

HOW TO ADAPT TO THE TALENT GAP

BY CARSTEN GIEREN



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THE CHALLENGE: WORKFORCE DEMOGRAPHICS ARE CHANGING AND ORGANISATIONS MUST ADAPT

There is no one-size-fits-all for managing talent. Yet, many organisations still behave as though there is. The wake-up call of changing workforce demographics and the mismatch between the skills that organisations need, and those that are on the market, is taking a greater toll.

As unemployment climbs in southern European markets and jobs remain unfilled in others, the question of how best to match skill with opportunity becomes more pressing. With almost 9 in 10 companies experiencing a talent shortage, according to research by McKinsey, and three-quarters saying that the inability to find skilled workers continues to have a negative effect on their business, the talent mismatch is becoming a growing issue for productivity.

The challenge for employers is to:

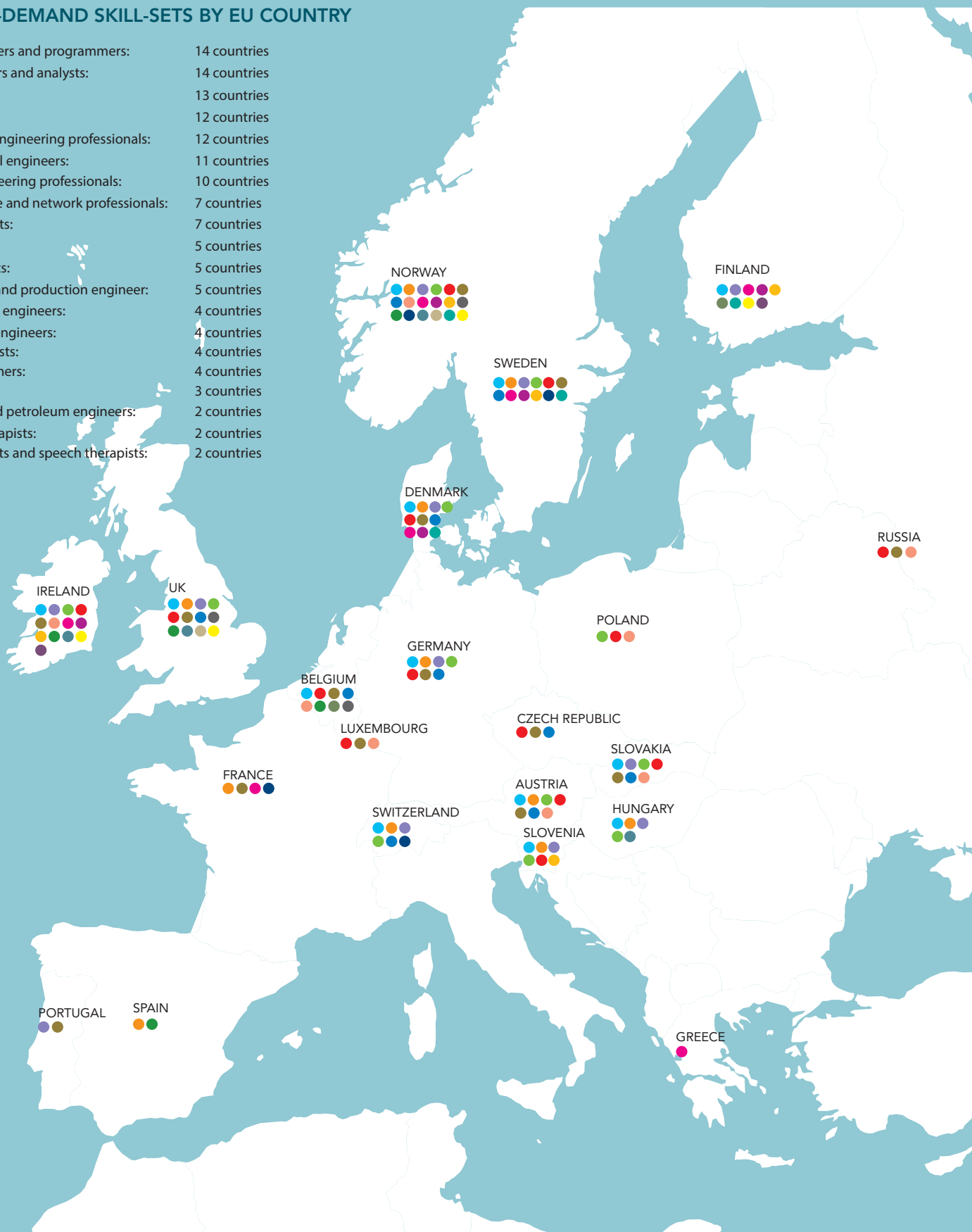
- Fill critical skill gaps in a timely and efficient way
- Manage flexible, contingent workers without raising the organisation's risk profile
- Move work to the worker rather than the other way around
- Keep talent engaged and retained wherever possible, even across borders

All of these talent management issues are critical to growth, to innovation and to overcoming the uncertainty stalemate across the EU region, and indeed much of the developed world.



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MOST IN-DEMAND SKILL-SETS BY EU COUNTRY





ITALY
PRODUCTION
SALES
ADMINISTRATION

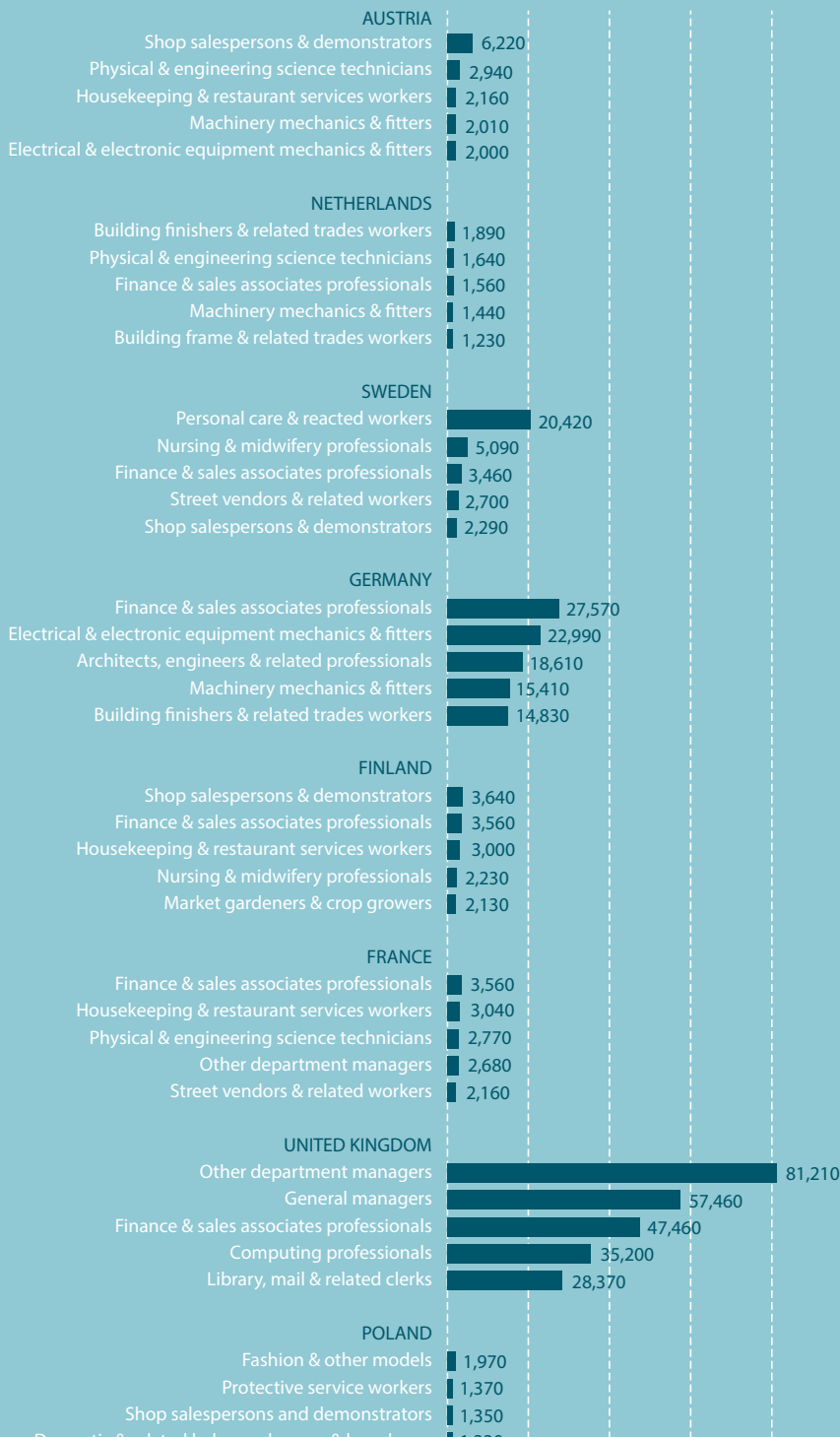


RUSSIA
PRODUCTION
CUSTOMER SERVICE
ENGINEERING



UK
SALES
ADMINISTRATIVE
CUSTOMER SERVICE

MOST IN-DEMAND SKILL-SETS IN EACH COUNTRY (BY NUMBER OF VACANCIES)



87

percent of companies say that they are experiencing at talent shortage

75

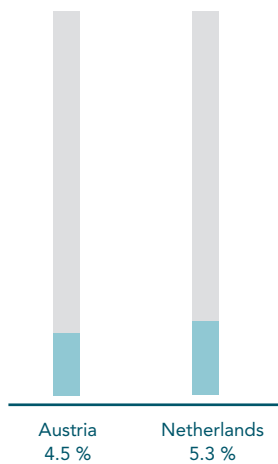
percent of the talent shortage continues to negatively affect their business

> 30

percent of employers indicate recruitment difficulties in Bulgaria, Romania, Germany, Austria, Poland, Sweden and Hungary

EU EMPLOYMENT TRENDS

THE LOWEST UNEMPLOYMENT RATES ACROSS THE EU



The unemployment rate in the EU stood at 10.4 % in July, up from 9.6 % a year earlier, representing almost 25 million people out of work, and around two million more than a year ago. Within the broader Eurozone unemployment has edged even higher to 11.3 %.

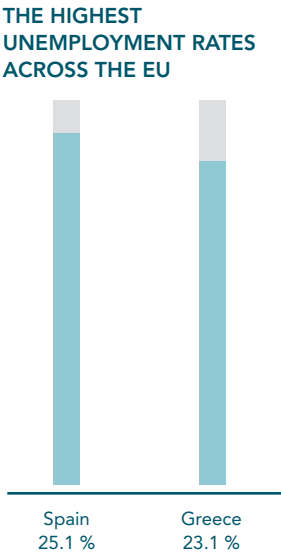
Yet, the figures for each country vary considerably. The lowest unemployment rates are in Austria (4.5 %), the Netherlands (5.3 %) and Germany and Luxembourg (both 5.5 %). The highest rates are in Spain (25.1 %) and Greece (23.1 %). The UK has 8 % unemployment, and both France and Italy have unemployment above 10 %.

Youth unemployment presents its own set of issues for the region—workers under the age of 25 have to contend with a jobless rate 2.6 times that of older workers. And again, this figure varies widely from country to country. In Germany the difference between the two age groups is 1.5 times, in Sweden it's 4.4 times higher for those under 25 years.

Even these figures, however, fail to reveal the complexity of employment challenges across the region. Many workers are suffering under frustrating under-employment, and even in some countries where unemployment is high, key skills are in critically short demand and job vacancies are going unfilled.

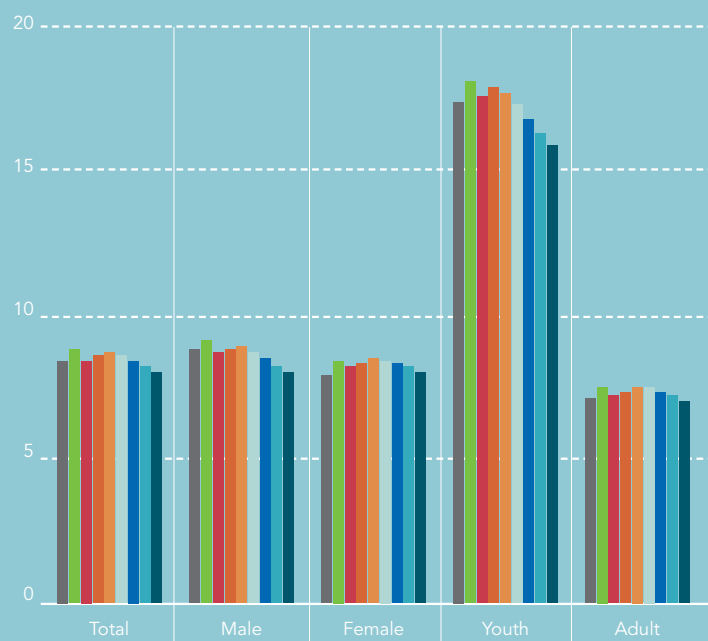
The 2013 European Vacancy Monitor found that: More than “50 % of new hires were made on a temporary basis... [However, in those] countries acknowledged for their flexible labour markets, such as the United Kingdom, Denmark and Estonia, employers are more likely to recruit permanent workers because of the relative ease of dismissal...”.

All of these figures point to the fact that companies of all sizes are actively reviewing their workforce to find new ways to optimize how skills are sourced and engaged. As Organisations seek new strategies to improve competitiveness, the key issue of skills mobility—how to match the available opportunities with the right resources—becomes more critical.

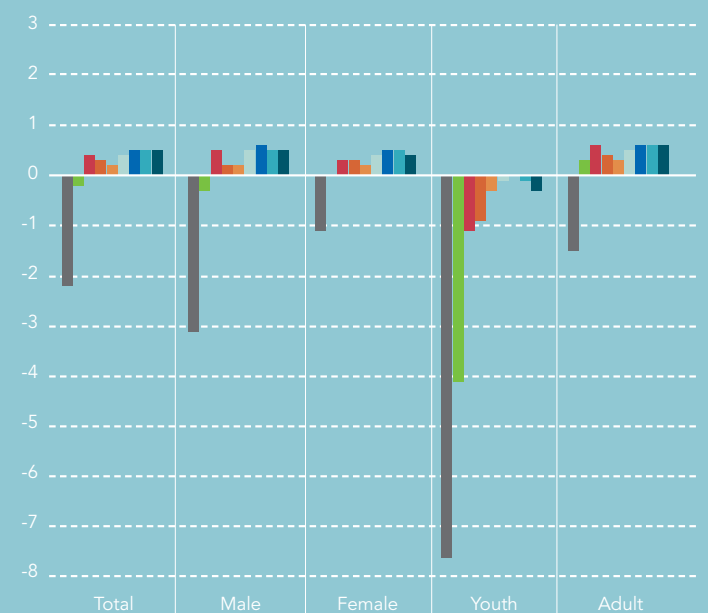


LABOUR MARKET SITUATION AND OUTLOOK

Unemployment rate (%)



Employment growth (% p.a.)



Memorandum item:
GDP annual growth
rate (%):

2009	-3.7
2010	2.5
2011	1.5
2012p	1.2
2013p	1.4
2014p	2.1
2015p	2.5
2016p	2.5
2017p	2.5

Labour force participation rate: 60 %

■ 2009 ■ 2010 ■ 2011 ■ 2012p ■ 2013p ■ 2014p ■ 2015p ■ 2016p ■ 2017p

Source: ILO, *Trends Econometric Models*, October 2012 (see Annexes 4 and 5); IMF, *World Economic Outlook*, October 2012.
* 2012 are preliminary estimates; 2013-17 are preliminary projections.

THREE KEY EMPLOYMENT TRENDS ACROSS THE REGION ARE:

1. Assignments and projects, not jobs: the focus on having a job is decreasing as both employers and employees seek to create and access projects and assignments instead of 'jobs'. Ultimately, this will greatly impact the way companies view their overall workforce. However, increased demand for flexibility as well as exposure to higher risk levels are a consequence.

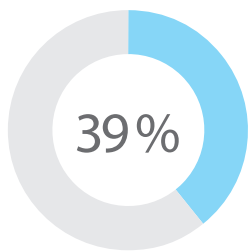
2. Talent moves more regularly: talented employees have generally stopped managing their careers inside one company or even one industry, and instead look at their careers as a collection of assignments or contracts. For this reason, counting on internal talent to fill key roles over the medium to long term is no longer a reliable workforce strategy for many companies. Instead, companies must look at the talent pipeline more holistically—internally and externally—to access the skills they need.

3. The contingent workforce is now a permanent (although often restructured) feature: Already, around one-third of the talent that companies rely upon is 'outside their walls'. We also know that this 'outside' talent comprises a growing proportion of independent contractors or Interim Managers—people seeking work on their own terms and pursuing non-traditional work styles such as retirees, micropreneurs and the self-employed. Contingent workers are no longer a temporary feature of workforces, they are staying longer and providing critical skills that cannot be purchased in other ways.

TALENT RETENTION ISSUES FOR THE EMEA REGION

Our annual research project provides insights into the aspects of employment that most impact retention in the region.

DO YOU FEEL THAT YOU
ARE VALUED BY YOUR
CURRENT EMPLOYER?
(% YES)



OUR 2012 RESULTS SHOWED:

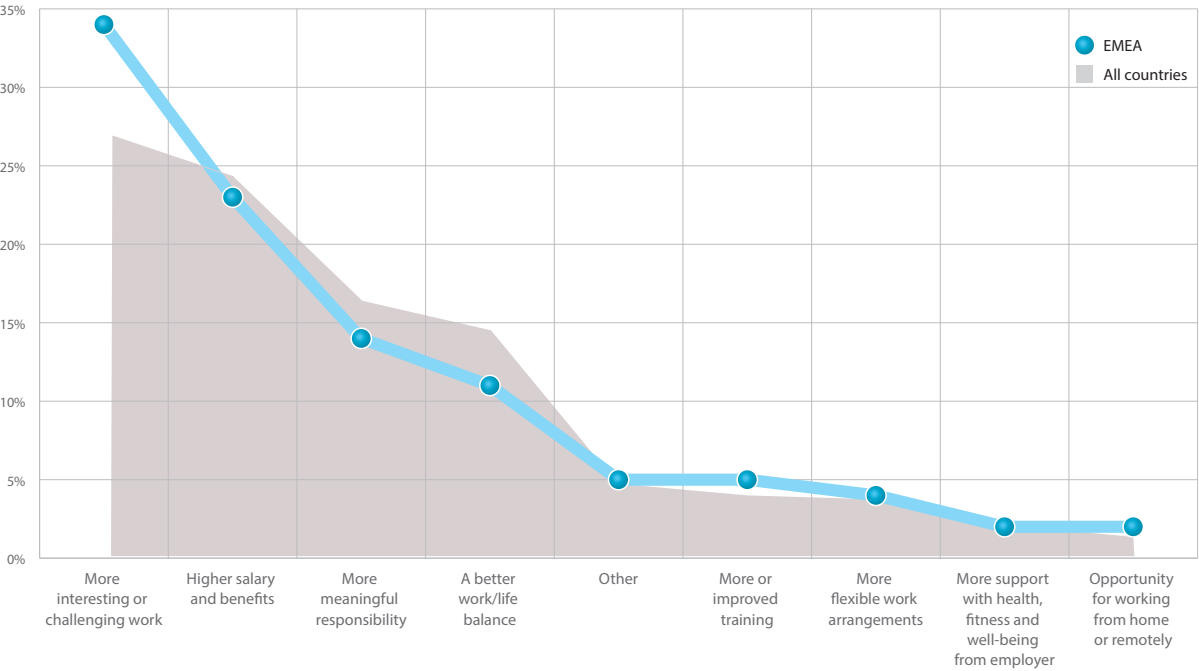
1. Happiness at work is declining: despite the global financial crisis, significantly fewer workers are happy in their jobs now than a few years ago.

2. Workers do not feel valued by employers: workers in EMEA report feeling the least valued of all — just 39 % feel valued in EMEA compared with more than half in APAC (51 %).

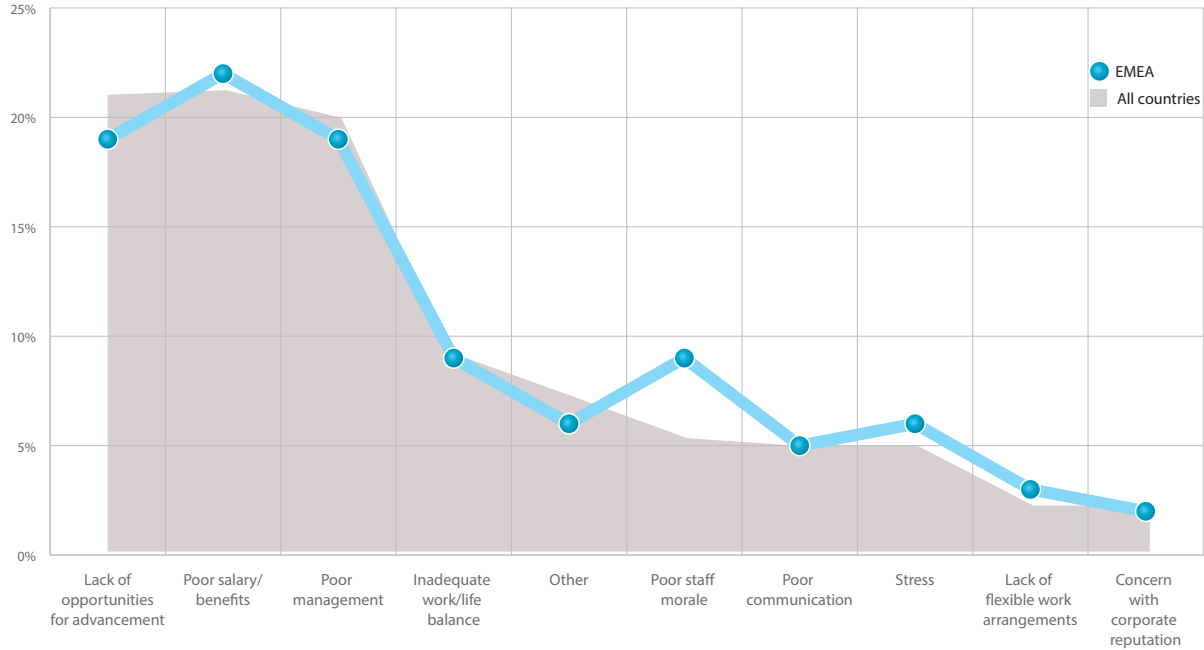
3. More interesting work is key to maintaining engagement: the top two factors that make workers feel more committed/ engaged with their employer are 1) more interesting/challenging work and 2) higher salary and benefits. More interesting/ challenging work ranked highest within EMEA (34 %).

4. Poor management is a serious issue in EMEA: apart from a lack of opportunities to develop, the most likely cause of workers leaving their current employer in EMEA is poor management.

WHAT ONE FACTOR MAKES YOU FEEL MORE COMMITTED OR “ENGAGED” WITH YOUR JOB?



WHAT FACTORS WOULD MOST LIKELY CAUSE YOU TO LEAVE YOUR ORGANIZATION?



MANAGING CONTINGENT LABOUR: RISKS & REWARDS

Contingent workers offer flexibility but create greater talent management complexity.

CEOs and HR directors are often stunned to learn they have two to three times more people working on their behalf than they have listed in their HR files—often in highly specialized roles such as software developers or environmental engineers. This more complex employment landscape creates significant legal and risk issues. Employee misclassification alone is a major issue which can add to the time and resource costs of a workforce if not managed thoroughly. Unfortunately, few companies have formal processes in place for engaging and managing this non-traditional workforce and the associated spend.

Among other issues, HR teams and hiring managers need to be aware of new regulations governing temporary labour, such as:

GERMANY'S PAY SURCHARGES:

The collective labour agreement, introduced in 2004, requires all temp agencies to apply one of the collective labour agreements, which guarantee workers a minimum wage.

In November 2012, temp workers in some focus industries were provided with additional entitlements to their base salary. The difficulty (and hence the risk) is that the increase has to be monitored closely as it is not simply a linear increase but depends on many conditions, which have to be checked up-front and during an assignment—a complexity many customers are afraid of.

THE EU AGENCY WORKERS DIRECTIVE:

Temporary agency workers are to receive the same basic pay and working conditions as if employed directly by the hirer. The UK, Ireland and Hungary are the last member states to implement pay parity. Governments must review legislation pertaining to temporary agency work, and remove or justify restrictions.

FRANCE:

A new agreement designed to encourage labour market flexibility has been approved by unions and employers. The agreement paves the way for labour reform legislation, which could come into effect by the middle of 2013.

UK:

A new reform reduces the minimum consultation period required before companies can make large-scale redundancies.

ADAPTATION STRATEGIES THAT WORK

Recruitment is changing and companies need solutions to adapt the talent gap.

Employers are seeking ways to acquire and develop talent in ways that are both more efficient and more conducive to innovation and growth. To do so, employers need a broader view of their talent pipeline.

To adapt the gap between talent supply and demand, organisations need to:

1. PROVIDE CHALLENGING WORK IN FLEXIBLE WAYS

Perhaps one of the most effective adaptation strategies of all is to give employees what they really want. This doesn't necessarily mean higher salaries, greater security or promises of advancement over the long term—it means giving them flexible work options alongside attractive opportunities, challenges and new skills wherever possible.

Google is one company that has this idea of providing 'challenging and meaningful work' as a key pillar of its talent engagement strategy. The company retains some of the brightest minds in the technology industry. A key driver of keeping "Googlers" engaged is their 20 % Time Program, which encourages all engineers to spend 20 % of their work time on projects that interest them. Not only does this keep engineers happy and engaged, it's also good business—some estimates attribute half of all new product launches directly from products derived from the 20 % Time Program. And this is the new paradigm for astute companies to maintain a competitive edge—keeping the right talent interested so that they stay around long enough to execute on company goals.

2. RESPECT THE NEED FOR AN IMPROVED WORK-LIFE BALANCE

With the demographics of an ageing workforce now bearing down on talent supply, plus a greater social recognition of the need to balance work commitments with family and community responsibilities, work-life balance is a key issue for retaining talented staff. German car manufacturer Volkswagen has implemented a “cell-phone-pause” to reduce burnout and ensure greater separation between ‘work-time’ and ‘non-work-time’. At the end of 2011, the company made an agreement with the works council to halt mobile calls outside working hours.

3. APPLY A TALENT SUPPLY CHAIN MANAGEMENT APPROACH

By integrating supply and demand data with the principles of supply chain management, businesses can begin to evolve their strategies of accessing and managing talent to fit better with current-day business cycles. This helps them:

- Determine the critical and pivotal skills for their organisation (those jobs that are key to success i.e. engineers for petrochemical companies)
- Assess the real market value of a particular skill or qualification
- Determine how long it will take on average to find those skills; and
- Understand how skill demand and supply differs across regions and markets

Moving to a supply chain management model first requires data. It requires a true understanding of the skills and projects that are critical to business success, and then a broad enough and well-maintained network to be able to access those skills on a just-in-time basis.

4. IDENTIFY GAPS AND BUILD LONGER-TERM TALENT PIPELINE

Where longer-term skills shortages have been identified that cannot be filled via greater flexibility in employment opportunities, businesses should seek to:

- Partner with universities and training colleges to match the skill requirements to the business need. Discuss internship possibilities and work to close the knowledge gap in newly graduating recruits before they enter the workforce.
- Improve mobility and up-skilling for their existing workforce. Employees that already work for the organisation may be willing to move or retrain to fill key talent gaps. Ensuring that internal policies and processes support this, wherever suitable, is key.
- Introduce or improve Talent Relationship Management (TRM): start actively managing talent pools by maintaining dialogue with target individuals, such as interns, silver medallists (those who did not succeed gaining a role, but still look interesting to the company).

WHY TRM?

Talent Relationship Management works independently of managing existing vacancies and delivers benefits such as:

- The talent is reachable immediately, which means reduced time-to-hire and recruiting costs
- Less risk by recruiting an already known/screened talent

5. LOOK FOR GENUINE EFFICIENCIES IN THE TALENT ACQUISITION TASK

Outsourcing in recruitment is entering a new phase. It's becoming less about the cost metrics of individual areas, functions or projects and more about increasing overall business performance. An experienced external provider should conduct a business environment scan to provide in-depth insights into the workforce supply and demand risks. Then, they should be able to consider the right strategies for the organisation, including:

- Shifting the mix of FTE vs. contingent talent in your workforce
- Rationalising the contingent supply base to more effectively match demand
- Implementing flexible work practices
- Engaging new workforces, including the independent contractor population
- Aligning internal and external compensation with talent market cost pressures.

CONCLUSION

Companies globally are reporting greater difficulty in filling key roles. While they may have access to plenty of people, they don't always have access to plentiful talent. The availability of the right skill sets—the kind that drive innovation, efficiency and competitive advantage—is elusive despite the economic uncertainty.

Implementing sound adaptation strategies to ensure your organisation is productive, efficient, agile and innovative is the smart way forward. Simply waiting for conditions to improve is no longer a viable option, nor is it likely to provide access to the talent that's required now or into the future.

To know just how ready for these adaptive strategies your organisation really is, begin mapping your talent demands by answering these critical questions:

- Where is the talent you need and how does it prefer to be engaged?
- How many freelancers or contract workers do you engage at any one time and how robust are your processes in managing the risk and compliance issues associated with these resources?
- How effectively are you managing the right network of suppliers to meet your current and projected needs?

If the answers to some or all of the above questions are unsatisfactory, it's time to actively consider:

- 1) If your Organisation can actively manage the gaps alone, or if external support of a trusted partner would be the option of choice.
- 2) If you need to take a broader look at your Talent Supply Chain before implementing further workforce solutions.
- 3) What your organisation's current appetite and readiness for change really is (as well as any current business partners), and what outcomes are expected/desired from the change process.

In you have any further queries or if you wish to schedule an in-depth consulting session with one of our dedicated KellyOCG specialists please do not hesitate to contact us. We will be more than happy to support your organization with the adaptation to the talent gap.

ABOUT THE AUTHOR

CARSTEN GIEREN joined KellyOCG in 2012 as Sales Consultant Director and provides innovative solutions around the talent supply chain of both the contingent workforce and direct hire sector. He is responsible for new business development across EMEA and part of Kelly's Global Solutions team. With 11 years experience in the recruitment industry Carsten has an excellent track record in introducing strategic solutions such as Master Vendor, RPO and MSP programs to first-time customers, innovative thinking and negotiating contracts. Carsten has exceptional solution design skills and his clients' objectives are always his drivers for creating innovative and forward-looking solutions. After graduating from Aachen University with an M.A. degree in Political Science and Geography of Economics Carsten supported and managed various international humanitarian aid operations for more than five years.



ABOUT KELLYOCG

KellyOCG® is the Outsourcing and Consulting Group of workforce solutions provider, Kelly Services, Inc. KellyOCG is a global leader in innovative talent management solutions in the areas of Recruitment Process Outsourcing (RPO), Business Process Outsourcing (BPO), Contingent Workforce Outsourcing (CWO), including Independent Contractor Solutions, Human Resources Consulting, Career Transition and Executive Coaching, and Executive Search.



KellyOCG was named to the International Association of Outsourcing Professionals® 2012 Global Outsourcing 100® list, an annual ranking of the world's best outsourcing service providers and advisors.

Further information about KellyOCG may be found at kellyocg.com.