The Global Skills Convergence

Issues and ideas for the management of an international workforce

ADVISORY

by Bernard Salt

September 2008

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Foreword

In *The Global Skills Convergence* KPMG presents the thought-provoking notion that growth in the supply of skilled and unskilled labor in the developed world may slow in the next decade as Baby Boomers exit the workforce. More people exiting then entering the workforce leads to what author Bernard Salt describes as a 'demographic faultline'.

Such a development would prompt changes in the way in which talent is managed globally by multinational corporations. For example, skilled labor in one region might be transferred to a region with a skills deficit. And while this process sounds simple enough, the process of moving staff from place to place requires careful management based on sound advice. This is where KPMG's International Executive Services practice has built its successful global practice and it is why this group commissioned this study.

The *Global Skills Convergence* presents the demographic case for an imminent global skills convergence. It also canvasses the views of some of the world's leading corporate practitioners on the subject of managing a global workforce in an era of increased demand for skills and talent.

And nowhere is this issue more prevalent than in KPMG's own workforce. With more than 123,000 staff and 7,100 partners worldwide we are constantly adjusting to changes in client demand. These changes must be managed against a background of shifts in the availability of talent.

Interestingly, one of the common themes emerging from the interviews in this study was the challenge of recruiting and retaining 20-somethings otherwise known as Generation Y. And I am pleased to say that I concur with the broad response of interviewees: here is a generation that requires – perhaps even demands – transparency of leadership and the development of individually tailored career plans.

Whatever your views on the subject of an imminent global skills and labor shortage or on the challenges of managing Generation Y, this study presents fresh ideas that will surely test the thinking of many global corporations. And, it is for this very reason that I believe *The Global Skills Convergence* should be mandatory reading for anyone involved in managing a global workforce in the 21st century.

Tim Flynn
Chairman
KPMG International

Executive summary

The Global Skills Convergence argues that there is a demographic faultline running through much of the developed world which will impact negatively on the supply of labor and talent during the next decade. The faultline is the time at which more Baby Boomers (born 1946-1961) exit the workforce than Generation Ys (born 1976-1991) and Millenniums (born 1991-2006) enter the workforce at age 15. The delayed entry into the workforce caused by a longer engagement with education means that the faultline is largely an interplay between retiring Baby Boomers and newly arriving Generation Ys with Generation X caught in between.

The demographic faultline is caused by the sudden jump in fertility that followed the end of World War II. This initial 'jump' in 1946 was the beginning of the baby boom and it applied largely to western economies with the exception of Ireland where the fertility rate remained high for much of the 20th century. The baby boom neither started nor ended in the Latino Christian, African, Indian or Arab worlds. The end of the western baby boom was signaled in the 1960s by the arrival of, and access to contraception and by the changed expectations and priorities of women. Again, these developments applied in some countries and not others.

The demographic faultline applies at different times in different countries. The pool of people from which Japan draws its labor force began to contract in the mid-1990s. In the United States (US) the slowdown in the rate of growth in the productive population begins at the end of this decade. In China the faultline applies from the middle of next decade. The diminution in the number of people in China aged 15-64 results from the application of the one-child policy in the mid-1970s which impacts labor markets precisely 40 years later. Could this be the issue that knocks China off its current growth trajectory?

KPMG's global International Executive Services (IES) practice has accessed, with permission, unpublished data from the United Nations Population Division which shows the net flow of migrants between a range of countries this decade and again ten years earlier. Unfortunately, this data set does not include information for the US. However, what it does show is the recent outflow of Poles to developed European Union nations as well as of Romanians to Italy and of Pakistanis to the United Kingdom (UK). There were also net outflows from the UK to Spain and Australia.

The point being, that changes to the geo-political landscape facilitated the flow of labor from an area of surplus (Poland) to areas of demand such as the UK. The other driver of migration is the pursuit of lifestyle.

The argument advanced in this study is that in the 21st century, labor and talent is increasingly able to flow seamlessly across the globe. This concept of the free-flow of the elements of business was first put forward by US journalist and author Thomas Friedman in his 2005 book *The World is Flat*. Friedman argued that the dismantling of political barriers, evolution of technology and the globalization of business is leading to a ‘flat world’ where capital, technology and information flow between markets. It can be argued that Friedman stopped one step short of a logical extension to this argument. In a truly ‘flat world’, labor and talent will also flow from market to market. The free flow of talent and labor is more feasible this century than it was last century due to political change and greater accessibility to cheap airfares, although it must be said that the dynamics of mobility may change as a result of rising energy costs.

The newest arrivals into the global professional workforce are Generation Y otherwise known as the children of the Baby Boomers. Generation Y in the developed world, and even in China where they are often referred to as ‘little emperors’, have generally been raised in an era of prosperity.

Here is a generation that is highly educated and has been global in their thinking from an early age. This is a generation that has postponed commitment to relationships and that values travel. Educated Generation Ys are especially predisposed to working for ‘branded’ global corporations, such as BNP Paribas and other businesses interviewed, that have the capacity to propel them into a global career. This means that skill shortages in one country can be addressed by transferring talent out of another country. On the other hand, it also means that a skills shortage caused by a demographic faultline can be exacerbated by the ‘flighty’ values of today’s 20-somethings.

As part of this study interviews were conducted with key personnel at global corporations who have, or have had, responsibility for managing a global workforce. In many cases interview subjects had more than 25 years experience. The interviews were completed with executives based in Australia, France, Germany, the UK and the US. They were drawn from global businesses in energy and natural resources, financial services, manufacturing, retail and technology. The same line of discussion was followed with each interviewee. There was a surprising commonality to the responses. Three formal interviews were also conducted with representatives of KPMG’s IES practice to provide a broad overview of industry trends over the last 25 years.

Interview subjects confirmed their experience with the skills shortage although they often described this as a lack of talent in the right location. Interviewees were especially challenged by Generation Y whom they almost universally described as ‘less loyal’ than previous generations. The counter argument to this lack of loyalty displayed by Generation Y has in fact been created by the employers themselves. Businesses at the top of the business cycle offer employees opportunities and rewards however as the market moves towards the base of the cycle, employers tend to eliminate surplus labor and cut retirement and other benefits.

Interviewees also commented that Generation Y has an ‘expectation’ of longevity and of having an international career. While interviewees were concerned about the skills shortage, many believed they could manage the situation by improving the retention of older workers and by encouraging greater participation by women who may want to return to work after having children. Interviewees were especially challenged by the difficulty in securing the right talent and inserting them into often isolated and difficult locations. This process required leading edge remuneration packages and other support including language and culture training. Several interviewees talked of the need to increasingly tailor career paths for staff.

The interviews, combined with the demographic research, provide a unique perspective on the current skills and labor shortage. It shows that there will be a slow-down, if not a contraction, in the pool from which the labor force will be drawn at the end of this decade in the US and by the middle of next decade in many other developed markets. Some of the key learnings that flow from the interviews are as follows.

- Establish a leadership group and invest in that group's development.
- Make sure they have exposure to foreign markets and understand local culture and sensitivities.
- Ensure, as far as possible, that local staff manage the group's operations in each country.
- Tailor career paths and remuneration packages and consider concepts including delayed bonuses and performance-based pay.
- Understand the inter-relationships between business and politics, and the strength of familial relationships in some emerging markets.
- Manage the expectations of staff before, but especially after completion of an international assignment: sometimes it can seem a bit mundane returning to head office after the excitement and exotica of an international posting.
- Manage Generation Y's expectations and provide them with constant feedback as they progress towards career goals.
- Benchmark best practice in remuneration and ensure that the most effective tax arrangements are in place for staff, for the corporation, and to meet official requirements.

The Global Skills Convergence is a study that was commissioned by KPMG's global IES practice. The research was directed and authored by KPMG in Australia Demographer, Bernard Salt and Principal Researcher, Joel Bevin and supported by numerous staff. The study was completed over 7 months to August 2008; it comprises both demographic research as well as a series of interviews with the Heads of Human Resources and Global Mobility at global businesses. The report is intended to be distributed globally to KPMG's IES practice clients as part of the thought leadership program. Soft copies of the report can be downloaded from www.kpmg.com/globalskillsconvergence

"The international mobility of talent delivers diversity of viewpoint … our business, all business, needs different viewpoints."

Brian Ambrose, Global Mobility, KPMG

1 Introduction

This report presents original research on the issue of the global skills convergence as measured by migration and labor mobility. It focuses specifically on the management and policy issues associated with these trends for global businesses and government.

The report was commissioned by KPMG International via its global IES practice which provides advice to global companies moving staff between countries.

The study involves demographic research accessing previously unpublished data sourced (with approval) from the United Nations. It also draws on a number of interviews with key executives who have each had in excess of 25 years experience in managing a global workforce including members of the leadership team of KPMG's global IES practice.

The proposition behind this study is that the rate of growth in the labor market in much of the developed world will slow over the next decade as the Baby Boomer generation exit the workforce. It is argued that in many nations the supply of new workers in Generation X and Generation Y is insufficient to offset the scale of the exiting Baby Boomers.

As a consequence it is argued that the rate of workforce growth will decelerate and in some nations actually decline over the next decade. At the very least, this 'demographic faultline' based on the baby boom generation moving beyond the workforce will place downward pressure on labor force participation rates and, again to varying degrees between countries, escalate the flow of migrant workers to address labor and skills shortages.

But whereas the developed world is entering a phase of diminished growth in the worker population, the developing world is quite different. There was no baby boom in much of the Latino Christian, African and Arab worlds where the fertility rate* remained high for more or less the whole of the 20th century. There is no imminent diminution in the supply of labor coming through the workforce in these nations.

* The fertility rate is the number of children that would be born per woman and is a better indicator of fertility than the birth rate, which measures births per 1,000 people, as it is not affected by the age distribution of the population.

In addition, the advent of Generation Y into the developed world's workforce is prompting different behaviors with regard to career mobility. Today's 20-somethings are generally far better educated and 'connected' into the global economy than any previous generation and as a consequence, they are predisposed to the concept of an international career.

This predisposition by educated elements of Generation Y is being acknowledged by global businesses that now actively pursue policies of global mobility. And not simply for the purpose of holding on to 'flighty' Generation Y workers but because they see commercial benefits in the cross-fertilization of talent and labor on a global scale.

While Generation Y will be a key focus of businesses in the coming decades, understanding the motivations of future generations, the Millenniums (those born after 1991), will be an important factor going forward. Born into a technologically integrated world, this generation will have the technical and conceptual skills to adapt to occupations of the future. The Millenniums are likely to demand a career that provides a flexible transition between ideas and will expect location and traditional working hours to be irrelevant to their success.

And finally beyond the demographic, generational and corporate policy factors that seem to be driving trends in global workforce mobility, there is the impact of recent geo-political shifts. Political change at the highest global level is opening new territories for western-styled development which permits and even encourages an associated inflow of workers and talent.

It is argued that the stage is being set over the next decade for the flow of talent and labor between the developed and the developing worlds. In some cases these flows have already started and they are expected to escalate as growth in the pool of labor diminishes in the developed world.

Migration flows will however be limited by political barriers in some areas, but in other places labor will be aggressively pursued and transacted between both developed and developing countries.

In an increasingly 'flat world', labor and talent will flow from where it is in excess, to where it is required, as a result of both push (domestic conflict forcing migrants to flee) and pull (higher wages drawing migrants in) factors.

This study documents these flows and their impacts, and considers the response of global corporations to these shifts. It also articulates the way in which some aspects of the global workforce might unfold in the second and third decades of the 21st century.

"I know it's very popular to talk about the world being flat … but people aren't flat."

Matt Burns, Lockheed Martin Corporation

2 Labor market outlook for selected countries

In the developed world generally around 65 percent of the population aged over 16 is engaged within the labor force. In the US, the participation rate has increased from around 55 percent in the 1960s to around the 65 percent over the last 20 years as women remained in or returned to the workforce after having and raising children.

However, as the participation rate has approached the mark of 65 percent, the capacity for even further gains is limited without a fundamental reorganization of the method of family creation and gender roles. This means that the outlook for labor market growth in many developed nations is largely dependent upon the inflow of a migrant population in the working group.

The participation rate in China, on the other hand, has remained between 75 percent and 80 percent over the last two decades reflecting a very different society to the US. But again, without a deep shift in the way that a society reproduces and cares for children, there is little scope for a further increase in the participation rate.

This means that both the US and China and nations ranging between these extremes will increasingly rely on population growth in the working-age group to support future expansion of the workforce.

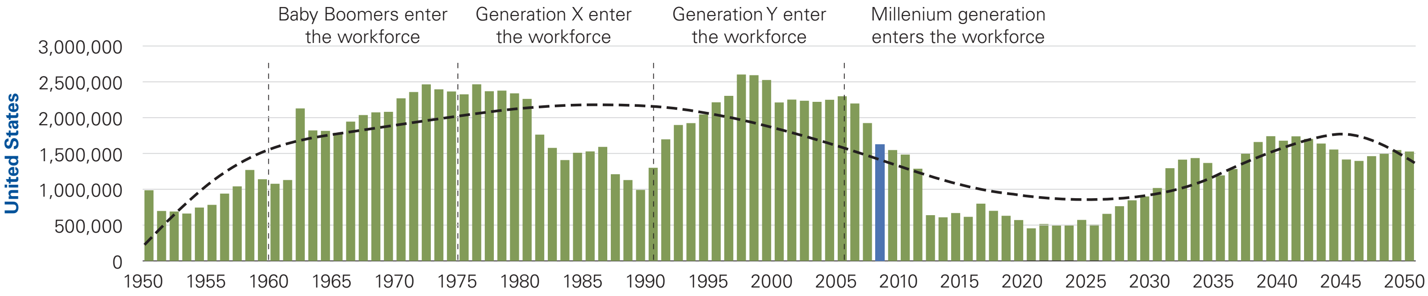
As part of this study, data and forecasts have been accessed from the United Nations Population Division (the World Population Prospects are revised on a biennial schedule) and other national statistics bodies in order to examine net annual change in the population aged 15-64 year over a 100-year timeframe in 195 countries.

This analysis revealed a range of outlooks for the labor market population in both the developed and the developing world.

2.1 Outlook for the US

Figure 1a shows the results of this analysis for the US between 1950 and 2050. Over the 55 years to 2005 the number of people added to the pool from which the US labor force is drawn hovered around the two million mark. And the reason is that during this phase, the number of people exiting the pool at 65 was always exceeded by the number entering at 15.

Figure 1a – Net annual change in the population of the US aged 15-64, 1950-2050



Source: KPMG International 2008, US Census Bureau

However, between 2012 and 2026 the annual rate of growth is expected to contract by half, which will result in less than one million being added to the labor force each year.

The issue here, is that over the last 40 years, the US economy has become accustomed to accessing a labor force from a population pool that has expanded at a predictable rate of two million per year. But by the end of this decade, the transitioning of the Baby Boomers beyond the workforce results in a diminution in this pool's rate of expansion.

All of a sudden the economy must adjust to accessing labor from a pool that is expanding at a much-reduced rate. This is the so-called 'demographic faultline' caused by more people exiting than entering the labor force.

The initial response to this situation is likely to be a tightening of the unemployment rate although many of the skills required may not be in sufficient supply domestically. A skills shortage therefore ensues and, as a consequence, there are heightened calls for an expansion of the migration program. The slowdown in the supply of skilled and unskilled labor into the labor market places upward pressure on the rate of remuneration and migrant workers are increasingly drawn to the higher wages offered in the US.

Superimposed over the 100-year labor force population growth charts is the era in which each of the four 'working generations' entered the labor market.

Baby Boomers in the US (and elsewhere) entered the workforce in the late 1960s and 1970s during a period of rising population growth. Generation X entered the workforce in the 1980s and early 1990s when the rate of growth in the working-age population had flattened out. Generation Y on the other hand, entered the workforce in the late 1990s and in the current decade which has been an era of falling rates of growth in the working-age population.

In broad terms, this demographic context suggests that generations entering the workforce in an era of a rising labor supply (such as Baby Boomers and some Generation X) regard the balance of power in the workplace as remaining with the employer. Indeed, this experience might be expressed as a deep respect for (and possibly even fear of) authority.

The reverse might apply to generations (such as Generation Y and possibly the Millenniums) where because of a shift in the underlying demographics, they are confident their skills and labor will always be in demand. Generation Y is unfazed by, and even challenging of, authority at an age when most Baby Boomers and many Generation X would have accepted the status quo.

The other issue is that in today's global labor market both skilled and unskilled labor with the means and ambition, can flow from one country to another. And especially if there have been recent changes to geo-political barriers. The rapid globalization of business, combined with a predisposition by educated under-35s to think globally, and regional variation in the value of labor, is leading to the evolution of a global workforce. Managing that workforce and the expectations of its participants is now a major issue for global businesses.

The demographic context in which workers, and indeed generations enter the workforce, can have a profound impact on employee values.

For example, the Baby Boomers might have been born in the 1950s but they entered the labor market in the 1970s when it was rising. This led to a set of behaviors in the workplace where if that Baby Boomer did not perform as required, then 'dump them', reach into the labor pool 'bucket' and recruit another worker.

Generation X entered the labor market in the late 1980s and early 1990s when the rate of growth in the labor pool had reached a plateau.

Generation Y, on the other hand, began to enter the labor market early this decade and in a different paradigm altogether. Yes, the labor market is expanding but it is expanding at a reducing rate: if that Generation Y does not perform as required, then you can't reach into the 'bucket' and recruit another, because the 'bucket' is shallower.

This demographic shift transfers the balance of power in the workplace from the employer (up to the 1990s) to the employee (from the current decade onwards).

The US is entering a phase over the next decade that is quite unlike any period in the late 20th century. The baby boom that underpinned the rise of the youth-market in the 1950s and 1960s, household formation in the 1970s and 1980s, and peak consumerism in the 1990s and in this decade, will also underpin a labor and skills shortage next decade.

This is not to say that the US labor market will contract. Rather, it is to say that the economy must adapt quickly to a labor market that is increasingly constrained by a reduced number of people entering the 15-64 age group.

The long-term outlook for the labor force population shows a recovery in the 2030s, which has been labelled the 'Latino Lift'. This results from differential fertility rates in the US. The Latino fertility rate in the US is almost three times the white fertility rate. This shift is already impacting consumer trends and is especially evident in the youth market: the world is likely to see less 'white kids frolicking on the beach in Coca Cola advertisements' and more hip-hop, street and grunge influences coming out of urban and Hispanic environments in the future.

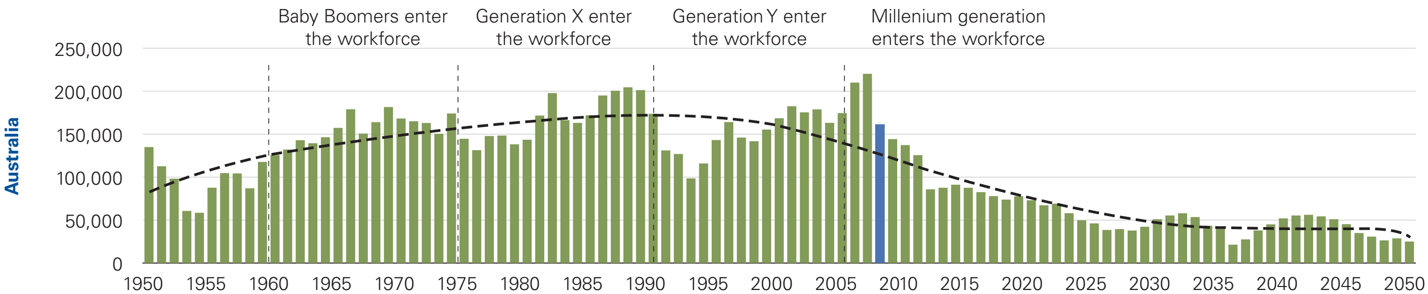
2.2 Outlook for other nations

The 100-year perspective on the labor market pool for the US is repeated in other developed nations such as Australia **(see Figure 1b)** and Canada **(Figure 1c)** where there is also a projected diminution in the rate of growth in the labor market population.

However, in other developed nations the immediate outlook is for the labor market population to transition from recent growth to contraction as early as next decade. Indeed in Japan the labor market population has been in decline since the mid-1990s **(see Figure 1d).**

Over the 40 years to 1990, the number of people aged 15-64 in Japan had increased every year by between 500,000 and one million underpinning a rising workforce and consumer base. This was good news for the Japanese economy: not only does an increase in 15-64 year olds contribute to depth in the workforce, and to the tax base, but it also supports a rising demand for consumer goods and services.

Figure 1b – Net annual change in the population of Australia aged 15-64, 1950-2050

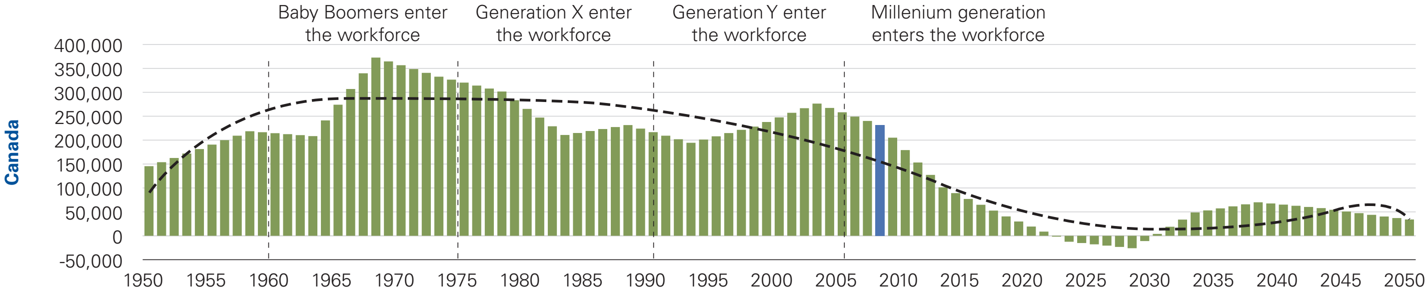


Source: KPMG International 2008, Australian Bureau of Statistics

"Globalization is forcing us to invest in emerging markets and 'skill up' the populations of developing countries who will be our future labor force."

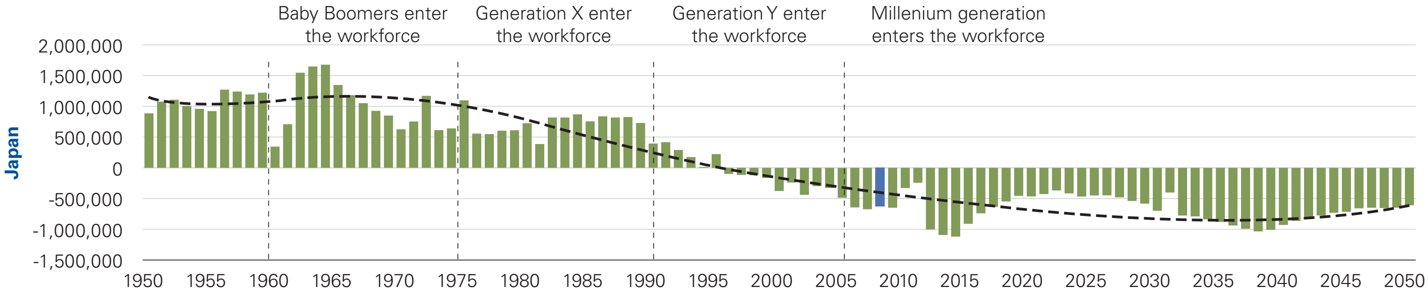
Rodney Scaife, AOL

Figure 1c – Net annual change in the population of Canada aged 15-64, 1950-2050



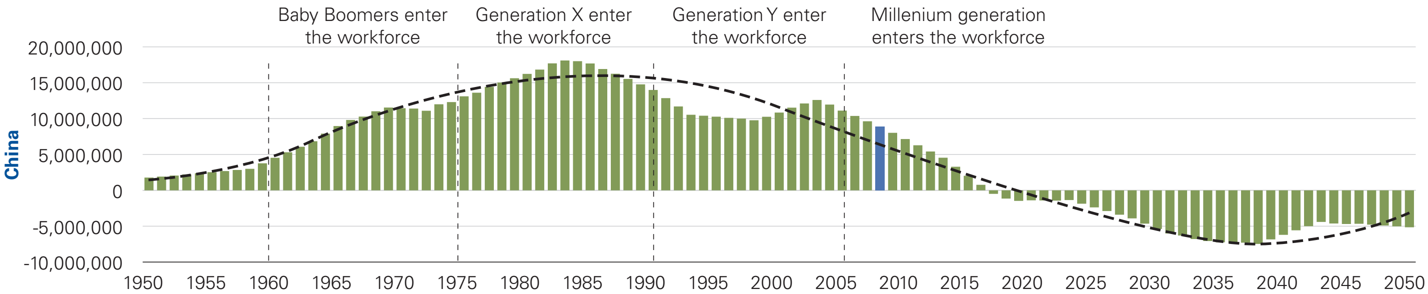
Source: KPMG International 2008, Statistics Canada

Figure 1d – Net annual change in the population of Japan aged 15-64, 1950-2050



Source: KPMG International 2008, Statistics Bureau of Japan

Figure 1e – Net annual change in the population of China aged 15-64, 1950-2050



Source: KPMG International 2008, UN Statistics Division

However, from 1994 onwards the number of people aged 15-64 in Japan began to contract. All of a sudden, there were more people exiting the labor market pool at the age of 65 than entering at 15. There are now fewer consumers, and therefore taxpayers, in Japan today than there were in 1994. But this is only part of the problem. Japan must now support a greater population base aged 65 years and over from a diminishing pool of workers aged 15-64.

Japan does not have a culture of immigration and so any diminution in the scale of the worker base is unlikely to be offset by an increase in the migrant worker intake.

Japan might increase its workforce participation rate, but this figure currently stands at 60 percent, compared to a participation rate in the US of 66 percent.

In order for Japan to lift its participation rate 6 percentage points to a level that is commensurate with the US and other developed nations, there would have to be a fundamental change in the engagement of (married) women in the workforce.

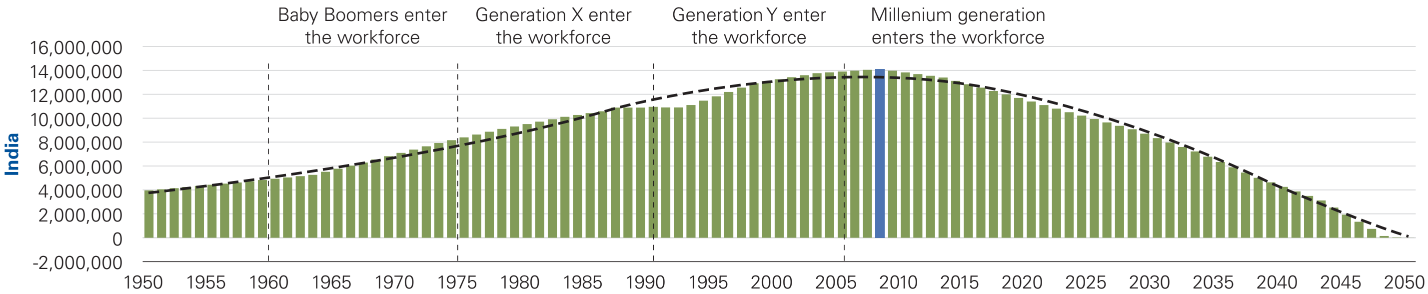
In other words, cultural constraints limit Japan's response to its demographic problems. In Japan, the labor force participation rate for males is close to 85 percent while it remains at around 60 percent for females.

In the two key developing nations, China and India, population growth trends differ markedly. In China **(see Figure 1e)**, the rate of growth is expected to slow as the effects of the one-child policy are realized. From 2016 onwards, the number of people aged 15-64 will actually contract.

Meanwhile, in India **(see Figure 1f)** growth in the working-age population is expected to remain elevated over the next 40 years as a result of less restrained population strategies and improved economic growth that has supported larger families.

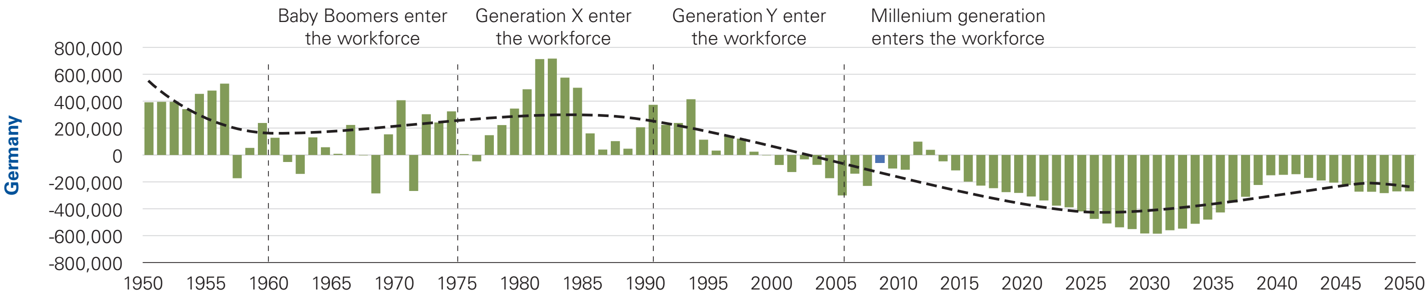
In the developed nations of western Europe such as Germany **(Figure 1g)**, the UK **(Figure 1h)**, France **(Figure 1i)**, and

Figure 1f – Net annual change in the population of India aged 15-64, 1950-2050



Source: KPMG International 2008, UN Statistics Division

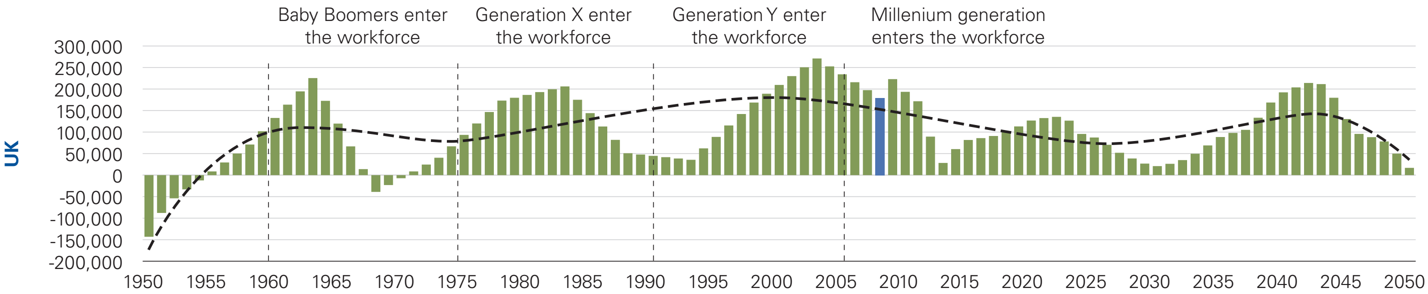
Figure 1g – Net annual change in the population of Germany aged 15-64, 1950-2050



Source: KPMG International 2008, Eurostat the Netherlands (**Figure 1j**), the trend is similar to Japan. Over the next decade there will be a broad downturn in the rate of growth, of what can be broadly defined as the productive age group of the national population, in the majority of developed countries.

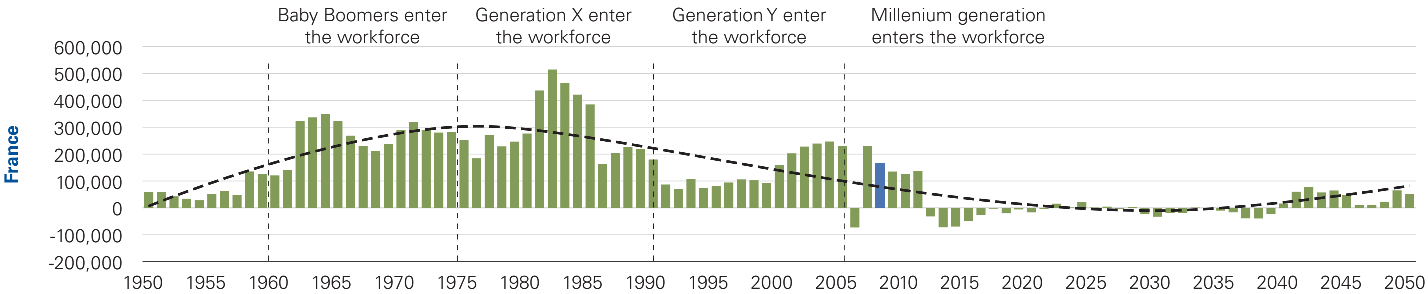
In some countries this manifests as a slowdown in the rate of growth; in others it is apparent through a contraction in the number of people in the productive age group. The speculation is that the impact on the economy, and on the labor market, will be the same: this will lead to upward pressure on labor costs and an acceleration in the demand for talent and labor. And in a globalized labor market, that talent and labor will increasingly flow into markets where skilled and unskilled workers are in highest demand.

Figure 1h – Net annual change in the population of the UK aged 15-64, 1950-2050



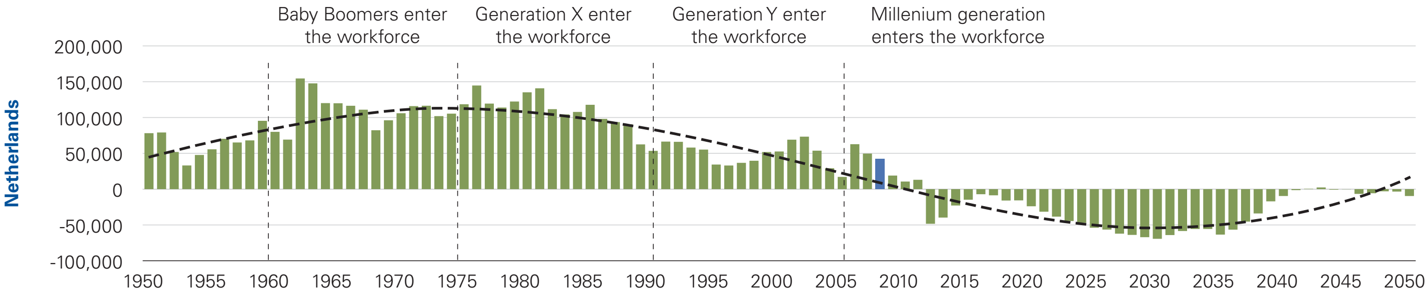
Source: KPMG International 2008, Eurostat

Figure 1i – Net annual change in the population of France aged 15-64, 1950-2050



Source: KPMG International 2008, Eurostat

Figure 1j – Net annual change in the population of the Netherlands aged 15-64, 1950-2050



Source: KPMG International 2008, Eurostat

3 Strategic and policy responses

The total number of international migrants has increased from close to 90 million in 1975, to over 190 million 30 years later, in 2005. While global populations have grown steadily, international migrants still account for an increasing proportion of the population, rising from 2 percent in 1975, to 3 percent 30 years later. (United Nations population division). Responses to these flows have differed between countries based on geo-political circumstances and cultural attitudes.

In the later decades of the 20th century, there were shifts in attitudes towards international migration flows. In the immediate post-war period, economic migrants with few or no skills flowed out of Europe into countries like the US, Canada and Australia.

But by the 1980s these flows in many, but not all, destination countries were being filtered to focus on skilled migration. It is after all, more efficient for a host nation to attract skilled young workers who can easily and immediately enter the workforce and begin making a contribution – by consuming, reproducing and paying tax.

3.1 The rise of skilled migration

Towards the end of the 20th century, new flows of immigration opened up. Traditional flows such as from the UK to Australia and from Mexico to the US were augmented by new flows made possible by geo-political as well as lifestyle shifts.

The inclusion of a series of Eastern European nations into the European Union at the turn of the century, resulted in Poles flowing to Ireland and Lithuanians and Bulgarians to the UK. British retirees and 'lifestylers' moved to the kinder climate of Spain. And with the demise of the Soviet Union at the end of last century, Russians flowed out of their homeland to opportunities in other European nations.

"…at a global level the competition for knowledge-based employees is intense."

Rodney Scaife, AOL

"Corporations need to have the confidence to think the unthinkable: where are we going to be in a decade's time, long after I am gone, and what is necessary for us to get there? … this will inevitably lead to the case for globalization and in that case, there is a need to start now to set in place an international mindset."

Ian Donald, Abbeywell Associates

But there were also new flows at this time out of Asia and especially from Vietnam and China to the US and Australia. Indians too began to move more freely away from the sub-continent at about this time. In the Middle East, the rise of sovereign states such as the United Arab Emirates, Kuwait and Qatar in the late 1990s, and the early years of the new century, attracted unskilled labor out of Pakistan and the Philippines, as well as highly skilled talent from across the English-speaking business world.

And from the early 1990s onwards, there was also acceleration in the flow of international students from the developing world largely to the west. Student flows are not counted in permanent migration movements and so these are in addition to the flow of skilled and unskilled labor. Drawn by greater opportunities for a higher level of education (and ultimately higher wages) students in developing countries are increasingly aiming for positions in prestigious tertiary institutions in the US and parts of Europe – and often more accessible institutions in countries such as Australia, Canada and New Zealand.

Amid this multiplication of education, labor and lifestyle migrants, many favored destination countries began to implement a points-based system which award points for age, skills and language capabilities in order to filter-in the most desirable migrants. A threshold of points is required to achieve migrant status which allows the host nation to monitor and control inflow based on the skills required by the local economy.

Some nations have even introduced a 'culture test' for candidate migrants to ensure they appreciate the history, geography and culture of the host nation. The points-based approach to immigration has been adopted over the last two decades by countries such as Australia, the UK, Canada and New Zealand.

The US on the other hand continues to focus on 'family' rather than 'skills' migration, although the focus is beginning to shift to place greater emphasis on the skilled component. The argument for 'family' as opposed to a 'skills' migration is often ideological in that a nation that accepts unskilled migrants truly presents itself as a 'land of opportunity'.

And there is something to be said for this approach. After all, while the first generation of unskilled migrants may struggle financially and even culturally, they inevitably work hard so as to propel their children into the mainstream usually via the education system. Indeed many of today's most successful participants in western business and society are the offspring, particularly the grandchildren, of the unskilled migrants who arrived in the first two decades of the 20th century. The same success is becoming visible with the children of the migrants who arrived after the end of World War II.

However, there are a number of countries that continue to limit to free flow of migrants of all abilities. Some western European countries including Germany and France currently impose certain requirements on potential immigrants such as requiring immigrants receive a job offer before they can enter the country.

3.2 The role of corporate expatriates

But the flow of permanent migrants is just part of the story of modern global labor mobility. Skilled non-permanent workers, more commonly known as corporate expatriates, are playing an increasing role in the spread of global business. Especially so, as geo-political shifts 'open up' new territories requiring the infrastructure, the technology and the range of consumer goods and services that are already well established in the west.

One role of the developed world is to introduce the systems and the infrastructure necessary to elevate the quality of life and the standard of living in newly 'opened' countries. Not only does this add to global political and economic stability, but also opens up new markets for global business. Corporate expatriates in finance, accounting, property, energy, resources and manufacturing industries often play a major role in this stabilizing phase and facilitation of the free and smooth flow of this talent is a key challenge for global business.

Later in the study, there is a summary of a series of interviews conducted with experienced managers of human resources for global corporations. One constant theme evident during these interviews was the need for global businesses to introduce corporate expatriates into developing countries for a period of time (many said 3-5 years) to manage and direct the introduction of new services and in many cases, to identify and nurture local talent.

The historical flow of labor became more strategic in the period following World War II. As companies began to expand overseas, the movement of corporate expatriates became more pronounced. This was most evident with companies based in the US who sent employees on international assignment overseas to manage expansion and company subsidiaries.

It took another major geo-political event, the break-up of the former USSR, to provide further stimulation as skilled corporate expatriates flowed into former Soviet states in the 1990s, in order to assist those nations in upgrading the local built-form infrastructure and support services.

“Operating in the global market, we manage talent between regions and across borders to enable effective knowledge transfer.”

Rodney Scaife, AOL

4 Migration in a flat and creative world

The proposition being put forward by this study is that demographic change in the developed world will lead to a labor and skills shortage next decade as the Baby Boomers move beyond the workforce. This shift is coupled with historically low fertility rates in the late 1990s that will fail to offset this phenomenon, at least in the short term.

Coinciding with this 'demographic faultline' are a number of other factors leading to a heightened demand for, and incidence of, cross-border migration. International migration trends reveal an increasing number of labor migrants as countries open up their borders to address looming labor and skill shortages.

4.1 Reasons for globalization of the labor market

Some events which facilitated these flows include the dismantling of the former USSR, the expansion of the European Union membership base, the opening up of China and India and the rise of sovereign states in the Middle East.

Even the late 2007 sub-prime crisis in the US, which has also affected the economies of the UK and western Europe during 2008, is having the effect of transferring surplus skills out of these markets into the still-booming markets of Hong Kong, Singapore and Shanghai. This development has been confirmed by discussions with multinational corporations who are constantly monitoring both the geo-political and economic environment to ensure that global labor requirements are met.

In addition to these political and economic developments, there is also the argument that today's younger generation of workers under the age of 30 – the so-called Generation Y – are more likely to be predisposed to a global career than preceding generations. Part of this logic is the expansion of global businesses providing more opportunities to think and work globally.

But there is also the argument that this generation raised on the Internet is simply better exposed to global issues than previous generations. In addition, there has been a shift in the priorities of Generation Y away from finding a long-term partner, buying a house and starting a family in their 20s. (These 'life goals' are typically postponed to the 30s by educated and skilled Generation Ys.) Instead, Generation Y seems to be living a much less structured life where a sense

"We have no difficulty in attracting Generation Y…They have to trust us that movement to a particular location can be good for their professional and personal development."

Bruno Carlier, BNP Paribas

of adventure and a satisfying career are the focus, with the belief that the rest will follow once the fundamentals are set in train.

In either case, the evidence from the interviews (as discussed later) is that skilled and educated members of Generation Y have elevated expectations about opportunities for global placements. Not only does Generation Y want work-life balance, access to the latest technology, as well as the capacity to integrate their technology with their workplace technology (which can translate as being able to access Facebook during work time via a work laptop) but many also want the opportunity to travel and to work abroad.

And so it is for all of these reasons that the outlook for the increased global flow of both skilled and unskilled workers is likely to continue. Indeed the only factor that could seriously diminish the trend towards greater global mobility, is a shift in geo-political thinking or a change in the facilitating factors of migration, with recent speculation that sustained elevated oil prices may restrict air travel, a key facilitating factor in migration. But the likelihood of developing countries suddenly eschewing western ideals of consumerism and limiting opportunities for expansion by multinational corporations is slim. Indeed, since the fall of the Berlin Wall in 1989 and the steady opening up of China, Russia and the engagement of India, it is more likely that the global geo-political paradigm is shifting in favor of even greater migration flows of talent and labor in the future.

4.2 Thomas Friedman's world

The demand outlook for labor and talent is positive and in many respects was hinted at by best-selling author, Thomas Friedman in his 2005 book *The World is Flat*. Friedman developed the idea that the 'world is flat' when barriers to trade, innovation and information are levelled. Friedman argues that the dismantling of the USSR, for example, was a levelling process which allowed trade, information and innovation to flow into and out of former Soviet states. However, Friedman stopped one step short of a more complete assessment of the flat world: the movement of capital, technology and, the ultimate expression of a flat world, human talent and labor.

Friedman identifies 10 events and developments that have recently flattened the world. With the advent of each of these 'flatteners' there is a heightened demand for the migratory flow of talent and labor. Approximate dates have been inserted where appropriate with the majority of dates relating to mainstream acceptance rather than early adoption.

1. The Fall of the Berlin Wall (1989).
2. Software that allows digital applications to bridge the physical divide (1990s).
3. The advent of 'outsourcing' which allows anyone with the skills to do any job (1990s).
4. The advent of 'offshoring' which allows companies to maximize the benefits of operating in other countries (from mid-1990s).
5. The mainstream arrival of the Internet (1995).
6. The focus on supply chains which have increased inter-connectedness and innovation (from the late 1990s).
7. The advent of 'open sourcing' which allows anyone to contribute to technological innovation (early 2000s).
8. The concept of 'insourcing' that allows one business to perform the functions of another (early 2000s).
9. The concept of 'informing' that allows anyone to learn and share anything (early 2000s).
10. The development of flattening 'steroids' such as iPods, VoIP, and Wi-Fi which have accelerated the flattening process (from the mid-2000s).

Friedman argues that ultimately it is the increased level of connectivity between individuals, companies and countries that creates a truly flat world. But Friedman did not fully take this process to the next step. He did not explain that in a flat and highly inter-connected world, where barriers to trade and innovation are being dismantled, the flow of ideas and management skills, as well as cheap labor, are in many respects the ultimate expression of the flat world.

And, more importantly, in a flat world, a surge in the demand for labor and talent in one market will naturally lead to the free flow of migrants from another market where their skills are less well rewarded. Indeed, this is why unskilled labor currently flows from Pakistan into Dubai, from Mexico into the US, and from Poland into the UK. And it is this logic that is now driving skilled and highly talented workers to places like New York, London and Paris as well as into rising economic centers such as Mumbai, Shanghai and Abu Dhabi.

In highlighting the notion that "in a flat world there is no such thing as an American job," Friedman explains that jobs, or rather the output of a labor process, can be performed anywhere. In other words, the output of an American worker could be performed in India, China or in Eastern Europe. In this view of a 'flat world', it is the output of the job that is mobile and not the job.

This is also probably true for the manufacturing industry and for some aspects of the technology and telecommunications industries. But this argument, based on current levels of technology, is not as relevant in other jobs and in other industries.

For example, in order to establish a factory in Guangzhou or to set up a call center in Bangalore there needs to be a flow of information, or 'know-how', as well as capital, and therefore skilled people from the developed to the developing world to facilitate this process.

This management expertise cannot be downloaded or reproduced via cad-cam technology. It must be transported, managed, remunerated and provided with a support network. In other words, prior to Friedman's notion of an American job being replicated in the developing world, there are a series of tasks that must be completed to facilitate the international outflow of low-skilled jobs.

4.3 Corporate responses

The importance of shifting both physical operations and human capital offshore is showing up in some of the most globally present multinationals. Claudia Deutsch, writing in the *International Herald Tribune* in February 2008, highlights exactly this trend by identifying both General Electric and IBM as companies that are not simply running operations from a centralized (usually US-based) location, but are actually setting up business structures in selected foreign locations. There is a growing recognition by multinationals of the importance of maintaining a strategic global presence to benefit from shifts in geo-political power.

Indeed, it is understood by multinationals that an important component of a truly global presence is the development of a culturally diverse workforce.

In order to achieve this goal, companies such as IBM have implemented specific programs to ensure that top-level executives have the skills and international experience to manage foreign markets and an awareness of cultural, political and economic sensitivities.

Another model being employed is the concept of 'worldsourcing' which Lenovo, the third largest computer maker in the world, has recently implemented. Instead of moving people around to deal with demand, 'worldsourcing' sees companies move the work to areas that have the capability. William J. Amelio, the American CEO and President, based in Singapore, at Lenovo, made the following statement in an article in *Forbes* in 2007.

"Worldsourcing is a strategic outgrowth of globalization. In a world with just one time zone ('Now'), business must source materials, innovation, talent, logistics, infrastructure and production wherever they are best available. And we must sell wherever profitable markets exist, anywhere in the world. In today's global economy, companies must worldsource or die. It's that simple."

Companies must allocate resources and a workforce around regions that have specific expertise. For example, hardware design is regarded as the comparative advantage of the Japanese workforce and telemarketing the comparative advantage of the Indian workforce.

But it is not just in the skilled workforce that the flat world facilitates the fluid movement of talent and labor. Friedman's notion of jobs being outsourced can be applied at a global level, for example the need for unskilled labor in Dubai. Here is a sovereign state that has outsourced manual labor to Pakistan and the Philippines. Arguably the US is doing the same to Mexico. These are not the high-tech jobs that Friedman believes can be completed anywhere. There is a legitimate and growing need for non-local labor to perform tasks in locations where the locals are either unqualified or simply do not want to perform them.

4.4 The rise of the creative class

Another commentator in this field is the US-based academic Richard Florida whose 2000 book titled *The Rise of the Creative Class,* argues that skilled and especially talented labor – the so-called 'creative class' – will move domestically and internationally in pursuit of a lifestyle that allows their talents to flourish. Florida cites Austin, Texas as a creative city and Pittsburgh, Pennsylvania as a less creative city. The creative classification is made on the basis of a statistical analysis of the industries and the culture that is present in these cities and which flows through to the type of people attracted to them.

Florida's ideas can be applied to this study. He argues that workers can exercise choice in moving to an environment that is conducive to their work and lifestyle. Friedman on the other hand, would argue that the creative output of workers can be outsourced to anywhere and so has little or no impact on the issue of migration. But there are problems with both views when applied to the fluidity of the global workforce.

Highly creative and skilled individuals are nevertheless attracted to what can be described as less than cosmopolitan and even intolerant locations (perhaps to set up a factory or to facilitate a capital raising for a new government in a new state) by a unique combination of the 'challenge' of the assignment, the opportunity to make their mark, the scope to take advantage of a low local tax rate, and the overall remuneration package. The personal and relationship-driven nature of the work in these cases means that it must be performed locally, requiring the services of expatriate skilled labor.

"Individuals have leverage in the workplace … not generations."

Matt Burns, Lockheed Martin Corporation

5 Net migration flows

The flow of migrants between countries is monitored by a number of different organizations including the United Nations. Often the headline figures for migration only cite the number of people flowing into a nation. Whereas the true position is often quite different with an equally significant migration flow in the opposite direction. The argument being put forward in this study is that there are important net inflows and outflows of labor and talent between selected countries.

Previously unpublished United Nations data showing cross-migration flows between selected countries over the last decade has been accessed for this study. The results are summarized on a map of the world in **Figure 2** which identifies the leading net inflows and net outflows on a country-by-country basis for the latest year available, which in most cases is 2006. This data set is both unique and important for several reasons.

The map shows the significance of some nations as a source of talent and workers in comparison to others. Nations illustrated on the map include the US, the UK, Canada, Australia, New Zealand, Germany, Italy, Sweden, France, Spain, Hungary, Belgium and Denmark.

This United Nations data shows that during calendar year 2006, there was a net flow of 47,000 migrants from Poland to the UK (as Poland joined the EU), and a further 41,000 migrants from India to the UK (in search of work opportunities). Other important source countries for migrants to the UK in this year were Pakistan, China and the Philippines. Ten years earlier, countries contributing the most migrants to the UK in net terms were Germany, Pakistan, and the US.

Australia, currently in the midst of a skills shortage and economic boom, attracted migrants from China, India and Malaysia as a result of close regional ties. Australia also attracted tertiary educated students from these nations.

There was a net outflow of migrants from the UK to Australia (31,000) and Spain (21,000) in 2006, whereas 10 years earlier the leading outflow destinations were Italy and Australia. What this shows is that the source of workers flowing into the UK has shifted over a decade to include Poles, whose access to this developed-world labor market was made possible by a geo-political shift. In addition, this analysis shows that UK residents have, for a decade or more, pursued lifestyle options in destinations such as Italy, Spain and Australia.

There is evidence of a cultural shift in migration flows associated with geopolitical developments. In 1996, Turkey represented the main source of labor flowing into Germany; 10 years later, the prime source of new labor into Germany is Poland followed by migrants from Denmark, Belgium and Sweden. Poles comprised the largest proportion of migrants to Germany, Denmark, Iceland, Norway, Belgium and Sweden. Germans flowed out to Greece and Italy most likely in order to take advantage of the Mediterranean lifestyle.

One country that has actively broadened its immigration program to cope with plummeting birth rates is Italy, where net migration has tripled over the past decade. At a geographic crossroad between the Mediterranean and northern Europe, Italy experienced a net gain in migrants from Romania, the Russian Federation and Morocco in 2003.

Sweden experienced strong flows of migrants from EU member countries including Poland, Denmark and Germany during 2007. Migrant flows from Norway have also been strong as the Swedish economy outpaced its Nordic neighbour. Sweden's political asylum policy resulted in a significant increase in migrants from Iraq during 2006 and 2007. During these years, Iraqi migrants also figured prominently in other Nordic countries intake including Norway and Finland.

The free flow of labor across Europe is particularly evident when compared to the tighter movements elsewhere around the world. The strength of the European Union and the Schengen Agreement has allowed these movements to occur in a 'flat' Europe, while stricter visa requirements and less robust regional agreements act as barriers in other countries.

Mexicans flowed across the border into the US to take advantage of work opportunities while flows to the US from China, the Philippines and India were also significant. China was the leading source of migrants for Australia, the UK, New Zealand and Finland. The US remains a powerful 'pull' destination with its prominence in the global economy attracting migrants in search of economic prosperity.

France gained migrants from Algeria, Spain gained Romanians and Canada experienced a net inflow of Indians. Despite these diverse flows, the point to note is that changed geo-political circumstances alter the source from which labor for the developed world is naturally drawn, as well as influencing the push and pull forces of migration.

To compete in the global labor market, countries must provide a flat platform over which migrants can flow. Establishing regional and international agreements which unite countries with similar physical and social characteristics is likely to be the favored tool.

"It's really difficult to find exactly the right people for an international assignment..."

Bob Sovine, Marathon Oil

"There is a shortage of talent with the right skills in certain emerging markets...if we can't find that talent locally, we will increasingly rely on expats with global skills and mindsets."

Ryan Larsen, Wal-Mart

Figure 2 – Global Migration Flows

Country – Year		
Australia – 2006		
Net gain	China	31,000
Net loss	US	(9,000)
Belgium – 2006		
Net gain	France	7,000
Canada – 2006		
Inflow	India	29,000
Denmark – 2007		
Net gain	Poland	4,000
France – 2004		
Inflow	Algeria	32,000
Germany – 2006		
Net gain	Poland	48,000
Net loss	Greece	(6,000)
Hungary – 2005		
Net gain	Romania	8,000
Italy – 2003		
Net gain	Romania	74,000
New Zealand – 2006		
Net gain	UK	10,000
Net loss	Australia	(23,000)
Spain – 2006		
Inflow	Romania	112,000
Sweden – 2007		
Net gain	Iraq	12,000
UK – 2006		
Net gain	Poland	47,000
Net loss	Australia	(30,000)
US – 2006		
Inflow	Mexico	174,000

Source: KPMG International 2008, United Nations (forthcoming): International migration flows to and from selected countries: The 2008 revision, New York

6 Measures of skills convergence

There are a number of measures that can be applied to the developed world to show the extent to which migrant workers are making a contribution to local economies. The differences between the developed and the developing world are narrowing in terms of literacy. However, other measures, such as the acceptance and integration of skilled workers, are still presenting challenges for some nations.

6.1 Convergence in literacy

Literacy rates are a key indicator that separates the developed and the developing worlds. Across the majority of the developed world, literacy rates, which act as an indicator of the significant social and economic advantages enjoyed by these countries, are close to 100 percent, according to United Nations data.

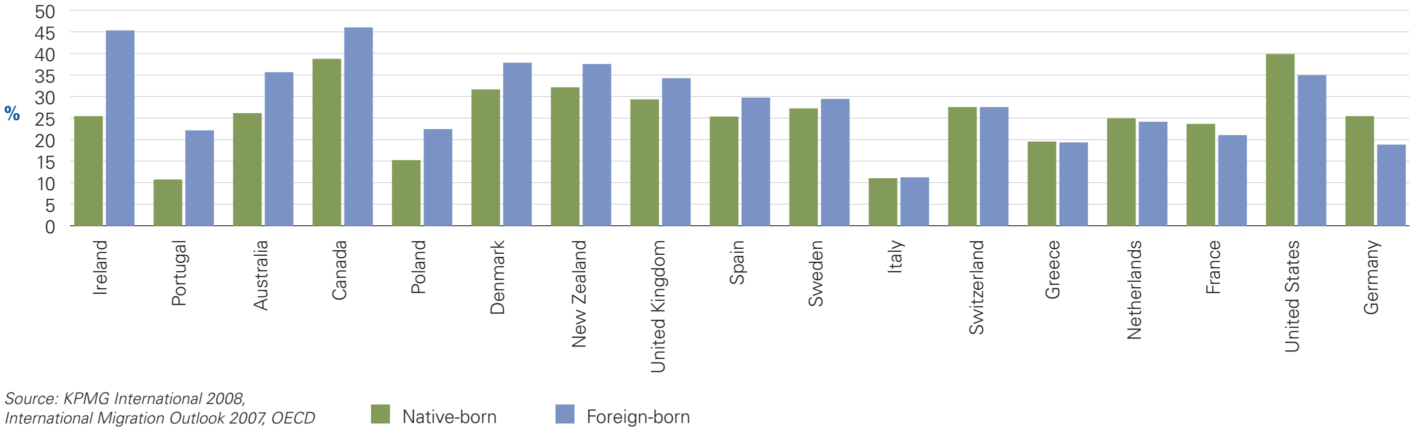
In the developing world, the literacy rate averaged almost 80 percent in 2007, while in early-stage developing countries the average was 54 percent. The worldwide average literacy rate was 79 percent in 2007.

Literacy rates tend to be a prime factor in the degree of social and economic preparedness of a country to accommodate growth and development. Historically, rates above 90 percent have facilitated a progression of standard of living through increased productivity. Over the past two decades significant resources have been allocated to address low rates of literacy and the results can be seen throughout many developing countries.

The greatest advances have taken place in Africa where the literacy rate has generally increased from 50 percent to 60 percent between 1980 and 2007. There have also been advances in literacy rates outside Africa.

While the developed nations of the Organisation for Economic Co-operation and Development (OECD) have significantly higher rates of literacy, the gap between developed and developing nations is narrowing. Between 1980 and 2007, the literacy rate in Egypt improved from 52 to 71 percent, in Saudi Arabia it moved from 74 to 83 percent, in Honduras it increased from 73 to 80 percent and in India from it jumped from 55 to 61 percent.

Figure 3 – Proportion of natives and foreigners with a high level of education, 2003-04



Source: KPMG International 2008, International Migration Outlook 2007, OECD

Convergence in global literacy rates facilitates productivity gains within developing countries and therefore underpins improvements in the standard of living. With increased standards of living, potential migrants have the means and ambition to flow between countries in search of improved labor outcomes.

6.2 Migrant integration and labor market outcomes

The focus of most, but not all, developed nations is to attract and grant entry to skilled and educated migrants. This broad policy pursued over recent decades by many nations has led to a skewed profile that favors educated foreigners.

Figure 3 shows an OECD analysis of the proportion of the foreign-born population aged 25-64 with a high level of education (defined as tertiary level and above) as compared to the proportion of the native population, in the same age group, with a tertiary education in 2003-04.

In a majority of OECD countries, foreigners were more educated than natives reflecting the policies of these countries in attracting largely skilled migrants. In several European countries which have more liberal migration programs, foreigners are less educated than the natives. This was also the case in the US where family reunification and humanitarian streams of migration account for a significant share of the total migrant intake.

Figure 4a compares the unemployment rates of native and foreign-born populations deemed to have a high level of education in 2003-04.

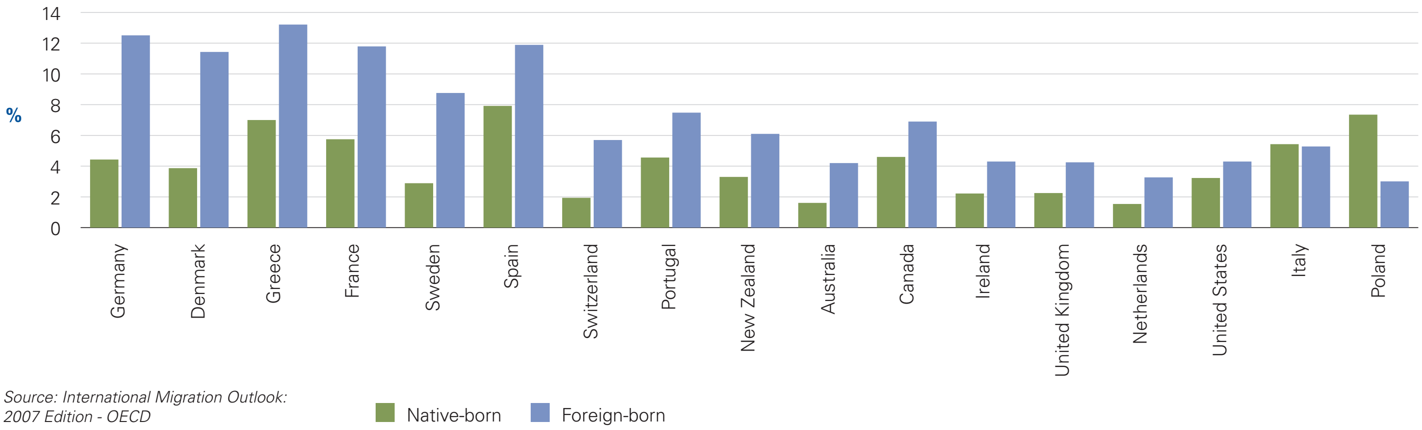
This analysis highlights the issue of the lag-time to the effective employment of migrants. While migrants tend to be as highly educated, if not more, they often struggle to gain employment. This would suggest that many host nations are not using human capital as efficiently as they perhaps could, due to the existence of cultural barriers such as poor language skills or the non-recognition of foreign-gained education qualifications.

Increasingly, the ability of public and private sectors to adopt a co-ordinated approach in recognizing credit and qualifications will be crucial in allowing the easy flow of skills between markets.

Figure 4b compares the unemployment rates of native and foreign-born populations deemed to have a low level of education (defined as less than upper-secondary) in 2003-04.

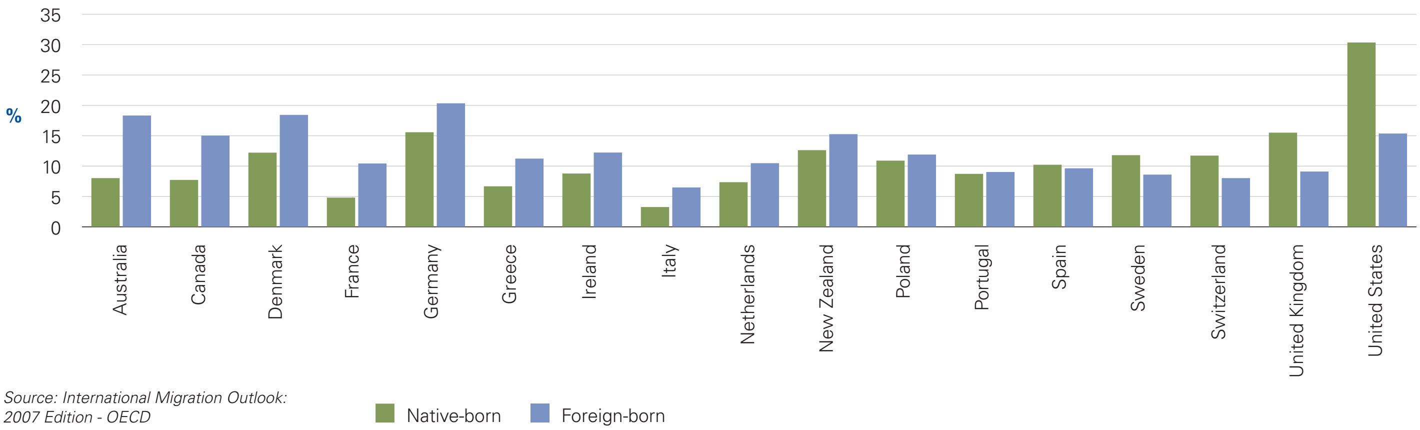
The situation that was shown to prevail among skilled and educated migrants also applies to low-skilled and unskilled migrants, although it is less pronounced. Importantly, this chart shows that in the US and the UK, greater employment-based integration has ensured that migrants who have a lower level of education are able join the labor market faster than in other developed nations.

Figure 4a – Unemployment rate of natives and foreigners with a high level of education, 2003-04



Source: International Migration Outlook: 2007 Edition - OECD

Figure 4b – Unemployment rate of natives and foreigners with a low level of education, 2003-04



Source: International Migration Outlook: 2007 Edition - OECD

The capacity of a nation to integrate migrant workers will be critical to national harmony and to the realization of maximum economic capacity over the coming years. There is an inherent requirement for skilled and unskilled labor to move between nations and regions, and it is important that migrating workers are immediately integrated within the host nation so the advantage of these migration flows is not lost.

As levels of education across the developing world improve, significant opportunities will open up for developed markets starved of local labor. However, facilitating increased flows of labor is only the first step in order for a company, and country, to gain the economic and social benefit that comes with the educated migrant.

Destination countries must proactively manage the integration of both skilled and unskilled migrants so that structural and cultural barriers, such as the portability of qualifications and language, do not hinder the vital contribution of migrants.

7 Global migration and cultural deference

This chapter looks at the non-economic factors which may influence skilled workers moving from one nation to another. Although initially it is worth citing the work of an academic who predicted an acceleration in global migration trends earlier this decade.

7.1 Reasons for the 'brain drain'

The issue of the existence of a demographic faultline affecting labor markets at the end of this decade was more or less flagged by UK academic Peter Stalker in his 2000 book, *Workers without Frontiers.* Stalker argued that over the current decade (2000s) and the next (2010s) there will be a surge in international migration underpinned by labor supply issues, by rising income inequalities and by the spread of communication and information technologies.

Stalker noted that there had been surges in international migration previously, but these largely resulted from a liberalization of immigration controls.

Stalker reasoned that the increased flow of goods, capital, and people associated with globalization has the potential to deliver what he calls 'economic convergence'. In this theory, labor flows from low-wage areas to high-wage areas while capital notionally flows in the opposite direction.

Although to date, there is evidence of political resistance to migration flows from the developing to the developed world. The disparity between rich and poor nations and especially in differential wage rates eventually equalize in this theory. And this certainly seems to be the case with regard to the recent influx of Polish migrants to the UK: this inflow peaked in 2006 but now appears to be receding as economic prospects in Poland improve.

One of the issues associated with these worker flows is the so-called 'brain drain' where skilled and talented workers from a poor or remote nation are attracted to larger and more powerful economies. This brain drain occurs because talented workers have the capacity to significantly improve their income by making such a move.

But there is also a subtle cultural push behind the brain drain and it relates to the issue of what might be termed 'cultural deference'.

Here is the thinking: 'over there' is better than 'back here', and it is especially relevant in small, remote, and developed nations that were former colonies. This applies to Australia, New Zealand and South Africa. In particular, skilled labor in these nations often want to test their mettle in markets like London or New York, as well as taking advantage of higher levels of remuneration and career opportunities.

Indeed, in these nations, the process of out-migration of talented young workers to larger, stronger markets is turned into a positive by the local community. Middle-aged Baby Boomers in Australia and New Zealand attach a social cache to the notion of their young son or daughter living and working in Europe or North America. This outflow can therefore be viewed as a measure of parental success in a colonial outpost: "I've been so successful as a parent that I have managed to catapult my children into the center of the world."

The outflow of young workers may be a matter of parental pride today in former English colonies (and most probably also in former French colonies) but it also represents a serious economic and tax issue.

Young workers pursuing what is now widely referred to as 'gap years' or 'overseas experience' can lead to a net outflow of talent. Studies of expatriate workers by Australian academic, Graeme Hugo, have concluded that workers or expatriates who spend 5 years or more overseas are significantly less likely to return home. This is good news for the destination country: young skilled workers arrive in their early 20s, enter the workforce, and make a direct and immediate contribution to the tax base and social capital.

7.2 Why losing skilled young labor is an important tax issue

The permanent migration of a skilled worker from one nation to another is an issue if this results in a net outflow of talent and youth. This is because a worker in their 20s trained in another nation but prepared to remain and pay tax in another country, delivers a net economic benefit to the host nation. It also represents a net economic loss to the nation that provided the training.

Figure 5a and **Figure 5b** show the median personal income in each year of life up to the age of 100 in the US and Australia respectively (highlighted columns indicate the five peak income-earning years). A similar trend is observed in both countries, and indeed in most developed countries, with the peak income-earning period occuring between 45 and 55 years. It is this age group, along with those aged over 25 years who have completed their studies, that are most prized amongst destination countries. The educational investment has been made and they are paying tax, spending, and reproducing – all factors that are key to ongoing economic growth and to a rising and robust tax base.

While destination countries experience significant social and economic value as a result of flows of key income-earning/tax-paying age groups, this arrangement is not so good for the nation generating the migrants.

More than 20 years of tax-payer money is invested in skilled workers by way of primary, secondary and often tertiary education. This investment is notionally recouped over the working life of the individual via the payment of taxes between, say the ages of 25 and 60. However, if that worker should leave a small colonial outpost soon after university (say at age 25), and work internationally, there is the personal benefit of international experience and a broader skill base, which comes from exposure to the global labor market.

On the other hand, if that individual should form a personal relationship or merely remain in the destination country to the age of 30, then there is every likelihood that they will end up investing their youth, their skills, their energy and most importantly their tax-paying capacity, into a country other than that which schooled and skilled them, up to the age of 25. This is not an issue if there is a balance between the outflow and inflow of young talent.

This is a positive arrangement for the destination country: young taxpaying workers make a contribution for many years before requiring support by way of pensions and health care services. This arrangement was not entirely possible in the 20th century due to both cultural and political barriers to migration, but it is very much possible in the 21st century.

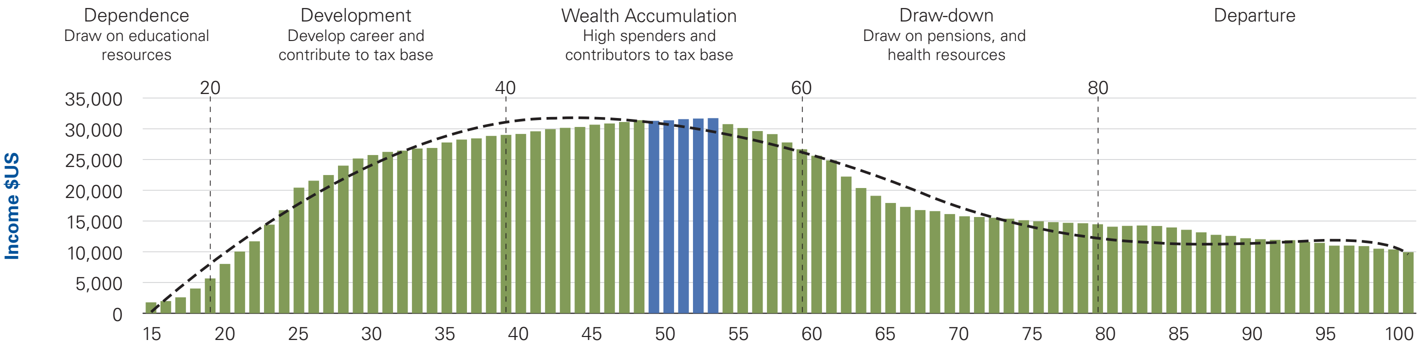
"We need training programs to educate partners and senior managers on how to deal with Generation Y in the workplace."

Brian Ambrose, Global Mobility, KPMG

"Generation Y is more 'international' than previous generations … it is more cost-effective to move people around up to the mid-30s… then it gets more difficult and expensive because of the dual career problem."

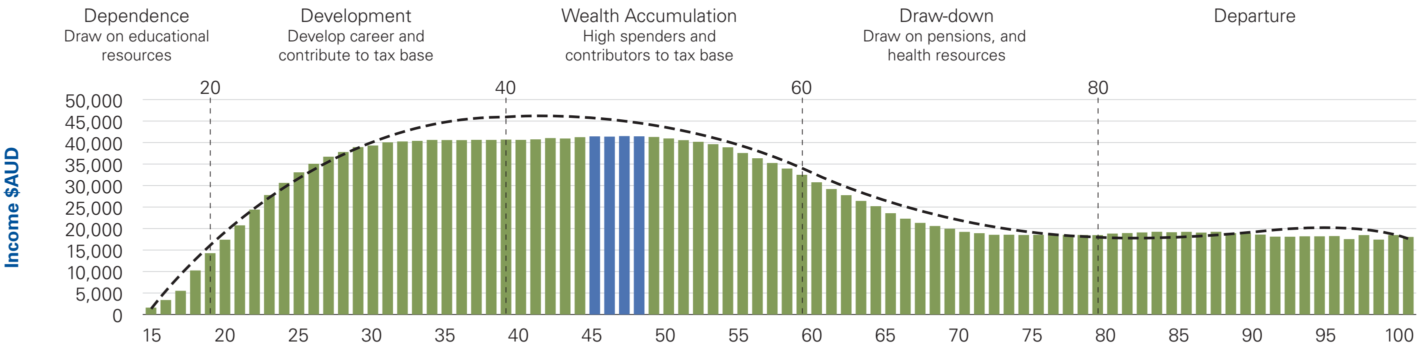
Irene Cowden, G4S Group

Figure 5a: Median personal income by single year of age in the US, 2000



Source: KPMG International 2008, US Census Bureau 2000

Figure 5b: Average personal income by single year of age in Australia, 2006



Source: KPMG International 2008, Australian Bureau of Statistics

A KPMG International survey of 79 countries found that governments are taking a strategic approach of attracting skilled staff by cutting taxes. The survey found that as a result of increased labor mobility, governments are being forced to compete on measures such as tax in order to attract and retain talent. Of the countries surveyed, 34 have cut their taxes in the past 5 years, while only three have increased their tax rate. The survey concentrated on the highest level of personal tax payable to the central government, where possible, excluding other taxes like social security contributions and state and municipal taxes.

7.3 The workforce Diaspora

There is every incentive for businesses and indeed for governments, to target skills and talent from a globally accessible workforce. Such talent would be 'poached' in their mid-20s (after schooling) and then attracted into a developed economy. And while parents beam with pride at their children's overseas success, local taxpayers should be increasingly exasperated. After all, their 25-year investment is yielding results (by way of an enhanced tax-paying capacity) for another country.

But there is a human angle to this Diaspora. The proud parents who are seemingly happy to see their 20-something children live and work overseas may not be so pleased in 25 years time when they remain more or less permanently separated from their children and grandchildren. Here is the fragile intergenerational faultline that will open later this century. And it is not as if the Diaspora involves an inconsiderable flow of people.

Academic, Graeme Hugo, has estimated the number of Americans living offshore at seven million or 3 percent of the domestic population.

In other nations, the outflow is far more significant. The largest known Diaspora is the 20 million Indians who now live outside India. But this large figure is less than 2 percent of the nation. In Mexico, some 19 percent (or 19 million) of the population is thought to be now living in the US.

The proportion of Canadians living abroad (including in the neighboring US) is 7 percent of the national population. China has somewhere between 20 and 40 million living abroad, or around 3 percent, while for the Philippines the numbers are almost eight million or 9 percent. About 900,000 Australians or 4 percent of that nation lives somewhere other than Australia.

However, the nation with the largest proportion of its population living offshore is in fact New Zealand. There are 5 million New Zealanders on this planet. Only 4 million live in New Zealand. Some 22 percent of that nation's population live outside the islands in which they were born.

And the question is why?

The flow from Mexico to the US is easily explained: here is an opportunity for Latino workers to significantly increase their income and standard of living. Hence, not quite one-fifth of that nation now lives predominantly in the US. Canadians on the other hand are less motivated by the opportunity to equalized incomes.

But why such a large proportion of the New Zealand population overseas? This is not a third world nation. The reason is most likely linked to the notion of 'cultural deference': the notion that 'over there' is better than 'back here'.

Whatever the reason, these figures show the extent of the expatriate population in just a selection of nations. In an increasingly globalized world people no longer feel tied to their country of birth. They are instead willing participants in the labor force 'churn', driven by falling barriers to migration, and increasing demands for labor and talent in regions where their interests lie.

"We hire locally where staff are available … we often have an integration plan where we gradually replace expat staff with local staff … but it's not an easy process."

Bob Sovine, Marathon Oil

8 Fertility and the demographic faultline

This chapter explains the concept behind the demographic faultline and nominates its timing in various countries. Ultimately the faultline is linked to changes in fertility which in turn is linked to wider notions about the role of women in society. Finally, this chapter looks at workforce participation as a response to issues created by the faultline.

8.1 What is the demographic faultline?

The notion of a demographic faultline is central to the argument for business and government to develop strategies and policies to manage next decade's labor shortage. Indeed, it is argued that this decade's skills shortage is merely the forerunner of a bigger crisis in the years that follow 2010. Until the end of this decade, the Baby Boomers will remain more or less central to the current workforce in developed nations.

In fact, the first Baby Boomer to pass beyond the notional 'retirement age' of 65 will not do so until 1 July 2011. And thereafter, steadily, an entire generation born in the late 1940s and early 1950s will spill across the retirement line. The real impact on the labor market and the consumer markets will not take effect until the middle of next decade. In the meantime, this demographic underpinning will slowly exacerbate the demand for skills and labor in the developed world.

Beyond 2011, and for the two decades following, Baby Boomers will trip across this 'faultline' at a faster rate than Generation Ys and Millenniums will enter the workforce at age 15.

The precise timing of the faultline shifts from country to country as can be seen in **Figures 1a-1j.** In Japan, the line was crossed in the mid-1990s. In the UK, Europe, Australia, the US and Canada the faultline will be crossed later this decade. In China, it will not be crossed until 2016. One of the reasons for the variance is the variation in subsequent fertility rates. For example, Japan's fertility rate plummeted in the 1960s as western attitudes were incorporated into social norms and family structure.

Fertility rates across the US, the UK, Australia, and Canada have followed a similar trend over the last century as indicated in **Figure 6**. The rates among these countries fell steadily between 1900 and 1940, due to a combination of increasing urbanization and the depressing impact of war and recession. The onset of the Great Depression in the early 1930s saw a marked decline in the fertility rate: people did not want to bring children into a calamitous world. Interestingly, this suggests that in times of prosperity the fertility rate should rise. And this was certainly true for Australia from 2002 onwards.

Following the conclusion of World War II, fertility rates increased sharply. Indeed, the fertility rate in many countries jumped precisely 9 months after the demobilization of troops (obviously a big homecoming). The enhanced fertility rate then continued throughout 1946, through the 1950s and into the 1960s. It was only after the introduction and access to contraception in the early 1960s and the adoption of a new way of thinking about the role of women in society, that the fertility rate dropped. This fall coincided with industrialization and a shift away from agriculture which resulted in a drop in the 'need' for children.

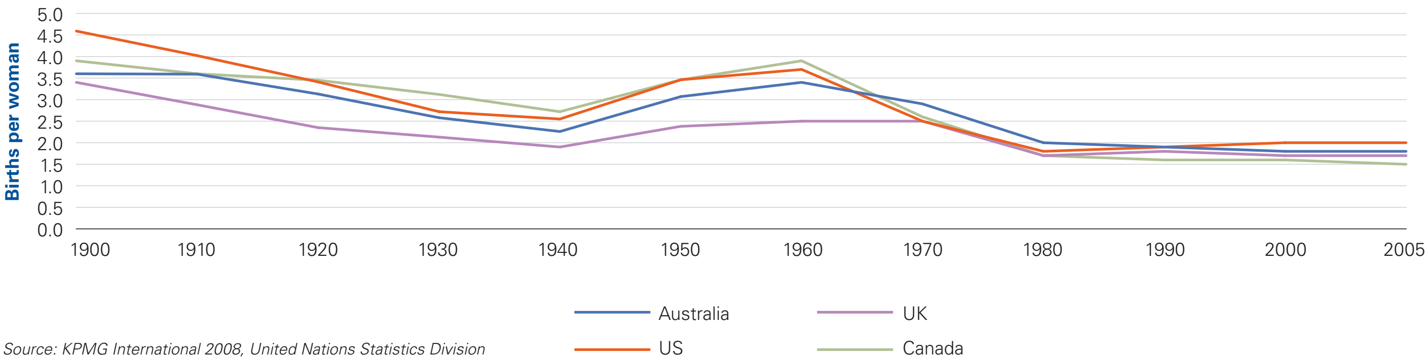
8.2 Fertility rates and the demographic faultline

By the end of the 1960s, the feminist movement was successful in effecting large-scale social change. Western women wanted self-actualization through education and the pursuit of the option to work beyond marriage and beyond motherhood. And many women did precisely that. This resulted in a reduction in the fertility rate from the mid-1960s onwards.

A sudden jump in the number of births in the second-half of 1946 meant that the labor pool jumped 15 years later in 1961 and 1962 as Baby Boomers entered the labor force. It also meant that there were associated jumps in household formation (say around the age of 25 beginning in the mid-1970s) and also forthcoming concerns about work-life balance as this generation approach retirement this decade.

But of course this only works for countries that experienced the baby boom. In many Arab, Latino Christian, and African nations there was no baby boom. Many of these nations were too poor to participate in the war or offered no strategic prize to the belligerents. And in either case, these nations did not embrace the factors that ended the baby boom: access to contraception and a changed role for women in society.

Figure 6 – Fertility rates in the US, the UK, Canada and Australia, 1900-2005



Source: KPMG International 2008, United Nations Statistics Division

> "I have a fear that people mostly want to hire people like themselves just 20 years younger…you need to develop diversity."

Ian Donald, Abbeywell Associates

Accordingly, the concept of the baby boom really only exists in the developed world. And, therefore, so too does the concept known as the demographic faultline.

Late this decade and early next decade several developed nations will experience a subsidence in the working-age population which will transfer almost immediately into slower growth in the labor market. In Japan, this wave hit in the mid-1990s.

However, in other economies there is not such a shortage of labor. The reason for this is that these nations did not experience the baby boom, easy access to contraception or powerful social movements such as women's liberation.

What this means for the labor force challenges in the 21st century is this: Working-age populations in the developed world will begin to dry up while in developing countries and in other places (such as Ireland) where the fertility rate has remained elevated, there will be continued growth in this key demographic group. This quite unique demographic situation has implications for the human resource strategies of global corporations.

8.3 The role of labor force participation

One of the responses to issues associated with access to labor is the policy option of elevating labor force participation rates. Need more workers? Reduce the unemployment rate and attract women back into the workforce after having children. There is also the option of retaining older workers for longer. Each of these strategies has the effect of boosting the labor force participation rate.

However, it must be understood that often the demand for labor cannot simply be met by increasing participation rates. Often the type of labor that is required is not sitting at home waiting for a call to return to the workforce. And often the talent required is not available in sufficient quantities with the right skills in the right geographies.

Despite these obvious qualifications there can be little doubt that higher levels of worker participation have been one of the drivers behind the rise in wealth and rates of consumption in modern economies.

When women went back to the workforce in the 1970s and 1980s, or in fact simply remained in the workforce, the additional spending capacity boosted demand and projected economies to new levels of prosperity.

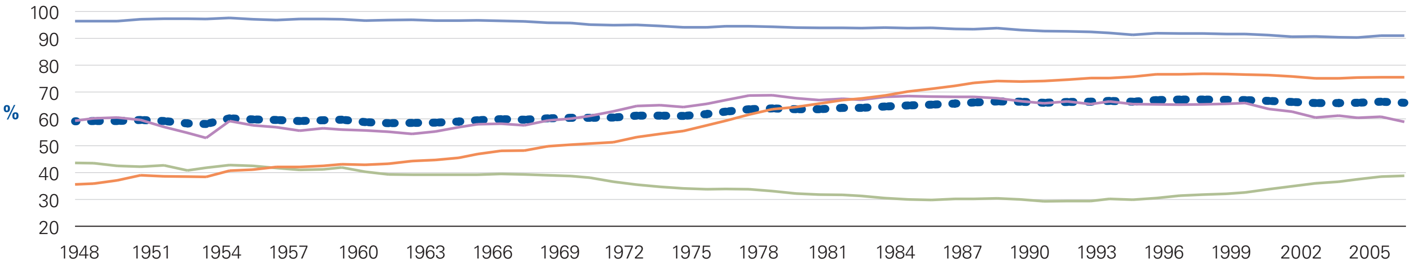
Figure 7 shows the participation rate in the US between 1948 and 2007 and selected measures contributing to the trend. The participation rate has been increasing upwards since the 1960s as a result of demographic and social change including increased participation by women and an improved life expectancy. The strong growth in labor force participation can be seen from the 1960s onwards when the baby boom generation embraced the notion of women remaining in the workforce.

What is most striking is the sharp increase in the female labor force participation rate from the mid-1970s through to the mid-1980s when most of the gains were made. In the short-term, early next decade, there is likely to be a modest increase in participation rates as Baby Boomers remain in the workforce beyond the age of 65.

However, ultimately this increase will subside later in the decade as Baby Boomers move fully into retirement. It must be remembered however, that the back-half of the baby boom (born post-1956) will remain in the workforce for another decade, although some commentators have suggested that this group will in fact retire early, placing further pressure on participation rates.

> "One of the key risks to investing in some emerging markets is the possibility that at some future point there may be political roadblocks that could limit or restrain growth."
>
> ***Brian Ambrose, Global Mobility, KPMG***

Figure 7 – US labor force participation rate by age and gender, 1948-2007



Source: KPMG International 2008, US Bureau of Labor Statistics

"It is important to ensure an optimal workforce age profile with a mix of employees in their final years and those entering the market. This allows for a natural rate of staff turnover."

Stefan Rauth, BMW

9 A global perspective

9.1 Global economic convergence and divergence

Over the last 25 years, cultural and even physical barriers between some nations have been dismantled. It could also be argued that other barriers based around belief have stiffened. But even so, the world economy has been positively impacted by the collapse of the USSR and the opening of China and India to outside forces. These events and developments have opened new states to varying degrees of interaction with the global economy. China now manufactures products formerly made in the west. India provides outsourced services. Workers from Eastern Europe flow west in search of improved work and economic prospects.

Over the previous decades, the global economy has generally moved as one, at least among developed nations. The common denominators across this time-frame have been the recession of the early 1980s and the bursting of the technology bubble at the turn of this century.

Figure 8 shows the annual change in Gross Domestic Product (GDP) per capita over the last 5 years to 2007 for a selection of 14 countries.

Globalization has resulted in the intertwining of the world's largest and fastest growing economies. If economic prosperity, and calamity, are shared between the world's leading economies, then why would talent and labor not behave in a similar manner?

Unlike the last quarter of the 20th century when the economies of most developed nations moved more or less in unison, Figure 10 shows that the trend over the current decade is one of divergence. China and India are different regions offering a different outlook for growth to the developed world. This situation is only likely to have been exacerbated by the advent of the US sub-prime crisis of late 2007.

While the rest of the developed world converges, some nations such as China and India (and possibly also nations like Brazil, Russia and others), are forging quite a different future. This two-tiered global economy will create a heightened environment for the flow of talent and labor between markets.

Generally in the second-half of the 20th century, the outlook for the global economy was more or less determined by the US. What the world is now witnessing could well be the global regionalization of economic opportunity. And in such a world, a truly global workforce will be managed from one region (say, New York) to another (say, Shanghai or Singapore). This is certainly the shift that is being witnessed by KPMG's global IES practice.

9.2 The spread of the multinational corporation

A multinational corporation (MNC) is defined as a business that has operations in at least one other country. MNCs had their origins in the colonial trading companies of France, Spain, the Netherlands, and the UK in the 18th and 19th centuries. However, the impact of MNCs was modest until they started to proliferate from the middle of the 20th century onwards.

The exponential growth of MNCs is evidenced in data collected in 1997 and published in *Global Inc. An Atlas of the Multinational Corporation* which suggest that between 1970 and 2005 MNCs grew in number from 7,000 to 70,000. This growth trajectory is not expected to change over the next 30 years and will bring with it a range of management challenges associated with a global workforce. At the time of publication, it was estimated that MNCs employed 90 million people or 3 percent of the global workforce and 20 percent of the world's non-agricultural workforce. It is estimated that *Fortune 500* companies alone employed half the global MNC workforce and around 90 percent of these corporations had head offices in the US, Europe and Japan.

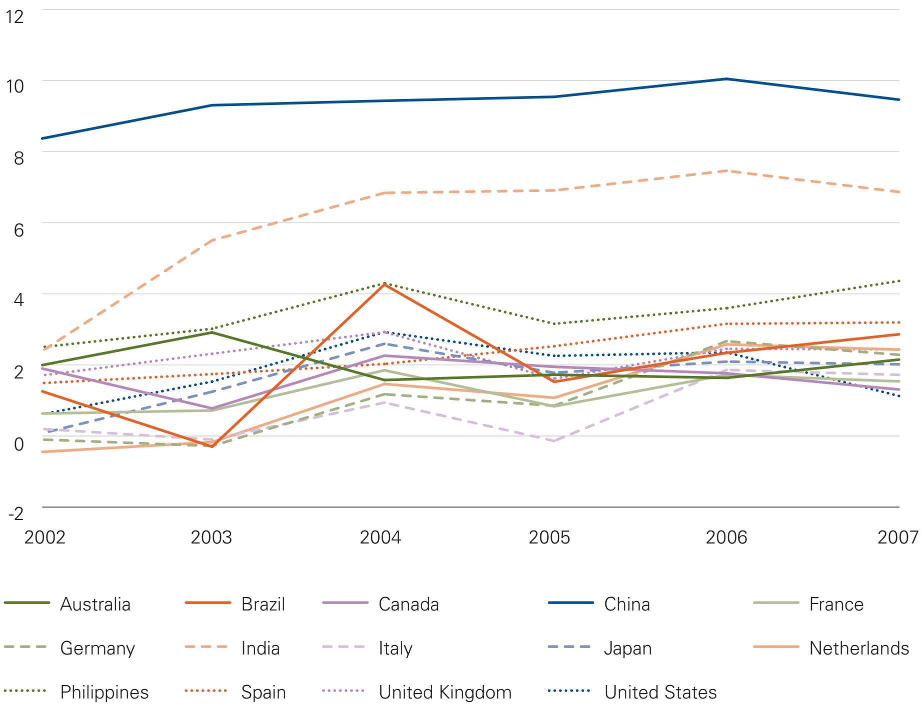
Over the next decade the number and workforce of MNCs will continue to expand – perhaps toward 10 percent of the global workforce. But more importantly they will expand their head offices out of the traditional western headquarters and into the new territories of the developing world. This process will require a relatively new set of management skills that has not been developed previously in global, not simply international entities: the management of a global workforce from a non-western head office.

> "In some newly emerging markets there is often a small elite at the head of business and politics interconnected quite intimately…this is important to appreciate because sometimes a business problem might have a political cause and sometimes a political problem can have a business cause."
>
> ***Ian Donald, Abbeywell Associates***

"…technology and globalization has changed the nature of our workforce…we have to be flexible to ensure we attract and retain talent with a global perspective."

Rodney Scaife, AOL

Figure 8 – Annual growth in GDP per capita for selected countries, 2002-2007



Source: KPMG International 2008, United Nations Statistics Division

“We are now transferring ‘know how’ to developing countries but in the future, they might well be transferring ‘know how’ to us”.

Bruno Carlier, BNP Paribas

10 Business response to the global labor market

This chapter provides a summary of a series of interviews completed with a number of key individuals in the area of managing a global workforce and is followed by an assessment of the broad points made by the interview subjects.

This study has found that migration flows, particularly flows of labor, are increasing as migrants take advantage of a flat world and global corporations recognize the importance of ensuring the right talent is in the right region at the right time. How these global corporations respond to and influence these flows will be a key factor behind their productivity gains and expansion.

A total of eight interviews were conducted during June and July 2008 with experienced global human resources and employee mobility managers from various MNCs based in the US, the UK, France and Germany. Generally, the interview subjects were selected because they either manage or have managed a global workforce over many years. An attempt was made to get geographic and industry diversity amongst the interviewees. Most interview subjects had been involved in managing global HR issues for at least 25 years. An additional four interviews were conducted with leaders from KPMG's IES practice. The interview subjects were as follows:

- BNP Paribas – banking and financial services – Bruno Carlier, Head of Compensation and Benefits
- G4S Group – security services – Irene Cowden, Group Human Resources Director
- Abbeywell Associates – consulting – Ian Donald (formerly of ENRC the Kazakh based mining and metals company)
- Lockheed Martin Corporation (LMC) – aerospace and defense technology – Matt Burns, Director of International Human Resources
- Marathon Oil – resources – Bob Sovine, Vice President, Global Human Resources
- BMW – automobile manufacturing – Stefan Rauth, Global Head of International Human Resources
- Wal-Mart – retail – Ryan Larsen, Director of Global Mobility
- AOL – online advertising – Rodney Scaife, Director of Global Human Resource Solutions
- KPMG International – advisory services – Brian Ambrose, Rosheen Garnon, Jill Storey and Nick Bacon.

The interviews canvassed emerging trends in the management of a global workforce and in particular the notion of the imminent demographic diminution of the Baby Boomer worker segment. Also canvassed were views relating to the recruitment and retention of Generation Y and issues associated with moving staff to, and between, international assignments. Key themes emerging from the interviews are discussed later, together with a summary of the main points made by each interviewee.

10.1 Background to interviewed corporations

The last few years in particular have witnessed significant changes in the labor and skill issues faced by global corporations. These changes are in addition to various structural adjustments corporations have had to make to remain competitive in a more connected 'flat world'. Some context for the interviews is provided below:

- AOL has moved with market trends by transforming its core business model based on dial-up access business to becoming a leading global advertising-supported web company and a suite of popular web brands and products. This market trend has combined with an AOL push for a more centralized global operating structure over the last 2 years with operations expanding from five countries to 27.

- Wal-Mart is the world's largest public corporation measured by revenue and also the world's largest private employer employing around 2.1 million people worldwide. There are almost 3,000 Wal-Mart stores in 14 countries outside the US.

- BNP Paribas manages 180,000 staff worldwide and recruits around 5,000 staff annually. The group is expanding rapidly into a number of developing countries including China, Algeria, Libya, Russia and also the Ukraine and Turkey, all of which increases demand for key talent to establish operations.

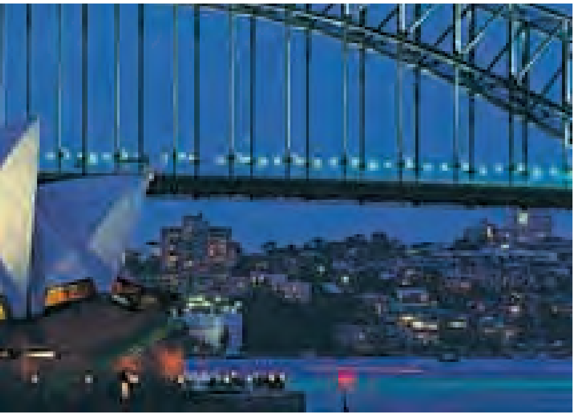
- G4S employ 560,000 workers with less than 40,000 in the UK and has a small London-based corporate head office with just 100 people. Cowden explains that the G4S group is a highly decentralized organization that is heavily reliant upon good quality managers at the local level in 110 countries. There are between 200 and 300 internationally mobile managers in this group that are moved between offices and countries.

- LMC is a US-based manufacturer of aerospace and defense equipment for both the private and public sector. Matt Burns explains that most of LMC's customers are government departments, either in the US or overseas. International customers and contracts must be approved by the US government before LMC proceeds. The defense nature of LMC's products mean that security and confidentiality issues are paramount. For that reason, the majority of the work is completed by a US citizen workforce. There are some contracts for projects where the customer stipulates that only US citizens with a security clearance can work on the project. This places limits on LMC's ability to recruit from the global labor pool. This has meant that the company has invested heavily in recruitment and retention programs; they are less reliant on recruiting talent from a global labor pool than those of an equivalent organization in say banking and finance.

- **Marathon Oil** is a resources company with offices and interests in the US, Libya, the UK, North Sea, Ireland, Equatorial Guinea and Indonesia. The group manages around 200 expatriates and expects this number to increase in the future.

- **BMW** is a German-based luxury car-maker with 105,000 employees worldwide including 80,000 in Germany. BMW transfers around 800 expatriates each year as part of its global mobility program.

- **Abbeywell Associates** is a human resources advisory group based in the UK. It's CEO, Ian Donald, has wide experience working in large transnational companies, having worked in west Africa, India and the Middle East. He was previously Group Director of human resources of the Swiss/Swedish Group ABB in the UK and more recently, Vice President of human resources at ENRC, the Kazakh based mining and metals company recently listed on the London Stock Exchange with a market capitalization of £15 billion and a workforce of 65,000.



- **KPMG's global IES practice** is a specialist advisory group within KPMG's global Tax practice that assists MNC manage expatriate transfers on a global scale. Four senior staff from the group's leadership team were interviewed including Brian Ambrose based in the US, Rosheen Garnon based in Sydney and Nick Bacon and Jill Storey based in London. KPMG's global IES practice has exposure to global corporations who transfer employees between assignments and locations. The group offers advice to companies to facilitate the smooth flow of staff and to help ensure that employee and employer tax and legal obligations are met in the most efficient manner.

The KPMG member firm personnel see the trend towards the global flow of talent and labor accelerating in the future, as indeed it has over the last decade with the opening up of new markets. When a new market opens, it is typically the providers of financial services who establish a base locally and whose job it is to secure finance for development projects such as improvements to the nation's physical infrastructure, technology, and financial services.

Eventually other expatriates move in to deliver the infrastructure and others again to manage the final product. The 'driver' in this instance is the geo-political shift that opened up the new market with the fall of communism in the late 1980s which acted as an important stimulus to such developments. Geo-political shifts in Eastern Europe, Asia, and possibly eventually in the Middle East will also boost the need for expatriate services and for the movement and management of a global work force in the coming decades.

10.2 The rising demand for talent

As corporations expand and join the globalized economy, the demand for talent has never been greater. This factor, combined with declining fertility rates and an increasing demand for talent within developing countries, has led to a so-called 'labor crunch' where competition for skilled labor is intense.

AOL not only has to deal with major competitors such as Yahoo, Google and MSN but also emerging businesses and industries such as social media (MySpace, Bebo, and Facebook) who, in a flat world, are on the same playing field as the major players. Scaife says that demand for talent has never been stronger.

Wal-Mart has noticed the increasing shortage of labor with the required skill set - global skills, global mindset and global experience. This has been especially evident in India and China where there is good local talent but not with international experience. This has led to increasing flows of expatriates with the necessary skills into these markets.

As BNP Paribas expands, Carlier says that the group is noticing the difficulty of staffing offices in developing countries, with strong demand for key labor in these emerging locations. BNP Paribas is therefore engaged in constant shifting of staff from France and elsewhere for assignments of up to 5 years.

Marathon Oil has difficulty finding the right people with the right experience and importantly, the right relationships, who are also prepared to work in remote locations in developing markets.

Ian Donald of Abbeywell Associates believes if a company is to succeed internationally, it is imperative to recruit and develop talent locally and to integrate them into the corporate structure and ethos. He believes that the days of 'command and control' from a distant location are numbered if not over. "Initially, most multinational groups will establish a local presence in their target countries using expatriate managers but this must be only the first step, and there has to be the clear understanding that management talent will be developed locally and integrated within the wider organization. To believe that only 'home' talent can succeed is to fail to make use of the wider pool of skills available in every country. Businesses which do not adopt this practice are seen as mere visitors with a time limited lifespan there," says Donald. "Such an attitude cuts the company off from vast pools of talent and it cannot come as a surprise that the parent company constantly complains of shortages of skills. Corporate myopia of this type is sadly, still common. How often is a US subsidiary headed by anyone but a US expatriate?"

Stefan Rauth, the head of international human resources at BMW, explains that the global labor shortage will not impact negatively on BMW due to the attractiveness of BMW as an employer. Rauth has noticed a definite change in the skills required of employees. The industry is beginning to shift away from a raw-engineering to a more IT-related operation, and these skills combined with an international mindset and good communication skills are what the group now requires. BMW agrees that there is a global war for employees with this precise skill set however the company's reputation puts it in a strong position.

Brian Ambrose is KPMG's Head of Global Mobility and foresees major issues this decade as well as next in accessing sufficient depth of talent to service global business. But this he sees not so much occurring because of an imminent exiting of the workforce by Baby Boomers, rather it results from a surge in the demand for talent as a consequence of the opening up of new markets such as Russia. Ambrose also sees labor shortages affecting China in the short-to medium-term resulting from the implementation of the One Child Policy in the 1970s. Fewer children born at that time has the effect of reducing the labor supply decades later.

Ambrose's concerns are how to feed the demand for talent in rapidly emerging markets over the next 5 to 6 years. One response he suggests is to push out the mandatory retirement age for a few years from say 56 (for some corporates) to 60. The 4 extra years might then be employed on an international assignment where western 'know how' is required. This would need to be developed in line with appropriate compensation and work schedules to attract and retain the best talent. For example it might mean reducing the workload of senior executives encouraged to work a few extra years.

10.3 Recruiting strategies

As corporations adjust to the new global environment, recruiting staff that have the technical and cultural skills to adjust to local markets is key.

AOL have taken a very local approach ensuring they recruit employees that not only have the technical skills to achieve effective knowledge transfer but also the cultural sensitivities to adjust to local markets.

Wal-Mart ultimately aims to run each region without the assistance of expatriate services which requires the up-skilling of workforces in emerging markets.

Carlier of BNP Paribas acknowledges that while labor is available in emerging locations where demand is strong, it is the staff with the experience, relationships, and deeper understanding which are in short supply. Often staff from head office in France are mobilized to developing locations, while in certain circumstances this is best achieved by using labor from nearby countries who have a greater cultural affinity. The group's new office in Libya, for example, is staffed by some labor from Morocco.

The solution to managing a global workforce in the future according to Thodey will be the ability of the bank to develop tailored working arrangements and career paths for individuals. This is especially relevant in the case of managing the expectations of international assignees. He has found, for example, that there is often an excitement associated with an overseas posting but that on return, that excitement element is then missing. Expectations must be managed at an individual level in such circumstances.

Like other interviewees, Cowden of G4S sees that there will be an increasing need in the future to develop tailored career paths. Workers will not fit in with the organization's preferred pathway; it will be more of a consultative approach to career development that works for both parties.

Ian Donald's view is that global corporations must do three things to prosper. Firstly, the CEO and the executive team must plan for a time when they themselves will no longer be in the company. Given that the average lifespan of a CEO is around 3 years, this vision is, not surprisingly, rare. They must have the corporate confidence to think where the business is headed and most likely that will be in a global direction. Secondly, they must establish what that direction means for current strategies. If the direction is towards emerging markets then the best course of action will be to establish representation in those markets, recruit global thinkers, invest in the top 10 percent of staff and send them overseas – both to gain experience and to talent spot their successors.

"Generation Y seem to have a different set of expectations from the workplace than baby boomers… they need a good reason why they should work more than 40 hours per week."

Matt Burns, Lockheed Martin Corporation

Finally, it is critical to global success that international staff are provided with clear career development plans both before, during and after the posting. Only in this way is the investment in globalizing the mindset of key managers maximized. "I have seen this in two major financial institutions and I have no doubt of their international success," says Donald.

LMC recruits from university campuses and has good brand recognition among the various schools of engineering. The corporation is sufficiently large and offers a diversity of job options and projects involving cutting edge technology. These factors combine to make it highly regarded by Generation Y graduates. The group employs around 140,000 workers and offers a competitive range of benefits. There is a strong emphasis on the selection of graduates but there is an even greater emphasis on mentoring within the organization.

There are about 2,000 LMC expatriates in overseas locations usually working on approved contracts that in many cases go back years, however the main focus of the organization is the domestic workforce because this is where their main clients' interests are based.

Marathon Oil is always concerned to ensure they are at the leading edge of compensation packaging and retention programs to ensure they attract key talent.

BMW uses internships to attract and retain labor, a policy which provides benefits for the employee who gains an appreciation of what a permanent role at BMW may entail and for the employer who acquires an employee with already established skills and experience. To retain and attract staff, BMW offers flexible working arrangements, however Rauth makes the point that at certain high levels of management, this may not be possible.

10.4 Challenges of global mobility

While increased mobility offers advantages to firms facilitating this global movement of labor, it also presents a number of challenges. Time zones were a key factor identified by corporations along with the adjustment to cultural norms.

AOL has invested heavily in culture and language training for its expatriate workforce to ensure the workforce is able to adapt to a more global operating environment and is aware of cultural sensitivities of assignment locations.

Wal-Mart has faced similar challenges, including language barriers and time zone differences and runs an integration program to ensure assignees are able to adjust to new environments.

The global mobility challenges faced by Freeport include the provision of accommodation in remote locations for expatriate workers as well as delivering quality education services for expatriate children in the local area. There are also some countries where there is an underlying security threat such as parts of South Africa and Papua New Guinea.

Burns of LMC explained that while he agreed that in an increasingly flat world, there may be a need for workers to move between locations, he comments that "workers are not flat". By this he meant that it was not always easy to transfer workers between locations, especially highly skilled and experienced workers who tend to be older and have families that are often difficult to move. He also explained that often the group had to deal with professional couples where the non-LMC employee had a job that was not sympathetic to relocation. For example, a doctor cannot simply relocate patients to a new city, let alone having to rebuild a practice.

BMW highlighted a number of areas where challenges existed for international assignments. The language barrier was present in a number of areas in addition to difficulties associated with living within a foreign culture. In other areas, local conflict made some expatriates feel unsafe. Prior to international assignments extensive training is provided to assignees to ensure that they are able to adjust to the local environment. Interviewee, Stefan Rauth, also pointed to different laws and customs in particular countries that made it more demanding to ensure an optimal workforce structure.

Donald explains that it is important that global business understands the way business is done in its international markets. Often, the assumption of a western approach to business with the same separation of business, family and politics and the supremacy of the stockholder is incorrect, especially in emerging markets. "Often a commercial problem may be the result of a political issue rather than a purely business one," says Donald. "In some emerging markets, the national government has an agenda subtly different from the business community and failure to consider political issues can lead to difficulty." Also in many emerging markets there are familial relationships to be considered. "In the west, nepotism in business is very much frowned upon but in many countries, especially where there has been a history of dictatorship or of one party rule, the only people to be fully trusted were your own family members. This cultural position has to be understood and managed if the company is to achieve genuine success." This culture can persist in some emerging markets and it is often not appreciated by global business.

"It is important to emphasize that establishing a truly global organization takes time, money and a sustained effort to create and support and it can be all too easy to abruptly stop the investment when the business cycle shows sign of a downturn. Those organizations which have held firm in their resolve and maintained their international strategy are most likely to be in pole position on the inevitable upswing," says Donald.

The challenges KPMG face when dealing with the globalization of the labor pool are the same as those faced by the other corporations interviewed. It can be expensive shifting and compensating staff to move from one place to another. There is also the issue that some middle management may resist transfers because good talent is difficult to replace.

10.5 Demand for international assignments

Despite these challenges the demand for international assignments has never been stronger according to the corporations interviewed. The thrill of adventure, the prospect of international experience, and the scope for career progression were some of the reasons identified why employees often pursue opportunities to work abroad.

While the flow of expatriates is expected to continue, the structure of their assignment is likely to change. In the past, assignments generally ranged between 1 and 3 years, now they are likely to last 12 to 18 months. This is driven by the increasing flexibility demanded of global corporations who are constantly adjusting to the changing geo-political and economic environment.

The demand for international assignments at the G4S Group is strong and Cowden explains that there is an expectation from Generation Y that they will be given the opportunity of an international assignment. International assignments are most cost-effective in the younger age groups up to the mid-30s. Thereafter complications set in with the arrival and development of families. There is also the issue of dual-income households where transfers are made difficult because of the inability of a partner to also relocate. Some partners/spouses have occupations that are unfriendly to international transfers while certain countries do not easily grant visas to spouses – these have to be applied for separately.

KPMG is aware of the increase in the demand for international assignments, particularly amongst Generation Y. "We have found that in the US about 90 percent of Generation Y have expressed a desire to work overseas," says Ambrose.

10.6 Managing the expectations of Generation Y

Much of the demand for international assignments has come from Generation Y who are commitment free, global in their thinking, and ambitious. It is this generation that is providing the greatest prospects for growth in expatriate numbers, but also presents corporations with the greatest challenge in retaining their services.

This generation demands a competitive and flexible working arrangement and typically comes into roles expecting to be there for between 18 months and 2 years. Previous generations expected this timeframe to last at least 5 years and possibly a lifetime.

AOL has recognized the importance and difficulties associated with Generation Y and aims to offer competitive remuneration and increasingly flexible working arrangements including work from home policies. Rodney Scaife acknowledges the difficulty associated with Generation Y. "There are lots of global opportunities for highly skilled Generation Y…you have to keep a pulse on Gen Y, their expectations reflect the fact that they grew up in a time of High Technology and the information age." The frustration with Generation Y has seen a subtle shift back to experienced hires, who are considered more loyal with a deeper understanding of the market.

AOL actively pursues a combination of mature talent who understand the market and the forces at play and Generation Y.

Wal-Mart is not currently focusing on Generation Y to support international expansion, although acknowledges this will be a key age group in the future. Wal-Mart directs its attention to experienced associates and has developed packages designed to retain longer-term associates.

Carlier, of BNP Paribas, makes the observation that Generation Y (generally those under 30) appears to be far less loyal than previous generations and generally more concerned about issues associated with work-life balance. There is often no difficulty in recruiting this generation partly because of the group's brand recognition and the scope it offers for a global career. The problem with Generation Y, according to Carlier, is that they need to develop 'trust' in the organization so that they can achieve career progression by pursuing a range of roles in perhaps non-traditional or even non-preferred locations.

The G4S Group has been quite good at holding onto staff, especially Generation Y. This is thought to be because the group invests heavily in career development and offers a great deal of autonomy. This approach appeals to Generation Y who do not like to feel controlled from above. And this retention will be especially important because of the large component of its senior management in their mid to late-50s and who will retire in the near future. Increasingly, in the future Cowden sees the group moving more into an outsourcing business where there are better margins and growth opportunities.

While the rate of staff turnover at BMW is low, Rauth is aware that if people are leaving the company it is generally Generation Ys, who seek out new challenges and who want to climb the career ladder with another employer.

The issue KPMG is faced with in dealing with Generation Y is not so much recruiting but retaining young talent. Where possible, younger managers deal directly with Generation Y, although Ambrose does see a need for education and training programs for partners and managers in dealing with Generation Y. There is a sense that there may be an opportunity to improve the level of understanding between generations in the office.

Generation Y are generally more predisposed to overseas travel. Many have already traveled extensively prior to entering the professional workforce. They do not envisage making commitments to marriage, mortgage or children in the near term and so are keen to build their experience during a less committed time in life. And it benefits the firm. The more global the talent the broader is their experience base; it can differentiate the firm's offer to clients.

10.7 Emerging regions and labor challenges

Once emerging markets are identified, mobilizing the labor force necessary to achieve market penetration is crucial. India and China are countries that feature strongly in the interviews as the regions providing the greatest opportunity at present. A number of global corporations confirmed that the labor force in both countries was highly skilled and educated and also cost competitive, presenting significant opportunity for expansion into these regions.

However, as well having an educated and skilled labor force to draw on, the necessary infrastructure and regulatory controls must also be in place. It is for these reasons that Latin America was identified as a key emerging market with a skilled and educated labor force, solid existing infrastructure and kinder time zones for US-based businesses.

While AOL acknowledged the emerging markets of China, India and Latin America, Scaife went further. He said that identifying the markets that have the potential to become emerging markets and then skilling up the populations of these countries is where the real opportunity exists. This requires free movement of both labor and capital investment – two key forces of globalization in the 21st century.

Wal-Mart also identified both China and India as key emerging markets which are expected to be larger than the US market in the future. In addition Wal-Mart see Russia and Latin America as having the labor force base and necessary infrastructure to set up successful offshore operations.

One of the challenges for BNP Paribas in the future is the need to anticipate talent requirements in different locations. Often there is no shortage of labor in a location, but what is required is talent with exactly the right skills in the right location. Managing this issue is likely to become even more difficult for any multi national organization seeking to expand into developing markets. Carlier explained that global business is now in the process of transferring 'know how' to developing nations. But in 20 years time, due to the slow-down in the rate of growth in domestic labor markets, it may well be that global organizations begin transferring skills and know-how back into the developed world.

BMW identified certain locations which were emerging strongly as new markets. China and India were obvious observations along with South and Latin America, Russia and Eastern Europe. In staffing new ventures, BMW aims to ensure a staffing mix of locals and expatriates in all hierarchy levels.

KPMG's global IES practice has observed that the need for talent at a global level is already resulting in some nations targeting quite specific skill sets. For example, Dubai has targeted and attracted skills in property finance, construction and now operations. In a less formal way, London and New York attract global talent in financial services. Mumbai and Silicon Valley might do the same in IT skills and services.

China and other low-cost manufacturers are now attracting the talent required to set up and manage manufacturing plants. Before a product can be outsourced to China, as observed by Friedman, there needs to be 'expatriate know-how' inserted into the local community to finance, facilitate and construct the factory. That expatriate must be identified, remunerated and managed within the organization so that they are not lost to a competitor during or at the end of the assignment.

In this example, other expertise is required to manage the accounting and legal process and to manage the joint venture with local parties confirming the fact that expatriate expertise is required in advance of the manufacturing process.

Indeed, KPMG member firm personnel observe that it is here at the leading edge of expertise, that demand for a global skilled workforce is increasing.

10.8 Looking to the future

As corporations become more global, there will be increasing demands for flexibility and adaptability amongst both employers and employees. Traditional corporate models are changing to allow individuals to work from different locations; companies are encouraging this to satisfy the demands of skilled labor which is not always available in the desired location.

AOL acknowledges that the demand for talent is so intense with evolving competencies that once key skilled labor is found, facilitating their involvement is the key. AOL achieves this using cutting-edge technology which allows employees to work from the location of their choice. Wal-Mart is currently investigating the option of allowing individuals to work remotely, but is acutely aware of the tax and immigration requirements that need to be addressed and currently act as barriers to providing more flexible working arrangements.

As Wal-Mart becomes more global, packages will need to be designed which meet the demands of increasingly sought-after talent and flexible working arrangements will form part of this shift.

Donald believes that there is not a global shortage of talent but a failure to use existing talent wisely. "If we are simply going to use the standard western, white, male clone, then we will always be short of talent; if we explore the talent in our countries of operation, we shall tap into a vast resource of skills and capabilities which has not even been considered by most corporations. Add to this the underutilization of half of our population, i.e. women, and the growing pool of experienced managers over 50, then we have no problem, just a lack of capability in thinking style in our business and political leadership."

Rauth of BMW made the interesting observation that the rate of employee turnover may possibly be too low due to the brand recognition of BMW and the strategies used to retain workers. He said that without a certain rate of staff turnover in stagnating markets, it is difficult to achieve the right age mix to ensure that the workforce is evenly represented by workers with experience who are in their final years and those who are entering the workforce with fresh ideas and enthusiasm.

Rauth offered the example of an operation which was set up some 30 years ago when the hiring focus was on younger age groups. As a result of the low rate of staff turnover, this operation aged at a similar rate and there was no opportunity to hire younger workers who could progress the business forward. However it is clear that BMW has learned from the past. In the newest plant located in Leipzig, all age groups were recruited, even those aged 50 years and over. This leads to a balanced allocation of all age groups and allows the age profile of the workforce to evolve smoothly.

There is real evidence with KPMG, and no doubt other global advisory forms, that talent and labor is viewed and increasingly managed on a global basis. For example within the last 5 years the Indian and UK practices have established a joint venture in Transaction Services. This involves a pooling of talent as well as of management and clients.

The rise of Ireland's economy has prompted the local office to recruit accounting graduates directly from Pakistan. The same logic applies in the US where the local firm recruits Chinese accounting graduates often with a view to eventually transferring them to assignment in China. This process often requires the graduates to spend up to 12 months in a US office before transfer.

Recent fast growth in the Russian practice has prompted some innovative solutions to the demand for experienced talent. Retiring partners in the US and the UK are offered incentives to relocate to Russia for a few years on rotating audits.

10.9 The global economic environment

The globalized world has seen capital, labor and culture flow freely across borders and has also broken down traditional economic dependencies. MNCs that are subject to the global economic environment both mitigate and exacerbate risks. The current sub-prime crisis in the US has impacted heavily on the majority of US-based corporations (as well as those based in the UK and Europe) but not to the same level as it once might have done.

Global corporations have forged strong linkages in the European and Asian markets which allows them to balance global economic fluctuations using a mobile labor force and an adaptable business model.

Wal-Mart is still strongly tied to economic movements in the US with three quarters of sales revenue being domestic while international revenues are growing at an increasing rate and today represent around one fourth of the business.

BMW relies heavily on the economic environment of the US and Europe due to the sheer scale of the market in these regions. However, expanding operations in Asia and other emerging markets is creating a positive offset to that reliance.

10.10 Common themes

There was a remarkable commonality which emerged from the interviews. While interview subjects acknowledged that there might be a compelling case for workers to move seamlessly across the country or globe, there are often very real practical limitations to those movements. Some of the most common issues raised by the interviewees was the need for global corporations (and presumably for smaller businesses too) to develop personalized career programs for staff.

This is as much an expectation of the new generation of workers who are not prepared to accept directives from above without consultation. But this approach also addresses some of the psychological issues raised by expatriates feeling a ‘loss of excitement and adventure’, when they return to the head office. If there is not a personal approach to career development and to mentoring, then this ‘sense of loss’ can lead to job dissatisfaction.

There was also general agreement about the observations made of Generation Y and mostly the observation was one of exasperation! Here is a generation that across the industries and countries interviewed, is seen as being different because they are less loyal to the organization. One interviewee called for this generation to “trust the organization” with their future and to open their minds to other possibilities.

Personal development does not always result from a career path or set of tasks determined as engaging by the Generation Y staff member. Sometimes, and in fact often, personal and professional growth comes from taking on unconsidered challenges that are set by the corporation. The other points frequently made of this generation was their ‘raised expectations’ from the corporation. Not only do they expect a personalized career path replete with mentor and regular feedback on their progress towards that goal, but they are impatient to reach that destination. To some extent, this is thought to be because many in this generation have been raised in times prosperity and by parents who could afford to indulge their children.

On the other hand, there was an admiration of this generation for the skills and experience they have acquired by their mid-20s: double degrees, usually extensive world travel, extra-curricular activities (including volunteering) and proficiency with modern technology. Here is a generation that is well equipped to participate in a global workforce. However, the question is whether this generation’s flightiness – their capacity to flit from job to job – will diminish their ability to acquire the deep relationships and industry experience they will need to progress in global organizations.

The interviews confirmed the hypothesis of this study, that there is indeed a labor and talent shortage in both the developed world and emerging regions. However, this shortage is qualified as being a shortage of the right people with the right experience in the right location. This elevated demand will require increasing flows of select labor between countries and locations to counter economic down-turn in certain regions and to take advantage of emerging opportunities in others.

11 Implications for managing a global workforce

There are a number of implications that flow from the interviews and the analysis of demographic factors likely to affect the global supply of labor over the next 10 years. The most significant actions that can be considered to mitigate issues associated with managing a global workforce are as follows:

1 **Establish a leadership group** within the organization that will serve as the pool from which new senior executive talent will be drawn. Invest in training and career development programs for this group and ensure that there is sufficient depth to allow for talent to flow in and out.

2 **Expose staff to international cultures,** especially the leadership group, to ensure that they have a fuller understanding of local issues and cultural sensitivities when dealing with the people aspect of a global organization. Support this with local training (including language) programs.

3 **Manage staff expectations** when leaving for and returning from an international assignment. This especially applies to staff returning to head office after an overseas assignment. Be aware of demographic research that suggests that after working in a foreign location for 5 years or more there is a tendency to prefer to remain in the adopted city/country.

4 **Draw on local staff to manage country offices.** Perhaps this is a vestige of the colonial era but interview subjects strongly felt that local offices are best managed by local staff rather than by an expatriate sent in from overseas. Or, if an expatriate must transfer their 'know how' to the local office, a key performance indicator of the expatriate's role should be to identify a local replacement within 5 years.

5 **Manage the looming labor and skills shortage** by improving the participation of older (Baby Boomer) workers and of women who may want to return to work after having children. Also, consider ethnic diversity programs to ensure that the organization has access to the widest possible pool of labor.

6 **Understand the inter-relationship between business and politics in emerging markets.** This point is often overlooked by even the most experienced of global organizations. There are also strong familial ties in many of these markets and this is thought to be especially the case in markets where governance is an issue. In such a world, perhaps the only people local business can trust are their relatives.

7 **Remunerate to market rates.** This requires constant research and benchmarking to ensure that the rates and structure of the remuneration package is commensurate with the market standard for the range of skills and often, the location of the expatriate including hardship and risk issues. Consider techniques such as delayed bonuses to encourage longer-term loyalty.

8 **Recruit staff with good communications skills.** The role of a modern corporate manager has shifted from 'command and control' from a distant location to one of 'managing and communicating' and perhaps even 'inspiring' staff. The skills required for the former role are different to the highly developed global communications skills required in the current environment.

9 **Develop tailored career paths for staff.** This is especially the case and expectation of Generation Y, who want to see a laid-out career path with milestones signifying their progression towards their goal. Carefully consider any difference of opinion as to what constitutes the best career path. Plan ahead for future generations and understand their unique skills and expectations.

10 **Consider moving staff regionally across the globe.** The global economy is no longer entirely determined by the performance of the US economy. As a consequence it may be appropriate to redeploy staff from say New York to Shanghai.

The looming labor crunch caused by the demographic faultline present through much of the developed world, has implications for businesses operating on a global and local scale. Global corporations will be faced with the challenge of effectively shifting talent and labor around the world – from where it is in excess as a result of economic or geo-political developments to where a shortage exists because of demographic history or divergent economic growth. At the local level, the ability to attract and retain skilled migrants through competitive remuneration and lifestyle packages will be crucial as the global war for talent intensifies.

What does it all mean?

This study presents the notion that much of the developed world will soon pass through a demographic faultline that will see growth in the supply of labor slow and, in some cases, actually contract over the next decade. This process is brought about by the imminent retirement of the Baby Boomer generation from the workforce. The issue is that the number of boomers exiting the workforce is greater than the number of Generation Ys entering the workforce. This process has already resulted in a contraction in the supply of the productive population in countries like Japan. The US, the UK, much of western Europe as well as Canada, Australia, New Zealand and other nations will follow suit next decade.

The response in the marketplace varies from country to country and company to company, although a common theme this decade is that of a global skills shortage.

To some extent, this has been exacerbated by certain geo-political events over the last 20 years, perhaps beginning with the fall of the Berlin Wall in 1989 and the subsequent collapse of the former USSR. These events opened up much of Eastern Europe to new thinking, western influences and demand for western 'know how'. KPMG's global IES practice has been particularly active in facilitating the transfer of talent into new and emerging markets in this part of the globe.

But it is not just Eastern Europe. As pointed out by author, Thomas Friedman, in his 2005 best-seller *The World is Flat,* the opening-up of China as well as India and more recently the step-forward taken by sovereign states of the Middle East is placing new pressure on the demand for a global skilled workforce. But it would be incorrect to assume that this global skills convergence only applied to skilled labor.

Unskilled labor is also on the move from Mexico to the US, from Eastern Europe to the UK and from the Philippines to Dubai. And the reason is that in a global 'flat' world, talent and labor flows effortlessly from 'high spots' to 'low spots'. The demise of political barriers in the 1990s has resulted in new opportunities for business and in the demand for talent in new locations this decade.

In some respects, this study has shown how the events of one decade can shape the opportunities and issues of the next. And the same logic applies to the looming slow-down in the supply of talent and labor. It is not the geo-political environment of this decade that will shape labor market issues next decade, it is the differential between the scale of the retiring boomer population compared with the scale of the rising Generation Y population. For 50 years, global markets in the developed world have benefited from the generous supply of talent and labor provided by the wave of Baby Boomers following the smaller 'depression and war' generation. In other words, the supply of talent and labor has been more or less on the rise for half a century.

And business has gotten used to this paradigm. But from 2011 onwards when the first Baby Boomer passes the age of 65 the supply of labor will start to slow down. To some extent, this slow down can be mitigated by lifting labor force participation rates. And certainly this was the view of some of the corporate experts interviewed. One interviewee wryly commented that the world may be flat but workers aren't flat. What the interviewee meant by this was that while it is notionally true that in a developed world starved of labor, talent will flow in from elsewhere, the fact is that it is not always possible to effortlessly shift people from place to place.

None of the interviewees challenged the notion of a global slow-down in the supply of talent and labor. Indeed the demographic theory of a faultline merely put form to their corporate experiences. However, some were wary of "scary scenarios of labor shortages" which could be managed by increasing the participation of older workers in the labor force.

And while it is true that Baby Boomers will most likely remain in the workforce longer than preceding generations, the fact remains that ultimately, perhaps much later next decade, this generation will one way or another exit the workforce. One interviewee offered a particularly astute comment with regard to managing a global workforce in the future:

> "Ask yourself if your business will be more global in a decade. And if the answer is 'yes' then begin now to manage a workforce with the skills and relationships to not only survive but to thrive in that environment. Don't wait; do it now."

All interviewees commented on Generation Y. There is no doubt that this generation is either very different to previous generations in the workplace or that middle-aged corporates are united in the delusion that Generation Y is different. The most common point made was that this generation is less loyal. Others commented on their self-confidence. Most agreed that they require individual attention to the point of especially tailored career plans. One interviewee was more matter of fact: they respond best to financial incentives. It is unknown whether others would have agreed with this approach as a long-term strategy to hold their commitment to the corporation.

This study presents big-picture long-term thinking with regard to the supply of talent and labor in many developed and developing nations over 100 years. Business, even at a global level, is unfamiliar with such a perspective. If nothing else, this view of the world pushes business to think about 'their time in history' and the issues they are likely to face. For example, to have managed a global enterprise in say the 1970s would have presented very different labor challenges to those faced by management today. There would have been little, if any, global movement of staff and talent other than at the uppermost level and no issues with the supply of labor as Baby Boomers spilled into the professional labor market. Whereas today, business must deal with both of these issue precisely. And from the 100-year perspectives, it is evident that such issues will define the management of global businesses for at least the next decade and a half. Also important in presenting this study has been documentation on the net flow of migrants – skilled and unskilled – between specific countries. Sourced with permission from the United Nations, this information shows precisely the extent and the direction of migration movements from the developed world. Here is evidence of the sure logic that labor will and does flow from high spots to low spots in a world where geo-political barriers are levelled. This is precisely as argued by Thomas Freidman with regard to information, technology and capital. But Friedman's logic can be extended to now include the free-flow of labor and talent.

What this all means for business is this: increasing globalization combined with the effects of the demographic faultline will present challenges for businesses unprepared for change. As presciently argued by one interviewee: if your business is likely to be increasingly global in 10 years then it is necessary to lay the groundwork now by establishing and developing talent and labor supplies in targeted regions. Not only does this provide the pool from which management skills may be leveraged in the future, but it also ensures that this labor pool has the right relationships and cultural understanding to improve prospects for corporate success.

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Designed and produced by KPMG in Australia's Design Services.

Publication Name: The Global Skills Convergence. Issues and ideas for the management of an international workforce.

Publication number: VICN01730ADV

Publication date: September 2008