CRITICAL SKILLS IMBALANCES
A BAROMETER OF FACTORS IMPACTING GLOBAL SKILLS MOBILITY

THE HAYS GLOBAL SKILLS INDEX 2012
It gives me great pleasure to introduce the Hays Global Skills Index 2012, our first ever in-depth review of global skills and employment trends, produced in collaboration with Oxford Economics. The availability and flow of skilled labour is a critical measure for employers, employees and governments around the world. Skill shortages restrict economic growth and investment while unemployment is not only an economic burden but also brings distress and hardship to society. There is already a great deal of commentary around these issues. However, to better inform the debate, we have aimed to shed light on what is actually happening in today’s markets around the world, looking at a range of data to outline the issues in 27 key countries.

What our report demonstrates is that there is a major paradox in the world’s skilled labour markets today. We are witnessing high and chronic levels of unemployment in many areas, while simultaneously seeing industries and countries struggle to find enough highly skilled individuals to fill the opportunities already available. Global shortages already exist in areas such as engineering, energy production, infrastructure development and healthcare and it is highly unlikely that these shortages will be resolved in the near future. Indeed, they may well get worse as many countries are simply not educating, or proactively attracting, the people they need to fuel their growth.

At the same time, we see significant levels of unemployment in many countries, including those struggling with skill shortages in certain industries and roles. This is of particular concern where we see large numbers of long-term unemployed or high levels of unemployment amongst under-25s as both are difficult situations to address. Ironically, the world currently seems short of the very skills that would help stimulate economic growth and provide opportunities for the unemployed.

There is no one single factor causing these imbalances. Rather, it is a combination of factors such as the economic situation, education systems, labour market flexibility and government policy that either restricts or resolves the matching of skills to opportunity. Here in Hays, we see the impact of these factors every day in our work: helping organisations find the talent they need in a world where their competitors are looking for the same, scarce people. Certain companies and countries are adopting different ways of dealing with this, including some very innovative ideas. However, not everyone is tackling the situation effectively, so there will be winners and losers.

As a result of our research therefore, we propose a three-point action plan for employers, governments and international bodies to consider in order to better develop local skills as well as easing the international flow of labour from areas of surplus to ones of shortage. These are not short-term measures designed to fix the problem overnight. However, they are key principles which we argue are relevant to every country in their report. Equally, the data in this first report is a snapshot of the world at a certain point in time. Markets change frequently so we expect to see shifts in the detail of labour imbalances as sectors evolve and react to the world they operate in. We aim to conduct this research annually to highlight these changes. However, some of the key themes around creating a system that allows better development and flow of skilled labour will remain constant.

Finding the right person for a job can transform a business, as well as that person’s life. That’s a fundamental belief in Hays. Playing a part in helping resolve the current global skills mismatch we see every day all around the world is important to us. That journey starts by publishing our data on what is actually happening in the skilled labour markets all around us right now. Hopefully, this data helps policymakers and businesses to start to put in place the measures required, whatever they may be. Fixing this problem will create more jobs, stimulate economic growth and provide meaningful opportunities for millions of people.
EXECUTIVE SUMMARY

The global economic downturn has led to sharp rises in unemployment around the world, particularly in North America and Europe. However, there is little evidence that this has led to an easing in skills shortages. Indeed, evidence seems to point to a worsening of the situation. To examine this issue, we collaborated with Oxford Economics to design the Hays Global Skills Index 2012 (the ‘Index’) which shows the state of the market for skilled labour in 27 key economies across all five regions of the world. This data is published for the first time in this report.

The Index gives each country a score between 0 and 10, where a score of 5.0 indicates a stable situation in which the cost of skilled labour is neither rising nor falling. Scores higher than 5.0 indicate companies are witnessing a degree of skills shortage, which may lead to adverse consequences including wage inflation for example. Scores lower than 5.0 indicate a slack labour market where skilled workers experience difficulty in finding employment.

Clearly each country and industry sector face their own issues so the data must be looked at in detail for each circumstance. However, there are implications for every country in this study. 16 of the 27 countries are already experiencing some degree of labour market tightness, as shown by a score of 5.1 or higher. The greatest difficulties are seen in the United States and Germany, both on a score of 6.4. Hungary and Sweden are not far behind with a score of 6.1. Many of the countries with a score below 5.0, indicating a slack labour market, are in Europe. There is likely to be expected as these countries struggle with the continuing sovereign debt and banking crises in the Eurozone.

To determine the Index for each country, we took account of a number of factors including wage pressure (both overall and by industry sector and experience level), overall skill shortages, and relative inflexibility of local labour markets. Strong economies tend to generate wage pressure, and the strength of demand further tightens the local labour market. However, talent mismatch, where companies struggle to recruit the skills they need despite a large pool of available labour, is currently a major issue for countries such as the US, UK and Ireland, even though wage pressures are already weak. This should act as a warning of further long-term skill shortages as these economies eventually recover and demand grows further for these skills.

When looking specifically at high-skill industries, half of the countries surveyed are currently experiencing levels of wage pressure indicative of skills shortages. These countries are a mix of emerging nations, predominately in Asia, as well as certain developed economies, indicating that wage inflation is usually a country-specific or sector-specific issue.

Skill shortages by occupation and experience level vary considerably across countries. The US has the highest reading of all the countries surveyed and is close to the maximum possible in the Index. This suggests a severe dislocation between employers’ needs and the supply from the educational and vocational training systems in place. Singapore also witnesses wage inflation in high-skill occupations but has already implemented far-reaching immigration systems to respond to this pressure. At the opposite end of the spectrum, those countries most heavily impacted by the Eurozone crisis show very little pressure on wages, notably in markets such as Italy.

Regional analysis based on Index data and local input from Hays executives shows that skills shortages are already a major issue for employers in many countries and sectors, and that the situation is likely to worsen without specific action taken by governments and businesses.

• Europe can be divided into three areas. Eurozone countries, particularly those in the south are experiencing low stress levels in skilled labour. However, high unemployment in these areas creates its own difficulties. Fast growing countries outside the Eurozone, including Switzerland and Sweden, are currently experiencing wage pressure. Due to the high income and cost of living, these countries are experiencing a severe talent mismatch while simultaneously struggling with high unemployment levels. In emerging Europe, Russia faces the twin difficulties of a declining and ageing workforce, combined with a growing need for staff with international experience or skills to support local businesses seeking to expand overseas.

• In North America, the US has the highest score in the Hays Index, indicating one of the tightest markets in terms of skilled labour. Shortages are particularly evident in sectors such as oil and gas, life sciences and information technology. Paradigmically however, the US is also witnessing stubbornly high levels of unemployment within a weak economic recovery. This can be explained by an excess supply of semi- and unskilled workers who are not suitable for the sorts of roles that are being created by the industries that are currently generating economic growth in the US. Canada faces similar issues with acute shortages in the natural resources sector in particular.

• Across Latin and South America, there are widespread skill shortages in many sectors including construction, engineering, life sciences, retail and finance. These problems are compounded by the relative inflexibility of local labour markets as well as language requirements which make it difficult to attract talent from overseas to fill the many roles currently available.

• In Asia, although economic growth is fueling wage inflation, relaxing labour market and immigration systems would go some way to alleviating this pressure. And whilst the quality of the education system can vary across Asia, schools and universities in countries such as China, India and Singapore have scope to expand their education performance and output to meet organisations’ demands for specific skills.

• Australia and New Zealand both face skill shortages in specific sectors, but for different reasons. Demand for highly skilled engineers remains high in the natural resources sector of Australia and this is the key driver of current labour market tightness there. In New Zealand there is a very significant demand for qualified civil engineers, and other professionals in the construction sector, to undertake the rebuilding of Christchurch after the earthquake of 2011 – this is having a profound effect on employment in this sector.

Overall, very few countries currently enjoy a labour market where all seven components are in balance. Even amongst those with weak economics, several are witnessing shortages in certain sectors. As economies repair over time, growing demand will exacerbate the problem, driving further wage inflation in specific sectors. Certain countries will successfully tap into the talent that is available globally and facilitate the free movement of that labour towards their own industries. Others will likely maintain more rigid labour policies and witness greater levels of unfilled roles, while potentially maintaining high levels of unskilled unemployment.

CREATING THE HAYS GLOBAL SKILLS INDEX

The Hays Global Skills Index represents a standard model for assessing the key factors that contribute to skills shortages in any country. These factors include the strength and resilience of an economy, the health of a country’s labour market, the quality and flexibility of education, and the demand and supply of labour (particularly in high-skill industries and occupations).

Seven components make up the Hays Global Skills Index

• Education flexibility. Measures whether the education system can adapt to meet organisations’ future talent needs, particularly in the fields of mathematics, science and literacy. A high score means there is limited potential or capacity to increase education performance and output. A low score indicates there is considerable scope to expand the output and quality of the local educational system.

• Labour market participation. Measures the degree to which a country’s talent pool is fully utilised. A high score means the proportion of working age people that are employed (or are available for immediate work) is increasing, indicating constraints on the availability of additional resource. A low score means that the participation rate reflects the increasing availability of talent to join the workforce.

• Labour market flexibility. Assesses the legal and regulatory environment faced by businesses. A high score means the labour market legislation is judged to be inflexible and there are constraints on the ability of wage migrants to fill talent gaps. A low score means the labour market legislation is judged to be flexible, with an openness to immigration.

• Talent mismatch. Measures the mismatch between the skills needed by businesses and skills possessed by the labour force. A high score means that the numbers of long-term unemployed and vacancies are both increasing suggesting the available labour does not have the skills employers want. A low score implies that employers are having an easier time finding the talent they need.

• Overall wage pressure. Whether wages are keeping pace with inflation, which is a measure of overall labour market tightness. A high score means real wages are increasing quickly relative to the longer term. A low score means real wages are not rising quickly (or are even declining) relative to the longer term.

The analysis that follows in this report is supplemented by detailed local knowledge and insight from senior Hays executives working on the ground in the four geographies that Hays operates: Europe, The Americas, Asia, and Australia and New Zealand.

The Hays Index illustrates specific areas currently affected by skills shortages as well as highlighting sectors and occupations that may see restrictions in the coming years. This analysis will draw out key policy issues for governments, international bodies and multinational corporations to consider when designing their long-term strategies, reflected in the three-point Action Plan that follows on page five.

We have displayed the results of the Hays Index in a large, fold-out infographic map at the back of this report, which we plan to update each year.

• Wage pressure in high-skill Industries. The rate at which wages in high-skill industries outpace those in others. A high score means wages in high-skill industries are rising much faster than in low-skill industries. A low score means wages in high-skill industries are not rising faster than in low-skill industries.

• Wage pressure in high-skill occupations. A measure of wage premium paid in high-skill occupations, which is an indicator of shortages of key talent. A high score means wages in high-skill occupations are rising faster than in low-skill occupations. A low score means wages in high-skill occupations are not rising faster than in low-skill occupations.

These seven criteria are all given equal weighting.

Each country’s Hays Index is surrounded by a coloured dial indicating the score ranges for the seven labour market indicators.
THE HAYS INDEX BY COUNTRY

There is a wide range of dynamics impacting the skilled labour market conditions across the 27 leading developed and emerging economies that make up the Hays Index.

The Hays Index ranges from 0 to 10.0 where a score of 5.0 indicates a generally balanced picture for labour markets. This suggests firms are able to recruit, retain, or replace their key talent at generally prevailing wage rates. A score close to 0 indicates intense competition for key vacancies. A score close to 10.0 indicates severe difficulty in finding the right skills to fill key vacancies.

More than half (36%) of the countries are experiencing some degree of labour market tightness with a score of 5.0 or higher. As the Hays Index is based on an aggregation of scores for the seven components, the breakdown of each country’s Hays Index reflects the specific dynamics of the local labour market.

The greatest difficulties were found in the United States and Germany, with both a score of 6.4, followed by Hungary and Sweden on 6.1, which reflects the difficulties faced by many organisations in filling skilled vacancies in those countries.

Many of the geographies with scores below 5.0 – reflecting a lax labour market with high competition for vacancies – were in Europe. This is likely to reflect the impact of the on-going sovereign debt crisis in the Eurozone, and the low levels of talent mismatch.

Although the average score of all the 27 countries is 5.1, there is a wide divergence of scores for each of the seven components that make up the Hays Index within each country. This indicates that labour markets of the world’s major economies are faced with a specific mix of tight and lax labour market influences that impact hiring conditions in different ways in each country.

### Hays Global Skills overall Index scores

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
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<tbody>
<tr>
<td>Belgium</td>
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<tr>
<td>Italy</td>
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<td>India</td>
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<td>Netherlands</td>
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</tr>
<tr>
<td>Denmark</td>
<td>4.3</td>
</tr>
<tr>
<td>Ireland</td>
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<tr>
<td>France</td>
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<tr>
<td>Czech Republic</td>
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<tr>
<td>New Zealand</td>
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</tr>
<tr>
<td>UK</td>
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<td>Singapore</td>
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<tr>
<td>Poland</td>
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<tr>
<td>Russia</td>
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<tr>
<td>Japan</td>
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</tr>
<tr>
<td>Portugal</td>
<td>5.3</td>
</tr>
<tr>
<td>Switzerland</td>
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<tr>
<td>China</td>
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<tr>
<td>Spain</td>
<td>5.5</td>
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<tr>
<td>Canada</td>
<td>5.6</td>
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<tr>
<td>Brazil</td>
<td>5.7</td>
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<tr>
<td>Australia</td>
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<tr>
<td>Mexico</td>
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<tr>
<td>Hungary</td>
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<tr>
<td>Sweden</td>
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<tr>
<td>Germany</td>
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<tr>
<td>United States</td>
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<tr>
<td><strong>Average</strong></td>
<td>5.1</td>
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The analysis on which the Hays Global Skills Index was based utilised data as of Q3 2012. Developments subsequent to this date are not reflected in the 2012 findings.

### THREE-POINT ACTION PLAN

While all 27 countries in the Hays Global Skills Index suffer from individual labour market pressures, the analysis highlights two common significant issues that need to be addressed by governments and businesses alike to maximise future economic growth.

- There is a chronic and significant imbalance of key skills around the world. This is exacerbated by inflexible labour and immigration legislation in many jurisdictions. This requires policy changes to stimulate greater labour mobility from areas of surplus supply to areas of greatest demand.
- Some of the most critical and important skills for driving economic growth (The ‘Shortage Skills’) are in shortage on a global basis i.e. in engineering, infrastructure development and healthcare for example. These need to be addressed to focus the workforce of tomorrow on the roles in demand.

**Hays’ three-point action plan**

1. **Governments must have clarity on the skills that are required and look to attract those specific skills.**

   Once the workers with these skills are identified governments need to make the processes to employ them quicker and easier. One of the principal causes of the imbalance in the global skills market is the very real obstacles that employers and employees alike face from immigration systems. We believe that governments can help by both simplifying and standardising the work visa processes for skilled workers and, critically, by speeding up application times. Specifically we suggest:
   - International agreement on a priority skills visa process, whereby qualified individuals with priority skills should be granted fast-track status.
   - An international standard for a work visa application of 30 days once submitted.
   - Longer and more easily renewable visas for skilled individuals to provide both them and their employers with greater security of continued visa status.

2. **Employers should be offered fiscal incentives to increase training provision.**

   All responsible employers offer a significant amount of vocational training. For most this is a sunk cost; they provide expensive training with no guarantee that the employee will stay with them for any length of time. Indeed, if they provide training in any Shortage Skills, they take the risk that it may accelerate an employee’s departure to a better paid post elsewhere. We believe that employers should be offered tax incentives to provide training, accredited to an agreed standard and following agreed curricula. These incentives could be made more generous for the provision of training in Shortage Skills, such as engineering and fast developing industries such as green energy.

3. **Governments to work with employers to draw up strategic plans to increase the provision of education in Shortage Skills.**

   It is clear from our report that whilst many graduates are out of work, particularly in Europe, at the same time the world is chronically short of particular skills. This is policy failure on a major scale and suggests there is a disconnect between higher education bodies, employers and undergraduates about the skills and training now needed in the workplace. We suggest:
   - Governments to provide colleges and universities with fiscal incentives to increase the provision of Shortage Skill training, establishing measures to ensure the quality and relevance of the courses are appropriate.
   - Employers to build stronger links with colleges and universities to communicate their specific needs for skills and improve their outreach into schools to explain the attractions of specific career choices. Governments need to be involved in this process and drive the agenda to ensure success.
   - Colleges (backed where necessary by grants) to offer students financial incentives to enrol in specific courses, such as reduced fees or bursaries.

We recognise that different governments, companies and institutions pursue a combination of all of these initiatives to some degree. However the overall picture shows these measures are not sufficient and activity needs to be increased and be better co-ordinated.

Throughout the report are specific examples of actions that are being taken by governments that either help resolve these issues, or in certain cases actually make them worse.
Economic health and fragility

While economic data are not of themselves indicators of labour market conditions and are not part of the index, they are an important contributor to how demand for labour will develop. It is therefore important to consider the wider economic backdrop, both in terms of current health and also of future vulnerability to shocks.

Our assessment confirms a commonly held view of a world divided between relative weakness among the rich countries, and especially in the Eurozone, and strength in the emerging economies. The worst economic conditions were in Ireland, Portugal, Italy and Spain, countries that have been subject to bailouts or that are seen as vulnerable to the euro crisis, along with the US and UK. The same countries also posted worrying scores in terms of their exposure to future shocks.

While none of the countries in the Index showed very strong growth, those with a reading of at least 5.0 – indicating above average growth – were in emerging markets. The table was headed by Brazil, China, and Mexico. In terms of fragility, there was a more subtle picture with the European economic powerhouses of Germany and Switzerland topping the table along with Sweden and Mexico.

While economic theory would tell us that a weak economy is more likely to result in loose labour market conditions and a robust economy in tight labour conditions, this is not always the case. Sometimes weak economies suffer skills shortages due to inflexibility in the labour market, underperforming education systems and talent mismatches that drive up wages and creates shortages.

Education and the labour market

Countries with a high quality education system, a labour market that encourages participation and which is flexible towards shifts in demand and supply, are more likely to be able to deal with potential skills shortages. Clearly having an education system that produces school leavers with the core skills employers need is likely to reduce the pressure on employers to have to pay higher wages to attract qualified staff. In this case the Index measures, amongst other aspects, the improvements in outturns of the OECD Programme for International Students Assessment (PISA), that assesses 15-year-olds’ competencies in the key subjects: reading, mathematics and science. As Chart 1 shows, the biggest education-driven contributions to skills development have been in the fast-growing Asian emerging markets such as India or China.

Labour market flexibility is especially important to head off skills shortages as openness to inward migration and relatively light labour regulations ensures employers can react swiftly to signs of stress in the labour market. As Chart 2 shows, the range is more spread across regions, with small Asian states such as Singapore and Hong Kong showing extremely high flexibility while China and other members of the BRIC economic grouping still being highly inflexible.

Having a high labour participation rate is also important. A low score indicates that sufficient people are available for work in general in that economy. The economies with the lowest levels of potential skills shortages due to participation rate, were the populous nations of India and China (2.5 and 3.0), although Italy (on 2.5) stands out as a positive story. The countries with the largest concerns were a mixed bag: the highest scores were in Spain and New Zealand (6.5 and 6.3) but Brazil’s 6.0 indicates that certain emerging economies are currently constrained by an inadequate labour market participation rate.

### Chart 1: Asia gives the West a lesson on education

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<tr>
<th>Country</th>
<th>Index Score</th>
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<tbody>
<tr>
<td>Singapore</td>
<td>4</td>
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<tr>
<td>China</td>
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<td>Japan</td>
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<tr>
<td>Average</td>
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</tr>
<tr>
<td>USA</td>
<td>2</td>
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<tr>
<td>Hungary</td>
<td>2</td>
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<td>Sweden</td>
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<td>Russia</td>
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### Chart 2: BRICs have inflexible labour markets

<table>
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<td>Singapore</td>
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<td>China</td>
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<td>Brazil</td>
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Taking a simple average of the three indicators discussed above in this area shows that emerging economies that have seen strong growth in the recent past are least equipped to cope with the demand that growth may bring. Brazil had the highest score of 73. However Russia and Germany stand out (6.4 and 6.1 respectively), mainly over the lack of flexibility of labour regulations.

On this measure the countries in the best position to deal with skills shortages are the Asian economies of Singapore (2.4) and India (3.2). India has seen tremendous improvements in its PISA score to the extent that the Index sees education as now being at a level satisfactory enough that it is not in itself contributing to future skills shortages. Singapore scored very well in both education and labour flexibility but was dragged down by its labour market participation levels.

THE GLOBAL PICTURE

While the headline Index gives employers and policymakers a ready measure of labour market issues within particular countries, the breakdown of the Index into its components reveals a more nuanced picture of where stresses are located within each economy. By looking at the data under the four broad sub-groups – the state of the economy; the makeup of the labour market and education; talent and wage pressures; and shortages by industry and occupation – we begin to see how future friction points may manifest themselves.
While economic vibrancy, the level of educational achievement and labour flexibility are important building blocks for a sustainable long-term market, some countries are experiencing short-term bottlenecks. By analysing mismatches between available labour and wage pressures, both overall and by industry and occupation, the Index reveals the wide range of skills shortages in different economies.

One early warning signal of skills shortages is ‘talent mismatch’ – an inability of employers to find the staff they need despite an available pool of labour. This manifests itself most obviously in the existence of a large number of people who are long-term unemployed. This in turn can be a sign of structural unemployment that occurs when there is a mismatch between demand in the labour market and the skills and locations of unemployed workers.

The Index on talent mismatch shows a wide range, as Chart 3 of the greatest and least levels of talent mismatch shows. It ranges from close to zero for the Czech Republic where long-term unemployment and unfilled vacancies are falling, and a maximum score for the US where almost a third of unemployed people have been out of work for at least a year. However, this is a warning of future long-term rather than short term skills shortages as the graph shows there is no direct link with overall wage pressures, which is a more short-term indicator of stress. In the short term, wage pressure and skills shortages are likely to be driven by the health of the economy.

The majority of those are fast-growing emerging economies in Asia or developed nations – as well as certain Eurozone nations – indicating that wage pressures are often a country specific issue.

But even where there is little evidence of wage pressure and skills shortages in high-skill industries, pressure points in key high-skill occupations can still be a major issue for employers. By looking at jobs where wages in high-skill occupations are outpacing those in lower-skilled jobs, it is possible to see where strong demand for qualified people is creating skills shortages and driving up wages.

The wide range in the Index scores in Chart 6 shows that shortages at occupation level vary hugely. The US has the highest reading of any country and close to the maximum level possible on the Index. This is likely to reflect the large rewards that have been offered to senior financial services executives and traders over the recent years. Since the measures is based on the gap between the best and lowest paid jobs, it also echoes concern that inequality is rising sharply within American workplaces. Singapore, which is a major financial centre for Asia, also sees wage pressures in high-skill occupations.

Chart 3: Talent mismatch may not drive wages

Chart 4: Overall wage pressure

Chart 5: Wage pressure in high-skill industries

Chart 6: Wage pressure in high-skill occupations

Pressures build in BRICs and G7

Much of the global economic growth since the financial crisis has come from the so-called BRICs nations – Brazil, Russia, India and China – and other emerging economies, while the Group of Seven (G7) nations have suffered anaemic growth. However the instinctive expectation that faster growth leads to greater skills shortages in the BRICS is misplaced. The average overall score of the BRICS at 5.3 was almost identical to the 5.2 reading for Canada, France, Germany, Italy, Japan, the UK and US.

These two blocs suffer from different vulnerabilities that leave them susceptible to stresses in their labour markets and skills shortages in the future. While the BRICS show a higher degree of labour market inflexibility and overall wage pressures, the G7 has shown a lower improvement in education and a greater degree of talent mismatch. In terms of wage pressures for high-skill industries and occupations the two blocs are broadly in line. It is therefore far from clear that a country’s stage of economic development is a primary factor behind skills shortages.
Europe

Stretching from the west coast of the Republic of Ireland to the eastern Siberian seaboard, Europe is not only an immense geographical area but is also highly diverse in terms of the economic and political make-up of its member countries.

The euro area

Given the breadth and depth of the Eurozone crisis and its impacts on both economic growth and consumer and business confidence, one would expect to see a decline in skills shortages especially among the most affected countries. However the Index and anecdotal evidence points to continued problems in key professions such as engineering, IT and even retail.

The economic powerhouses of France and Germany that have escaped the worst impacts of the crisis clearly suffer from skills shortages. Germany, Europe’s largest economy, registered the equal highest reading of all countries in the Index at 6.4. This was driven by a reading of 9.2 for wages pressures in high-skill industries and 6.6 for pressures in high-skill occupations, among the highest for any country.

The most severe shortages are in engineering, IT, utilities and construction, which is not surprising given the industrial strength of Germany. There is an estimated shortage of 76,400 engineers1 and 38,000 in the IT profession.2 This has fed through to wage pressures as employers have been forced to offer higher salaries. However there is also a shortage of elderly care staff to help look after Germany’s growing ageing population – at 1.38 children per mother, Germany has the lowest birth rate in Europe, resulting in a population that is increasingly skewed toward older people. The situation is not helped by strict labour laws that make it difficult to bring in skilled workers from overseas. Germany registered 7.1 in terms of labour market flexibility, one of the lowest readings. On the positive side, the education system is seen as well-suited to getting people ready for work.

However, there are concerns that skills shortages in Germany will continue to get worse. Germany’s demographic issues means there are too few young people coming into the workforce and an increasing number of elderly people who will need support and care. Employers are keen for immigration laws to be relaxed to enable them to hire skilled workers from overseas.

France, the Eurozone’s second largest economy, also suffers from labour market inflexibilities (7.9 on the Hays Index) that contribute to skills shortages. Like Germany, the country has an acute lack of experienced engineers in civil engineering and especially mechanical and electrical, aeronautical, and defence engineering. While the quality of the education system is high, not enough qualified graduates are being produced. The problem is compounded by a talent mismatch. People are drawn into the financial and commercial sectors where there is little shortage of skills, rather than into sectors such as engineering. The Netherlands, which registered a score of 6.4 for wage pressures in high-skill industries, also suffers from shortages in engineering that has forced firms to seek engineers from overseas.

Local perspective

“In certain sectors, the number of jobs far outweighs the number of suitable candidates. There is a distinct lack of specialists across France with the niche skills that are needed by employers.”

~ Tina Ling, Managing Director, Hays France & Luxembourg

The Index includes four of the members of the so-called PIIGS groups of countries worst affected by the euro debt crisis – Portugal, Ireland, Italy, and Spain (Greece is the fifth). Overall wage pressures are less intense than for the main three northern euro countries. The average reading for wage pressures in high-skill industries is 4.6 for the southern euro countries versus 6.9 for their northern neighbours; wage pressures in high-skill occupations are only 3.3 versus 5.1 in the north.

Dutch go global to solve staff shortages

One Dutch company that designs chips for use in mobile phone access cards and tracker devices needed engineers qualified in analogue design rather than digital design. As few local students now study analogue design, Hays sourced candidates abroad where some universities still have strong curricula in analogue design. Four out of ten of Hays’ placements for this client are sourced internationally, mostly from the Philippines but also from countries as diverse as China, Canada and Lebanon, indicating a truly global market for talent.

“How many of our recent clients have a global outlook? 80% of our candidates are sourced from other countries. This is the reality. Europe and Asia are not the only regions that provide an excellent source of skilled candidates.”

~ Anouk Kreis, Managing Director, Hays France & Luxembourg

In recent years several French reports calling for structural reforms to boost competitiveness, job creation and economic growth have been written by the country’s best brains. Every year, the Cour des Comptes, the national audit office, compiles excellent studies pointing to inefficiencies in public spending and how this cramps growth. Most such reports end up lining bookshelves and gathering dust.”

~ The Economist, 3 November 2012

2. Germany’s skilled worker shortage is growing. Sabine Kinkartz. Deutsche Welle

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THE REGIONAL PICTURE

The insights provided by the Index are supplemented by the experience and knowledge gained by Hays executives leading our business in the 27 countries featured in this report. Their insight, coupled with the analysis of the data, reveals how specific shortages have arisen in different regions and countries and how companies and policymakers should move to counteract these both in the short and medium terms.
In certain countries such as Spain, firms are recruiting fewer new staff, as shown by the unemployment rate of 50% for 16- to 24-year-olds in Spain. This is particularly true in property and construction that have been hit by declining prices and the cancellation of major government projects. However evidence still reveals significant skills shortages, in these economies companies who need to replace skilled staff who retire or leave are finding it difficult to identify good replacement candidates.

Meanwhile potential candidates in rival firms are unwilling to leave their current employer because they fear they will lose the job security and tenure they have accumulated. The divide between the need by companies for high quality staff and the huge surplus pool of semi-skilled and unskilled labour is highlighted by the fact that the Hays Index reading of the talent mismatch in Spain at 8.5 is among the highest in the survey.

There is evidence that many skilled people in these countries are leaving to take up opportunities in faster growing emerging markets in Asia and Latin America – and the resource rich economies of Canada and Australia that need skilled engineers. The real danger for these economies is that they are storing up problems further down the line when they do recover and demand for taking on new skilled staff rebounds. The exodus of skilled staff combined with a likely decline in the number of school-leavers willing to take up opportunities in emerging markets in Asia and Latin America will lead to an increase in skills shortages further.

Local perspective

“...local perspective

“It can be extremely difficult to fill some roles. Not necessarily because of the market, but more generally because candidates don’t have the confidence to move. Finding quality candidates is tough.”

– Mark Bowden, Managing Director, Hays Southern Europe & Latin America

Western Europe outside the euro

The four Western European countries in the Index but not in the Eurozone – Denmark, Sweden, Switzerland and the UK – share many of their neighbours’ problems but have their own individual challenges. Sweden and Switzerland have enjoyed relatively strong growth while the UK returned to recession in 2012 and Denmark’s economy is under pressure.

Sweden is suffering from the equal highest degree of wage pressure in high-skill industries of any economy in the Index. The sharp widening in industry wage differentials indicates stress in finding key talent even though overall wage pressure is not alarming (4.4). In contrast Denmark has relatively low levels of wage pressure. In Switzerland positive readings on education (3.9) and labour market flexibility (4.2) have kept wage pressures in high-skill industries and professions relatively restrained although there is evidence that earnings are being pushed up across the board (8.5).

While the UK economy is likely to suffer weak growth for the foreseeable future, companies are experiencing difficulties in recruiting and retaining skilled professionals. This is immediately evident in the high reading of 9.0 for talent mismatch – the degree to which it is harder to fill vacancies despite the pool of unemployed people.

Local perspective

“What we currently see is a paradox. Millions of adults in this country are unemployed, yet employers are still struggling to find people with the right skills, experience and aptitude.”

– Nigel Heap, Managing Director, Hays UK & Ireland

In the UK, skills shortages can be found in the energy sector, especially oil and gas, as well as in IT. Despite the problems in the banking and financial sectors, there are still areas of demand and skills shortages such as risk and compliance management as increasing financial regulation has created a demand for these skills.

However this is not leading to overall wage pressure, which is very low (3.1) and only “moderate” in high-skill industries (3.3). Instead companies are investing in in-house training to raise new recruits up to the level required and are taking advantage of the UK’s relatively open migration laws to attract staff from overseas. However many large employers of graduates have significantly downsized the number of recruits they have taken on over the last two to three years, which may fuel long-term skills shortages.

Back to the future in the UK professions

In the early 1990s during the last real prolonged downturn in the UK economy, many employers put recruitment on hold. However, two or three years later firms of lawyers, accountants and professional services organisations found it very difficult to hire manager-level local staff as the pipeline of talent was not available due to the previous graduate recruitment freeze. That led to a spike in salaries at the entry level of those professions for a number of subsequent years.

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The UK has recognised that the future employment and skills systems will need to invest as much effort on raising employer ambition and on stimulating demand as it does on enhancing skills supply. It has launched a number of initiatives including: Investors in people, Employer Ownership of Skills where employers in England are offered up to £250 million of public investment over two years to design and deliver their own training solutions; the Growth and Innovation Fund which will co-invest up to £34 million to develop sustainable skills solutions and the Employer Investment Fund where some £66 million has been committed to improve skills development in key areas.”


Eastern Europe and Russia

Countries in the former Soviet Union are very dependent on the Eurozone and have been affected by the financial crisis and the subsequent slump in exports of manufactured goods. Russia itself has been less affected as it has large reserves of oil and gas and has benefited from the recent upturn in commodity prices.

Evidence indicates that Russian companies are expanding their businesses globally and keen to recruit people with international skills to give them a better chance to compete in global markets as well as locally. This pressure is compounded by international companies in sectors such as retail and fast-moving consumer goods investing in Russia and seeking to recruit skilled local personnel.

However, so far there is no evidence in the Index of wage pressures which are relatively subdued for both high-skill industries and occupations (5.1 and 4.8 respectively). However scores of 7.4 for education and 7.7 for labour market flexibility indicate shortages will build in the medium term. Compounding that is the demographic trend that is seeing the population decline by a million people per year, which will add to pressures as the economy continues to expand.

Local perspective

“The fact that firms predominantly want Russian candidates, or candidates with local experience and language knowledge, has made it more difficult for overseas candidates to compete for jobs.”

– Alexey Shishagirdt, Managing Director, Hays Russia

Among the smaller countries in Eastern Europe, such as Czech Republic, Hungary and Poland, there are signs of skills shortages particularly in high-skill industries. Hungary and Czech Republic were badly hit by the euro crisis and general wage pressure is almost non-existent. However both suffer from high degrees of wage pressure in high-skill industries with Hungary registering the highest possible reading of 10.0. The fast growing industries in the Czech Republic tend to be IT and Engineering and in public services such as health, social care and in back office functions such as administration and support services. In Hungary from 2008 until the beginning of 2012 pay rises slowed down compared with the period before 2008. Industries where wage levels were above the average are banking & finance, pharmaceutical and telecommunications, Poland, which is by far the largest economy in Eastern Europe, is seeing wage pressures in high-skill industries, especially the energy sector which is the fastest growing sector in recent years.

“...Eastern Europe and Russia

The EU has the highest overall score in the Index, indicating it has one of the tightest labour markets in terms of skills shortages. This might be surprising given the scale of the recession in the EU economy in the wake of the financial crisis and the relative weak recovery.

However the US suffers from a two-speed labour market with strong demand for qualified skilled staff in sectors such as the oil and gas industries, life sciences and information technology. At the same time a large number of people are either out of work or are under-employed, as they do not have the skills employers are looking for.

Local perspective

“There is a dichotomy in this economy. What we are witnessing is that there is high unemployment at the same time as there are skills shortages.”

– John Faraguna, President, Hays North America

North America

As one of the largest economic blocs in the world, North America is a bellwether for developed economy labour market trends as its two constituent countries, the US and Canada, are both members of the G7.

The US has the equal highest overall score in the Index, indicating it has one of the tightest labour markets in terms of skills shortages. This might be surprising given the scale of the recession in the US economy in the wake of the financial crisis and the relative weak recovery.

In many industries and occupations there are not enough experienced and skilled professionals but an over-supply of people at entry level and of people with a general low-skill base. While the health of the US economy is one of the weakest in the Index, it has one of the highest indicators for wage pressures in high-skill occupations (9.8).

In certain skilled occupations such as geologists and geophysicists in the resources sector, the current generation of professionals with up to 20 years of experience at the highest level is nearing retirement. Within an ageing population, that is putting pressure of companies looking to replace them. A survey in October 2011 by Deloitte, the consultants, and the National Association of Manufacturers (NAM), an industry body, found US manufacturers had a total of 70,000 qualified skilled posts, in spite of stubbornly high unemployment rates and high numbers of new training programmes.

There is a similar story in Canada exacerbated by the fact that the economy has recovered more quickly than many others in the developed world. There are skills shortages across all industries and professions but especially in the resources sector – oil and gas, and mining – and also in construction and technology. At the very high-skill level there is evidence that shortages of available candidates are so pronounced that potential employees are able to bargain for the best terms and conditions. Indeed once the US enters a sustainable economic recovery, that will likely boost the Canadian economy and in turn increase skills shortages further.

“The risk of unemployment among recent college graduates depends on their major. The unemployment rate for recent graduates is highest in Architecture (13.9%) because of the collapse of the construction and home building industry in the recession. Unemployment rates are generally higher in non-technical majors, such as the Arts (11.1 percent), Humanities and Liberal Arts (9.4 %), Social Science (8.9%) and Law and Public Policy (8.1%)”

Georgetown University Centre of Education and the Workforce 2012


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"Canada is moving towards a more demand-driven migration policy. In the past there have been too many people who arrived with eligibility to work, only to find their qualifications and work experience gained abroad strongly discounted on the local labour market."

– Rowan O’Grady, Managing Director, Hay's Canada

The concern raised by the Index is the talent mismatch and concerns over the education system, in both the US and Canada. The US scores the worst possible reading (10.0) for talent mismatch indicating that employers cannot fill posts despite a pool of surplus labour. With Canada, also worryingly high (8.0), while US universities are generally rated the best in the world, the US score of 6.6 for the contribution of education levels to future skills shortages indicates that there are problems at secondary and elementary level. In particular there is a worry that the US college system will not be able to meet future increased demand for skills without further investment in improvements in education.

As with many other developed economies, the challenge is to ensure the education system meets the needs of employers. Despite the undisputed high quality of education in North America, two issues remain. The first is that highly qualified graduates are leaving college with the relevant degrees and the skills employers require. The second is that many students are leaving university with high levels of debt and entering a labour market where, at entry level, there is a surplus of graduates. This means that while graduates may have the skills needed, there are simply not enough occupations available at junior entry level, which may compel them to take lower-skill jobs simply to pay off their debt. This raises a fear that key skills may be lost over the next few years.

Companies are using a range of tools to try to address the skills shortages. Some are raising wages as shown by the high scale in wage pressures for high-skill operations. The data show wages for workers in the utilities sector, the highest paid in the US, have risen 20% over the past five years. In Canada the best-paid sectors of mining, oil and gas extraction have seen salaries rise by 16% over the same five years. The utilities sector, which has the second highest remuneration, has seen a 21% rise over the same five-year period.

Some firms have looked to desegregate the jobs performed by highly-skilled workers to split the tasks between those that can be carried out by less skilled people or outsourced, to allow the top-skilled professionals to focus on their core roles. This is evident in the health services where doctors have been freed up to spend more time with patients.

"The number of Canadian working holiday visas available to young Irish people is to be doubled and the length of stay extended from one year to two, under a new agreement between the Irish and Canadian governments. A total of 6,350 visas will be available in 2013, up from 5,350 this year. This will rise to 10,700 in 2014."

Irish Times, 6 October 2012

The rigid rules are intended to protect workers. But they are so cumbersome that many smaller businesses ignore them, leaving workers with no rights at all."

– John Faraguna, President, Hay’s North America

Governments and educational leaders will need to look at whether the current system at both university and college level is suited to provide the qualified school leavers businesses need. A greater focus needs to be put on apprenticeships and there is an obligation on employers to send out a strong message about the solid career and earnings potential offered by semi-skilled occupations to attract more people into those sectors.

"In February 2012, the British Columbia Construction Association, which represents 2,000 companies, sent a delegation to attend a number of job fairs in Ireland. The construction industry in the west of Canada was looking to attract unemployed workers from the former Celtic Tiger economy to fill an estimated 335,000 job openings between 2012 and 2014 in British Columbia."

Companies have also sought to attract high-quality candidates from overseas and both countries rate well for labour market flexibility (4.2 for the US and 3.5 for Canada). As highlighted, some companies are taking imaginative steps to attract workers from overseas. However there is concern among employers that immigration systems are too cumbersome, requiring organisations to invest substantially to recruit overseas staff but still risk their potential recruits being denied visa clearance.

The US and Canadian economies have a strong reputation for long-term economic growth, labour market flexibility and the capacity for job creation and in are in strong positions to adapt to further pressures for skilled labour. However there are specific reforms that would help ease current and future bottlenecks.

While both countries rate well for labour market flexibility and have attracted inward migration by skilled workers, it is important that the immigration system is better suited to filling skills shortages. Moving to a more merit-based system would help businesses meet specific shortages. Canadian businesses would like to see the government streamline the immigration system that can take up to three months to complete from beginning to end.

"The major economies of South and Central America have benefited from the boom in commodity prices and their proximity to the US, the world’s largest economy that has increasingly looked to outsource key manufacturing and support functions to its neighbours. These twin engines of growth, combined with domestic restrictions in the labour and education markets, have led to skills shortages that threaten to undermine their long-term growth potential."

Brazil and Mexico – the two countries from the region in the Index – posted some of the most worrying scores in the survey. Unemployment in Brazil, which had an overall score of 5.7, is low and in the key sectors of engineering, life sciences, finance, retail and more recently oil and gas there are broad-based shortages of skills. Wages in the extractive mineral sector have seen extremely strong rises until very recently. However the country suffers from inflexible labour laws and low levels of education that threaten to fuel long-term stresses in the labour market. While Brazil benefits from a number of good universities, they are not producing enough people with the right skills. In sectors such as oil and gas, employers in Brazil – along with its resource-rich neighbours Chile, Colombia and Venezuela – depend on imported labour because they cannot source enough people locally.

Mexico too suffers from specialist skills shortages. The country registered the highest possible reading for wage pressures in high-skilled industries (10.0). The industries that command the highest wages are real estate and professional, technical & scientific services, where wages have risen 11% and 18% respectively over the year to the end of March 2012 according to official data. Here too, many companies’ response is to seek to recruit from overseas although this may not be a panacea.

"We have to become a little sharper edged so we can attract highly-skilled people who will advance our economy. There is some upgrading that needs to take place."

– John Faraguna, President, Hay’s North America

Countries divided by a common language

Several Latin American companies have invested money into putting together major advertising campaigns and funding visits to overseas countries to attract the talent they need. However they have often only had partial success in filling their quotas. Qualified candidates – even in countries with high unemployment – are often reluctant to move to the other side of the world due to the risk that the job might not work out, leaving them in limbo. Brazil is trying to recruit engineers from Portugal because of the shared language, while Mexico has looked to recruit from Spain. Although they have the same language, there are significant cultural differences. It can be a difficult transition to move from Lisbon to Sao Paulo or from Madrid to Mexico City.

While the region is currently experiencing an economic slowdown that may relieve pressure on skills shortages in the short-term, in the long-term the growth rates that these countries are likely to reach will mean requirements for qualified professional people will grow. The shortage could become acute as the economies flourish and sectors such as oil and gas will need to adopt innovative methods to find the right people.

"The labour code in Mexico was last overhauled in 1970, and it shows. Mexico is the only country in Latin America where it is legal to sack a woman for being pregnant. Probationary periods are not recognised. The rigid rules are intended to protect workers. But they are so cumbersome that many smaller businesses ignore them, leaving workers with no rights at all."

– The Economist, 1 November 2012

The number of Canadian working holiday visas available to young Irish people is to be doubled and the length of stay extended from one year to two, under a new agreement between the Irish and Canadian governments. A total of 6,350 visas will be available in 2013, up from 5,350 this year. This will rise to 10,700 in 2014."

Irish Times, 6 October 2012
Asia

The last decade has seen a pronounced shift in the balance of economic power from West to East and Asia has been the most obvious beneficiary. However it is hard to tell a single story. The region includes two of the most populous countries in the world as well as some of the smallest nations. It also embraces political and business structures ranging from the one-party Communist state of China to free-market nation states such as Singapore as well as depression-affected Japan.

Japan, which is emerging from two decades of weak performance, has a rapidly ageing population. That has the double negative effect of increasing the demand for elderly healthcare workers while simultaneously reducing the supply of new entrants into the workforce. The increase in structural and long-term unemployment has created a mismatch between the available workforce and the more innovative skills that employers want. Japan’s talent mismatch score of 8.1 is the highest for any country in the survey.

At the other end of the economic spectrum are the fast-growing states such as Singapore and Hong Kong that have relatively young populations. Both share very high levels of education and labour market flexibility that has enabled employers to source candidates from overseas. The common usage of the English language has also helped widen the pool for talent for sectors such as financial services. However strong levels of economic growth has fuelled demand for staff which has led to high levels of shortages in specific industries and occupations. While the young population should give a long-term advantage, it means there are often not enough senior candidates coming through the ranks to qualify for the top posts. Wage pressure in Singapore is very strong for both high-skill industries and occupations.

In China the decision by Beijing to open its doors to foreign investors has been the most obvious beneficiary. However it is hard to tell a single story. The region includes two of the most populous countries in the world as well as some of the smallest nations. It also embraces political and business structures ranging from the one-party Communist state of China to free-market nation states such as Singapore as well as depression-affected Japan. While there is evidence of increasing skills shortages across Asia, it is important to highlight trends in different parts of the region.

Despite the differences in economic cultures, Japan shares with China a need to recruit skilled staff from the international market who can operate on the global stage. Until recently Japan was able to recruit the staff it needed locally and could favour Japanese-speakers. The culture of a job for life was very strong and there was a natural progression of qualified staff rising up through the ranks.

This has now changed and employers need to look further afield for the talent they need, particularly in those sectors or businesses that are expanding internationally.

While the Indian education system has improved massively – it was the only nation in the survey to show no adverse impact on skills stress due to education – employers still have to use innovative methods to fill key gaps. While many employers resort to wage increases, some benchmark salaries to the market, use variable performance-based bonuses as well as longer-term incentives like stocks and share options. Others have invested in in-house training in order to find candidates that can be brought up to the skill level required. Some large companies are working with universities to increase the pool of employable graduates. Recruiting from overseas is also important especially now India has replicated a visa quota system with a requirement of a minimum annual salary that is aimed at attracting only highly-skilled foreign talent.

Overall, therefore, Asian countries have some of the best records on education and greater access to labour than many western economies. However they face their own challenges that threaten to add to already problematic skills shortages without further action by employers and policymakers.

Local perspective

“In Japan more people are going overseas to study to secure skills required by local employers. Unfortunately it is almost five years too late because employers need the people coming through the system now.”

- Christine Wright, Operations Director, Hays Asia & Managing Director, Hays Japan

Employers go back to university

Some of the major IT and back office processing (BPO) firms in India are increasingly working with universities with an aim to widen the pool of talent, often working with colleges to design specific courses. One major BPO company that had moved operations away from the major cities and into the smaller towns established links with local universities and helped establish specific courses on data analysis, with a greater focus on written and spoken English. While the curriculum was still the standard version, the extra courses ensured graduates knew they were learning the right skills to make them more employable. This was a classic win-win situation as it made the university more marketable, the graduates were almost guaranteed a job and the employer had first pick of the university leavers.

Local perspective

“In industries like manufacturing, power and infrastructure there are unfilled posts and the inability to hire at the pace required. This will result in a slow-down in growth”

- Gaurav Seth, Country Head, Hays India
**Australia and New Zealand**

The two major economies in the Oceania region both face skills shortage issues but for different reasons. Australia scores around 8.0 in terms of both wage pressures in the overall economy and in high-skill industries while New Zealand scores 10.0 for wage pressures in high-skill industries, the highest possible reading.

Labour market tightness in Australia is driven by demand for high-skilled professionals by resource companies. While firms in the mining and oil and gas sectors make up just 2-3% of total employment and less than a tenth of GDP, they are a major centre for skills shortages that have driven up wages even despite the mixed economic recovery (Australia scored 7.3 on economic health). While the resources sector is the most buoyant and fast-growing market sector in the country, it also has a large supply chain of firms connected to it.

Shortages are mostly found in the operational and technical areas associated with extractive industries, but also in accountancy and finance and other professional services for these industries. A 2012 survey by Hays of 1,500 employers in Australia found a 10% annual increase in the number firms reporting skills shortages for operational and technical functions, an increase of 9% in engineering but also an increase of 7% in three managerial roles connected to the sector. This is likely to increase as remuneration to attract talent to relocate, firms need to be increasingly innovative on flexible working rosters as well as remuneration.

Firms in Australia have started to take measures to offset the pressure. Companies in the resource sector have sought to recruit staff from other parts of Australia and especially the eastern seaboard around Sydney. To attract talent to relocate, firms need to be increasingly innovative on flexible working rosters as well as remuneration. Australia scored well on labour market flexibility in the Index, with a score of 5.8 against a global average of 5.4, which was based on its openness to immigration and flexible labour laws. The country’s points-based migration system went through a major review in July 2012 that adopted occupation-specific caps in the hope that the country will better be able to respond to the needs of the economy. Australia’s 4.3 score on education (better than the global average of 4.8) is based on the fact that Australia has a well-educated workforce. New Zealand scored 4.5 on labour market flexibility and 5.7 on education, indicating these are not sources of labour market stress.

In New Zealand there has been a significant demand for qualified engineers and other professionals in the construction sector to carry out the rebuilding of Christchurch after the earthquake in February 2011. As the major rebuilding projects start to come on line this will add to existing shortages in the construction industry. This will also exacerbate the talent mismatch between the South Island and the North Island.

**Local perspective**

“We are experiencing skills shortages within a number of professions from IT and procurement to highly qualified technical engineers and geologists.”

– Nick Deligiannis, Managing Director, Hays Australia and New Zealand

**Sources**

- **Australia and New Zealand**
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**Australian Federal Government** will fast-track the assessment process for skilled US workers coming to Australia. Under the agreement, US tradespeople will able to complete a skills assessment before coming to Australia. Under the agreement, US tradespeople will able to complete a skills assessment before coming to Australia.
Oxford Economics

Oxford Economics is one of the world’s foremost independent global forecasting and research consultancies, renowned for its econometric-based consulting and extensive research services. Founded in 1981, Oxford Economics was originally formed as a joint, commercial venture with the business college of Oxford University, Templeton College. Since its foundation, Oxford Economics has grown into an independent provider of global economic, industry and business analysis, headquartered in Oxford, UK.

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For more information, visit www.oxfordeconomics.com

Phil Thornton, Clarity Economics

Phil Thornton is lead consultant at Clarity Economics, a consultancy and freelance writing service he set up after a 15-year career as a newspaper journalist. Clarity Economics (www.clarityeconomics.com) looks at all areas of business and economics including macroeconomics, world trade, financial markets, fiscal policy, and tax and regulation.


Recent projects include a series of report looking at the position of ethnic minority groups within the UK workforce for Business in the Community; drawing up proposals for reform of the EU Budget for Business for a New Europe; and an examination of lessons learned 20 years after Big Bang for The Centre for the Study of Financial Innovation.

In 2010 he won the Feature Journalist of the Year award in the WorkWorld Media Awards. In 2007 he won the title of Print Journalist of the Year in the same awards. Until 2007 he was Economics Correspondent at The Independent newspaper of London, a post he held for eight years.

Hays

Hays is the world’s leading recruiting expert in qualified, professional and skilled work. We employ over 7,800 staff in 245 offices across 33 countries. Last year we placed around 55,000 people in permanent jobs and nearly 182,000 in temporary positions.

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Our job is to know about professional employment, employers and employees.

For more information, visit hays.com

CONTRIBUTORS
The Hays Global Skills Index highlights the main pressure points impacting the labour markets of 27 countries.

The Hays Index ranges from 0 to 10.0, where a score of 5.0 indicates a generally balanced picture for labour markets. This suggests firms are able to recruit, retain or replace their key talent at prevailing wage rates. A score close to 0 indicates intense competition for key talent vacancies. A score close to 10.0 indicates severe difficulty in filling key vacancies.

- **Education flexibility.** Measures whether the education system can adapt to meet organisations' future talent needs, particularly in the fields of mathematics, science and literacy. A high score means there is limited potential or capacity to increase education performance and output. A low score indicates there is considerable scope to expand the output and quality of the local educational system.

- **Labour market participation.** Measures the degree to which a country's talent pool is fully utilised. A high score means that the proportion of working age people that are employed (or are available for immediate work) is not increasing, indicating constraints on the availability of additional resource. A low score means that the participation rate reflects the increasing availability of talent to join the workforce.

- **Labour market flexibility.** Assesses the legal and regulatory environment faced by businesses. A high score means the labour market legislation is judged to be inflexible and there are constraints on the ability of inward migrants to fill talent gaps. A low score means the labour market legislation is judged to be flexible, with an openness to immigration.

- **Talent mismatch.** Measures the mismatch between the skills needed by businesses and skills possessed by the labour force. A high score means that the numbers of long-term unemployed and vacancies are both increasing suggesting the available labour does not have the skills employers want. A low score implies that employers are having an easier time finding the talent they need.

- **Overall wage pressure.** Whether wages are keeping pace with inflation, which is a measure of overall labour market tightness. A high score means real wages are increasing quickly relative to the longer term. A low score means real wages are not rising quickly (or are even declining) relative to the longer term.

- **Wage pressure in high-skill industries.** The rate at which wages in high-skill industries outpace those in others. A high score means wages in high-skill industries are rising much faster than in low-skill industries. A low score means wages in high-skill industries are not rising faster than in low-skill industries.

- **Wage pressure in high-skill occupations.** A measure of wage premium paid in high-skill occupations, which is an indicator of shortages of key talent. A high score means wages in high-skill occupations are rising faster than in low-skill occupations. A low score means wages in high-skill occupations are not rising faster than in low-skill occupations.

These seven criteria are all given equal weighting. Each country's Hays Index is surrounded by a coloured dial indicating the score ranges for the seven labour market indicators.

Creating the Hays Global Skills Index

The Hays Global Skills Index is based on data as of Q3 2012. Developments subsequent to this data are not reflected in the 2012 findings.
THE HAYS GLOBAL SKILLS INDEX 2012

THE FRAIL ECONOMY WEAK ECONOMY
macroeconomic indicators

New Zealand 4.8
Canada 5.6
United States 4.5
Italy 6.4
South Korea 4.9

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