Press Release

|  |  |
| --- | --- |
| *Date* | **EMBARGO: 03:00 London time, Tuesday, 8th April 2014** |
| *Contact* | Justin Bates, firstlight pr  +44 (0)203 6177 232  Email: [linkedin@firstlightpr.com](mailto:linkedin@firstlightpr.com)  or  Simon Reed, PwC  Tel: +44 (0) 20 7804 2836  Mobile: + 44 (0) 7703 130 957  Email: simon.reed@uk.pwc.com |
| *Pages* | 4 |

**Talent mismatch costs global economy $150billion**

**A global study by PwC, commissioned by LinkedIn, reveals the economic impact of not having the right people in the right jobs**

**April. 8, 2014 −** New research by professional services network [PwC](http://www.pwc.com/), commissioned by [LinkedIn](http://www.linkedin.com), the world’s largest online professional network, today reveals that poor talent adaptability – the inability for people to retrain for new skills or switch industries – is costing the global economy billions of dollars in lost productivity and leads to businesses wasting huge sums on avoidable recruitment costs.

The study, [*Adapt to Survive*](http://www.pwc.com/talentadaptability), for the first time analyses millions of interactions from LinkedIn’s network of 277 million professionals, and information on 2,600 employers from PwC’s Saratoga database, one of the world’s largest and most robust resources of people and performance metrics, to understand which countries are better at aligning talent with opportunity.

It examines five key talent behaviours within 11 markets and identifies two significant ‘costs’ which are based on the surveyed markets being as good at matching talent with the right opportunities as the Netherlands – the most adaptable market in the study. When these costs are combined this could mean the economy is missing out on USD$150bn:

* **A lost opportunity to generate US$130bn of additional productivity1** – the research found a strong correlation between the adaptability of the talent in a particular country and the performance of its companies. If markets were better at matching talent with the right opportunities, this could unlock as much as USD$130 billion of productivity in the 11 markets studied (including USD$65.6 billion in China, USD$29.3 billion in the US and USD$11.7 billion in Brazil).
* **Avoidable recruitment costs of US$19.8bn2** –thislack of access to the right talent is driving up the cost of recruitment for employers today. The longer time taken to find the right candidates, and the increased likelihood for mismatched talent to leave sooner are costing companies in those countries US$19.8bn in avoidable recruitment costs.

***Most adaptable countries according to the Talent Adaptability Score3***

The research spans a wide spectrum of economies by development phase, size and industry types. Each market is assigned a *Talent Adaptability Score* based on five key behavioral factors, which include: the average number of times professionals in that market switch industries, the average number of different positions held in a professional’s career, the average number of internal promotions in that market,the average number of employers a professional has had in each market and the average number of open vacancies divided by the market’s population.

The *Talent Adaptability Score* is a powerful indicator of a market’s ability to respond to future shifts in demand, not a snapshot of current economic performance. Scores vary significantly by country (see table), with the Netherlands’ multilingual workforce and international business base placing it first in the ranking.

Emerging markets India and China have lower scores due to the existence of fewer mature sectors and their geographic size which limits talent mobility.

Well-performing economies such as Germany rank lower than expected, in part because it is a specialised economy which works well whilst its sectors are buoyant and stable, as they are today. But it also makes the country less able to respond to structural changes.

Commenting on the findings, [Michael Rendell](http://www.linkedin.com/profile/view?id=48277605&locale=en_US&trk=tyah&trkInfo=tarId%3A1396437730527%2Ctas%3Amichael%20rende%2Cidx%3A1-1-1), Partner, Global Head of HR Services practice at PwC, said: “Worldwide unemployment continues to rise while jobs remain unfilled, and CEOs are worried about a growing skills gap. The better employers and employees are at adapting to changing circumstances and aligning their skills with the available opportunities, the more productive organisations will become. Our research shows that a better talent fit between employer and employee could unlock $130bn in additional productivity globally, begin to close the skills gap and drive a market’s competitive advantage.”

[David Cohen](http://www.linkedin.com/in/davidalyncohen), LinkedIn Senior Director of Sales, EMEA, added: “Countries increasingly differentiate themselves in the global marketplace via their human capital. Up until now, it’s been challenging for them to assess the skills, knowledge and experience of their workforces due to the dearth of professional data. We’re hopeful that countries will leverage the insights uncovered in Adapt to Survive to maximise the efficacy of their human capital and create more opportunities for their workforces.”

To read the full report please go to:[www.pwc.com/talentadaptability](x-webdoc://618C51B0-9F4B-4FF2-94FE-D579324A1330/www.pwc.com/talentadaptability)

***Country by country findings***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Rank** | **Country** | **Talent Adaptability Score\*\*** | **Lost Productivity Opportunity\*** | **Avoidable Recruitment Costs\*** | **Size of the prize\*** |
| 1 | Netherlands | 85 | - | - | **-** |
| 2 | UK | 67 | 1.44 billion | 0.43 billion | **1.87** |
| 3 | Canada | 61 | 1.86 billion | 0.11 billion | **1.98** |
| 4 | Singapore | 57 | 0.22 billion | 0.06 billion | **0.29** |
| 5 | US | 57 | 29.34 billion | 2.37 billion | **31.71** |
| 6 | Australia | 52 | 3.65 billion | 0.37 billion | **4.02** |
| 7 | France | 41 | 3.23 billion | n/a billion | **3.23** |
| 8 | Germany | 39 | 4.92 billion | n/a billion | **4.92** |
| 9 | Brazil | 36 | 11.71 billion | 0.07 billion | **11.77** |
| 10 | India | 34 | 8.61 billion | 0.38 billion | **8.99** |
| 11 | China | 23 | 65.58 billion | 16.02 billion | **81.61** |
|  | **TOTAL** | **-** | **130.56** | **19.81** | **150.38** |

\*all figures USD$  
\*\*scores are relative (a score of 100 would mean a #1 rank in each of five variables)

***Recommendations for professionals, employers, educators and governments:***

***Professionals***

The rise of social media and an increasingly connected global workforce means it’s never been easier for people to identify new opportunities, plan to develop the skills, and create a network that will allow them to transition into new roles. This could be as simple as staying up-to-speed with companies that might be hiring in your area, or identifying emerging sectors around the world that could present an opportunity for a dramatic career change.

***Employers***

Talent is the number one factor in competitive success for business, and businesses need to move faster to adapt to new market forces. An existing mismatch of talent in the wrong roles creates a window of opportunity for employers able to identify and attract the right talent to their organisation. Social media has made it possible to identify all the relevant candidates – both active and passive – many of whom may not be doing the jobs they want. Employers should use talent analytics to identify the hard and soft skills that are central to the business strategy today and in the future, allowing them to hire strategically.

***Educators***

Education never stops, and educators should be looking at what skills are in growing demand and which jobs are emerging in the global workforce. They should then adapt curricula so students are equipped with relevant skills when they leave formal education.

***Governments***

Governments should play an active role in shaping a national mind-set that values, nurtures and rewards adaptability. They need to use the levers at their disposal such as employment and immigration laws, as well as proactively shaping education and training systems.

**ENDS**

**NOTES TO EDITORS**

To explore the data further or download a copy of the report, please visit [www.pwc.com/talentadaptability](x-webdoc://618C51B0-9F4B-4FF2-94FE-D579324A1330/www.pwc.com/talentadaptability)

**Methodology**

1. **Productivity gain**

PwC first created a benchmark for adaptability based on five key variables - the Talent Adaptability Score - and then cross referenced this score with the stated productivity of employers in each of the 11 markets through PwC’s Saratoga database of 2,600 employers.

This allowed PwC to equate improvements in adaptability of each market’s workforce with increases in productivity. PwC have taken a conservative approach by asking “what productivity could be unlocked if everyone was as adaptable as the Netherlands?”. If you apply their adaptability to each of the 11 markets in this study, there is approximately $130bn of potential productivity to be gained.

1. **Avoidable recruitment costs**

PwC's Saratoga database captures information on the amount of resignations that occur for people with less than one year of service.  This is widely regarded as unwanted, and often avoidable turnover, indicative of a mistake during the recruiting process resulting in a poorly matched employee.  Through the Saratoga database, PwC were able to estimate the number of new hires made in a country in one year, and then determine how many of these resigned within 12 months.  PwC were also able to estimate how many hires would have resigned in the first year if they were performing as well as the Netherlands (4.8% first year resignation rate).  By taking the difference between the actual number currently happening, and the better performing number, then PwC could calculate the number of 'excess' hires in a given year.  Combining this with the cost per hire allows PwC to calculate the savings potential in the 11 markets analysed of US$19.8bn.

1. **Talent Adaptability Score**

Using evidence from LinkedIn profiles and metrics from PwC Saratoga to assess each country in five areas:

1. **The promotion rate** (scaled to take account of growth in the home market) – which indicates the reward offered by employers as the value of talent increases
2. **The market vacancy rate** – the lower the vacancy rate, the better the fit of talent to available jobs
3. **Average number of profile positions** – the number of positions that professionals list on their LinkedIn profile, which is an indication of the liquidity within the given market
4. **Average number of employers** – the average number of employers each individual has had, in any sector, which is a proxy for liquidity of opportunity
5. **The industry switching rate** – the rate at which professionals switch between different sectors, which shows their willingness to apply their skills to different areas.

**Method for overall ranking**

Each country is assigned a percentile ranking (on a scale of 0-100) for each of the 5 metrics included. The overall score is then calculated by averaging the percentile ranks across all 5 metrics. To achieve an overall score of 100 would require the country to be best performing in each metric relative to the other countries.

**About PwC**

PwC helps organisations and individuals create the value they’re looking for. We’re a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at [www.pwc.com](http://www.pwc.com). PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

**About LinkedIn**

Founded in 2003, LinkedIn connects the world’s professionals to make them more productive and successful. With more than 277 million members worldwide, including executives from every Fortune 500 company, LinkedIn is the world’s largest professional network on the Internet. The company has a diversified business model with revenues coming from member subscriptions, marketing solutions and hiring solutions. Headquartered in Silicon Valley, LinkedIn has offices across the [globe](http://press.linkedin.com/about).