

supply / demand

# Confronting the Talent Crunch: 2007

A Manpower White Paper



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# Confronting the Talent Crunch: 2007

## Executive Summary:

Talent shortages exist in many areas of the global labor force today, a situation that will grow more acute and more widespread across more jobs over the next 10 years – and could threaten the engines of world economic growth and prosperity.

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

Governments and employers around the world are taking steps to counter the effects of these shortages by improving educational and vocational training provisions, adopting strategic migration policies, bringing the economically inactive into a more inclusive labor force, and encouraging skilled and experienced older individuals to remain in employment. But as trends continue and the shortages become more pronounced, there is far more they can be doing – in proactive ways – to mitigate the impending shortage.

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

This paper, which has been updated since its original publication in 2006, explores which trends are likely to become more pronounced, and what further steps governments and employers can take in response. It also looks at how individuals can be both encouraged and enabled to regularly redefine their career objectives, renew their skills and, when necessary, re-engage with the labor force in more sustainable ways.

## Introduction:

### A Human Resources Paradox

Continual changes in global labor-force dynamics are having a major impact on the way employers around the world conduct their affairs. These changes have become a new and progressive reality – a fact of economic life – and cannot be ignored.

In *Key Indicators of the Labour Markets* (KILM) document<sup>1</sup>, the International Labor Organization (ILO) reports that, despite relatively buoyant economic growth in many regions of the world, the global economy is failing to generate sufficient jobs to reduce aggregate average levels of unemployment – or underemployment.

*The Bureau of Labor Statistics projects a shortfall of 10 million workers in the United States by 2010.*

United States Bureau of Labor Statistics

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

In many developed economies, birthrates are falling to below the replacement rate and life spans are lengthening on the back of better healthcare, leading to a labor force incapable of supporting the nation's economic needs. In other economies, individuals are unemployed or underemployed because their education is insufficient or deficient. In yet other economies, the raw number of people available to work is not lacking,

but individuals' skills do not match those required for the jobs, or when the skills are appropriate, the individuals are not located where the jobs are.

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

This **Manpower White Paper** looks at what's next: how current trends are likely to develop, and how governments, employers, and individuals can prepare themselves to confront the looming heightened talent shortage.

#### Figure 1: Headline Evidence of Talent Shortage

There are not enough qualified workers to go around [in China], causing rampant poaching and extremely fast wage inflation.

"The problem with Made in China," *The Economist*, 11 Jan 2007

Nearly half of all technology companies say they have difficulty finding technical talent in emerging markets, and just under half say these difficulties include the retention of skilled people around the globe.

'Technology Executive Connections – Successful Strategies for Talent Management,' Vol 3, PricewaterhouseCoopers, October 2006

The Construction Industry Training Board estimates that approximately 29,000 extra qualified plumbers will be needed [in the UK] by 2007.

[http://www.workpermit.com/news/2006-06-28/uk/uk\\_plumbers\\_needed.htm](http://www.workpermit.com/news/2006-06-28/uk/uk_plumbers_needed.htm), 28 June 2006

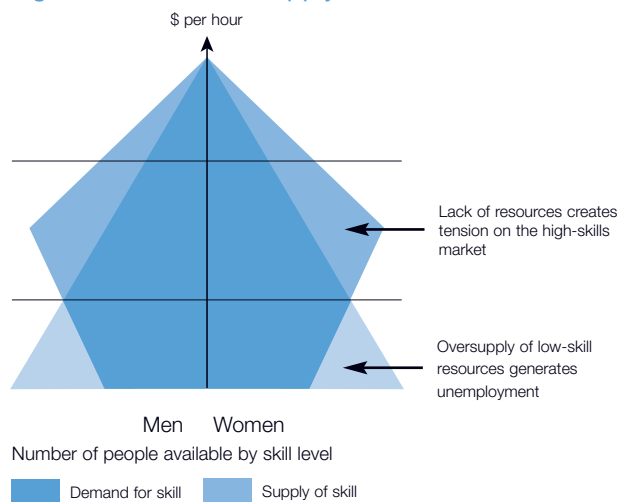
# Intensifying Trends: What's Next?

Governments and employers are already aware of, and taking steps to address, existing talent-shortage trends. However, a number of existing trends are likely to become more pronounced and others to emerge in the course of the next decade that will intensify the shortage and will need to be carefully assessed and responded to by governments, employers and individuals.

## Demographic evolution

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

Figure 2: The Talent Supply/Demand Disconnect



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

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

Even in countries with growing populations, such as most nations in Africa, **disease and disaster** may well decimate labor markets. In southern Africa, with high birth rates, people's life spans – and time in employment – are curtailed by disease, especially AIDS/HIV.

Working-age individuals from developing and emerging economies are leaving to find employment elsewhere. Many students, too, are leaving to study abroad and often not returning – leading to a further "talent drain." While such **migration** is welcomed by some recipient countries, it is less so in others and causes talent shortages in the country of origin.

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

*By 2025, India and China together will provide 27% of the world's GNP.*

World Bank

## Economic development

While economic development may not take place at the same pace in every country, it is occurring everywhere, bringing a number of competing forces into play.

On the one hand, it is argued that nearly all manufacturing jobs will move out of talent poor developed countries and into lower wage emerging and developing economies. On the other hand, there is growing evidence that fast-rising wages in these recipient economies, such as India and China, are an indication of talent shortages, thus an inability to handle increased offshore labor options. This will exacerbate shortages for all economies.

*As companies shift more sophisticated activities to these (low-cost emerging) markets, they are fighting over a much smaller pool of highly skilled workers to staff these operations. As a result, both labor costs and turnover among highly skilled workers are increasing rapidly, making retention ever more difficult.*

"Innovation in Emerging Markets: 2007 Annual Study,"  
Deloitte Touche Tohmatsu, January 2007

As emerging and developing nations develop their economies and increase their wealth, they will begin to want more talent for their own domestic needs, which they may find in short supply. And, as wages rise in the growing domestic economy, global employers' offshored activities will begin to meet intensifying competition from local sources of employment and experience a talent shortage. This situation will continue to get worse.

## Global competition

As global competition for customers intensifies, with emerging economies joining the fray, major enterprises have responded by running very lean organizations, both to enhance their strategic agility and to reduce costs. In doing so, they have outsourced those elements of their activity that are not proprietary, strategically sensitive, or essential to their strategic advantage, and much of this has been offshore. Others have also removed some human resources from their in-house payroll and relied on employment services firms to provide recruitment process outsourcing services for all their permanent and contingent staff recruiting requirements.

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

## Technological progress

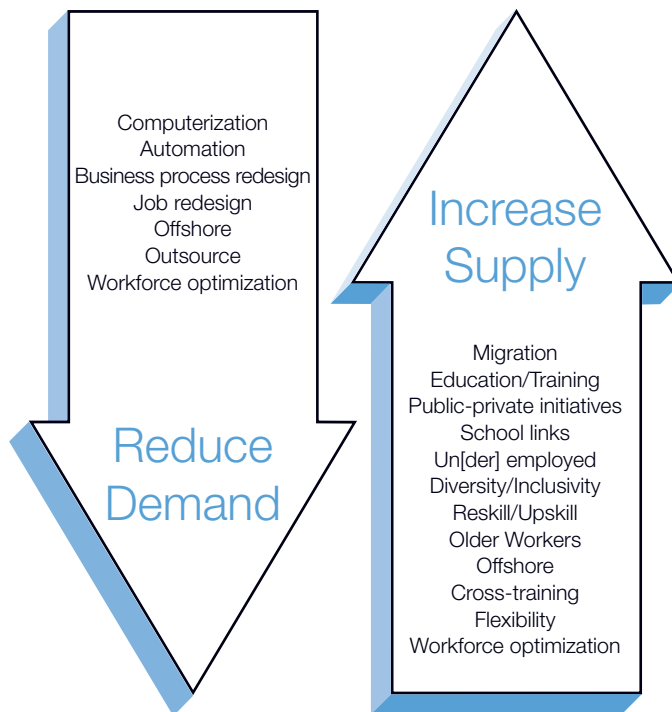
Advances in computer technology and its application in automation have upgraded everyone's skill-set requirements literally at the touch of a button. This trend is also unlikely to become any less pronounced. This will mean that jobs will continue to be eliminated, but also that new jobs will be created requiring new skills and technological competence, which may be in short supply.

This will make it all the more important for employees in work – and for employers and governments – to ensure that skills are continuously refreshed, upgraded, and extended. Training will be paramount, as will planning by employers and commitment by employees.

## Confronting the Talent Crunch: 2007

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

Figure 3: Reduce Demand, Increase Supply



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

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

## Governments: Fostering the Right Skills

What can governments do to counter the growing talent shortage and ensure that the right skills are in place to meet their country's talent needs and ensure their economic future?

### Facilitate “strategic” migration

A number of nations face considerable demographic decline and a replacement labor demand that cannot be met from domestic labor supplies. Countries with low labor-force participation rates, such as those in Eastern Europe, the former Soviet Union, and sub-Saharan Africa, may be able to harness their labor reserves and plug the talent gap. However, this expedient will not be available to all countries.

Others, however, such as Spain, Italy, and Greece, faced with the urgent need to meet a growing demand for workers with specific skills in certain sectors, have begun to facilitate labor market access for skilled immigrant workers, particularly from the Balkans. Similarly, Japan and the newly industrializing economies of South-East Asia attract thousands of workers from the Philippines, Indonesia, China, Thailand, and Pakistan each year.

*In many countries, immigration is seen as one possible route, in conjunction with other policies, to alleviate the adverse consequences of ageing populations...temporary migration is also on the rise. Almost all OECD countries now have temporary worker migration programs, and the scale and scope of these has been growing over the past decade.*

Interview with John P. Martin, Director for Employment, Labour and Social Affairs, Organisation for Economic Co-operation and Development (OECD, Paris) on “Current migration trends in OECD Countries,” March 2007

In the talent poor future, this approach may need to be adopted more widely. The United States, for example, may find that, after years attempting to prevent workers from crossing the border illegally from Mexico, it should be both encouraging further migration and normalizing the situation of those workers already in the United States and who may well be working for wages below the going rate because of their currently illegal status.

Many students leave their home countries to obtain their university-level education abroad. A corollary to migration may involve a nation taking steps to encourage students from overseas to stay in the country upon completion of their studies and integrate into the domestic labor force. Australia, for instance, has been pursuing such a policy since 2001 for overseas students completing a range of professional qualifications.

In the reverse migration direction, China, among others, will need to take measures to encourage as many of its students as possible who leave to study abroad to return home and energize the emerging economy with their new-found knowledge and skills.

### *Invest in education and vocational training*

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

In Mexico, for example, the government is taking steps to improve educational provision and access, in order to raise educational standards and provide a national pool of well-educated employees who are more attractive both to major domestic players and to inward investing multinationals.

As China becomes an increasingly present force in the global arena, it is investing heavily in improving English-language skills and will need to continue to do so, particularly for adults who did not benefit from current efforts to educate children through the school system.

Training more domestic teachers in English and recruiting more teachers from abroad will be an imperative. This will make its citizens more employable by multinational organizations and better able to do business around the globe.

Many European countries will need to step up their English language proficiency efforts in order for their people to compete for jobs in an increasingly global employment market.

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

*With 16 times the population, China has only three times as many suitable young English-speaking engineers as the Philippines; Poland has almost as many as the more populous Russia.*

Diana Farrell, Martha A. Laboissière, and Jaeson Rosenfeld, "Sizing the emerging global talent market," The McKinsey Quarterly 2005/3

### *Improve public-private initiatives*

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

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

Other governments have engaged Manpower to address specific shortages such as teachers in the Netherlands, where the shortage was resolved by recruiting former teachers back into the profession and by identifying individuals working in other careers with appropriate skill sets who could be trained to fill teaching positions.

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

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

To date, 80,000 people have found employment through Working Links. Much of this success has been attributed to the revolutionary way in which Working Links has met the real needs of today's jobseekers and employers. The initiative continues to succeed in helping underemployed groups to gain skills and find work, with more than 70% of the people still working a year later.

## Employers: Addressing the Talent Crunch

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

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

## *Enhance links with schools*

Students in many countries undertake work-placement activities as part of their school education. However, much of this merely involves passive job shadowing and is hardly a true introduction to the realities of the workplace or the necessary attitudes to work.

Employers will need to ensure that they establish enhanced links with schools that generate meaningful work-placement opportunities to give students a true taste of real work skills and prepare them for eventual employment.

In a recent alliance with LaSalle University in Mexico, Manpower has opened a job center on campus, through which it offers some 2,000 vacancies directly to graduating students and organizes conferences to teach students valuable business skills.

## *Tap into underemployed sources*

Many economies have a wealth of unemployed or under-employed individuals who could be brought [back] into the labor force: the disaffected jobless youth; single mothers and disabled people; part-timers who would prefer full-time employment; and older workers needing to work longer to subsidize their shrinking pensions.

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

Bringing the unemployed and underemployed back into work, particularly those who have been inactive for a long time, will involve providing training in basic work skills and an introduction to the best habits of the work ethic.

Manpower's workforce development program, TechReach, prepares unemployed and underemployed U.S. and Canadian individuals for well-paying careers in IT positions, including intensive training, certification, job placement, and mentoring in an effort to provide businesses with a new source of skilled technical employees.

Manpower Argentina developed its *Juntos por los Jóvenes* (“Together for the Youth”) program in association with the Dirección Nacional de la Juventud (DiNaJu), a Ministry of Social Development department, and the non-government organization Fundación SES. The aim of the program is to prepare economically disadvantaged youth for entering the workforce, teaching them how to recognize and discover their strengths and talents so they can gain not only economic independency but self confidence.

### *Promote inclusivity*

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

Employers need to work to set expectations and change the culture to one of inclusivity, helping to integrate such groups into the workforce. For example, Manpower partners with the Mexican government in its *Caminemos Juntos* (“Let’s walk together”) program, which has helped place several hundred disabled individuals into productive employment.

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

In 2005, Manpower Mexico was recognized by the Labor Ministry and the Mexican Center for Philanthropy for its socially responsible business practices and programs that develop people with disabilities to enable them to gain meaningful work in the community.

*Fifteen years after the American with Disabilities Act took effect, only one-third of disabled Americans are employed, even though more than two-thirds of unemployed people with disabilities say they would like to work.*

D&I Workers with Disabilities, “Fix Attitudes and Bust the Myths” by The Honorable Alexis M. Herman, U.S. Secretary of Labor (1997-2001)

### *Invest in training and development*

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

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

### *Facilitate reskilling/upskilling*

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

## *Encourage prolonged working life*

Employers can increase their overall pool of available talent by finding innovative ways to prolong individuals' active working life. Retirement from the age of 50 onwards will not be available to employers or individuals in the talent poor future. Employers will need to encourage older individuals to stay on and offer retirees retraining to return to less stressful and time-consuming roles, such as sharing their institutional knowledge and training new generations in the skills they have acquired.

*Today in the OECD, more than 4 out of 10 older people (50-64) are unemployed or inactive; nearly double the figure for persons aged 25-49.*

Bruno Tobback, Chair's conclusions, OECD Forum on Ageing,  
18 October 2005

## *Investigate job redesign*

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

For example, in the U.S. there is a shortage of qualified teachers, so in some cases educational institutions have identified the aspects of the teaching job that do not require certification and can be delegated to teaching assistants, or they have substantially relaxed certification requirements. This allows schools to maintain teaching levels even though they may be experiencing an increase in their teacher/student ratio. A shift to online learning, which allows students to share subject-matter experts between schools, is also helping to alleviate this situation.

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

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

## *Make flexible use of available talent*

Encouraging cross-training and promoting labor flexibility can create a potential pool of back-up reserves or understudies and provide an organization with added flexibility in maintaining the skills it needs. Moreover, employers can also introduce more contingent talent – temporary, contract, consultant and outsourced – to their total workforce, to accommodate variability in demand.

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

## *Capitalize on remaining offshoring opportunities*

Offshoring to lower wage or more plentifully-supplied labor locations – either through wholly-owned foreign subsidiaries or by outsourcing to offshore suppliers – will continue to be a possibility for many manufacturing operations and for transactional and non-customer-intimate service functions, although only certain non-strategic or non-business-critical jobs lend themselves to it.

This solution will remain possible only to locations where the offshored/outsourced labor is still cost-effective.

## *Hone attraction and retention approaches*

In a talent poor, competitive future, all organizations will need to become “employers of choice” and more adept at attracting the talent they need, and at retaining it for the long haul. This will mean providing motivating opportunities for varied experience, good prospects for promotion, and the right mix of working conditions, including flexible hours, maternity and paternity arrangements, and generous annual paid leave allowances, to create an acceptable work–life balance. Such approaches to “employer branding” will encourage employee engagement and loyalty.

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

*Implementing a global talent-sourcing strategy can achieve a 70% reduction in costs: 50% from labor arbitrage, 15% from process management and 5% from task redesign*

The McKinsey Global Institute

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

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

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

## Consider an employment services partnership

Making a strategic partnership now with a specialist provider of employment services can be an extremely savvy move. Taking a strategic approach to “global” talent management and planning will give an employer a pretty good idea about what kinds of talent they need and when. Sharing that strategy with a trusted strategic employment-services partner means that the partner will always be aware of the client organization’s likely future needs, in terms of numbers, skills and culture, and be able to develop plans to source, train, and prepare the required talent – both permanent and contingent – for delivery as and when needed.

## 2007 Talent Shortage Survey results

As a follow-up to its Talent Shortage Survey conducted in 2006, Manpower surveyed nearly 37,000 employers across 27 countries and territories to determine which positions employers are having difficulty filling this year due to lack of available talent.

Figure 4: Comparison of 2007/2006 Hot Jobs



Experienced sales representatives are listed as the most difficult to fill position in the United States, Japan, Hong Kong, Taiwan, Singapore, New Zealand, Ireland and Peru. Similarly, skilled manual trades workers are atop the employer’s wish list in Germany, the UK, Canada, Australia, Spain, Sweden, Italy, Belgium, Austria, France and Switzerland.

Notably, employer requirements for IT staff and administrative assistants/personal assistants in 2006 have been surpassed by other in-demand positions such as accounting and finance staff and laborers, which refers to non-skilled manual labor positions.

The survey results also revealed that 41 percent of employers worldwide are having difficulty filling positions due to lack of available talent in their markets, which is slightly stronger compared to last year’s survey.

Employers having the most difficulty finding the right people to fill jobs are those in Costa Rica (93%), Mexico (82%), New Zealand (62%), Australia (61%) and Japan (61%). Of these countries, Australia and New Zealand reported the most dramatic increases compared to the 2006 results.

The talent shortage appears to be least problematic in India (9%), Ireland (17%) and China (19%).

## Individuals: Staying Fit for the Race

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

Until recently, individuals have believed that the qualifications, skills, and experience they brought to what seemed like leading-edge roles in the organizations for which they worked would stand them in good stead for a number of years. However, their experience has been otherwise. The accelerating pace of technological and entrepreneurial change has caused many once “hot” skills to go rapidly past their peak and grow decidedly “cold.” Many people are likely to find in the future that, despite a shortage of talent in the labor market, which would seem to provide more job stability, their skills and experience have become obsolete and are no longer required.

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

It is quite sobering for individuals to find themselves suddenly less attractive and valued by employers when 12 months earlier they were able to attract a premium salary because they were in high demand. While every sector has its own speed of compression, underneath there is a never-ending treadmill of skills improvement, and this makes employee retraining immensely important.

What can individuals be doing to ensure they remain relevant and have the necessary skills to compete for jobs and stay in active gainful employment over the next decade?

### *Maintaining and renewing skills*

For some years now, we have been hearing that future generations will have several different jobs, even careers, in the course of their working life. This trend will grow stronger in the future.

Individuals will need to realize that the skills with which they enter the labor force will not necessarily be sufficient to take them through their entire working life. Continuous skills development and training – and lifelong learning – will be the order of the day. While provision will need to be a joint responsibility of governments and employers, it will be up to individuals to seize every available training and upskilling/reskilling opportunity that is offered.

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

Individuals will have a responsibility to make a periodic review of their career interests, identify additional and alternative potential career paths if their current role should become obsolete, and lay plans to prepare for and pursue those careers. Employers' HR teams can help with career planning and counseling.

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

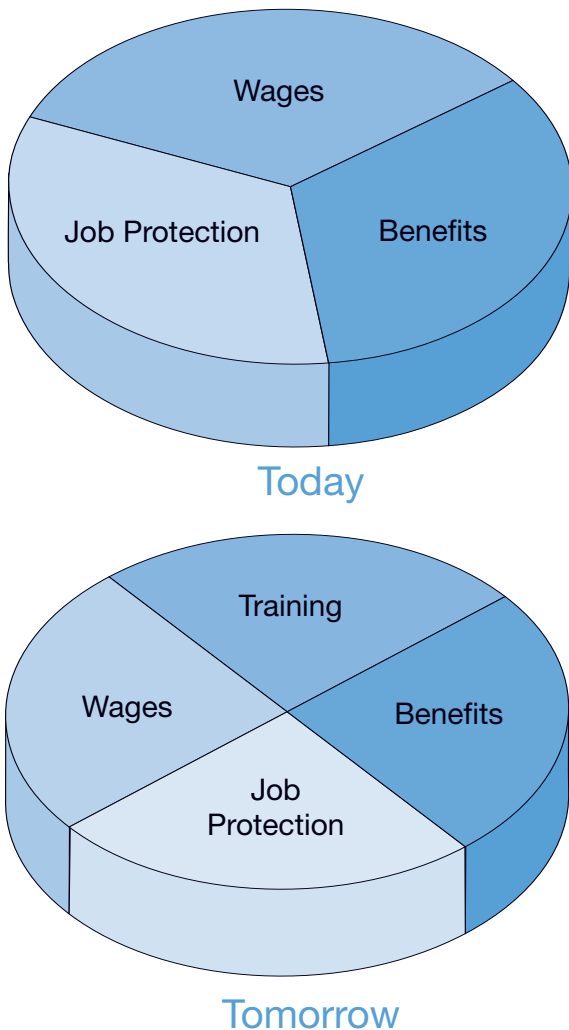
### *Embracing labor union initiatives*

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

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

As a result, labor unions, such as the United Auto Workers (UAW) in the U.S., where thousands of jobs have become obsolete and workers have been laid off, will need to begin taking an active enabling approach to reskilling members to fill skill gaps, and looking at proactive and preemptive retraining and upskilling initiatives, to ensure that their members' skills do not become obsolete.

Figure 5: Labor Union Focus, Today & Tomorrow



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

## Conclusion: The Proactive Imperative

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

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

Solving the talent paradox is not an impossible task. But it requires taking an integrated, strategic approach to talent management, from planning and sourcing to training, development, and retention.

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

McKinsey’s research also revealed that companies using the best talent-management practices “outperform their industry’s mean return to shareholders by a remarkable 22 percentage points.”<sup>2</sup> While recognizing that talent management was not the only driver of such performance, the evidence suggests that it is clearly a very powerful element in the performance-driving mix.

\* \* \*

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

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

### References

- 1 Key Indicators of the Labour Markets, 4th Edition, ILO, Geneva, 2005.
- 2 Elizabeth L. Axelrod, Helen Handfield-Jones, and Timothy A. Walsh, “War for talent, part two”, The McKinsey Quarterly, 2001 Number 1.

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