digital business skills
- Understanding of corporate IT software and systems
- Digital design skills
- Ability to use social media and “Web 2.0”

Source: Oxford Economics
Which of the following global operating skills will be in highest demand at your firm over the next 5-10 years?

Source: Oxford Economics

- Ability to manage diverse employees
- Understanding international markets
- Ability to work in multiple overseas locations
- Foreign language skills
- Cultural sensitivity
Mexico compared with BRICs

BRICs: Supply and demand of talent
Average % change 2011-2021

India
Brazil
China
Mexico
Russia

Source: Oxford Economics
Talent balance – Mexico compared with BRICs

**BRICs: Talent balance 2011-2021**

Average % change 2011-2021

-0.5 0 0.5 1 1.5 2 2.5

- India: Average % change 2.0
- Brazil: Average % change 0.8
- China: Average % change 0.0
- Mexico: Average % change -0.5
- Russia: Average % change -1.5

Source: Oxford Economics
Talent demand by sector - USA

Growth in the demand for talent 2011-2021 in the United States

Average % change, 2011-2021

Source: Oxford Economics
Talent demand by sector - Brazil

Growth in the demand for talent 2011-2021 in Brazil

Average % change, 2011-2021

Source: Oxford Economics
Talent demand by sector - Colombia

Growth in the demand for talent 2011-2021 in Colombia

Source: Oxford Economics
Talent demand by sector - Chile

Growth in the demand for talent 2011-2021 in Chile

Average % change, 2011-2021

- Primary
- Manufacturing, Utilities
- Construction, Distribution
- Communications, Finance, Real Estate
- Professions, Arts, Media
- Education, Health

Source: Oxford Economics
Americas talent balance in manufacturing

Manufacturing, Utilities: Talent balance 2011-2021
Average % change 2011-2021

- Chile
- Colombia
- Costa Rica
- Bermuda
- Barbados
- Mexico
- Argentina
- Brazil
- Peru
- Canada
- USA

Source: Oxford Economics
Americas talent balance in construction

Construction, Distribution: Talent balance 2011-2021
Average % change 2011-2021

Source: Oxford Economics
Americas talent balance in key service sectors

Communications, Finance, Real Estate: Talent balance 2011-2021

Average % change 2011-2021

-2 -1 0 1 2 3 4

Colombia
Costa Rica
Barbados
Mexico
Bermuda
Peru
Brazil
USA
Argentina
Canada
Chile

Source: Oxford Economics
Americas talent balance in professions, arts, media

Professions, Arts, Media: Talent balance 2011-2021
Average % change 2011-2021

Source: Oxford Economics
Americas talent balance in education & health

Education, Health: Talent balance 2011-2021

Average % change 2011-2021

Source: Oxford Economics