

TALENT RISING: LEVERAGING THE HUMAN CAPITAL INDEX TO ACCELERATE BUSINESS PERFORMANCE

Talent lies at the heart of all successful organisations, and a strong workforce with the experience, skills, and capabilities needed to enter new markets or develop and expand products, processes, and services is the surest way for companies to achieve their full potential.

Many of the world's developed economies are facing a talent crisis, however, and despite high unemployment rates, the gap between business needs and talent supply is widening. Furthermore, the lingering effects of the worldwide economic turndown and a raft of demographic shifts — such as ageing working populations and high youth unemployment — mean that existing education and labour market strategies need a radical overhaul.

Being up to speed with trends and the status quo in human capital is fundamental to the growth of businesses and societies. In order to meet that need, the World Economic Forum (the Forum), in partnership with Mercer, released its first annual Human Capital Report (HCR) in 2013. Benchmarking human capital in 122 countries (covering 92% of the world's population and 96% of global GDP), the HCR ranks countries on their ability to develop and deploy healthy, educated, and able workers. The first Human Capital Index (HCI) is unique in its breadth of coverage; this combined research brings together multiple stakeholders to help nations measure how effectively they are using their working populations, address any gaps in performance, make better-informed investment decisions, and improve workforce planning in the future.

This article will give a brief overview of the HCR and HCI, summarise key findings, and highlight three crucial HR challenges that all large organisations will need to address effectively if they are to thrive.

CONTEXT AND COVERAGE

The principal purpose of the HCR is to give policymakers, employers, and other stakeholders the information they need to better prepare their people for the demands of competitive economies. The HCI tracks the development and deployment of human capital around the world and is based on four pillars: education, health and wellness,

workforce and employment, and enabling environment. Each pillar has a varying number of indicators, the values for which come from publicly available data produced by international organisations such as the World Health Organization, the United Nations Educational Scientific and Cultural Organization, and the International Labour Organization. The HCI also draws on qualitative data from the Forum’s Executive Opinion Survey and Gallup’s wellness perception survey.

The countries featured in the HCI are grouped into six regions¹ and four income groups, and are ranked globally, regionally, and by “pillar”. Beyond the rankings, country profiles provide comprehensive details on contextual data for human capital development — the relative strengths and weaknesses of the environment in which the national human capital assets exist. By having access to this unique 360-degree view of each country’s health and wealth, employers and policymakers can gauge the most pressing issues impacting talent availability and suitability today — such as the level of educational attainment and ease of finding skilled employees — and identify those issues that have the potential to impact business success tomorrow — including childhood health and school enrolment rates. Accordingly, they will be in a stronger position to allocate workforce development investments effectively in the short term and to identify opportunities for collaboration with academic institutions and other entities in order to effect systemic change where appropriate, as well as create a stronger future employee pipeline.

KEY FINDINGS

RANKINGS

The results of the HCI are fascinating — and sometimes surprising. As the chart below demonstrates, European countries dominate the top 10 rankings. The Asia Pacific region has a foothold in the top three, thanks to Singapore’s strong scores in all pillars (other than Health and Wellness), while Canada represents North America by virtue of its scores in the Education pillar.

Figure 1
Measuring Human Capital: Top 20 Detailed Rankings

Country	Overall index		Education		Health and wellness		Workforce and employment		Enabling environment	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Switzerland	1	1.455	4	1.313	1	0.977	1	1.736	2	1.793
Finland	2	1.406	1	1.601	9	0.844	3	1.250	1	1.926
Singapore	3	1.232	3	1.348	13	0.762	2	1.345	5	1.471
Netherlands	4	1.161	7	1.106	4	0.901	8	1.150	4	1.484
Sweden	5	1.111	14	0.977	2	0.960	6	1.154	10	1.351
Germany	6	1.109	19	0.888	8	0.877	9	1.149	3	1.522
Norway	7	1.104	15	0.970	6	0.890	5	1.182	8	1.373

¹ Asia and the Pacific; Europe and Central Asia; Latin America and the Caribbean; the Middle East and North Africa; North America; sub-Saharan Africa.

Country	Overall index		Education		Health and wellness		Workforce and employment		Enabling environment	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
United Kingdom	8	1.042	10	1.031	17	0.682	10	1.072	7	1.384
Denmark	9	1.024	18	0.891	3	0.943	12	0.932	11	1.330
Canada	10	0.987	2	1.355	20	0.548	15	0.875	17	1.168
Belgium	11	0.985	6	1.191	11	0.780	21	0.673	14	1.296
New Zealand	12	0.978	5	1.204	15	0.743	17	0.804	18	1.163
Austria	13	0.977	25	0.713	7	0.886	14	0.886	6	1.424
Iceland	14	0.957	8	1.075	5	0.900	16	0.826	20	1.026
Japan	15	0.948	28	0.628	10	0.836	11	1.027	13	1.302
United States	16	0.920	11	1.027	43	0.239	4	1.235	16	1.181
Luxembourg	17	0.881	35	0.522	16	0.704	13	0.928	9	1.372
Qatar	18	0.834	26	0.684	44	0.206	7	1.154	15	1.294
Australia	19	0.831	13	0.988	18	0.663	19	0.675	23	0.999
Ireland	20	0.824	9	1.033	25	0.516	22	0.645	19	1.103

Running counter to expectations, the BRICS countries have low HCI scores — in fact, China is the only one to make it into the top 50 — and employers looking for top talent in these fast-growing economies have a series of serious human capital challenges to contend with. Weaknesses in the Education and Health and Wellness pillars are of particular concern.

The HCI also shows that human capital development does not exactly track economic maturity or income. Although HCI scores are, to some extent, correlated with GDP, high-income countries still have a number of inhibitors to talent development while some lower-income countries are punching above their weight. In short, income is no predictor of overall ranking — Cambodia, for example, outranks more than 40% of lower-middle-income countries in the Asia Pacific region, just as Kenya outranks eight upper-middle-income countries and 20 lower-middle-income countries in the Middle East and North Africa. A similar situation can be found in Eastern Europe too, where lower-middle-income Ukraine ranks higher than over 50% of upper-middle-income countries.

Figure 2
Measuring Human Capital: Detailed Rankings (Top 20 EMEA Countries)

Country	Overall index		Education		Health and wellness		Workforce and employment		Enabling environment	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Switzerland	1	1.455	4	1.313	1	0.977	1	1.736	2	1.793
Finland	2	1.406	1	1.601	9	0.844	3	1.250	1	1.926
Netherlands	4	1.161	7	1.106	4	0.901	8	1.150	4	1.484
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Qatar	18	0.834	26	0.684	44	0.206	7	1.154	15	1.294
Ireland	20	0.824	9	1.033	25	0.516	22	0.645	19	1.103
France	21	0.746	22	0.776	14	0.744	25	0.520	24	0.943
United Arab Emirates	24	0.610	29	0.626	70	-0.032	24	0.527	12	1.320
Israel	25	0.587	27	0.651	29	0.457	20	0.674	32	0.568
Estonia	27	0.571	20	0.862	22	0.536	39	0.142	26	0.745
Malta	28	0.473	24	0.716	28	0.473	30	0.330	37	0.371
Spain	29	0.465	31	0.590	12	0.778	70	-0.185	28	0.679

IDENTIFYING OPPORTUNITIES AND RISKS IN THE GLOBAL WORKFORCE

The HCI provides vital snapshots of several key global workforce issues; companies can compare information in the country profiles (identifying nations with high scores in the appropriate pillar) and also view rankings in the individual indicators of interest to them.

For example, organisations actively recruiting might consider countries such as Finland, Ireland, the United Kingdom, and Barbados, where high-ranking education systems are

combined with relatively steep unemployment rates. For those businesses seeking to locate talent overseas, Canada, Costa Rica, and Germany are preparing high-potential next-generation workforces due to their good primary and secondary school enrolment rates, robust education systems, and low educational gender gap. Highly skilled and experienced workforces can also be found in the United States, Qatar, and China, but poor health among workers in these countries will impact bottom-line costs.

THE LOOMING TALENT WAR: COMPELLING HUMAN CAPITAL CHALLENGES FOR THE COMING DECADES

The process of compiling the HCR highlighted three key issues that all companies will need to address in the near future.

1. CLOSING THE EDUCATION/SKILLS GAP

Employers around the world are currently attempting to move their organisations forward while combating a significant talent mismatch across the population. There is a huge misalignment between positions to be filled and skilled people who can actually do those jobs: more than 200 million people are unemployed globally,² yet over a third of employers surveyed cannot fill available positions.³

Clearly, then, the immediate goal is to ensure that employers find the talent with the right skills to meet continuously changing business needs. A multistakeholder approach will be key — governments, academic institutions, and public-sector organisations all have a role to play. For example, the Forum has taken the lead by advocating an iterative process of lifelong learning, which will be especially valuable in ensuring that experienced and older workers remain relevant and productive. Some employers are also partnering with educational institutions in order to plug gaps in knowledge and training — by offering internships and apprenticeships, creating job portals, and joining advisory councils in order to have input into curricula, companies can actively help shape the future workforce that they need.

2. MOBILISING UNDERUTILISED WORKFORCE SEGMENTS

Ageing populations are a matter of increasing concern in many developed countries. Germany has a substantial “silver” workforce: HCI data reveal that most of the population over the age of 65 is not economically active and, as early retirement is common, it will not be long before those in their 40s are entering retirement and exacerbating the situation. This demographic shift has two main consequences: first, a massive financial burden for the state as the German pension system is stretched to breaking point; second, a huge and sudden haemorrhaging of skills, knowledge, and expertise from the labour market; and third, an inadequate supply of appropriate workers to fill the vacated positions.

As noted above, a fresh approach to ongoing workforce education, including reskilling and upskilling, will play an important role in encouraging mature employees to contribute for longer and in different ways. Health and wellness also have important roles to play; however, employers can deploy a whole range of interventions to keep their people as fit as possible for as long as possible, from designing health benefits that support disease prevention to offering on-site screenings, promoting healthy choices, and creating physical environments conducive to a long and effective working life.

² Manpower Group. *2013 Talent Shortage Survey*.

³ International Labour Organization. *Global Employment Trends 2013*.

Older workers are not the only underutilised segment of the workforce, however — young people are also increasingly marginalised. In some cities in the south of Spain, for example, youth unemployment is now at 56%. Women are still facing barriers in the workforce: in Japan, Turkey, and Mexico, the economic gender gap is so acute that the Forum has established a taskforce in each of these countries, the aim of which is to increase the number of economically active female citizens by 10% within three years.

3. INCREASING THE TALENT POOL THROUGH ALTERNATIVE SOURCES

In some industries, growth is genuinely being constrained by a lack of qualified personnel, and operations are already being impacted. To address this issue, employers need to be bold enough to shift their recruitment paradigm and look beyond traditional sources of talent. For example, tapping into crossover talent (identifying high-potential employees with transferable skills from adjacent industries and retraining as necessary) represents one route forward, as does assessing potential and taking an educated risk on a candidate's likely success — to date, companies have set great store by job applicants' education and job history, but that is not a cast-iron guarantee of a good "fit". Future recruitment will mean going beyond established norms to find the right people for the right job.

CONCLUSION

Taken together, the HCI rankings and detailed country profiles are an incredibly powerful tool that can help users evaluate and quantify their current position as they face up to pressing human capital challenges. In its unrivalled breadth of coverage and advocacy of a multistakeholder approach, this collaboration between Mercer and the Forum will help governments and businesses join forces to move the needle on effective workforce planning and education.

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