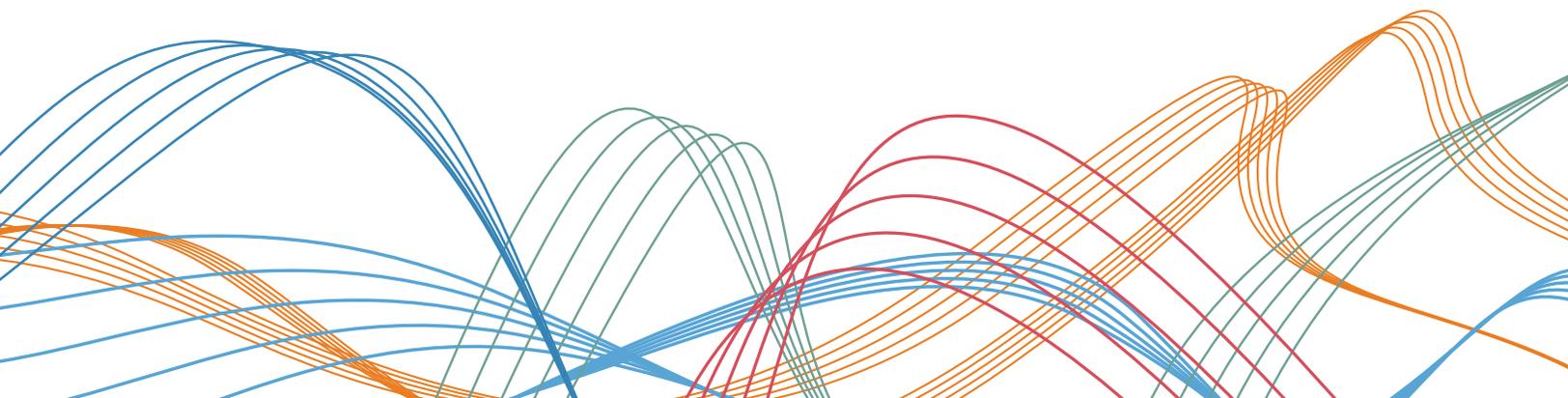


How to *Unleash* LATIN AMERICA'S Greatest Resource

TALENTISM IS THE NEW CAPITALISM



ManpowerGroup™



We live in the most transformative era the world has ever known. The familiar economic systems and structures that have evolved over time, and that our models and business strategies rely on, are changing as a result of powerful macro-economic forces conspiring to reshape our world. In January 2011, at the World Economic Forum Annual Meeting in Davos, ManpowerGroup identified that the world has entered the Human Age. This new, chaotic reality is characterized by a rapid pace of change and complexity, requiring a new mindset and approach to business. Resources that were once limited are now plentiful, and those that were once plentiful are now limited—and none more so than the engine of productivity in the Human Age—skilled human talent.

In the past, access to capital was the competitive differentiator and fueled productivity. Today, talent is becoming the scarce resource in the economic world. According to ManpowerGroup's most recent Talent Shortage survey, one-third of employers around the world are finding it difficult to secure the talent they need (see Figure 1). In the Human Age, a nation or corporation's means of attracting, mobilizing and liberating talent will be the competitive differentiator. This is not to say that capital is no longer important. It will continue to be a cornerstone of growth. However, capital must be created with human effort and skills. Talent has become a new, stronger vital ingredient in the mix of how growth and prosperity can be created within an economic system.

ManpowerGroup's identification of the evolution of Talentism was echoed earlier this year by Klaus Schwab, World Economic Forum Founder and Executive Chairman, who noted that the new world model will center on human talent. "The success of any national and business model for competitiveness in the future will be less based on capital and much more based on talent."

The global growth model is adapting in the Human Age, as the balance of power shifts to emerging markets. As increasingly scarce talent is now the key competitive differentiator, business productivity and economic power are once again harnessed to population growth, in a way not seen since before the Industrial Revolution. However, for many developing and emerging markets, despite their growing and relatively young populations, the lack of available talent is one of the biggest challenges to future growth that they face. This is because in the Human Age, there is a surplus of individuals who lack the skills and experience that companies seek, and a shortage of appropriately skilled talent. This is certainly the case for Latin America. Capital will continue to be vital to long-term success in Latin America, as it funds new business ventures and government development initiatives. However, increasingly talent is the differentiator. Talent is everywhere in Latin America's large and youthful populations, yet nowhere, as employers struggle to find the right skills to leverage expansion opportunities. The strong growth trajectory of Latin America may have masked the full impact of the worldwide skills mismatch epidemic; however, the region must overcome its own skills mismatch, if it is to truly realize its growth potential.

As with the mythic and elusive El Dorado, Latin America's natural wealth, its human potential, needs to be discovered and unleashed, to unlock the region's riches.

Latin America: Talent is Elusive and Everywhere

As a region of increasing stability, falling poverty rates, economic growth and very rich natural

resources, it's no wonder that Latin America is a growing presence on the world economic stage. Entrepreneurship is positively encouraged across almost the entire region, investment is growing and local companies are quick to take advantage of this environment. Multinational organizations, especially those from North America, are no longer simply looking east, but also to its southern neighbors for their next expansion opportunity, as China's labor arbitrage continues to shrink.

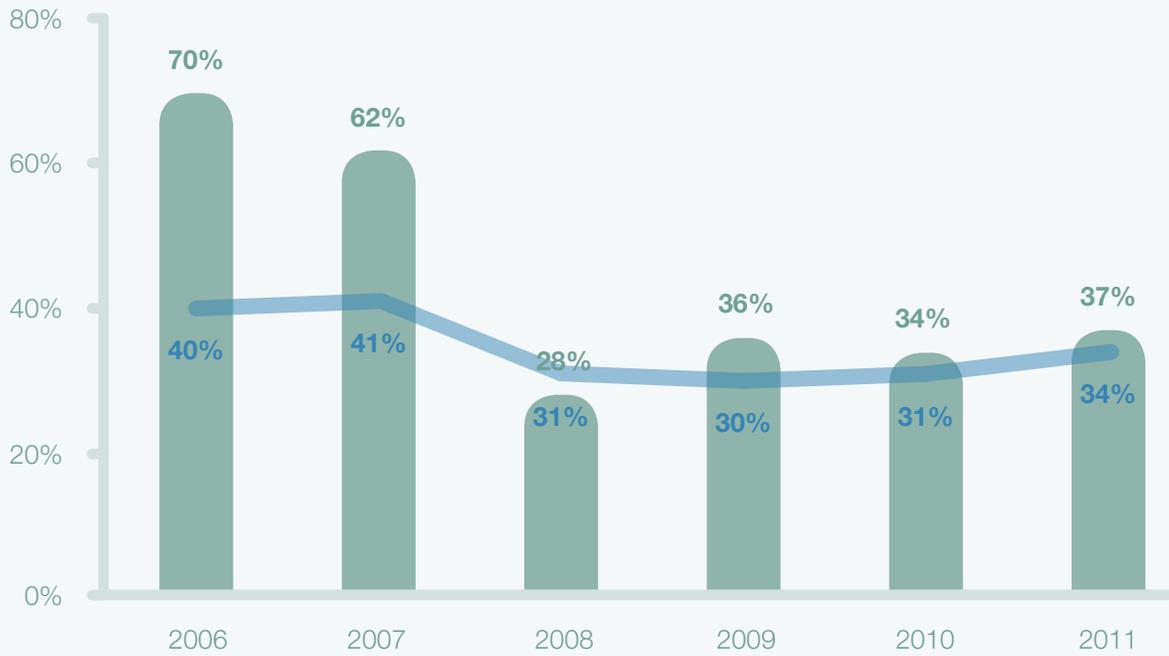
This positive outlook is reflected in the hiring intentions of Latin American employers. According to the Manpower Employment Outlook Survey for Second Quarter 2012, Latin America is open for business and hiring. Employers in every country expect the hiring pace to remain positive over the coming three months, and employer optimism is strongest in Brazil (+39%), Peru (+23%) and Colombia (+18%)—reporting hiring some of the strongest Outlooks globally; meanwhile employers in Argentina, Costa Rica, Guatemala, Mexico and Panama also report positive hiring intentions with Outlooks ranging between +15% and +17%. The Services sector in Brazil is experiencing particularly strong growth, with six out of 10 employers reporting that they'll add to their payrolls over the next three months. Employers are already hiring in advance of the 2014 World Cup, an event expected to create 700,000 new jobs. The labor market performance in Brazil is partly driven by government programs aimed at creating jobs, the country created 10 million formal jobs between 2003 and 2010. Mexico, on the other hand, increased formal employment in the same period by around 20%. Much of this growth has been led by manufacturing, one of the most important labor markets in Mexico. The availability of skilled talent and increased productivity in highly specialized sectors such as automotive, aerospace, biotech, IT and Telecom, is attracting the attention of foreign investment and boosting hiring expectations in the country.

Access to talent is set to become an acute problem which could jeopardize future growth in the region. Already, according to research by PWC, creating and fostering a skilled workforce is one of the top 3 priorities where CEOs in the Latin America region would like to see governments take action. Furthermore, according to ManpowerGroup's Talent Shortage survey, employers in the Americas are having more trouble filling jobs than the global average, with 37% of employers reporting difficulty filling positions due to lack of available talent (see Figure 1, page 4). In Brazil this rises to nearly six in 10 employers, while in Mexico 42% are having difficulty filling jobs (see Figure 2, page 4).

In spite of this, unemployment remains a problem for the region. Latin America is standing on the brink of an employability crisis, driven by an over-supply of available workers and an undersupply of qualified talent. In contrast to many developed countries, Latin America is and will be benefitting from a demographic bonus, which will increase the potential pool of talent over many years to come. Access to more people, however, does not immediately resolve the challenge of securing the right talent with the right skills.

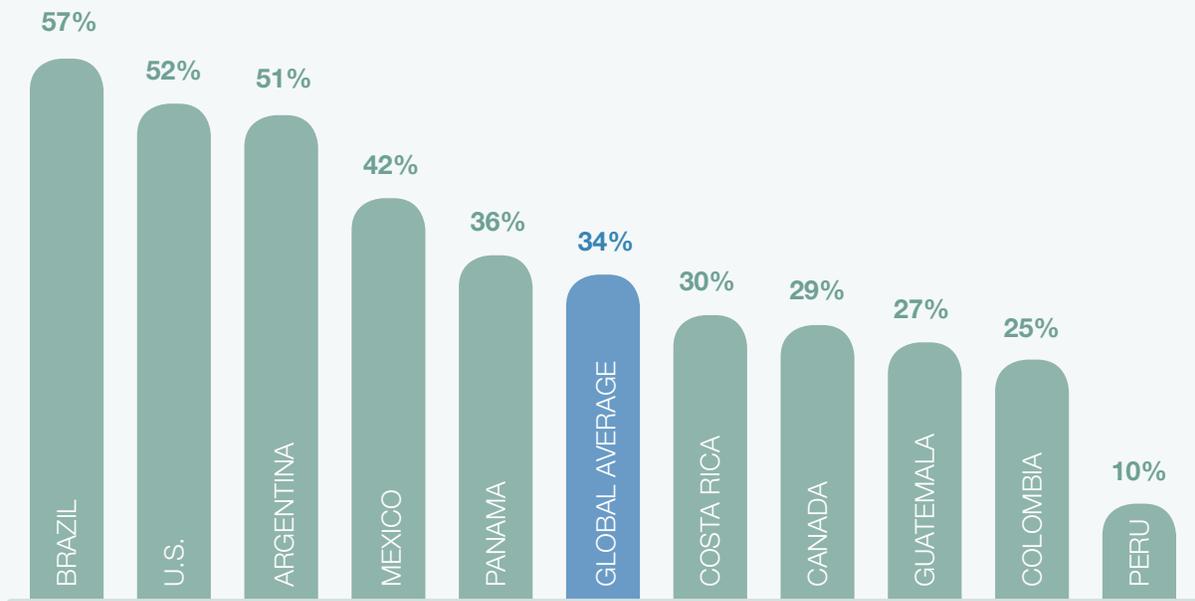
In Brazil, despite the fact that nearly 40% of employers are looking to hire, and nearly 60% are unable to fill vacancies, there are still over 11 million unemployed people (5.7% of the population), in Mexico there are 2.6 million (5.2% of the economically active population). Brazil's Register of Employed and Unemployed recently indicated that it achieved less than two-thirds of the country's 2011 goal of creating three million jobs—a further sign that the available workforce is currently unable to meet employer needs. In the Americas, over half (56%) of employers struggling to hire stated a lack of experience or technical skills as the reason for their difficulty, a further 23% literally say there are no applicants available

FIGURE 1: Percentage of Employers in the Americas Having Difficulty Filling Jobs Due to Lack of Available Talent



Source: ManpowerGroup Talent Shortage Survey 2011

FIGURE 2: Percentage of Employers in the Americas Having Difficulty Filling Jobs Due to Lack of Available Talent—By Country



Source: ManpowerGroup Talent Shortage Survey 2011

(see Figure 3). There is clearly a dangerous mismatch between the talent available and the skills employers need—a mismatch that, in the Human Age, where talent is the new capital, Latin American employers and governments can ill-afford to ignore.

The strategic migration of talent across the world is likely to increase in the Human Age as it becomes easier to travel and in-demand talented individuals are able to dictate how, where and when they work. Work and workers are more mobile than ever before, meaning that although talent may be elusive, it's also everywhere. According to ManpowerGroup's global Migration for Work survey, nearly three out of five people are willing to relocate for work and more than one in four people report that they are more willing to relocate for work since the global recession.

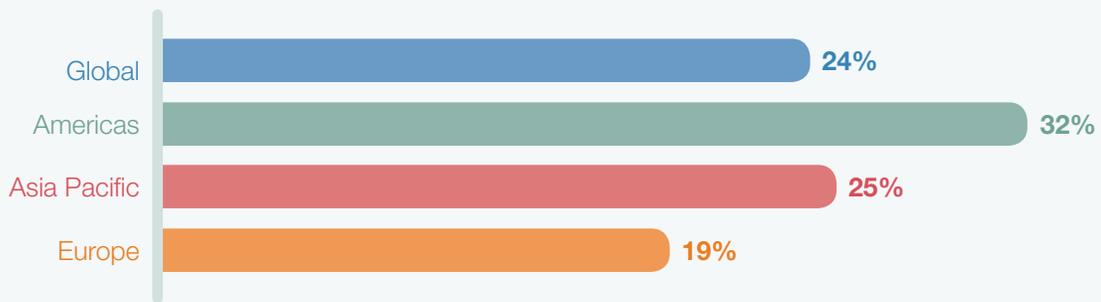
Latin American employers are looking further afield to meet their talent requirements. According to ManpowerGroup's Borderless Workforce research, 32% of employers in the Americas are using foreign talent to meet skills shortages. Companies seem to struggle to find local talent particularly when it comes to professional services and senior management. For example, nearly one in five companies in the Americas has 20% or more foreign talent in their senior teams (see Figure 5, page 7). However, some countries in Latin America, particularly Brazil and Panama, have strict labor laws which make it difficult for employers to look to overseas talent, in Brazil only 14% of employers say that they are using foreign talent to fill skills shortages, according to ManpowerGroup's Borderless Workforce Research, leaving them without access to the right talent and unable to capitalize on growth opportunities.

FIGURE 3: Reasons for Difficulty Filling Jobs According to Employers in the Americas



Source: ManpowerGroup Talent Shortage Survey 2011

FIGURE 4: Percentage of Employers Using Foreign Talent to Meet Skills Shortages



Source: ManpowerGroup Borderless Workforce 2011

Strategic migration can be an effective short-term solution to fill talent gaps, however, to succeed long-term, Latin American countries must invest in developing their people and maturing their local talent pool, simultaneously tackling unemployment and addressing talent shortages. The global workforce is aging, causing acute problems for many countries, including those in Europe and parts of Asia. In the Human Age, those countries with a growing, young population will have a huge advantage. Just as those countries rich in natural reserves of oil or other precious resources (and with the facilities to access and leverage those resources) have become rich under capitalism, it will be those countries with a large, young, growing population who have the potential to become rich under Talentism—but only provided they can tap into it.

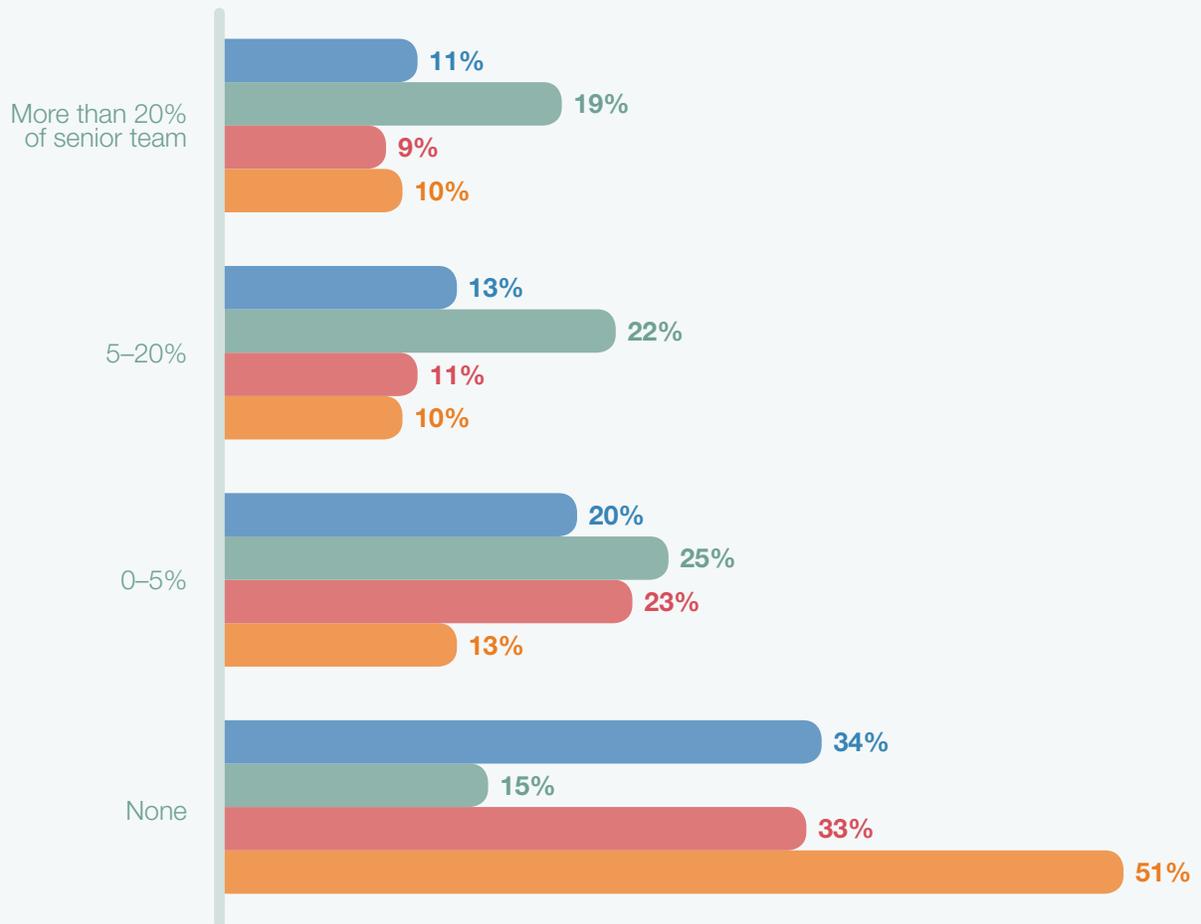
This is a core problem for Latin American countries, under both capitalism and Talentism. Latin American countries, like Brazil and Mexico, are among the richest on the planet in terms of scarce natural resources, yet due to poor infrastructure and the geophysical reality of the country it can be very difficult to leverage those resources. The same can be said for talent (see Figure 6, page 7). Brazil has a large, relatively young population representing a wealth of potential talent. Although significant investments and progress have been made in Brazil and

elsewhere in the region, the educational system is not bridging the skills gap of a rapidly changing world of work. Likewise, Mexico has a population of over 110 million, of whom half are under 27 years of age, this is the Human Age equivalent of a vast, untapped gold mine sitting just under the surface, waiting to be discovered and engaged to contribute, for the benefit of the individual as well as society at large.

Latin American governments need to change their mindset and explore how they can unleash the vast reserves of human potential within their population. They must find a way to upskill the right workers to fill growing industries and take advantage of foreign investment and growth opportunities.

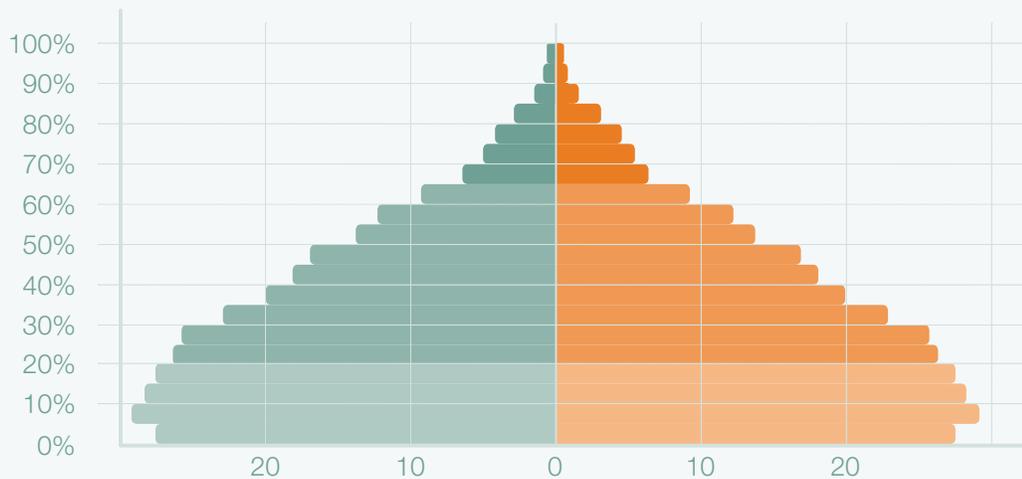
Progress has been made in the field of education, but many Latin American countries still rank very low in international rankings. The participation of women in the workforce has improved markedly over the last 15 years, but more progress has yet to be made. This pool of talent represents another untapped opportunity and as more women start graduating from universities, it will be vitally important to ensure they continue to increase their participation at all levels of society and business. Some countries have made significant efforts to increase access to better education, but more needs to be done to significantly improve scale and accessibility to education at the primary, secondary and tertiary levels.

FIGURE 5: Percentage of Employers Using Expatriates at the Management Level



Source: ManpowerGroup Borderless Workforce 2011

FIGURE 6: Latin America “Youth Bulge” — Population (millions) by Age



Source: United Nations, Department of Economic and Social Affairs, Population Division (2011): World Population Prospects: The 2010 Revision. New York

Brazil recently launched a “Growth Acceleration Program” that aims to literally accelerate Brazil’s growth and development, yet the program contains little reference to training and education, let alone skills development aligned to talent gaps. In Brazil, nearly 40% of 18-year-olds from poor socio-economic backgrounds have not completed high school. One side effect of this lack of investment is a “brain drain” of young, high potential talent. For example, in Peru, many young people feel that they can have access to better educational opportunities abroad, and then end up staying to work (although this trend has slowed somewhat in the aftermath of the banking crisis in Europe). In Mexico, just 85 percent of young people could be attending high school, since the educational supply is not enough.

Elsewhere in Latin America, there are concerns over specific skills gaps. In Panama, much of the labor force is employed in the construction sector, however as the building boom comes to an end the demand for these skills will decrease, while there will likely be a greater need for skilled talent to staff the services and retail businesses inhabiting the new buildings. To avoid the dual challenge of unemployment and talent scarcity, it is important to focus on re-skilling potential Industry Migrants who may be able to make the transfer across these different sectors as demand rises and falls. In other countries, including Guatemala and Costa Rica, a lack of

foreign language skills is cause for concern in otherwise thriving sectors like IT and services. Major investments have been announced in these sectors, creating new jobs, but the skills required to succeed have evolved and candidates are now expected to be bilingual. In the Human Age, skill requirements change quickly and it can be hard for education systems to keep pace. However, for long term growth, it is important that education is plugged in to business requirements, ensuring prospective candidates are equipped with the right skills for the job.

In the Human Age, countries and companies must focus on developing their access to the world’s most valuable scarce resource, skilled talent. While capital will always be needed, it must be created by human labor, and human potential is now the major agent of economic growth—how to unleash and leverage that potential will be the key question organizations and governments must seek to answer. In Latin America, companies will need to work hand-in-hand with governments and the education sector to develop in-country reserves of the new “wealth” (talent), particularly among the young, to produce a generation of job-ready talent, equipped with the skills employers need to maximize growth. The strength of Latin America as a region will continue to grow, but to realize its potential in the Human Age, Latin America must first unleash the potential of its most precious resource—its people.

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