

Labor Market Shortages in the East versus the West

AoM 2007
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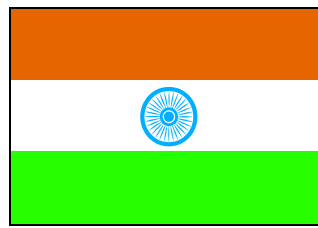
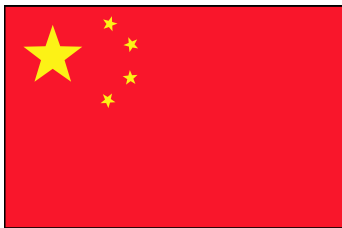


Monty G. Miller, EdD, MBS

- 21 Years of Organization Development and Change Work
- 2 years in India within the past 10 years
- Numerous projects in addition to India in: Indonesia, Malaysia, Philippines, Singapore, and Thailand
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Focus of Presentation



Questions



- How are the Asian labor markets changing?
- What are the recruitment and retention trends and challenges?
- What are recruitment and retention strategies?

Agenda

- Facts and Figures
- Recruitment and Retention
- Strategies and Tactics



“Trespassers will be recruited”

Sign posted in GE Capital office in India



General Observations



- South Asia Observations
 - Infrastructure deficiencies have a significant cost
 - Heavily layered organizations may result in senior leadership being disconnected
 - Family-held businesses are very common
 - Leaders have historically been more enamored by the technology than by the people and talent
 - The way they have treated their people is how their people have treated their customers – customer attention is sometimes lax
 - Power oriented – one way flow of information
 - Outwardly hungry for change – internally fearful of change and failure

Facts and Figures



Facts and Figures



- PRC:
 - 25% of the Global Workforce¹
 - 3 million college graduates¹
 - “Due to a lack of practical training, less than 25% were candidates for jobs in MNCs”¹
 - Over the next 10-15 years 75K leaders needed who can work in global environment, today 3-5K²

Ambition Differences of Leaders²



	Chinese	North Americans
Satisfied with work-life bal.	80%	69%
Willing to make personal sacrifices	93%	66%
Desire for promotion to senior level	95%	65%
Work is more fulfilling than personal life	45%	3%
Too much work	23%	49%

Top 10 Talent³



- Shortages Worldwide
 - Sales Representatives
 - Engineers
 - Technicians
 - Production Operators
 - Skilled Manual Trades
 - IT Staff
 - Administrative Assist.
 - Drivers
 - Accountants
 - Mgmt/Exec
- Shortages China
 - Production Operators
 - Sale Representatives
 - Technicians
 - Mgmt/Exec
 - Engineers
 - Machinists
 - Research (R&D)
 - Designers
 - Restaurant & Hotel Staff
 - Receptionists

Manpower Talent Shortage Survey 2006

Facts and Figures



- India
 - 2.5M University Grads: 400K Eng. & 200K IT⁸
 - Employers can get 10 Indian brains for the price of 1 US⁸
 - Cost of Indian vs. US graduate is 12%. Average hrs worked/yr: Indian 2350, US 1900 and German 1700.
 - IT Sector Wage inflation is 16%/yr and 40% employee turnover⁸
 - Infosys:
 - In four years increased from: 10,700 to over 58,000 employees
 - Screened in 1 year: 1.4M applicants, tested 164K, interviewed 48.7K to make 21K offers.⁸
 - Training budget is over \$100M⁹
 - Economic growth rate of 9% while agriculture's growth is 2%, hastens migration to urban areas.⁶
 - Mumbai 14-18M people, 7M commuters per day, roads/rail packed, 700 passengers on trains built for 120 and 3K people killed per year on the tracks.⁶

Facts and Figures



- Compare PRC to India
 - PRC: World's largest and also oldest populations.
 - India: has a younger, growing workforce that provides a deeper pool to select employees and future leaders.²
 - China spends 7X on its infrastructure compared to India (India 4% GDP & PRC 9%)⁵
 - Public Debt: India 79% of GDP and PRC 27%⁵
 - PRC growth rate of 10.4%, India 9.2% and in terms of economies: US, PRC and soon India followed by Japan⁷
 - Female illiteracy India 50% and PRC 15%⁷

Facts and Figures



- Comparing ASEAN, India and PRC
 - Output per worker: PRC highest, then ASEAN and followed by India. PRC surpassed ASEAN in 2004.⁴

Recruitment and Retention



Recruitment Challenges Conversations with Clients:



- Sales and Finances:
 - Attracting strong talent in functional expertise, credentials, English capabilities (PRC & ASEAN)
- Managing high volumes
 - Applicants to new hires
- Diversity candidates – women especially
- Inflated compensation expectations
- Desire to be in urban settings

Trends For Next 5 Years Conversations With Clients:



- Due to talent shortage – compensation closer to Dollar equivalent salaries
- Due to better opportunities – less people ready to move out of home countries
- Expectations for new jobs every 18 months
- Compensation reviews to be more frequent
- Annual compensation review to remain high – 15% per annum – India
- Use of Web-based tools
- Greater demand for Specialists
- Behavioral Interviewing techniques will be commonly practiced

Strategies and Tactics



Recruitment & Retention Strategies¹



- Recruitment
 - Opportunities to learn, grow and develop
 - Competitive compensation and benefits
 - Opportunities to advance in careers
- Keep Talent Engaged
 - Personal growth in knowledge, skills, and capabilities
 - Achievement and progress
 - Senior management is consistent in actions and with values
 - Pride in being associated with organization

Types of Jobs



Transformational

Extracting raw materials or converting to finished goods

Transactional

Interactions easily scripted or automated

Tacit *

Complex interactions requiring a high level of judgment

*40% of US Labor Market and 70% of jobs created since 1998.

As developing countries become more successful, it is likely a similar phenomenon will occur.

Source: McKinsey

As Jobs Become More Tacit What Becomes More Critical?



- Strong ethical codes
- Internal controls
- Performance management systems
- Greater levels of people engagement
- Less management and more leadership
- Flatter organizations

What Is Needed?



- Organizational Development and Training plays an even more critical role
 - New Hires
 - Employees
 - Leadership



New Hires

- Culture
- Products & Services
- Systems
- Clients
- Skills



Employees

- Refine and Enhance:
 - Knowledge
 - Business
 - Clients
 - Trends
 - Skills
 - Mastery of current functional role
 - Build capacity for new roles

Leadership



- Creating Business Plans
 - Creating direction and strategy
 - Leading change
 - Engaging people deep in organization
- Developing Organizational Capacity and Talent
 - Creating high performance environments
 - Recruiting talent
 - Articulating and addressing needs and motivation of employees
 - Developing people
 - Developing competencies to coaching competencies
- Being Role Models
 - Understanding self: competencies, values and vision
 - Building high ethical standards
 - Articulating values
 - Walking the talk in decision making
 - Realizing no one can hide: eventually all is transparent



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Conclusion



- AoM Slogan: “Doing Well By Doing Good”
 - Investing in people will pay long-term benefits
 - New hires
 - Employees
 - Leaders
 - Organizations

Sources



- ¹ Gebauer, J. Workforce Engagement, T&D, November 2006
- ² Tan, R. et al, Growing Today's Chinese Leaders for Tomorrow's Needs, T&D, November 2006
- ³ Manpower presentation, Pain/Gain, Talent management in China
- ⁴ Even tigers get tired, Economist.com May 23, 2007
- ⁵ India on fire, The Economist, Feb. 1, 2007
- ⁶ The strange allure of the slums, The Economist, May 3, 2007
- ⁷ India overheat, The Economist, Feb. 1 2007
- ⁸ The world is our oyster, The Economist, Oct. 5, 2006
- ⁹ The search for talent, The Economist, Oct. 5, 2006
- ¹⁰ The battle for brainpower, The Economist, Oct. 5, 2006

Think Global



- How do you dispense innovation around the world without weakening your culture?
- How do you motivate high-flyers from different cultures?
- And how do you manage prima donnas across borders?
- Got to have world class talent management.8