



THE HAYS GLOBAL SKILLS INDEX 2014

The changing dynamics of the global skills landscape

INTRODUCTION

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Alistair Cox, Chief Executive, Hays plc

The global talent crisis is continuing to worsen. Across the globe we are seeing organisations fighting to find employees with the necessary skills and training.

As the economic recovery continues, companies are struggling to get the talent they need – particularly in science, technology, engineering and maths. And with the widening skills gap likely to become worse before it gets better, we are facing something of a perfect talent storm. It is good to see that this issue has become a subject of mainstream debate for media, politicians and corporates alike.

In light of the increased spotlight on skills, I am proud to launch the third edition of the Hays Global Skills Index, developed in collaboration with Oxford Economics. It presents a unique and in-depth review of the global labour market across 31 countries, examining factors such as education policy, wage pressures and the number of workers participating in the labour market – all key indicators for understanding the dynamics of attracting and retaining skilled workers.

As a global recruiter of skilled professionals – annually receiving over 8 million CVs and placing over 250,000 people in jobs around the world – we are committed to helping businesses find the talent they need to grow and flourish. We understand that economies won't be able to prosper to their full potential when vital skilled roles in businesses remain unfilled.

In 2014, we have seen labour market pressures continue to rise, particularly in economies which are returning to pre-crisis levels, such as the United States, Germany and the United Kingdom. This is the first year, with the exception of Italy, where all countries covered in the Index have experienced economic growth, which in turn is leading to the creation of jobs and increasing the demand for skilled labour.

To avoid an ever-greater gulf between the needs of employers and the skills of those looking for work, we need more collaborative action from governments, education authorities and critically, businesses themselves.

This will require organisations to engage more effectively with schools and universities to help shape the talent of tomorrow. Equally, it's no coincidence that Germany and Austria, which have effective apprenticeship schemes, have some of the lowest talent mismatches in our report.

But it's not just about young workers. Retraining older employees to adapt to the demands of new technology and the rapidly changing workplace is equally important.

From a government perspective, this also means having immigration policies in place to attract top skilled workers from overseas. We need policy makers to work harder on the crucial distinction between skilled and unskilled migration. Businesses must have access to the talent they need, regardless of nationality.

I hope that you find this year's Hays Global Skills Index an interesting and informative read. By highlighting the different pressures affecting global labour markets, we hope to provide greater clarity to policy makers and organisations. As you will see in our recommendations, together we can work on clear and practical solutions to address the current skills shortages and prepare for more balanced labour markets and a brighter future.

EXECUTIVE SUMMARY

This is the third year we have collaborated with Oxford Economics to produce the Hays Global Skills Index, an in-depth review of the global labour market – covering 31 key economic markets.

The Hays Global Skills Index 2014 reflects growing pressure in the skilled labour markets as the global economy recovers. Taken as a whole, labour market conditions tightened across the countries covered by the Index, and pressures are likely to get worse before they get better for businesses fighting for the right talent to support their growth plans.

Yet despite this, there are early indicators that labour markets are finally moving in the right direction. Among the countries where markets were particularly tight last year, conditions have generally eased modestly. At the same time conditions have generally picked up among the countries suffering too little demand for talent.

Where the Index shows labour markets becoming more stressed, a pickup in wage pressure is the primary influence. In some cases, such as Italy, this may reflect entrenched problems, such as an endemic skills mismatch. But elsewhere, emerging wage pressures may in fact be the signs that economies are on the mend.

Indeed, economic forecasters predict that virtually all of the 31 countries included in the Index will experience positive economic growth in 2014. For many economies, growth this year will be slight, but it suggests that demand for skilled labour is likely to increase across most of the countries in the Hays Global Skills Index. This will lead to existing workers being asked to work more hours, potentially higher wages in areas of greatest demand and, in time, more widespread employment.

While demand seems to be picking up, in some countries the supply-side of the market looks less benign. Firstly, many people appear to have left the labour market (as evidenced by a falling participation rate), possibly discouraged after having found it difficult during the recession years to find, or retain, a job. A second worrying trend is increasing levels of labour market regulations. While some of this new regulation may be an understandable attempt to protect jobs during an economic downturn, they may inadvertently hinder job creation as conditions pick up.

The mismatch between the skills that firms are seeking and the ones the workforce have to offer worsened in more countries than it improved. This is bad news for the unemployed and firms looking to hire and is likely to lead to many businesses struggling to fill available roles. This is also bad news for the global economy overall. If businesses don't have the skills they need to grow it is likely to adversely impact on overall economic growth.

Wage pressures which reflect the availability of, and demand for, labour increased in 2014. But relative to the past, wage inflation in high-skill industries and high-skill occupations does not appear abnormal relative to the rates at which wages are rising elsewhere in the economies.

The overall picture shows that global labour markets are still experiencing high levels of stress and that the associated skills mismatch is building toward a talent maelstrom. There is no easy solution to this problem but governments and businesses must work together to identify workable solutions to alleviate these issues and allow further economic prosperity.

The mismatch between the skills that firms are seeking and the ones the workforce have to offer worsened in more countries than it improved. This is bad news for the unemployed and firms looking to hire and is likely to lead to many businesses struggling to fill available roles.

RECOMMENDATIONS FOR ACTION

Across the globe organisations continue to struggle to find employees with the necessary skills and training for the roles that they have available. As the economic recovery continues, we are witnessing a widening skills gap globally and this situation continues to worsen.

Based on the findings of the Hays Global Skills Index 2014, and the experience of our experts looking to help businesses recruit scarce talent, Hays proposes a number of recommendations for governments, policy makers and organisations to attempt to alleviate the current labour market situation.

Hays' three recommendations for action

1

Businesses need to partner with education authorities to create education systems that ensure all countries are producing graduates with the skills that closely align with what businesses need.

Since its launch, the Hays Global Skills Index has suggested that countries with effective apprenticeship schemes tend to be better placed at filling the skilled jobs they create. Other countries must learn from this. Although there have been welcome steps in the right direction over the past year, much more can be done. We recommend that:

- Governments and education providers work with businesses and trade organisations to improve the output of education systems. Businesses need to advise on current curricula so that universities and other education facilities are delivering graduates with the skills needed by the business community.
- Financial support and incentives to be provided to businesses, large and small, to encourage them to offer vocational training.
- Governments must look to support incentives and subsidies for degrees that best equip graduates for professions that are notoriously 'skills-short' such as science, technology, engineering and mathematics.

2

Governments need to work with business to ensure that labour regulations are developed with the direct aim of increasing the availability of workers with the required skills.

Bringing more people into the workforce is an integral part of improving economic and labour market performance. Countries that can expand their talent pools will gain a competitive edge. However, labour market participation actually fell in the majority of key global economies this year. The global workforce must grow alongside the economy and we recommend that:

- Businesses look at ways to retain older workers and help them keep their skills relevant. Companies may also need to look to attract retirees back into the workplace to plug skills gaps.

At Hays we recognise that different governments, businesses and policy makers may have already implemented some of the above recommendations. What we are seeing across the globe, supported by the findings of the Hays Global Skills Index, indicates that the changes that have been implemented to date have not been adequate enough to bring about the necessary improvements to the flexibility and efficiency of the global labour market. Tightness in the labour market is now leading to wage inflation in specific countries and industries as businesses struggle to attract and retain the skills they need. Without action to address these skills mismatches, further wage pressure, and an increasing inability to staff key roles, will become more prevalent.

- Governments should offer incentives to businesses to take on young interns and apprentices, and to provide subsidised training programmes to equip younger workers with the skills employers need to help them remain competitive.
- Businesses must be prepared to offer flexible working arrangements and implement HR strategies to enable a diverse talent pool to contribute to the workforce. Examples include mothers returning to the workforce or others with responsibilities outside of the business, such as carers or students.
- Governments should seek to promote greater flexibility in workforces enacting legislation that allows businesses to build a balanced workforce that benefits from both permanent and contractor employees.

3

Government policy must draw a clear distinction between mass immigration and skilled migration to ensure organisations have access to the skilled workers they need.

It is essential that employers have access to world-class talent when they need it and are not constrained by inflexible labour market legislation and regulations. Despite governments around the world committing to cutting unnecessary red tape, our Index highlights that the majority of countries saw no improvement in labour market flexibility over the past year. This has to change and we therefore recommend that:

- Governments work more closely with businesses and trade organisations to understand what skills are lacking and align immigration policies to these requirements. They must be prepared to implement a system of fast tracking visas for roles that cannot be filled by local workers.
- Governments should work together to support global mobility of labour and make sure that all policy discussions recognise the contribution of skilled immigrants to societies.
- Businesses experiencing skill shortages must review their HR processes to allow for the attraction and retention of skilled workers from abroad, taking into account different motivation factors and relocation issues.

HAYS GLOBAL SKILLS INDEX

The Hays Global Skills Index is a complex, statistically-based study designed to assess the dynamics of skilled labour markets across 31 countries.

Seven indicators make up the Hays Global Skills Index

The following seven indicators are given equal weight when calculating the overall Index score for each country. Each indicator measures how much pressure different factors are exerting on the local labour market. Higher scores mean that a country is experiencing more pressure than has historically been the case. Lower scores mean that a country is experiencing less pressure than has historically been the case.

Education flexibility

In today's global and technology-driven economies, raising educational standards is crucial to bridging skills gaps. This indicator provides a comprehensive view of the state of education. The lower the score, the better the chance that the education system is flexible enough to meet labour market needs. The higher the score, the less likely an education system is equipped to build a solid talent pipeline.

Labour market participation

Bringing more people into the workforce is a powerful way to improve economic and labour market performance. Countries that can raise the employee participation rate can gain an edge over countries with less scope to do so. The lower the score, the larger the untapped pool of workers. The higher the score, the lower number of workers there are available to join the workforce, giving less scope to boost overall participation rates.

Labour market flexibility

Governments play an important part in determining how well labour markets function. For instance, governments can cut red tape, avoid laws that discourage hiring and adapt policies that welcome talented people from abroad. The lower the score, the better aligned governmental policies are with labour market dynamics. A higher score means there are more barriers restricting the labour market.

Talent mismatch

This indicator measures the gap between the skills that businesses are looking for and the skills available in the labour market. A higher score indicates that businesses are facing a serious problem in matching unemployed candidates with available jobs. A lower score suggests employers are having an easier time finding workers with the skills they need.

Overall wage pressure

Skills shortages are likely to be an important issue when wages are growing faster than the overall cost of living. A high score indicates the presence of overall wage pressures that are higher than the historic norm for that country. A low score tells us wages are not rising quickly and those pressures aren't present.

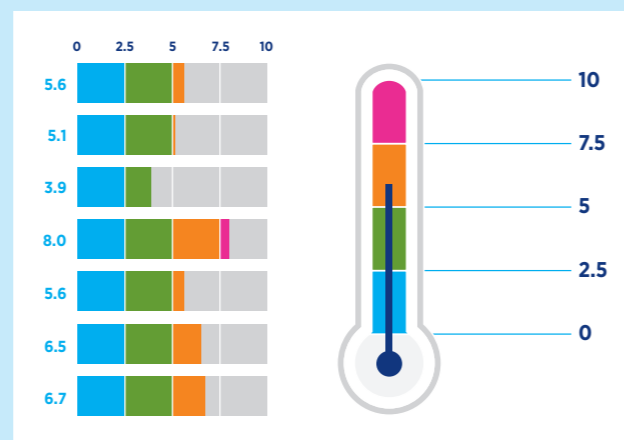
Wage pressure in high-skill industries

Some industries require higher-skilled staff than others. As it takes time to undertake the training necessary to work in those industries, it potentially makes them more vulnerable to skill shortages as the number of people qualified to start work cannot be changed quickly. A higher score indicates that wages in high-skill industries are growing faster than in low-skill industries relative to the past, which is indicative of the emergence of sector-specific skill shortages (such as in engineering or technology). A lower score tells us wages for those in high-skill industries are rising more slowly or in line with wages in low-skill industries.

Wage pressure in high-skill occupations

Some occupations require a higher than average amount of training, education and experience. These are called high-skilled occupations. Rising wage pressure in this category signals that these occupations are experiencing shortages of employees with the necessary skills. The higher the score, the greater the presence of skill shortages affecting high-skill occupations. A lower score tells us wages for those in high-skill occupations are rising slower than those in low-skill occupations.

Each country's overall Index score is accompanied by a visual indicating the score range for each indicator (see page 13, The Regional Picture).



The analysis on which the Hays Global Skills Index was based utilised data as of Q2 2014. Developments subsequent to this date are not reflected in the 2014 findings.

A SPOTLIGHT ON SKILLS



By looking at a comprehensive and detailed set of macroeconomic and labour market indicators across 31 countries, the Hays Global Skills Index puts into context the challenges employers will face as they compete for the most sought-after skills. The Index, combined with the unique insights of Hays executives operating within the countries, places a spotlight on the specific pressures faced by employers and policy makers as they adapt to the rapidly changing demands of today's labour market environment.

Global convergence: slow but widespread growth

Five years after the end of the financial crisis, the global economy continues to struggle in its recovery. Many of the developed countries have yet to see the size of their overall economies (GDP) return to their pre-crisis levels, although this year the United Kingdom joined the United States in reaching that important milestone. At the same time, economic growth rates are now slowing down in many of the leading emerging markets. Most worryingly, the slowdown in the large emerging economies is creating significant headwinds for the global economy as a whole.

Although the global recovery may be slow, the outlook for growth in 2014 is at least positive for nearly all countries. Of particular note, it is pleasing to see the peripheral European economies of Ireland, Portugal and Spain are forecast to return to positive economic growth. At the same time that these benign developments are occurring in Europe, the emerging markets which have grown rapidly over the last few decades have begun to slow down. Of particular concern, is the decline in China's rate of economic growth. As a result, there is a new convergence – or a global reconnect – occurring among the world economies. Recent years' worst performers are showing improvement, while the fastest growing economies are slowing down.

How has the Hays Global Skills Index behaved in 2014?

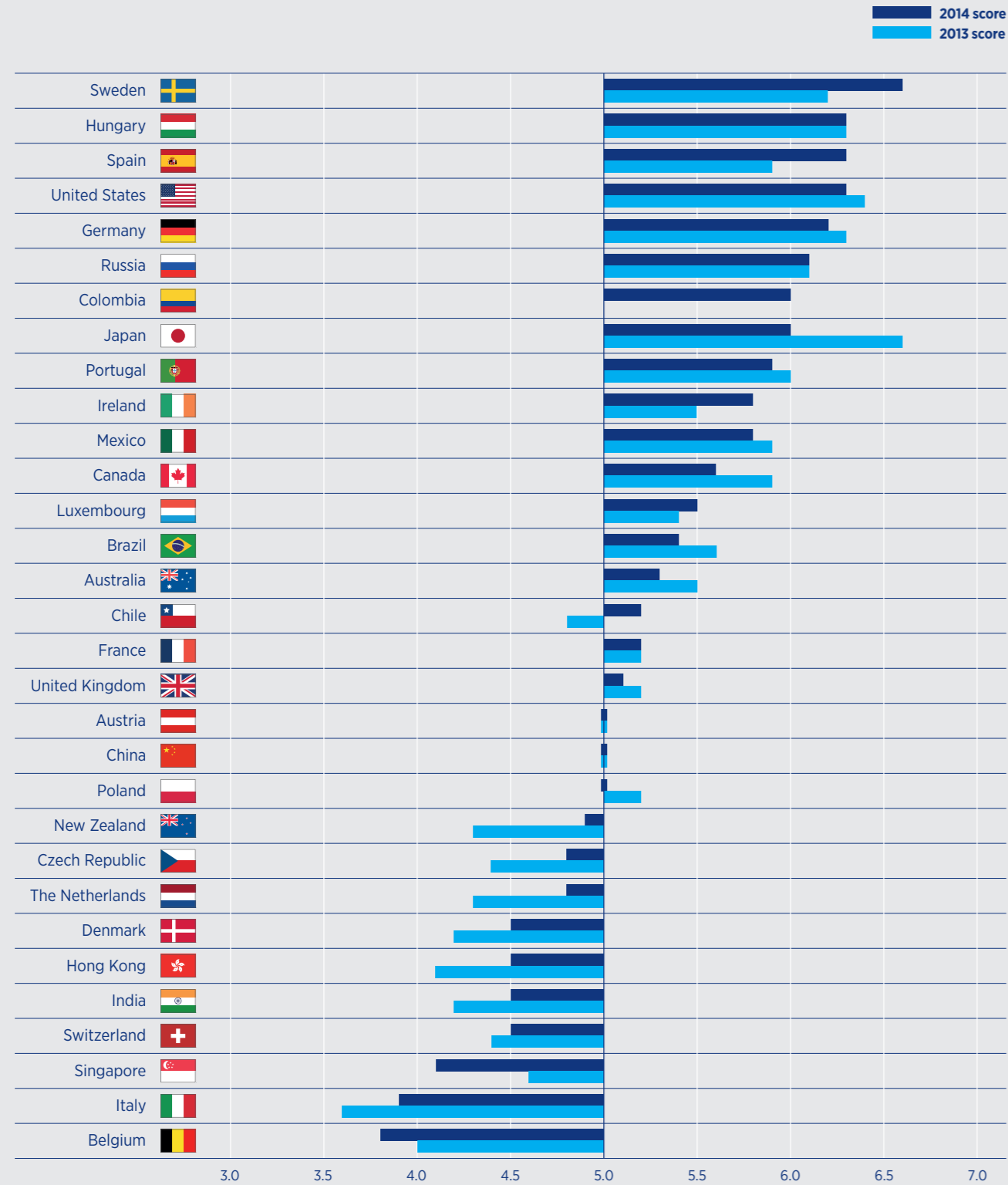
In 2014, 19 countries in the Hays Global Skills Index had a score that was above 5.0, indicating there was some pressure in the skilled labour market (Figure 1 – page 6). The Index suggests labour market pressures are the most severe in Sweden, Hungary and Spain. There is evidence of slack in 11 out of the 31 countries, suggesting they are not experiencing such severe skills shortages.

Local perspective

“Ensuring businesses have easy access to the talent they need should be a priority before we start to see further signs of wage inflation.”

Nigel Heap, Managing Director, Hays UK

Figure 1: Hays Global Skills Index 2014 vs 2013



What changes have we seen in a year?

Compared to 2013, this year's Index scores show a slight tightening in labour markets. The Hays Global Skills Index increased for 13 countries, while it fell for 12 countries and remained unchanged for five countries (Figure 2). The countries identified as having the most marked increase in labour market pressure were New Zealand and the Netherlands, with Chile and Spain ranked joint third. In contrast, those where it has eased the most are Singapore, Japan and Canada.

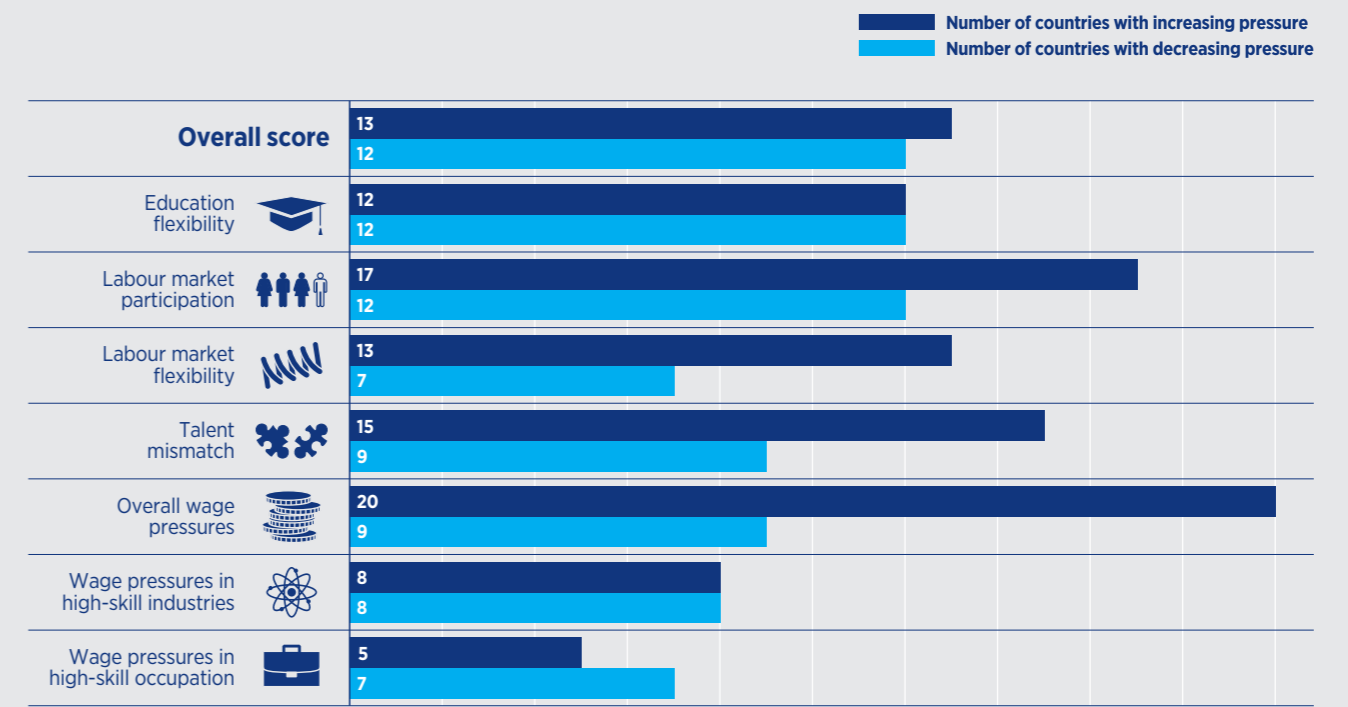
To assess which of the indicators has driven the changes in the Index, the report examines the number of countries reporting an increase in an indicator versus the number of countries reporting a decrease. This suggests that across the 31 countries, the indicator which has most frequently recorded an increase in the tightness of skilled labour markets in 2014 is overall wage pressure (20 countries indicating an increase versus nine a decrease). Wage pressure is an indicator of labour market stress. It is likely to reflect the increase in labour market pressure due to a decline in labour market flexibility (13 countries experiencing an increase relative

to seven countries a decrease), talent mismatch (15 countries indicating an increase versus nine a decrease), and labour market participation rates (17 countries indicating an increase versus 12 a decrease).

Across the countries in the Index, the two factors offsetting this tightening in skilled labour markets in 2014 were lower wage pressures in skilled occupations¹ (five countries experiencing an increase relative to seven countries which had a decrease) and greater academic achievement (12 countries indicating an increase versus 12 a decrease).

This report investigates how the demand and supply of skilled labour have changed over the last year. It looks at how the imbalance has altered between the skills firms are seeking to hire and those the unemployed have to offer. It analyses the change in the pressure on wages in 2014 and reports on how the Hays Global Skills Index has changed over the last year.

Figure 2: How the Hays Global Skills Index has changed in 2014*



* Excluding Colombia as it wasn't included in Hays Global Skills Index 2013

1. Due to the lack of availability of Colombian occupational wage data, the overall Index score was calculated using six indicators for this country.

How has the recovery impacted the demand for skilled workers?

This year we found that as more economies begin to return to their historic rates of economic growth, labour market pressure is building. This is to be expected as the recovery in output levels is likely to increase companies' demand for skilled workers. In the initial phase of the economic recovery, the number of hours worked by existing staff would be expected to increase. At the point when it becomes impossible to increase these further, or is too expensive in terms of overtime, companies will seek to recruit new people. This will increase the number of vacancies they advertise which will lower unemployment.

The rate at which the increased demand impacts recruitment and the unemployed will depend on the extent to which companies' existing workforces are working at full capacity. Where companies adopted more flexible measures to cut labour input in the recession (for example, short-time working) or were reluctant to make redundancies, pressures may emerge more slowly.

There are a number of ways to measure an economy's recovery from recession. What this year's results demonstrate is that, in those countries where economic growth has returned to normal (or close to normal), labour markets tend to become more pressured.

Local perspective

“ As confidence improves and the market becomes more active, talent pools will tighten, particularly for highly skilled and experienced professionals. ”

Nick Deligiannis, Managing Director, Hays Australia

Figure 3 illustrates the relationship between economic growth rates and labour market pressure. It shows that the countries where economies are growing at or near their long-term averages have significantly higher overall Index scores (i.e. more labour market pressure) than those economies that are growing at rates well below their long-term average. This will be an interesting trend to watch in future years. Today, only a few economies have returned to normal growth rates. As more countries reach that milestone, we would expect that labour market pressure (and the overall Index score) will increase in those countries as well.

The supply of skilled labour

Economies have not grown rapidly enough to make an impact on labour market participation rates. If anything, the number of people who are active in the labour market has not been increasing rapidly in 2014. In 17 countries, weak supply added further pressure on skilled labour markets, with the most pressure emerging in Hong Kong, Ireland and France. Only in 12 countries was participation lowering pressure on the labour market.

Local perspective

“ As the nation's baby boomers move towards retirement, this will have a critical impact on the economy in the near future. It is conceivable that many companies will find it difficult to fill the void left when these skilled workers retire. ”

Klaus Breitschopf, Managing Director, Hays Germany

Employment protection

The supply of skilled labour is also determined by regulatory and legislative factors. Government decisions over immigration policy and the regulatory framework governing labour markets, such as employment protection legislation, have a significant impact on the number of skilled workers available. The labour market flexibility indicator is designed to measure these policy-driven pressures.

Since last year, 13 countries have seen their score increase in this important category while only seven showed less pressure (i.e. the score went down). The countries in which the labour market flexibility indicator worsened the most were Hong Kong, Brazil and Switzerland. Those countries that fared the best were Sweden, Czech Republic and Ireland. An example of a country working to improve its labour market flexibility is Portugal, where priority rules for redundancy dismissals have been made more flexible and the regulations about the premium paid for weekly holiday work have been made less onerous for firms.

Looking at those countries where labour market flexibility scores increased, the most important reasons behind the increased scores were more restrictive labour market regulations (six countries), less net migration (five countries) and decreased exposure to international trade (two countries). In the seven countries that showed improvement in this category, we see that the most important reasons behind the lower scores were increased net migration into the country (three countries), improved labour market regulatory environment (two countries) and more exposure to international trade (two countries).

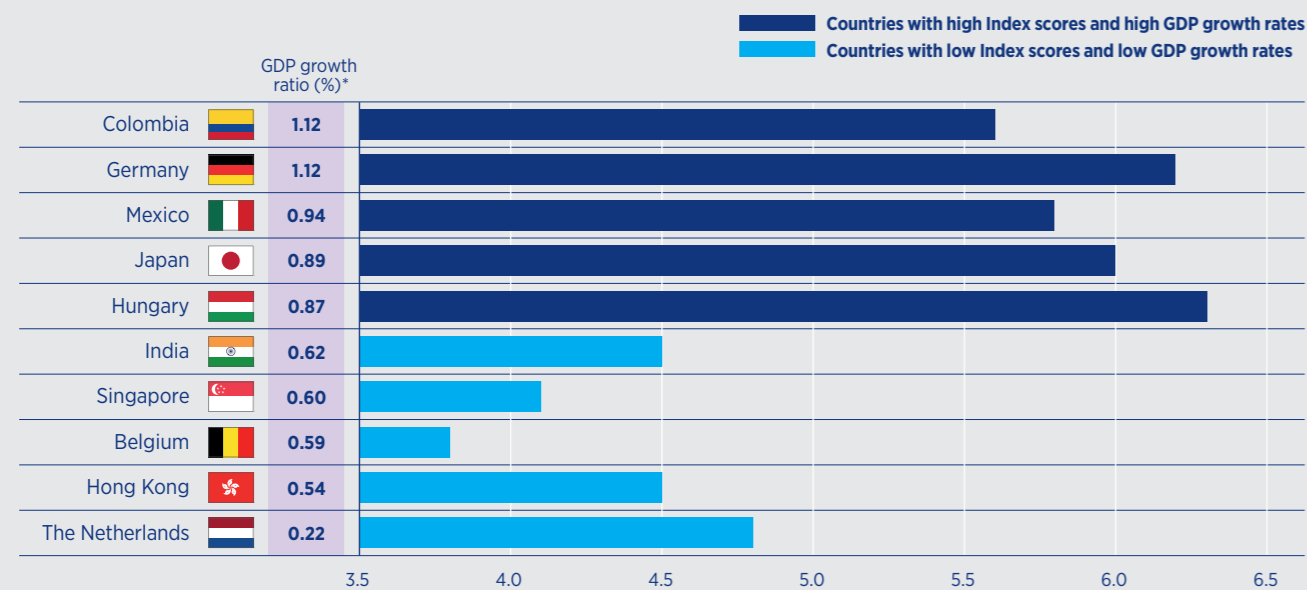
It is perhaps not surprising that some countries' politicians have reacted to the financial crisis and recession by seeking to make it more difficult for firms to make people redundant. Similarly, some have reacted to people's falling incomes by trying to introduce minimum wage legislation or changing social security systems. Such measures often lag a recession, both because legislation takes time to pass and implement, and because it is recognised that such measures may be economically unhelpful in the depths of recession.

Local perspective

“ The lack of flexibility in the Japanese system means there will be ongoing challenges for some time. In response, wages are increasing at a higher rate than we've historically seen as employers attempt to secure and retain top candidates. ”

Jonathan Sampson, Regional Director, Hays Japan

Figure 3: Economic growth rates influences Hays Global Skills Index score



* Numbers represent 2014/pre-crisis real GDP growth rate ratio

How migration affects the supply of skilled labour

The movements in net migration are also to be expected. Migrants' jobs tend to be amongst the most vulnerable to recessions. This is for several reasons. In some countries, migrants tend to work in industries that are more volatile and sensitive to the economic cycle than others. So for example, construction (Ireland) and hotels and catering (Spain). Migrants also suffer as higher proportions tend to be on temporary contracts compared to domestic workers. Firms are liable to adjust the size of their workforce by altering the numbers of temporary workers, rather than permanent ones as this is more costly and often more difficult depending on the country's employment protection legislation. Some governments have also taken action to restrict labour migration in response to the recession.²

A decline in the numbers of net migrants entering some of the countries in the Hays Global Skills Index will increase labour market pressure. However, the impact will be offset elsewhere in the world as skilled people returning to their country of origin will have a positive effect on labour supply in that country.

Education levels can provide competitive advantage

The other determinant of skilled labour supply is education. The scope for educational flexibility (as measured by the average number of years education children receive and the relative quality of their education) deteriorated in 12 countries, most notably in Sweden, New Zealand and Hungary. This suggests these countries are losing their competitive edge. In contrast, 12 countries experienced an improvement in their educational flexibility, the most marked being Ireland, Poland and Austria, which shows the people entering these countries' workforces are better educated, relative to rival economies, than in 2013.

Local perspective

“ There is still a significant skills mismatch with a large proportion of graduates unable to find their first job. Universities, local authorities and businesses are beginning to work closer together to close the gap. ”

Michał Młynarczyk, Managing Director, Hays Poland

Imbalances in the skilled talent available

Movements in the total supply and demand of skilled labour in a country do not tell the whole story with regard to how well the labour market is functioning. At any point in time there are likely to be skills shortages in some occupations for countries to hire, while for others there will be a surplus labour pool. The imbalance between the skills firms are seeking and those the unemployed have to offer is called talent mismatch.

Mismatches arise as it takes time to adjust to the needs of the labour market. As a result, the unemployed cannot rapidly switch to occupations in which there are job vacancies. Retraining takes time and can be expensive. Likewise, even when a person has the correct skills but is in a different location from the firm with a vacancy, moving region is costly.

Local perspective

“ Readjusting the available pool of talent to the current market needs will probably be the biggest challenge for the next years to come. ”

Paula Baptista, Managing Director, Hays Portugal

An increase in talent mismatch in a country lowers the amount of downward pressure unemployed people put on earnings growth (see Key Insight, opposite). It is generally thought that unemployed people compete for jobs, lowering the bargaining power of those currently in work to seek higher wages. But if most unemployed people do not have the skills employers are seeking to hire, or their skills have been eroded by sustained spells of unemployment, this pressure is likely to be muted.

The talent mismatch indicator suggests the imbalance between the skills employers want and those the unemployed possess worsened in 15 countries, most markedly in Denmark, Italy and Poland. It improved in nine countries, notably Belgium, Switzerland and Canada. On balance talent mismatch appears to be getting worse.

Wage pressures are rising in the global economy

The Hays Global Skills Index contains three measures of wage pressures in each economy. Rapid increases in wages (after allowing for inflation) relative to the past is an indicator that demand for labour has strengthened relative to the supply. It may indicate skill shortages, as individual employers try to attract workers away from other firms, while retaining their own staff.

In 20 of the countries in the Index the overall wage pressure indicator rose, suggesting an increase in labour market pressures. The countries experiencing the sharpest rises in overall wages relative to the past were Ireland, Luxembourg and India. In nine countries did the overall wage pressure decline, suggesting pressures in the labour market abated in the year. The countries with the biggest declines in whole economy wage pressures were Japan, Singapore and Canada.

Local perspective

“ Business confidence and growth levels are improving for Ireland and inroads are being made to reduce unemployment and drive productivity up. However, employers are still faced with some serious challenges, including skill shortages across a number of sectors. It is difficult to find professionals with the right skills and qualifications for the roles that are on offer. ”

Richard Eardley, Managing Director, Hays Ireland

Key Insight: Employability and skills

Having the right skills is crucial for employees. Yet workforce skills are just as important for employers coping with the aftermath of the global financial crisis, as they are for achieving sustained economic growth. The Hays Global Skills Index includes indicators that track skills, such as years of schooling and PISA test scores.³ Moreover, many of the Index indicators track key labour market outcomes – such as employment, pay and participation rates – that are likely to be heavily influenced by workforce skills.

The OECD⁴ has recently undertaken a major new survey of adult skills in 18 of the 31 countries covered by the Hays Global Skills Index. It reveals how crucial workforce skills are in explaining countries' labour market performance as measured by the overall Index scores. Some of the findings are striking:

- Skills differ markedly across countries. For instance, roughly one in five Japanese read at a high level⁵; whereas in Italy and Spain only one in 20 do.

- Skills play a key role in expanding the talent pool. Among the most skilled, over 80 per cent participate in the labour force: for the least skilled, under 60 per cent do.
- Pay among the most skilled is over 60 per cent higher than for the least skilled, with the skill premium much higher than this in some countries.
- Skills impact on national economic performance. Roughly a third of the variation in labour productivity across countries can be explained by differences in reading skills.

While most people would accept the importance of skills for the economy, the OECD's findings make sobering reading for countries that perform badly. In the modern world, workforce skills are a major source of competitive advantage.

THE REGIONAL PICTURE

What are the trends governing pay in different segments of the labour market?

Around the globe, wages are following similar patterns across the high- and low-skill industries and there is little evidence of the gap between the two widening against historic norms. However, there are some notable exceptions. The three countries where the wage gap widened the most in favour of high-skill workers are Chile, the United States and the United Kingdom. The three where it narrowed the most are Japan, Hungary and France.

Not all the people with high-skill levels work in high-skill industries – for example, senior executives in the catering industry. Looking at the wages of those in high-skill occupations relative to low-skill ones, the wage differential is slowly closing. Seven countries saw a narrowing of the gap between wages in high- and low-skill occupations compared to previous years. The reverse, with the pay differential getting wider, was only true in five countries.

Conclusion

Thirteen countries covered by the Hays Global Skills Index have experienced a rise in labour market pressure, while 12 have experienced an easing. The countries identified as having the most marked increase were New Zealand and the Netherlands, with Chile and Spain ranked joint third. In contrast, those where it has eased the most are Singapore, Japan and Canada. To some degree, the tightening is relatively good news in that it has occurred in countries where labour markets were slack.

For some countries, the slight increase reflects the recovery of output. This has increased firms' demand for labour. Two out of the three wage pressure indicators suggest developments in the supply of skilled labour have been unfavourable, leading to a tightening in the market. Talent mismatch has also worsened in most countries (notably in Italy and Denmark), suggesting the skills the unemployed possess are less closely aligned with those employers want.

There is some evidence of a strengthening on the pressure on wages in the whole economy (for example, in Ireland, Luxembourg and India). But there is little evidence of any widening in the differential between what skilled workers are paid relative to low-skilled ones, defined either by industry or occupation.

Key Insight: Are jobs and economic growth still linked?

A recent debate has focused on the importance of economic growth for job creation⁶. In Europe, it has been claimed that the scale of job losses in some countries has been too large to be explained by the recession. In North America, some point to a 'jobless recovery' and a falling participation rate as evidence that growth will not be enough to bring back full employment. So are jobs and growth still linked?

To answer this question, recent research at the International Monetary Fund (IMF)⁷ examined the evidence for 20 countries over the past three decades. The research found clear evidence of a strong link between jobs and growth, and found no evidence that this link had diminished in recent years.

The analysis looks at the increase in employment one would expect if GDP growth was to be 1 per cent higher. Across the 20 countries, it found that this growth would deliver on average a 0.4 per cent increase in employment. What does this mean in terms of actual jobs? With employment across the 31 Hays Global Skills Index countries close to 1.8 billion (two-thirds accounted for by Brazil, China and India), if GDP were to grow more rapidly by 1 per cent, this would create an additional 70 million jobs - more than the population of the United Kingdom⁸.

The IMF's research clearly demonstrates how important economic growth remains for understanding key labour market trends.



The country dashboards present a detailed breakdown of labour market pressures for each of the 31 countries (spanning the Americas, Asia Pacific and Europe) featured in the Hays Global Skills Index. Seven indicators contribute equally to the overall Index score for each country, providing insights into the state of the economy, the makeup of the labour market, education and wage pressures by industry and occupation.

BRAZIL

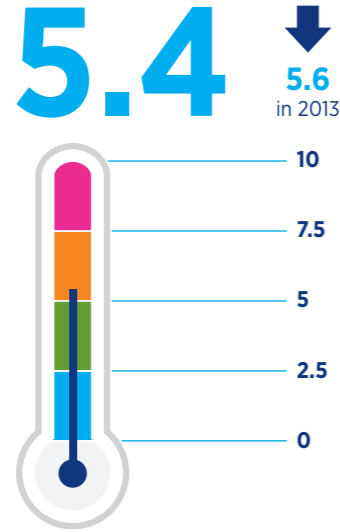
Country profile

Low business confidence and high stock levels in manufacturing are hindering investment spending in Brazil. This is slowing the rate of economic growth.

GDP this year is expected to only increase by less than half of last year's pace and far below the country's long-term average.

The country's overall score of 5.4 reflects moderate pressure in the labour market and particularly reflects the slight rise in the projected unemployment rate to 5.7%.

Overall score

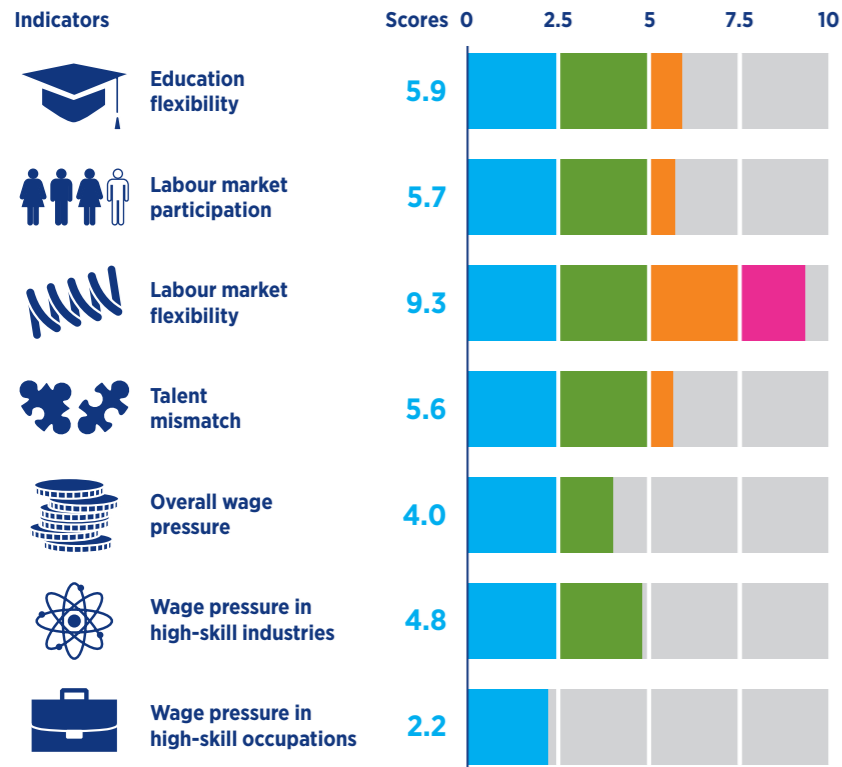


Background economic data

	2013	2014*
Population	200.6m	202.2m
GDP		
GDP (Billion BRL*)	5,156	5,206
GDP growth	2.5%	1.0%
GDP/head (BRL*)	25,700	25,700
Unemployment		
Unemployment rate	5.6%	5.7%
Long-term unempl. rate	n/a	n/a

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Given Brazil's high current rate of inflation (6.5%), it is somewhat surprising that there is little indication of rising wage pressure, except in some high-skill industries.

Downward pressure from:

- Wage pressure in high-skill occupations
- Overall wage pressure
- Labour market participation

Upward pressure from:

- Labour market regulations
- Wage pressure in high-skill industries
- Talent mismatch

View from the ground

Brazil's economic challenges have had less impact on highly skilled jobs and roles in high-skill industries can still expect higher wages. Skills at management level – including business orientation, leadership by example, being hands on and being a team player – are in increasing demand by Brazilian companies. There is also a high demand for expertise in scenario planning and forecasting. Oil and gas, agriculture and infrastructure still present interesting opportunities as these sectors drive the future of Brazil's economic development.

Carla Rebelo, Managing Director, Hays Brazil

CANADA

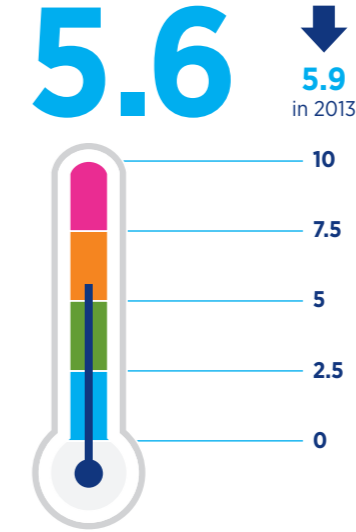
Country profile

Canada is maintaining its overall growth rates near its historic norms and GDP is expected to increase by 2.0% during 2014.

Despite steady and continued growth in its economy, Canada experienced a decline in its overall score to 5.6.

Much of the easing is attributable to declines in the unemployment rate which is forecast to be 6.7% this year, a level below its long-term averages.

Overall score

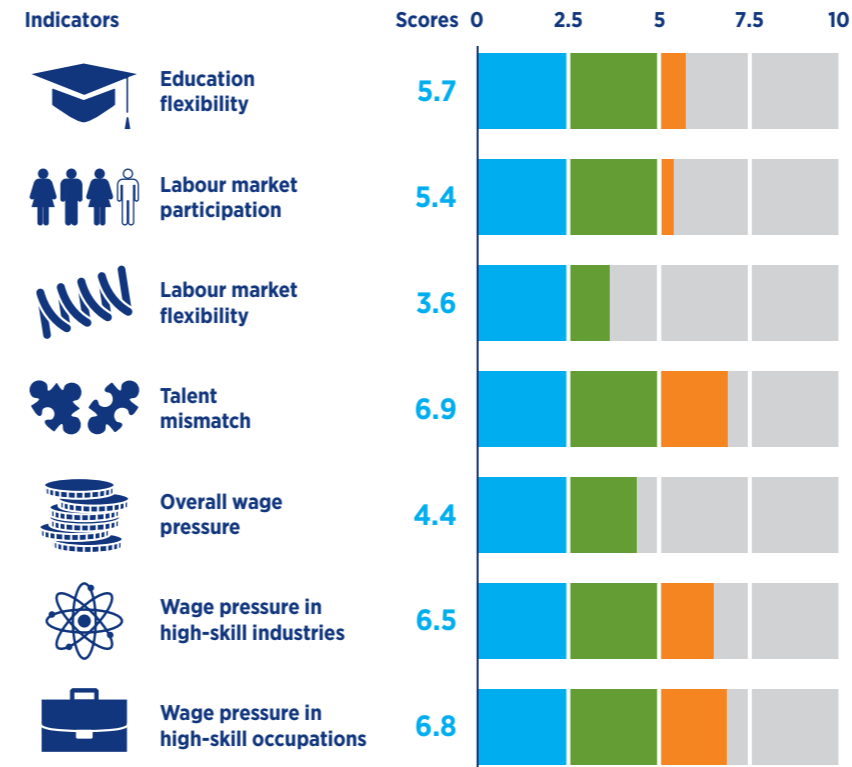


Background economic data

	2013	2014*
Population	35.3m	35.7m
GDP		
GDP (Billion CAD*)	1,928	1,966
GDP growth	2.0%	2.0%
GDP/head (CAD*)	54,600	55,100
Unemployment		
Unemployment rate	7.1%	6.7%
Long-term unempl. rate	0.9%	0.8%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Despite improvement to its overall economy including declining unemployment, there is little evidence Canada is experiencing any overall wage pressure. The wage pressures seen in high-skill industries and occupations could be attributed to the high level of talent mismatch. Canada's labour market continues to benefit from significant inward migration.

Downward pressure from:

- Overall wage pressure
- Net in-migration
- Structural unemployment

Upward pressure from:

- Wage pressure in high-skill occupations
- Talent mismatch
- Labour market participation

View from the ground

Most Canadian companies are hopeful that the recovery in the US (which receives 70% of Canadian exports) continues and leads to a full-scale recovery in Canada. Salary levels are rising at around 1.5% to 2.5% per year and as the economy recovers it's expected to rise above 3% in the near future. Companies in high growth sectors such as construction, oil and gas, mining and technology could struggle in the coming years with 30% of their workforce set to retire. Meanwhile, Canada's apprenticeship programmes are in need of harmonisation and simplification to allow apprentices to complete their training and travel to where the jobs are.

Rowan O'Grady, President, Hays Canada

CHILE

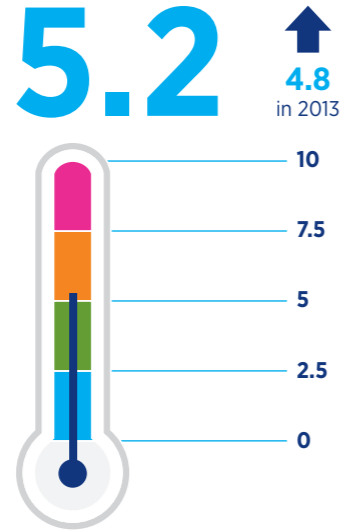
Country profile

Chile's overall score increased moderately from last year and now stands at 5.2.

The country's unemployment rate is forecast to continue its recent decline and is now expected to be 5.7% during the current year.

Although growing at a healthy rate of 2.4% this year, economic growth has slowed down considerably and is now well below long-term averages.

Overall score

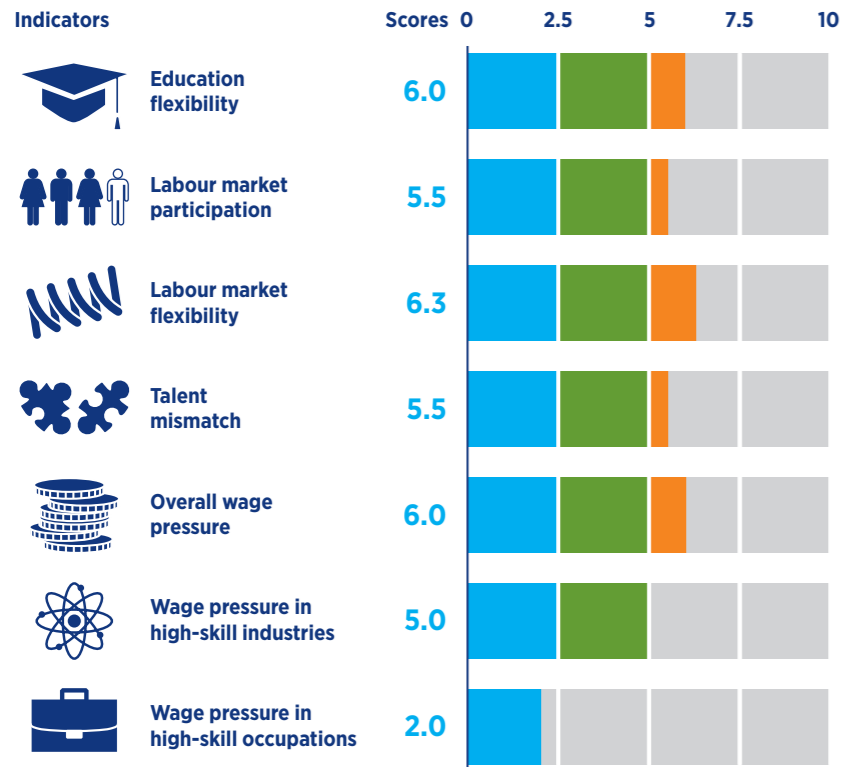


Background economic data

	2013	2014*
Population	17.6m	17.8m
GDP		
GDP (Billion CLP*)	143,662	147,047
GDP growth	4.2%	2.4%
GDP/head (CLP*)	8,144,200	8,264,700
Unemployment		
Unemployment rate	5.9%	5.7%
Long-term unempl. rate	n/a	n/a

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Despite the economy having experienced a marked slackening in the pace of growth, almost all the indicators point to the presence of skill shortages. In part, talent mismatch reflects the slowdown in the mining sector requiring many to re-skill to find work in different sectors.

Downward pressure from:

- Structural unemployment
- Job vacancies
- Wage pressure in high-skill occupations

Upward pressure from:

- Labour market regulations
- Overall wage pressure
- Labour market participation

View from the ground

The economy has been negatively impacted due to the slowdown in the mining industry and job creation has slowed too. The mining sector is the most important within the Chilean economy, however there are other sectors that are much more buoyant, such as the energy and IT sectors. All these markets demonstrate labour shortages with both local and multinational companies complaining that they are unable to find the qualified specialists they need to move their growth plans forward. In the long term there is a requirement for further investment in the education system and in the shorter term the reduction of immigration obstacles to foreign workers with the relevant qualifications and work experience.

Giordano Righi, Managing Director, Hays Chile

COLOMBIA

Country profile

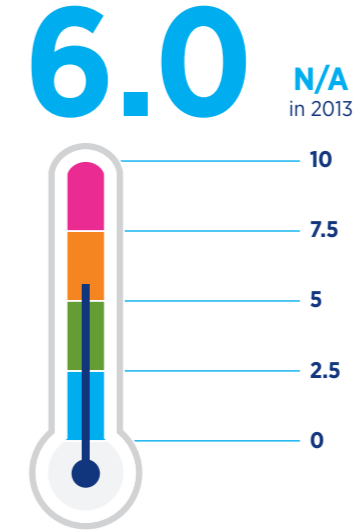
Colombia's economy continues to grow at a strong 4.8% this year, fuelled by solid export growth and strong foreign direct investment in the country.

Moreover, with inflation now running at close to 3%, there are signs of some moderate strains in the country's labour markets.

This is reflected in Colombia's overall score of 6.0.

Please note: Due to the lack of availability of Colombian occupational wage data, the overall Index score was calculated using six indicators.

Overall score

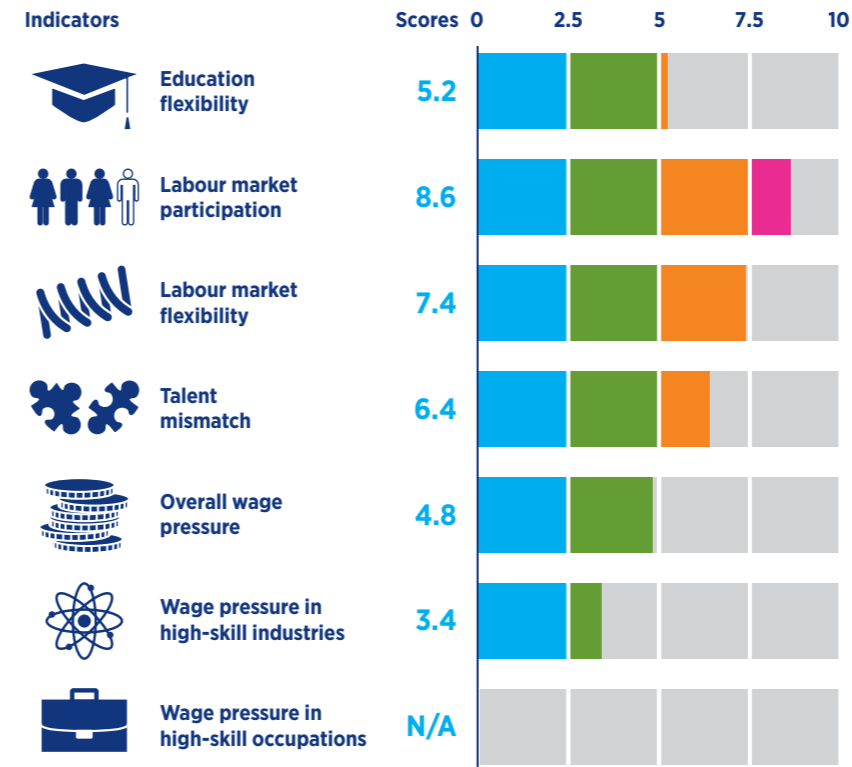


Background economic data

	2013	2014*
Population	48.3m	48.9m
GDP		
GDP (Billion COP*)	729,100	764,096
GDP growth	4.7%	4.8%
GDP/head (COP*)	15,096,700	15,621,800
Unemployment		
Unemployment rate	10.4%	10.1%
Long-term unempl. rate	n/a	n/a

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Given Colombia's strong growth, current inflation level and labour participation rates, there is ample reason to believe the country will begin to experience increasing pressure in its labour markets.

Downward pressure from:

- Wage pressure in high-skill industries
- Overall wage pressure
- Education level

Upward pressure from:

- Labour market participation
- Labour market inflexibility
- Talent mismatch

View from the ground

Successive years of legal, economic and political stability have put Colombia on the world map as one of the most promising economies. However, the limited access of the population to education, the high cost of the labour and the informality of the workforce are still challenges faced by authorities to fight one of the highest unemployment rates in the Americas. The employment market and other infrastructural challenges are issues to address to maintain the fast GDP growth rates of the last 12 years, reduce the high inequality in income distribution and to foster the growth of the current economy's output gap.

Duarte Ramos, Managing Director, Hays Colombia

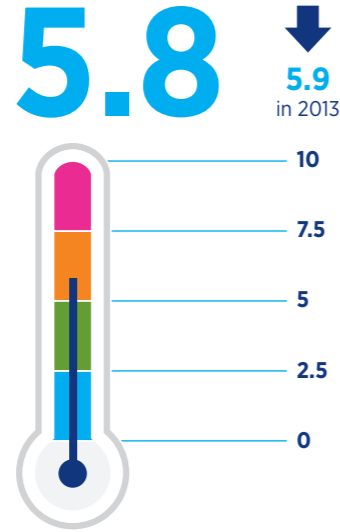
MEXICO

Country profile

Mexico's overall score of 5.8 reflects continued moderate pressure in its labour markets.

Mexico's economy is highly integrated with that of its major trading partner – the United States – and recovery in the United States is leading to an uptick in Mexican manufacturing and accounts for a substantial portion of the pressure being experienced in high-skill industries.

Overall score

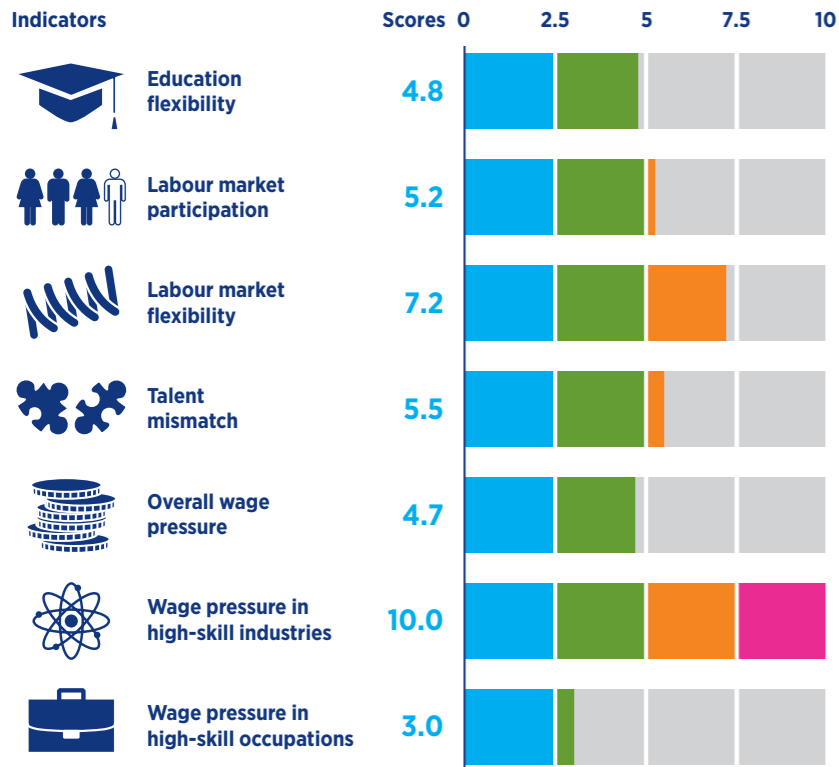


Background economic data

	2013	2014*
Population	122.5m	124.0m
GDP		
GDP (Billion MXN*)	16,525	16,919
GDP growth	1.3%	2.4%
GDP/head (MXN*)	134,900	136,500
Unemployment		
Unemployment rate	4.9%	4.8%
Long-term unempl. rate	0.1%	0.1%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Mexico's labour market flexibility score improved slightly on last year but remains a major constraint. However, the country has recently approved laws to make its labour markets more flexible and this may cause this indicator to ease more significantly in the near term.

Downward pressure from:

- Labour market participation
- Wage pressure in high-skill occupations
- Overall wage pressure

Upward pressure from:

- Net in-migration
- Labour market regulations
- Wage pressure in high-skill industries

View from the ground

The focal point of recent discussions has been about the structural reforms created to improve Mexico's competitiveness. This without a doubt is a great step forward, although there are strong labour challenges to face. A continuing lack of skilled talent, stressed wage pressure in highly skilled sectors and restrictions around work flexibility must be solved if we want to finally become an incubator for world-class talent. Innovative training and development schemes should be integrated in corporate policies to boost local capabilities. The reforms can only work for the country if our talent pool has the sufficient skills to address the talent demands of business.

Gerardo Kanahuati, Country Manager, Hays Mexico

UNITED STATES

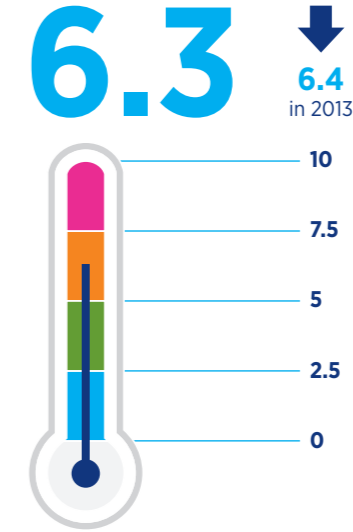
Country profile

The 2014 forecasted GDP growth of only 1.5% is a bit misleading because the economy experienced a weather related contraction during the severe winter early in the year.

Overall the economy's recovery is strengthening and unemployment falling, although part of that decline is attributable to the rise in the number of part-time workers.

The overall score of 6.3 continues to show a level of elevated stress in the labour markets.

Overall score

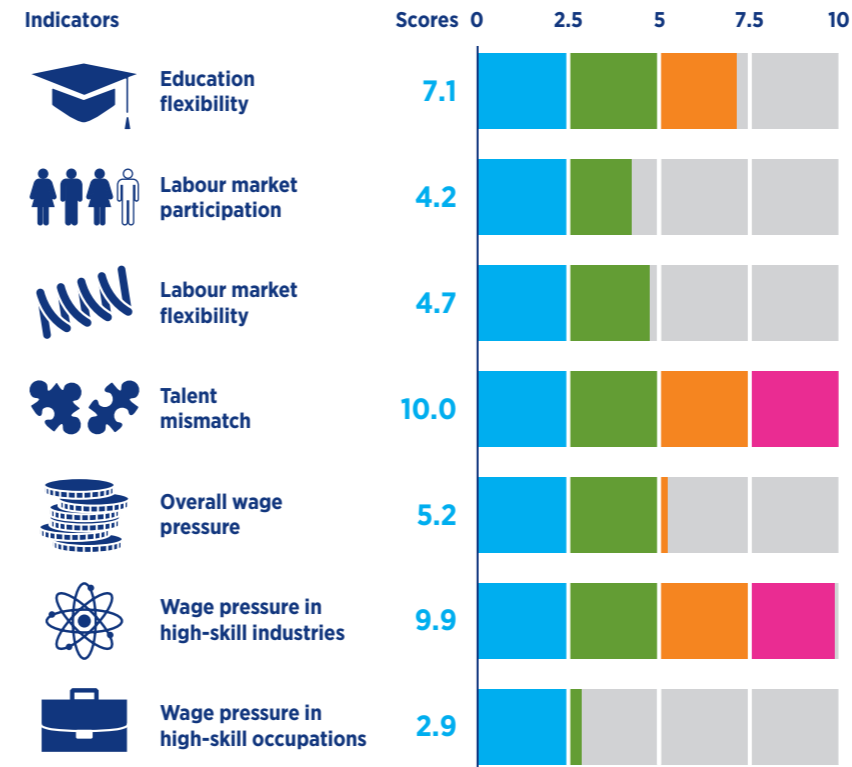


Background economic data

	2013	2014*
Population	316.4m	318.9m
GDP		
GDP (Billion USD*)	17,043	17,299
GDP growth	1.9%	1.5%
GDP/head (USD*)	53,900	54,200
Unemployment		
Unemployment rate	7.4%	6.6%
Long-term unempl. rate	2.2%	1.9%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

The overall flexibility of the United States labour market is a key advantage that the country has over most of the other advanced economies.

Downward pressure from:

- Labour market regulations
- Structural unemployment
- Wage pressure in high-skill occupations

Upward pressure from:

- Long-term unemployment
- Wage pressure in high-skill industries
- International PISA ranking

View from the ground

The unemployment rate in the US has dropped faster than economists predicted at the beginning of 2014 and all jobs lost in the recession have been recovered. However, there is no consensus on how much slack still exists in the labour pool and therefore how soon wages will rise as unemployment approaches a long-term sustainable rate of approximately 5.5%. While we are not seeing significant wage inflation on average across senior levels, there is still a shortage of highly skilled workers who can demand a premium to switch jobs, particularly those with technological, engineering and scientific expertise.

John Faraguna, President, Hays North America

AUSTRALIA

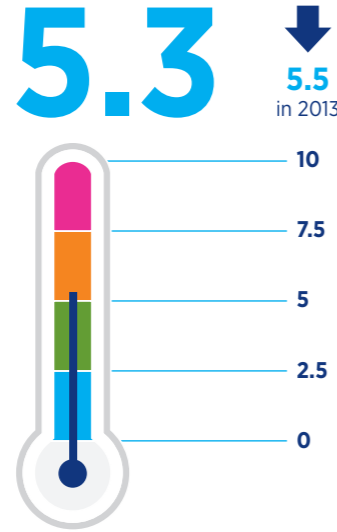
Country profile

Australia's score of 5.3 is a moderate decline from last year.

This is consistent with a slowing down in GDP growth from 2012 to 2013. GDP growth is expected to accelerate to 3.1% this year and the recent drops in the wage pressure indicators may begin to reverse.

Structural changes in the mining sector will likely keep downward pressure on labour participation rates and unemployment is expected to increase slightly to an average of 5.9% during 2014.

Overall score

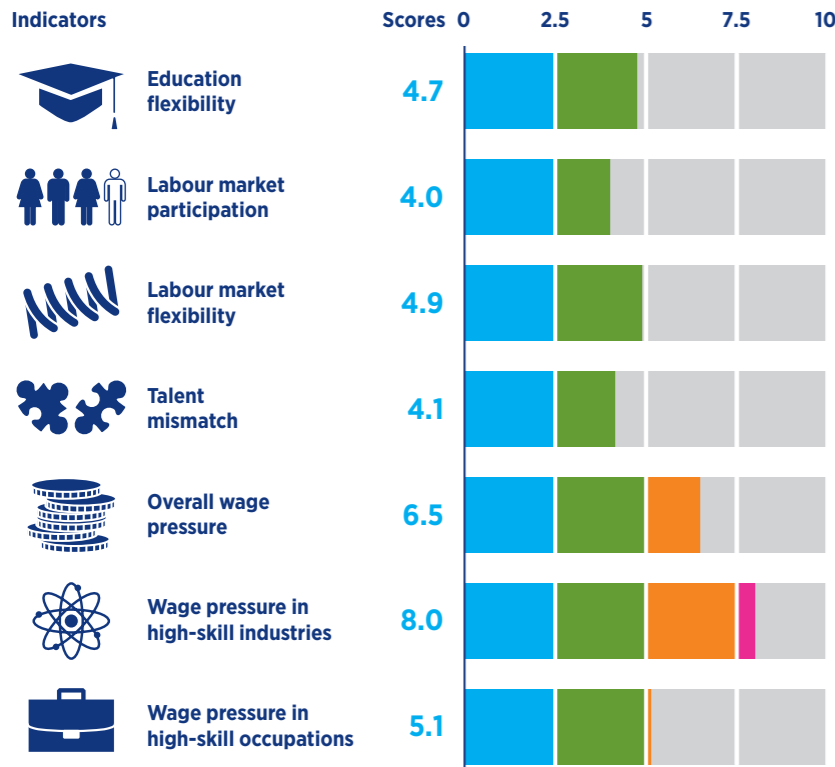


Background economic data

	2013	2014*
Population	22.4m	22.8m
GDP		
GDP (Billion AUD*)	1,594	1,644
GDP growth	2.4%	3.1%
GDP/head (AUD*)	71,000	72,200
Unemployment		
Unemployment rate	5.7%	5.9%
Long-term unempl. rate	1.1%	1.2%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Overall wage inflation has slowed to its lowest level since 2000. Declines in the wage pressure indicators for both overall and high-skill occupations mirror this deceleration.

Downward pressure from:

- Labour market participation
- Talent mismatch
- Net in-migration

Upward pressure from:

- International PISA ranking
- Labour market regulations
- Wage pressure in high-skill industries

View from the ground

As the score of 5.3 suggests, Australia's labour market is, at present, balanced. It has fallen since last year, reflecting a slight easing of the skills shortage. But a welcome turnaround in hiring is adding pressure to this delicate balance. Business activity is rising, organisations are adding headcount, and candidates are moving jobs. As confidence improves and the market becomes more active, talent pools will tighten, particularly for highly-skilled and experienced professionals. Already we are seeing an early indicator of this talent shortage in the high score for wage pressure in high-skill industries, which comes from employers reviewing their attraction and retention strategies for highly-skilled talent once more.

Nick Deligiannis, Managing Director, Hays Australia

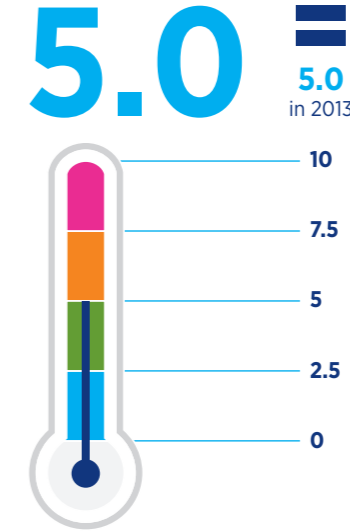
CHINA

Country profile

China's slowing economy is now forecast to grow by just 7.1% this year (a high rate for most countries but well below China's long-term average).

Moreover, by 2016 China will begin to feel the economic effects of its one child policy as its labour force begins to decline. Nevertheless, China's overall index score of 5.0 signals overall moderation in its labour markets.

Overall score

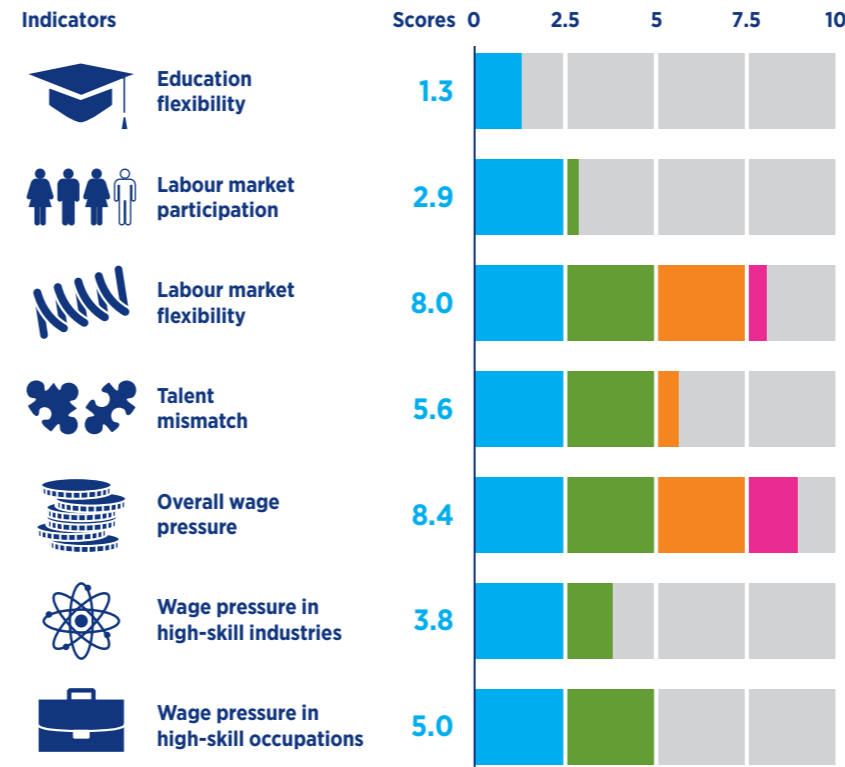


Background economic data

	2013	2014*
Population	1,386.7m	1,394.9m
GDP		
GDP (Billion CNY*)	57,698	61,811
GDP growth	7.7%	7.1%
GDP/head (CNY*)	41,600	44,300
Unemployment		
Unemployment rate	4.1%	4.1%
Long-term unempl. rate	n/a	n/a

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

As China continues to experience overall wage pressure, it is losing its competitive edge in labour intensive industries causing investors to consider other lower cost Asian options.

Downward pressure from:

- Education levels
- Wage pressure in high-skill industries
- Labour market participation

Upward pressure from:

- Labour market inflexibility
- Overall wage pressure
- Talent mismatch

View from the ground

China's labour market faces several pressure points. An active jobs market is fuelling staffing demand, particularly in tier 1 cities and east coast areas. The needs of emerging industries such as hi-tech, internet, e-commerce, financial service and FMCG are also adding to vacancy activity. But the localisation of the workforce, as indicated by the high score for labour market flexibility, is reducing the talent pool. With local knowledge and cultural understanding just as important as expertise, expatriates cannot fill talent gaps at the rate we once saw. In addition, China's high score for overall wage pressure shows that real wages are increasing quickly compared to historic trends.

Simon Lance, Regional Director, Hays China

HONG KONG

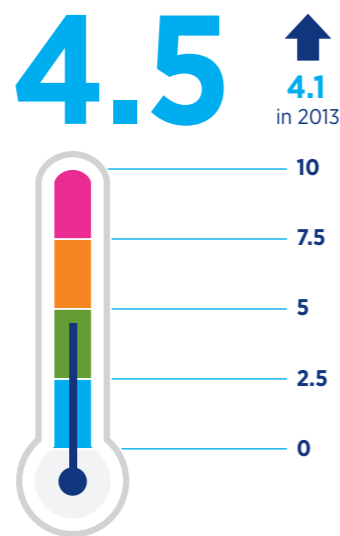
Country profile

Hong Kong's economy continues to grow at well below its long-term average, with GDP expected to increase by 2.7% this year.

However, there is strong demand for labour with wages growing by 5% annually despite inflation of only 3.4%.

This is reflected in the very high overall wage pressure score but Hong Kong's overall score remains a more moderate 4.5.

Overall score

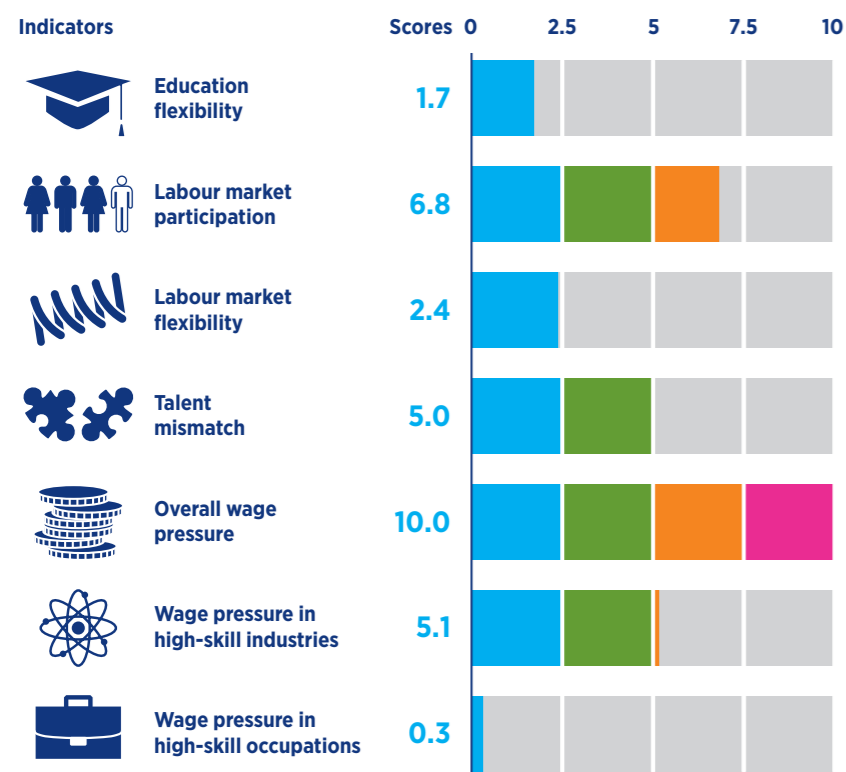


Background economic data

	2013	2014*
Population	7.2m	7.3m
GDP		
GDP (Billion HKD*)	2,186	2,244
GDP growth	2.9%	2.7%
GDP/head (HKD*)	303,000	308,800
Unemployment		
Unemployment rate	3.5%	3.6%
Long-term unempl. rate	n/a	n/a

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Overall wage pressure is the key pressure on labour markets. This partially reflects Hong Kong's rising inflation rate but also likely reflects strong productivity among its workers.

Downward pressure from:

- International PISA ranking
- Wage pressure in high-skill occupations
- Labour market regulations

Upward pressure from:

- Labour market participation
- Overall wage pressure
- Wage pressure in high-skill industries

View from the ground

As a leading financial centre, multinational companies continue to establish their regional hubs in Hong Kong. Meanwhile businesses looking to break into the Chinese market are attracted to Hong Kong thanks to its geographical and political position to mainland China. As a result, staffing demand is intensifying and the labour market is becoming exceedingly tight. This shortage of highly skilled candidates combined with the high cost of living has led to intense wage pressure as the score of 10.0 – the highest possible – for overall wage pressure shows. Given on-going demand for highly skilled professionals, employers need to look at more innovative strategies to attract and retain candidates.

Dean Stallard, Regional Director, Hays Hong Kong

INDIA

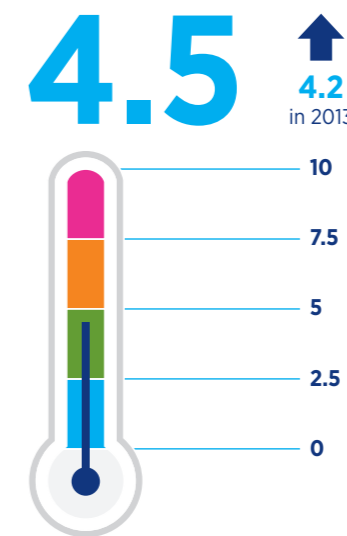
Country profile

The speed of economic growth in India has decelerated. The economy is forecast to expand by only 4.5% in 2014, well below the country's long-term average.

The recent slowdown in growth is unusual among the emerging markets both in its scale and the fact it has coincided with inflation approaching double digits.

These trends are reflected in the overall score of 4.5.

Overall score

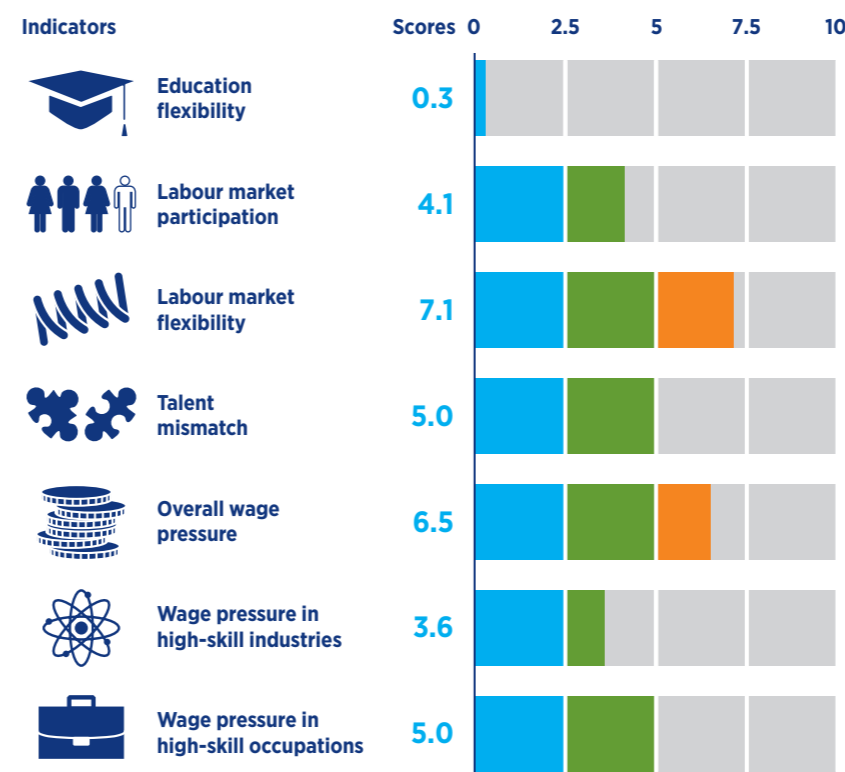


Background economic data

	2013	2014*
Population	1,254.1m	1,269.3m
GDP		
GDP (Billion INR*)	107,865	112,724
GDP growth	4.7%	4.5%
GDP/head (INR*)	86,000	88,800
Unemployment		
Unemployment rate	12.5%	12.5%
Long-term unempl. rate	n/a	n/a

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Although labour market participation is improving, it remains very low. Survey data from the Ministry of Statistics and Program Implementation suggest it is around 53%. This compares to between 75% and 80% for the other BRIC countries.

Downward pressure from:

- Increase in average length of time in education
- Labour market participation
- Educational levels

Upward pressure from:

- Overall wage pressure
- Net in-migration
- Labour market regulations

View from the ground

For the past two years GDP growth in India has been under 5% and the forecast for this year suggests it is unlikely to change. Skills shortages remain a key issue for Indian businesses and financial incentives are currently being offered in addition to base salaries in order to attract and retain staff with key skills. At the moment an important challenge for the government is generating investment, which has declined significantly in recent years and has restricted employment growth.

Matthew Dickason, Chief Operating Officer, Hays Talent Solutions APAC

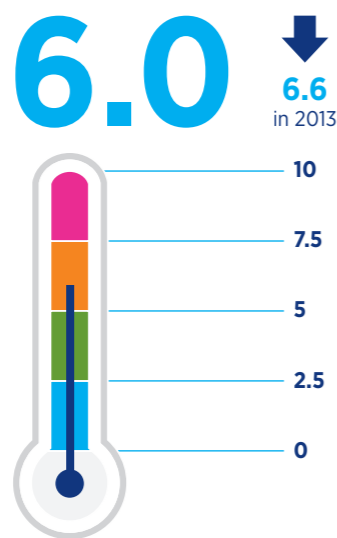
Country profile

Japan's overall economic profile is near to matching its long-term averages.

GDP is growing at 1.1% and unemployment is expected to decline to 3.7%.

Nevertheless, this rate of growth represents a slowdown from last year and this is reflected in a moderate easing of Japan's relatively tight labour markets.

Overall score

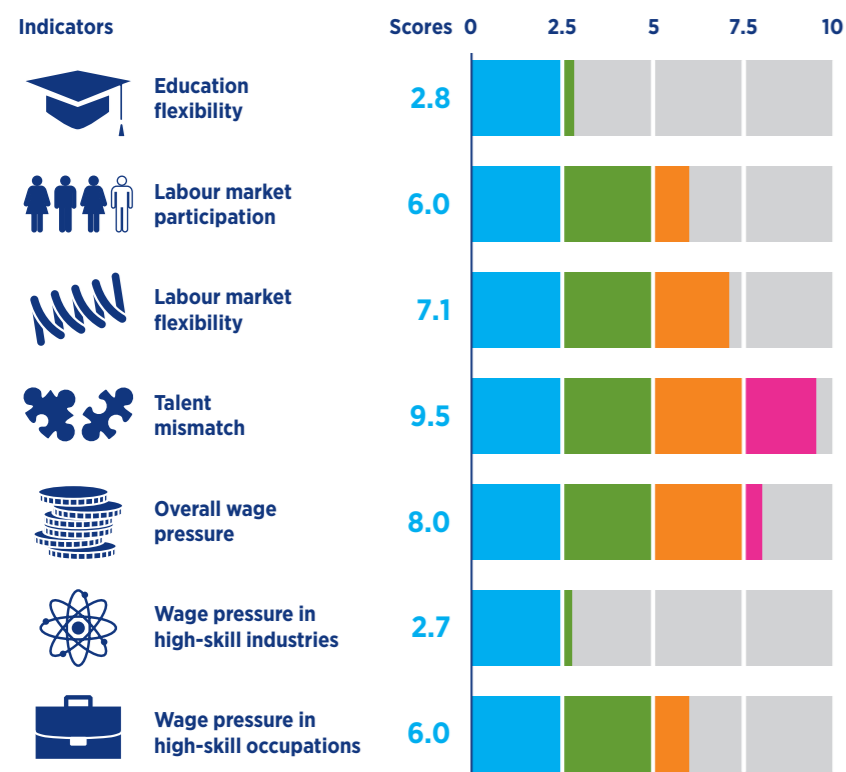


Background economic data

	2013	2014*
Population	127.1m	127.0m
GDP		
GDP (Billion JPY*)	477,830	483,045
GDP growth	1.5%	1.1%
GDP/head (JPY*)	3,758,800	3,804,200
Unemployment		
Unemployment rate	4.0%	3.7%
Long-term unempl. rate	1.5%	1.4%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Japan's working age population continues to decline due to ageing and this is contributing to an overall tightness in the labour market. Slowing economic growth has mitigated this impact somewhat this year.

Downward pressure from:

- Educational levels
- Wage pressure in high-skill industries
- International PISA ranking

Upward pressure from:

- Job vacancies
- Labour market participation
- Overall wage pressure

View from the ground

The increasing mismatch between the skills employers need and those available continues to affect the ability of business and the economy to grow to its maximum potential. While progress has been made in some areas, the lack of flexibility in the Japanese system means there will be ongoing challenges for some time. In response, wages are increasing at a higher rate than we've historically seen as employers attempt to secure and retain top candidates. Although government endeavours are being made to widen the talent pool, the regulatory system and approach to diversity mean that competition for talent will remain fierce in the increasingly positive economic environment.

Jonathan Sampson, Regional Director, Hays Japan

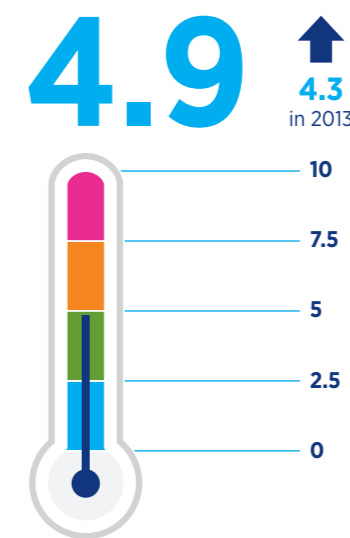
Country profile

New Zealand's economic expansion is now well underway and increasingly broad based.

Reflecting this improvement the country's overall score of 4.9 signals a return to more normal labour markets. Forecast economic growth for 2014 is 3.3%, a level which, if achieved, will exceed long-term averages.

After upticks in unemployment during 2013, unemployment is projected to decline this year (to an average 6.0%).

Overall score

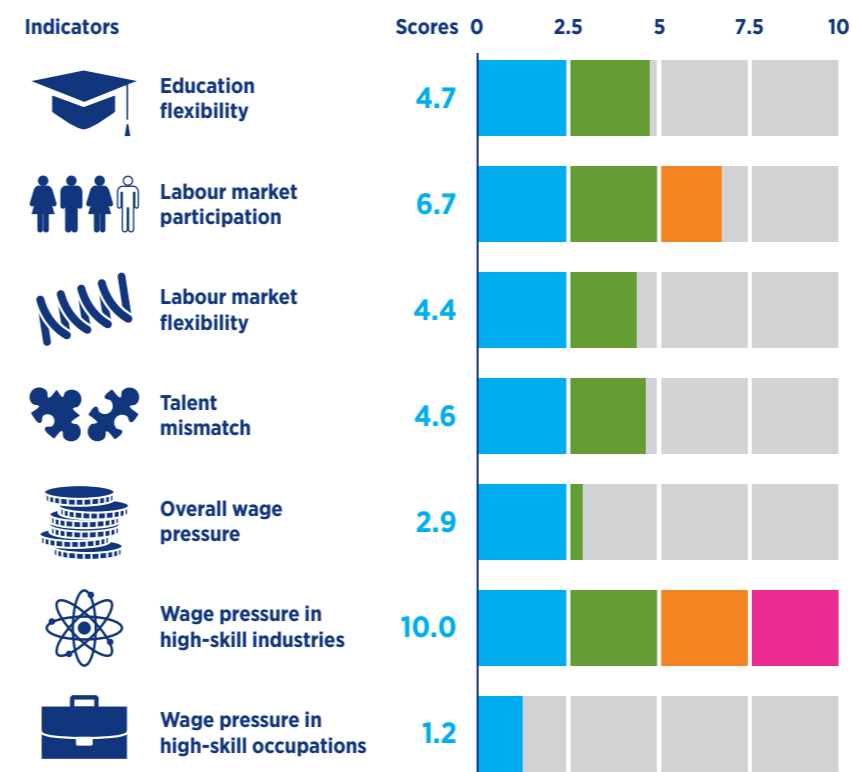


Background economic data

	2013	2014*
Population	4.5m	4.6m
GDP		
GDP (Billion NZD*)	224	232
GDP growth	2.5%	3.3%
GDP/head (NZD*)	49,800	50,900
Unemployment		
Unemployment rate	6.3%	6.0%
Long-term unempl. rate	0.8%	0.8%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Reflecting New Zealand's improving economy all seven of the indicators for this year's report are either the same or higher than last year.

Downward pressure from:

- Overall wage pressure
- Wage pressure in high-skill occupations
- Labour market regulations

Upward pressure from:

- Labour market participation
- Wage pressure in high-skill industries
- International PISA ranking

View from the ground

New Zealand has been poised on the edge of a competitive talent market for some time. In recent months a general upswing in business confidence has led to a meaningful increase in hiring intentions and the return of more intense talent shortages. While Christchurch's rebuild and Auckland's and Wellington's active residential markets have led the upswing, demand is evident across the breadth of highly-skilled professions. Wages in high-skill industries are consequently under intense pressure. Yet competitive salaries are not an umbrella solution to the skills shortage challenge, which is why employers need to review their attraction strategies to secure talent in an expanding and continuously evolving employment market.

Jason Walker, Managing Director, Hays New Zealand

SINGAPORE

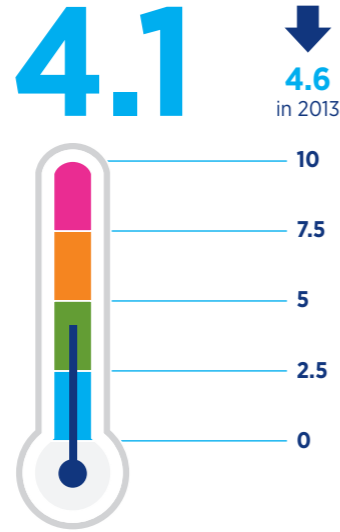
Country profile

Reduced trade has slowed down Singapore's economy since last year and GDP growth is now forecast to rise only 3.6%.

While that rate would be strong for many countries it is significantly below Singapore's long-term averages.

Reflecting this slowdown, there has been an easing in Singapore's labour markets which now register an overall score of 4.1.

Overall score

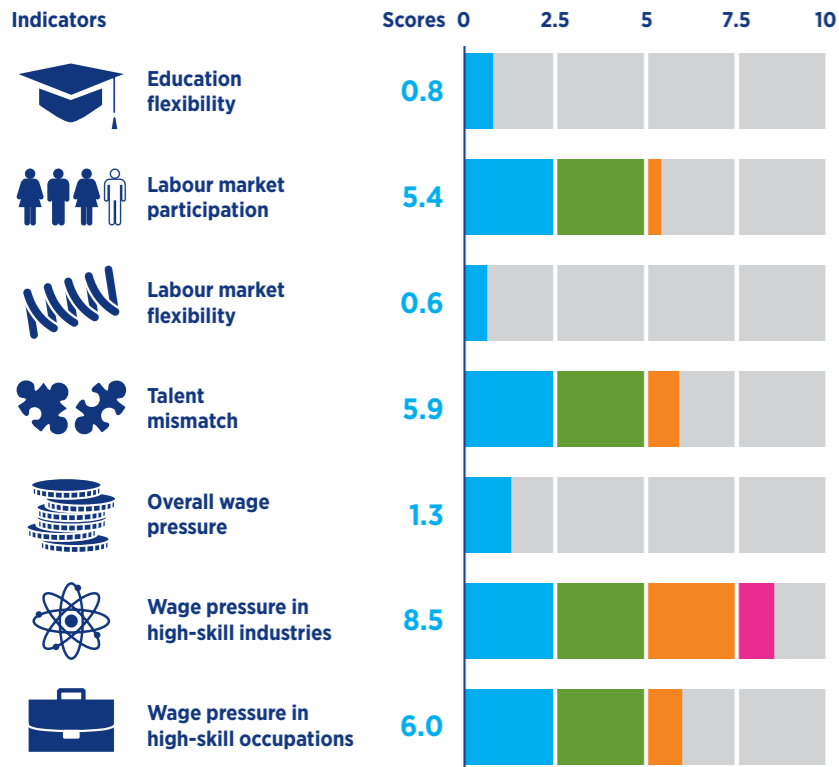


Background economic data

	2013	2014*
Population	5.4m	5.5m
GDP		
GDP (Billion SGD*)	380	394
GDP growth	3.9%	3.6%
GDP/head (SGD*)	70,400	71,900
Unemployment		
Unemployment rate	1.9%	1.9%
Long-term unempl. rate	0.0%	0.0%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Singapore's educational performance is among the best in the Hays Global Skills Index, placing it second only to Hong Kong in terms of PISA scores. However, high scores for talent mismatch and wage pressures in both high-skill occupations and industries suggest some significant skills-related friction within the labour market.

Downward pressure from:

- Education levels
- Long-term unemployment
- Overall wage pressure

Upward pressure from:

- Talent mismatch
- Wage pressure in high-skill industries
- Wage pressure in high-skill occupations

View from the ground

Singapore's shortage of highly skilled professionals has reached a point where it is now a hindrance to the effective operation of businesses in the city-state. Given the intensity of demand, salaries in high-skill industries outpace those in low-skill industries. Government initiatives that endorse local Singaporean hires have seen the demand for talented local candidates reach new heights. As employers react quickly to ensure they have the right proportion of local, permanent resident and work pass holders in their headcount, the ability to secure the right talent – whether that is a highly valued locally experienced candidate or a specialist from overseas – will remain employers' greatest challenge.

Chris Mead, Regional Director, Hays Singapore

AUSTRIA

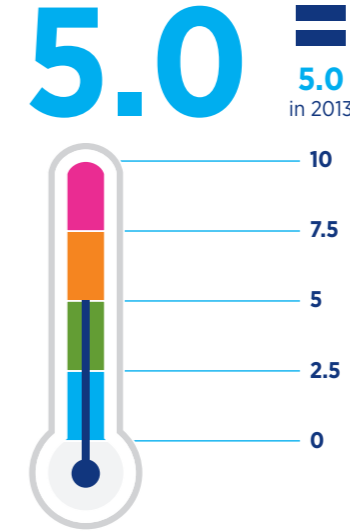
Country profile

Austria's score of 5.0 is unchanged from last year.

The country experienced very slow growth in its GDP during 2013 (0.4%) but this is expected to accelerate somewhat during the current year to 1.5%. Even this rate, however, remains well below long-term averages.

Austria's unemployment rate is expected to remain unchanged at 4.9%. Modest wage increases have contributed to increases in labour productivity.

Overall score

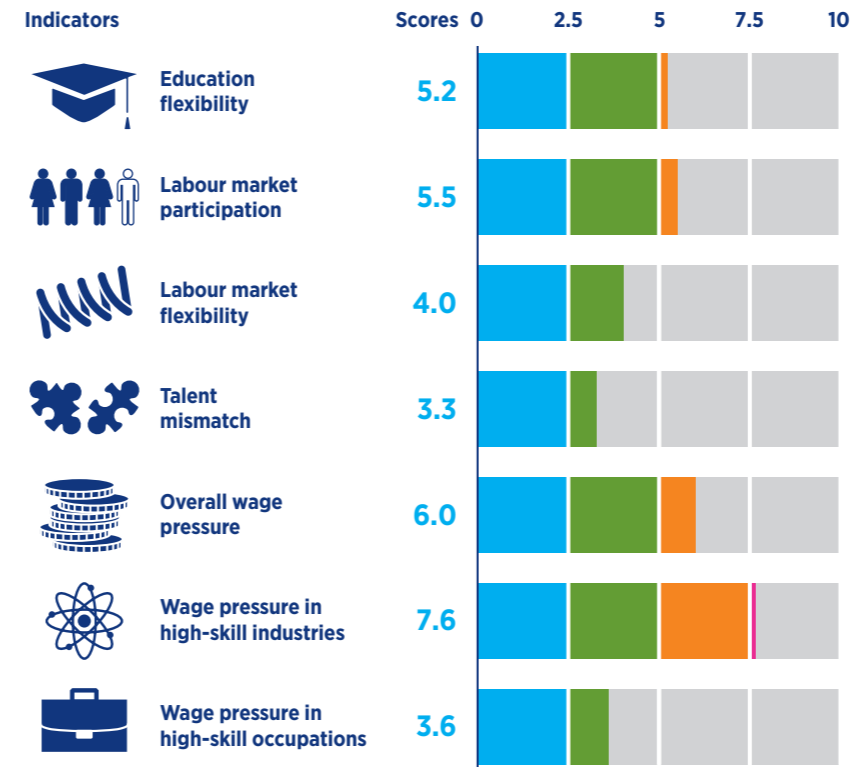


Background economic data

	2013	2014*
Population	8.5m	8.5m
GDP		
GDP (Billion EUR*)	317	322
GDP growth	0.4%	1.5%
GDP/head (EUR*)	37,400	37,800
Unemployment		
Unemployment rate	4.9%	4.9%
Long-term unempl. rate	1.2%	1.2%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

While wage pressures in high-skill industries continue to persist, they are also increasing elsewhere in the economy. Declining labour participation rates among young workers may be contributing to this trend.

Downward pressure from:

- International PISA ranking
- Job vacancies
- Long-term unemployment

Upward pressure from:

- Wage pressure in high-skill industries
- Overall wage pressure
- Youth labour participation rates

View from the ground

Austria's unemployment rate remains stable and although it is one of the lowest in the Eurozone, 4.9% is still a post-war high for Austria. The government has tried to make international skill migration easier and more attractive since the current 'Austrian Green Card Solution' was not a great success but the effects have not been felt as of yet. Furthermore, the government has been pushing new educational reforms to better the international ratings and provide more home grown experts for the local employment market – it is a long-term goal and changes have not been seen to date.

Mark Frost, Managing Director, Hays Austria

BELGIUM

Country profile

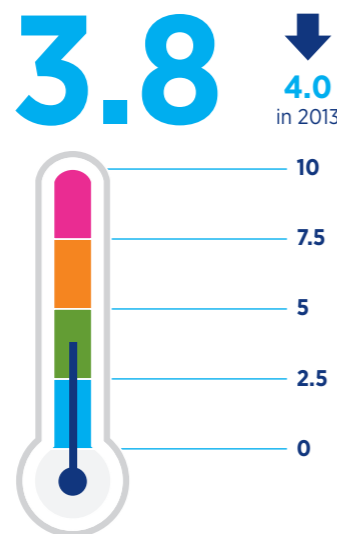
Belgium's decline in its overall score this year reflects continued weakness in GDP growth which is expected to be 1.2% during 2014.

Although this is well above last year's growth rate of 0.2% it remains well below the long-term growth average.

Unemployment remains persistently high and is projected to increase slightly during 2014 to 8.6%.

Staffing costs faced by firms have been increasing in Belgium and this is behind the moderately high overall wage pressure.

Overall score

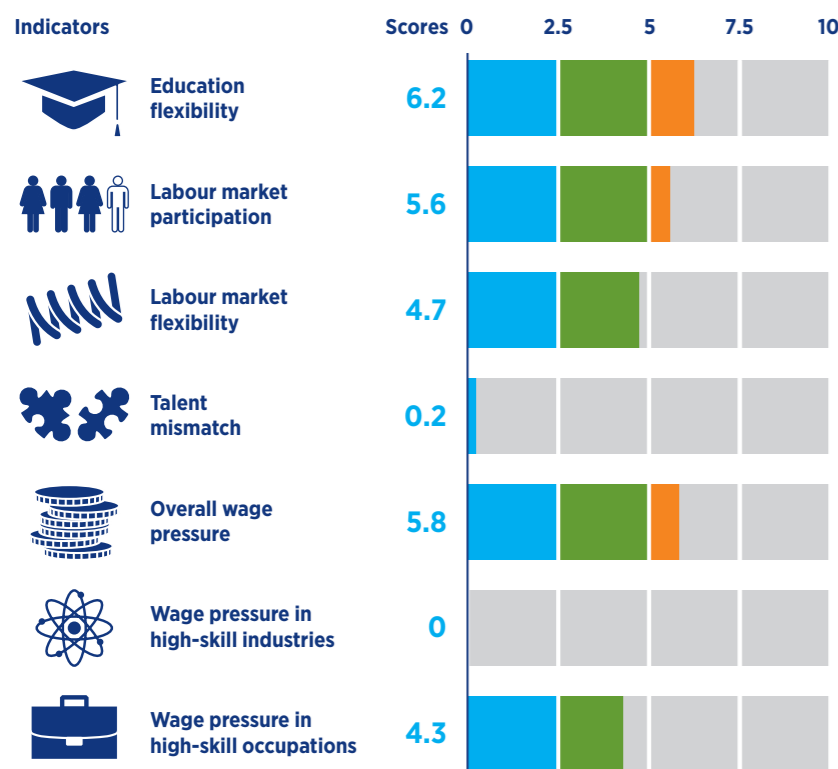


Background economic data

	2013	2014*
Population	11.2m	11.3m
GDP		
GDP (Billion EUR*)	385	390
GDP growth	0.2%	1.2%
GDP/head (EUR*)	34,400	34,600
Unemployment		
Unemployment rate	8.4%	8.6%
Long-term unempl. rate	3.8%	3.8%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Talent mismatch is surprisingly low given the overall unemployment rate but that is because Belgium's unemployment rate was also high pre-recession.

Downward pressure from:

- Talent mismatch
- Wage pressure in high-skill industries
- Wage pressure in high-skill occupations

Upward pressure from:

- Labour market participation
- Overall wage pressure
- Increase in education levels

View from the ground

During the recession, the Belgian Government took preventive cost measures (e.g. part-time unemployment for white collars) in order to protect the Belgian GDP and labour market, leaving the country's revival weaker compared to other European countries. These decisions resulted in less GDP growth compared to other countries in the EU region. These preventive decisions made the unemployment rate (8.5%) much lower compared to the European average but resulted in a smaller candidate pool. Finally, the qualitative shortage of high-skilled employees following the brain drain in life sciences, IT and engineering and technology has resulted in levelling at lower levels which is only partially covered by the hiring of foreign young potentials.

Wilfrid de Brouwer, Managing Director, Hays Belgium

CZECH REPUBLIC

Country profile

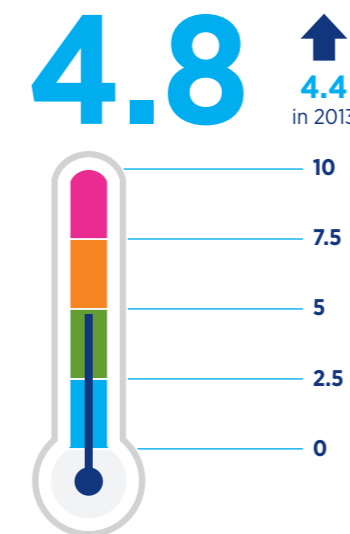
The Czech Republic's score of 4.8 represents a moderate increase in labour pressure over last year.

This is consistent with the improving state of the economy, GDP is expected to rise by 3% this year.

Moreover, the unemployment rate is expected to fall to 6.5%.

Longer term, however, a rapidly ageing labour force will soon lead to declines in the overall Czech workforce and this will put added stress on the labour markets.

Overall score

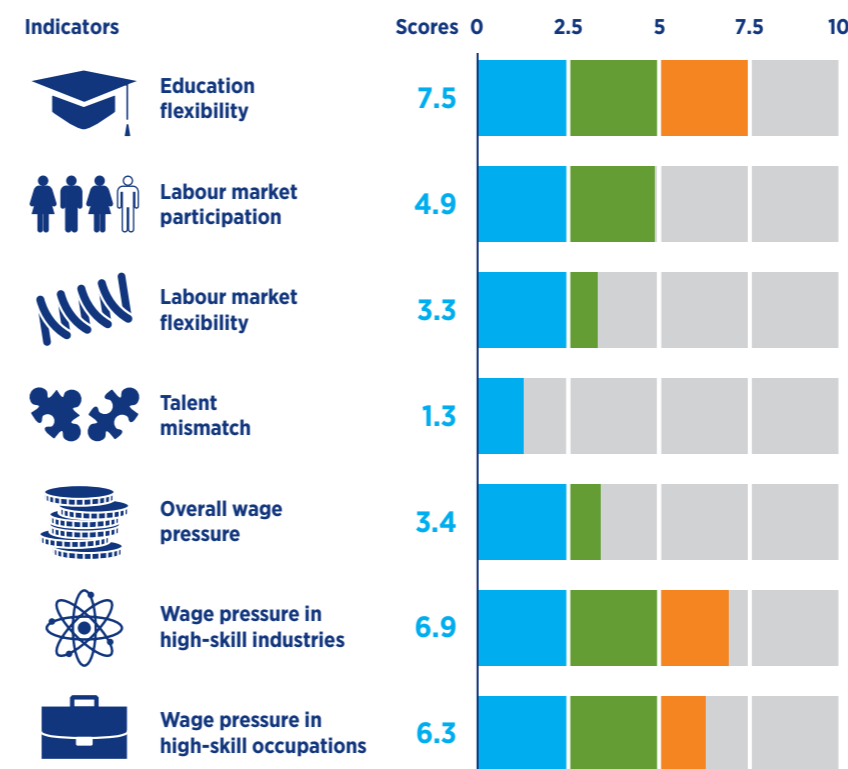


Background economic data

	2013	2014*
Population	10.5m	10.5m
GDP		
GDP (Billion CZK*)	3,986	4,107
GDP growth	-0.9%	3.0%
GDP/head (CZK*)	378,800	390,100
Unemployment		
Unemployment rate	7.0%	6.5%
Long-term unempl. rate	3.0%	2.8%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Reflecting the overall improvement in the Czech economy, wage pressure in both high-skill industries and overall wage pressure in general, increased over last year.

Downward pressure from:

- Talent mismatch
- Job vacancies
- Labour market regulations

Upward pressure from:

- Wage pressure in high-skill industries
- Wage pressure in high-skill occupations
- Education levels

View from the ground

Czech Republic is a target destination for investors from the automotive, IT and engineering sectors. This increases the demand for highly-skilled employees and graduates with relevant technical and language skills, which in turn has created a shortage of skilled talent and wage pressure. Technical hubs in Prague, Brno and Pilsen are working with education establishments to allow graduates to gain relevant experience during studies and raise their own labour market value. Due to government instability it is hard to expect structural changes, but changes that would need to be made include decreasing labour taxation, removing the bureaucratic obstacles for employing non-EU professionals and supporting technical education platforms.

Petr Vidmar, Operations Manager, Hays Czech Republic

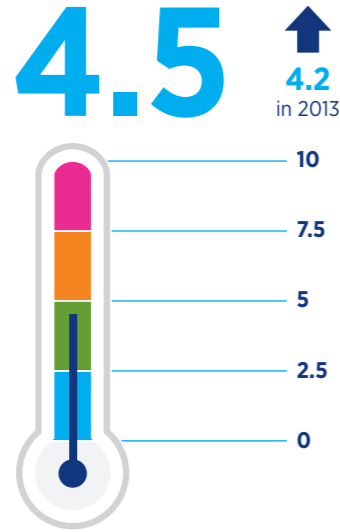
DENMARK

Country profile

Unlike its neighbours, Germany and Sweden, Denmark's economy has barely recovered from the global financial crisis.

The country's overall score of 4.5 might appear to signal a return to normal labour market pressure, but most of the reported stress is in the talent mismatch score reflecting still rising unemployment.

Overall score

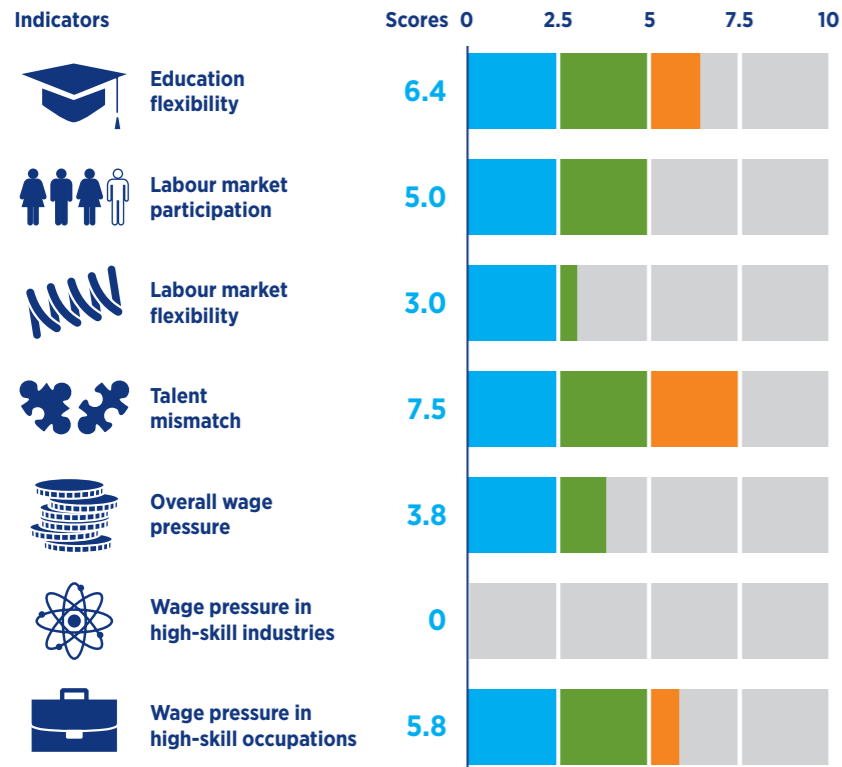


Background economic data

	2013	2014*
Population	5.6m	5.6m
GDP		
GDP (Billion DKK*)	1,877	1,905
GDP growth	0.4%	1.5%
GDP/head (DKK*)	334,400	338,300
Unemployment		
Unemployment rate	7.0%	7.2%
Long-term unempl. rate	2.0%	2.0%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Despite some recent improvements in its economy, Denmark's unemployment rate continues to edge upward and is now expected to reach 7.2%.

Downward pressure from:

- Labour market flexibility
- Wage pressure in high-skill industries
- Labour market flexibility

Upward pressure from:

- Long-term unemployment
- Labour market participation
- Wage pressure in high-skill occupations

View from the ground

Unemployment is forecast to rise slightly but will primarily affect unskilled workers; unemployment among those with skills is expected to drop in 2015. Employment is at its lowest since 2009 – this is in part due to the current workforce retiring at an earlier age than would be expected and the number of those entering the workforce not being sufficient enough to meet demand. It is also relatively difficult for the newly qualified to find jobs as they do not have the necessary skills and education required by the market. Denmark is moving from a production-based labour market to a service/knowledge-based labour market which is contributing towards a skills shortage.

Christoph Niewerth, Managing Director, Hays Denmark

FRANCE

Country profile

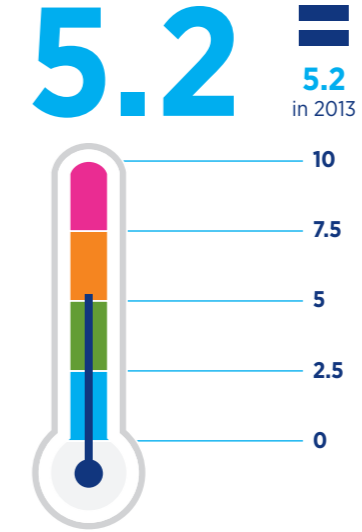
France's GDP growth rate is forecast to creep up to 0.6% for the current year.

The country is experiencing a steady erosion in its labour competitiveness as its staffing costs continue to rise while those in peripheral countries are falling.

The unemployment rate continues to increase and is expected to reach 11% this year.

These problems are reflected in the country's overall score of 5.2 which shows moderate stress despite a very weak economy.

Overall score

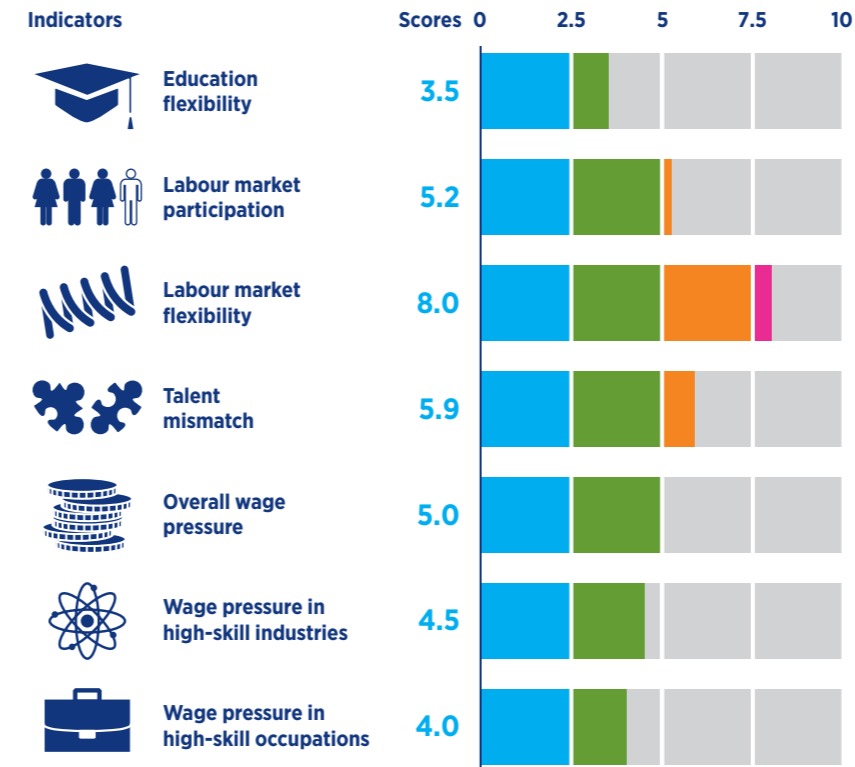


Background economic data

	2013	2014*
Population	65.8m	66.1m
GDP		
GDP (Billion EUR*)	2,134	2,146
GDP growth	0.4%	0.6%
GDP/head (EUR*)	32,500	32,500
Unemployment		
Unemployment rate	10.8%	11.0%
Long-term unempl. rate	4.4%	4.4%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Rigidities in labour market regulations continue to hamper France's labour market but this is partially offset by the high quality of its educational output.

Downward pressure from:

- Job vacancies
- Wage pressure in high-skill industries
- Educational levels

Upward pressure from:

- Labour market regulations
- Overall wage pressure
- Labour market participation

View from the ground

The government has begun to encourage businesses of all sizes to support the country and stimulate the economy by hiring. Recent efforts to reduce labour costs and boost business competitiveness have included the ambitious 'Responsibility Pact', which includes tax breaks for companies with the hope of creating more jobs. Despite this, the current labour market is at almost the same level as 2013 and we are still seeing shortages of IT and sales professionals, especially at the management and executive level. In this particular landscape, the expertise of specialist recruitment agencies becomes a much-needed resource to help companies identify and place the strongest candidates.

Tina Ling, Managing Director, Hays France & Luxembourg

GERMANY

Country profile

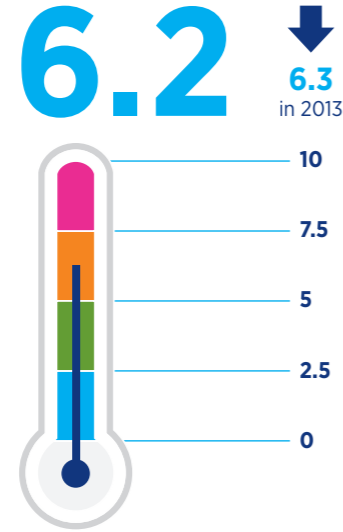
Germany's economy continues to outperform its EU peers and is expected to grow by 1.8% during 2014.

The country's expected 2014 overall unemployment rate of 5.1% and long-term unemployment rate of 2.3% have each improved since last year.

The country's overall score of 6.2 is indicative of moderate stress in the labour markets.

Of note in the longer term, Germany remains an attractive destination for migrants which is a trend that helps offset its ageing population.

Overall score

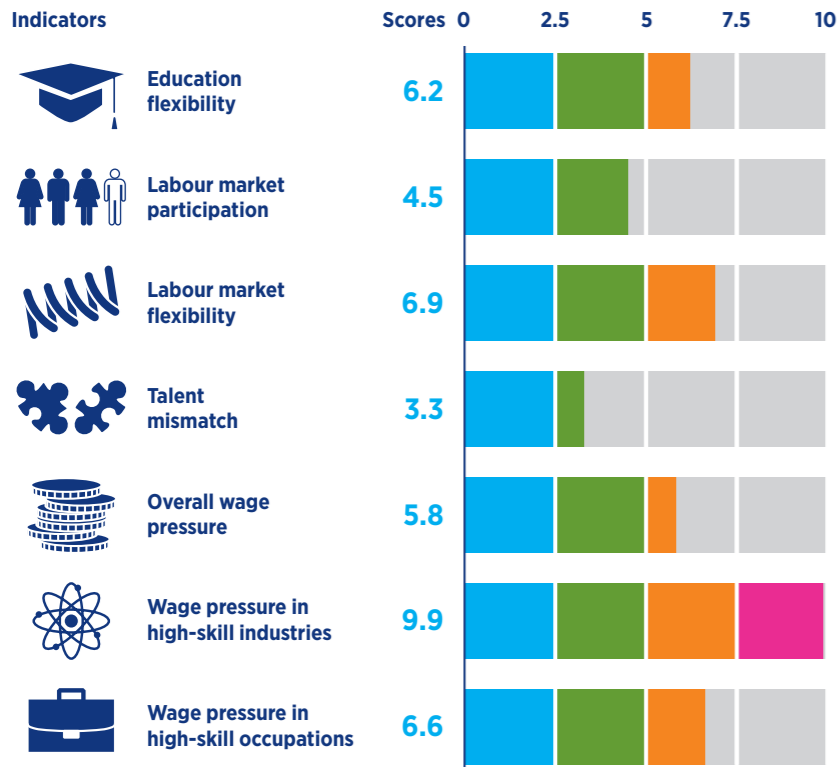


Background economic data

	2013	2014*
Population	82.1m	82.3m
GDP		
GDP (Billion EUR*)	2,779	2,828
GDP growth	0.5%	1.8%
GDP/head (EUR*)	33,800	34,400
Unemployment		
Unemployment rate	5.3%	5.1%
Long-term unempl. rate	2.4%	2.3%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Nominal hourly wages are increasing at approximately 2.5% annually and this wage pressure is becoming more evident across high-skill industries.

Downward pressure from:

- Net in-migration
- Structural unemployment
- Labour market participation rates

Upward pressure from:

- Wage pressure in high-skill industries
- Wage pressure in high-skill occupations
- Wage pressure overall

View from the ground

The labour market seems to be very stable despite negative economic conditions experienced by other EU countries in recent years. Due to the economy having a good mixture of production and services, there is high-level demand for specialists in a number of industries and occupations. However, as the nation's baby boomers move towards retirement, this will have a critical impact on the economy in the near future. It is conceivable that many companies will find it difficult to fill the void left when these skilled workers retire. Having said that, it is encouraging to note that the number of highly qualified individuals immigrating to Germany has increased over the past few years.

Klaus Breitschopf, Managing Director, Hays Germany

HUNGARY

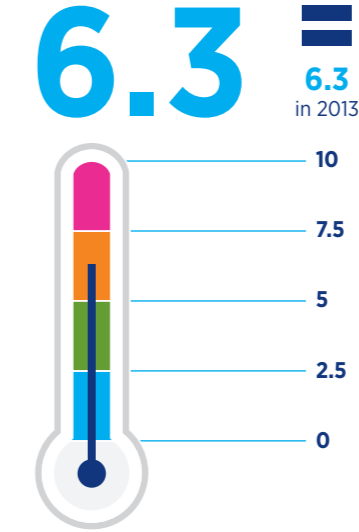
Country profile

Hungary's GDP is forecast to increase by 2.9%, however the economy still remains weak.

Unemployment remains high at 9% and although this does represent substantial improvement from last year, a large part of the improvement is attributable to the prevalent use of government sponsored public work schemes.

The moderately high overall score of 6.3 reflects these labour pressures and general stresses in the labour markets.

Overall score

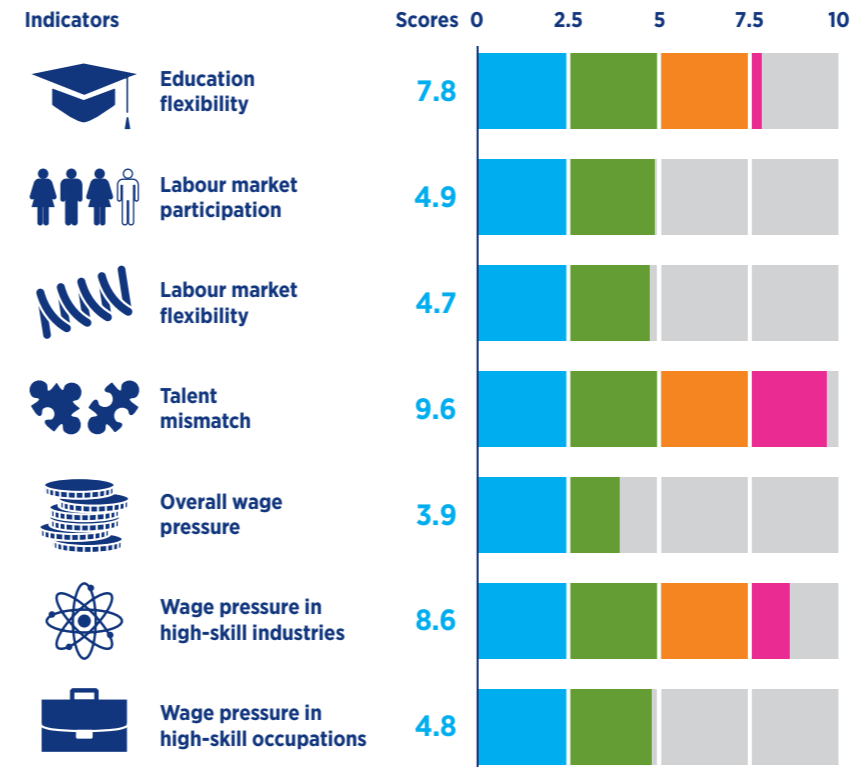


Background economic data

	2013	2014*
Population	9.9m	9.9m
GDP		
GDP (Billion HUF*)	29,794	30,651
GDP growth	1.2%	2.9%
GDP/head (HUF*)	3,007,200	3,097,800
Unemployment		
Unemployment rate	10.2%	9.0%
Long-term unempl. rate	4.7%	4.2%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Despite the improving economic backdrop, increasing job vacancies and structural unemployment difficulties continue to create frictions within Hungary's labour market and push the overall score for the country up.

Downward pressure from:

- Labour participation rate, ages 15-24
- Overall wage pressure
- Labour market regulations

Upward pressure from:

- International PISA ranking
- Structural unemployment
- Wage pressure in high-skill industries

View from the ground

Over the past year there have been no significant changes in the Hungarian labour market. The technical industries, mainly IT and engineering, are still candidate-driven, and the constant growth of the manufacturing sector also creates demand for finance and logistics professionals. Hungary continues to be one of the most attractive locations for newly established shared service centres, while the existing ones are also growing – meaning more business functions are relocating to Hungary. Demand for trilingual candidates is also heavily increasing – therefore newly qualified graduates with language skills are quickly absorbed by the labour market.

Tammy Nagy-Stellini, Managing Director, Hays Hungary

IRELAND

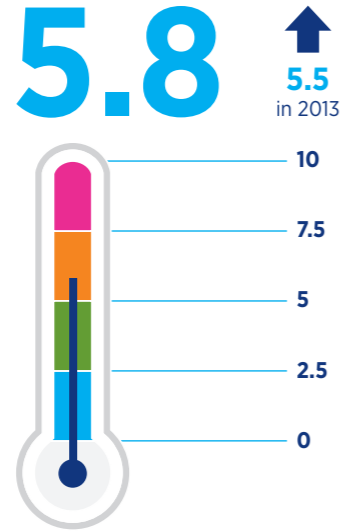
Country profile

Ireland's recovery is looking more secure and its economy is expected to grow by 2.8% this year.

The improving economy is lifting the labour market but overall unemployment (11.7%) and long-term unemployment (7.2%) still weigh heavily on labour markets.

These pressures are reflected in the overall score of 5.8.

Overall score

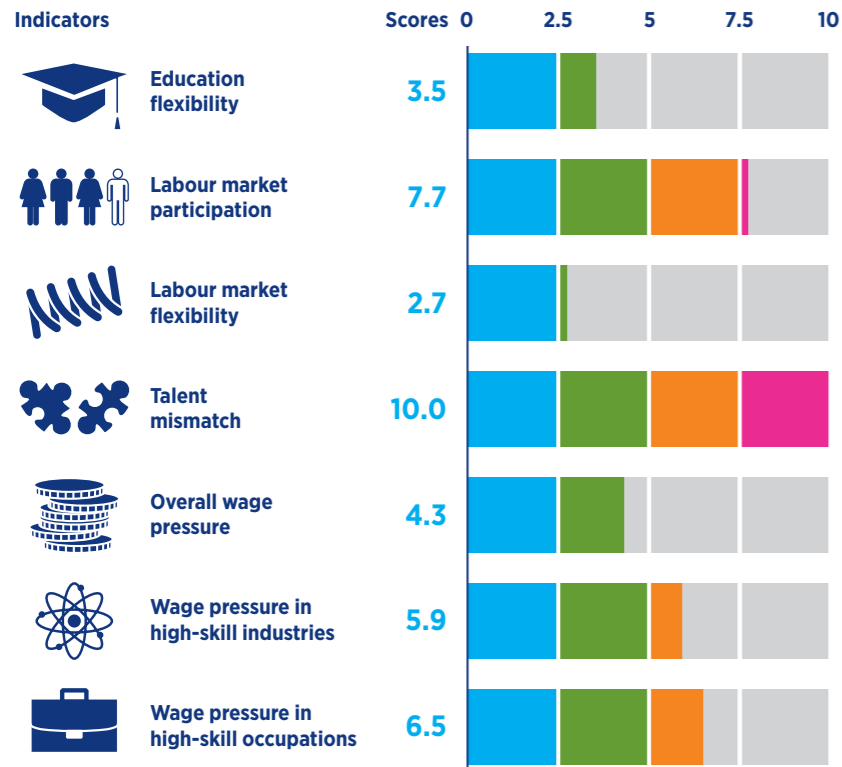


Background economic data

	2013	2014*
Population	4.6m	4.6m
GDP		
GDP (Billion EUR*)	177	182
GDP growth	0.2%	2.8%
GDP/head (EUR*)	38,400	39,300
Unemployment		
Unemployment rate	13.1%	11.7%
Long-term unempl. rate	8.1%	7.2%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Talent mismatch remains problematic as many high-skilled workers who lost their jobs in the economic downturn relocated, exacerbating, and in some cases creating, skills shortages.

Downward pressure from:

- International PISA ranking
- Labour market regulations
- Overall wage pressure

Upward pressure from:

- Talent mismatch
- Labour market participation
- Wage pressure in high-skill occupations

View from the ground

Business confidence and growth levels are improving for Ireland and inroads are being made to reduce unemployment and drive productivity up. However, employers are still faced with some serious challenges, including skill shortages across a number of sectors. It is difficult to find professionals with the right skills and qualifications for the roles that are on offer and this has already put pressure on wages, which is damaging if sustained. Attracting suitably qualified professionals to Ireland, ensuring the right legislation is in place and tackling the issue in schools is critical if Ireland is to address the chronic talent mismatch.

Richard Eardley, Managing Director, Hays Ireland

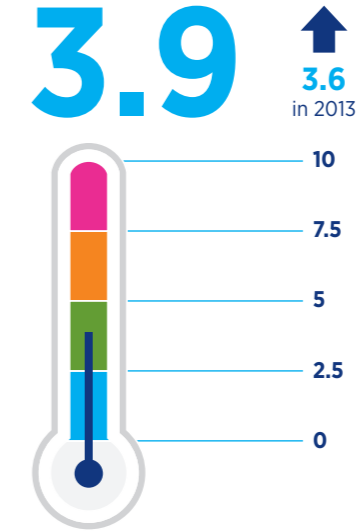
ITALY

Country profile

Italy's low overall score of 3.9 reflects the continued weakness in the Italian economy where GDP is forecast to contract by 0.2% this year.

With the recovery yet to become firmly established, structural problems in Italy's labour market means increasing numbers of Italian workers are at risk of skill erosion.

Overall score

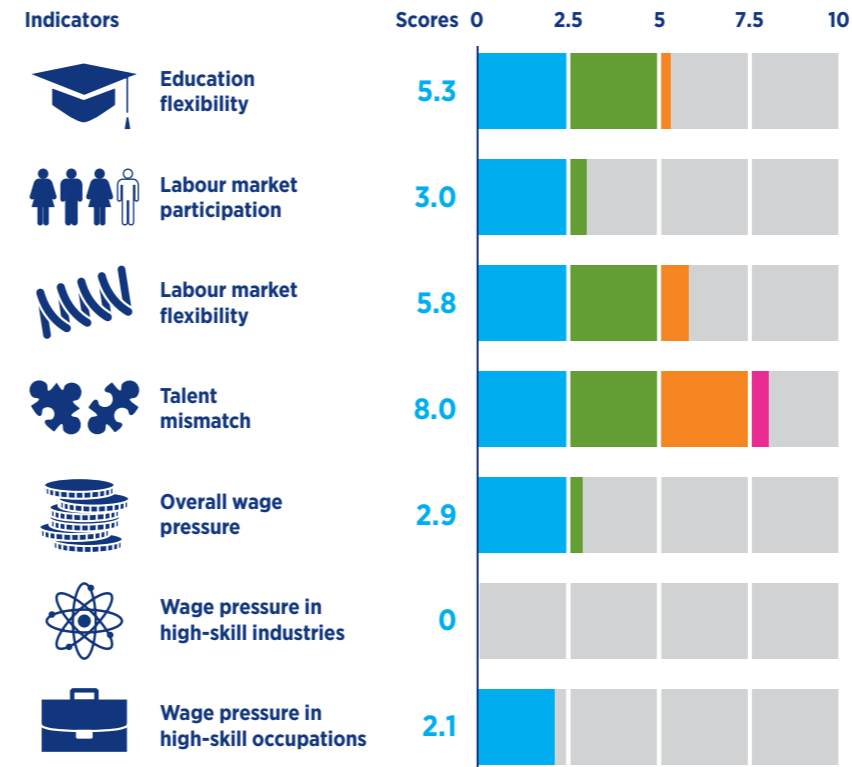


Background economic data

	2013	2014*
Population	59.8m	60.0m
GDP		
GDP (Billion EUR*)	1,578	1,580
GDP growth	-1.8%	-0.2%
GDP/head (EUR*)	26,400	26,300
Unemployment		
Unemployment rate	12.2%	13.0%
Long-term unempl. rate	6.5%	6.9%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Continued increases in both overall unemployment (13.0%) and long-term unemployment (6.9%) remain key concerns in the Italian labour markets.

Downward pressure from:

- Overall wage pressure
- Wage pressure in high-skill industries
- Wage pressure in high-skill occupations

Upward pressure from:

- Long-term unemployment
- Labour market regulations
- Overall unemployment

View from the ground

Italy is still struggling to manage its high level of unemployment following the recession. Europe's economy overall is showing signs of a recovery but Italy's remains slow. The government has made efforts to simplify the local labour system to make it more flexible with a view to creating new job opportunities, especially for young people. There has been a gradual upswing in the Italian market with employers beginning to hire again. However, with the effects of local labour market reforms yet to become visible, businesses still face the rigidity of Italian employment legislation, excess bureaucracy and a lack of market dynamism.

Carlos Soave, Managing Director, Hays Italy

LUXEMBOURG

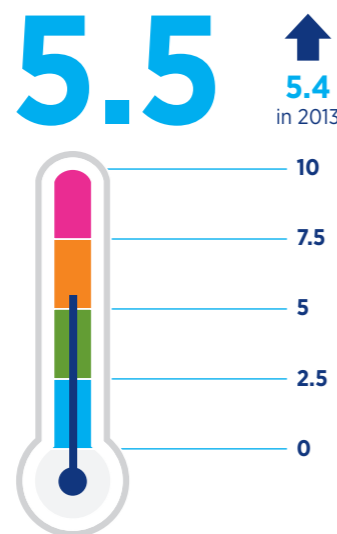
Country profile

Luxembourg's economy is expected to continue to grow at a moderate rate of 2.4% this year, slightly faster than last year but still below its long-term average.

Despite this comparatively healthy growth rate, the country's unemployment rate is forecast to increase slightly to 6% this year, with no change at all to long-term unemployment.

The result is a slight uptick in the overall score to 5.5.

Overall score

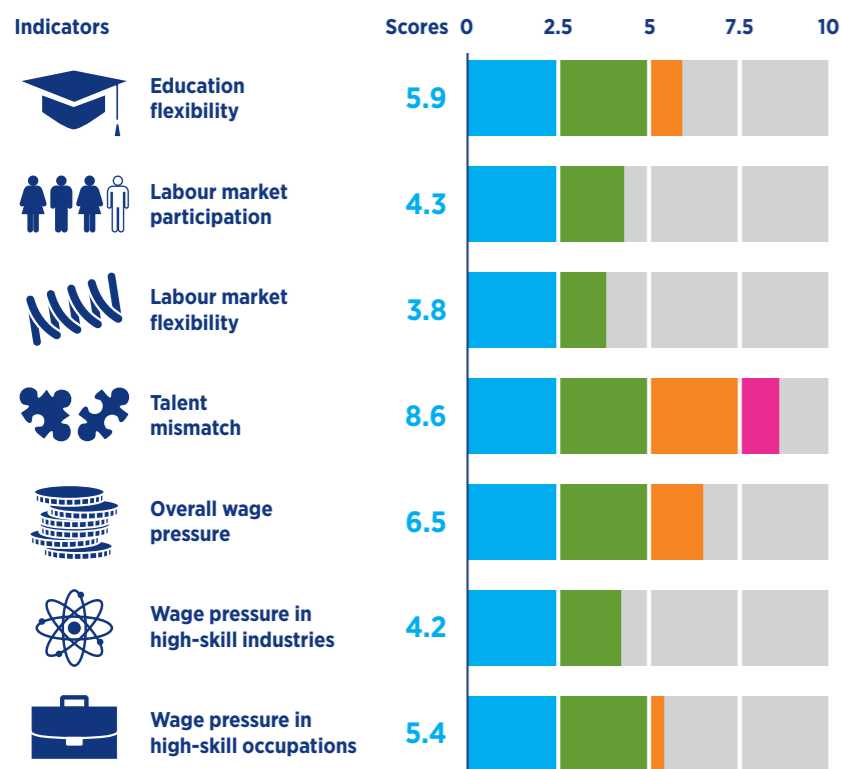


Background economic data

	2013	2014 [†]
Population	0.5m	0.5m
GDP		
GDP (Billion EUR*)	46	47
GDP growth	2.1%	2.4%
GDP/head (EUR*)	86,800	87,900
Unemployment		
Unemployment rate	5.9%	6.0%
Long-term unempl. rate	1.8%	1.8%

*2014 prices †Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Most of the increase in Luxembourg's Index score is attributable to an increase in overall wage pressure; yet this increase is not mirrored by increases in the high-skill occupations or industries indicators.

Downward pressure from:

- Net in-migration
- Labour market participation
- Labour market flexibility

Upward pressure from:

- Structural unemployment
- Overall wage pressure
- Wage pressure in high-skill occupations

View from the ground

Despite a slowdown in growth, Luxembourg is the leading country in Europe by GDP per capita. It remains one of the most attractive countries for cross-border workers in proportion to its population, with more than 140,000 people travelling to the country to take up work. Skilled occupations are most in demand but the building industry also offers interesting opportunities for unskilled workers. In addition, the labour market in Luxembourg is very open to young graduates and importantly, offers them the opportunity to get on the first rung of the career ladder.

Tina Ling, Managing Director, Hays France & Luxembourg

THE NETHERLANDS

Country profile

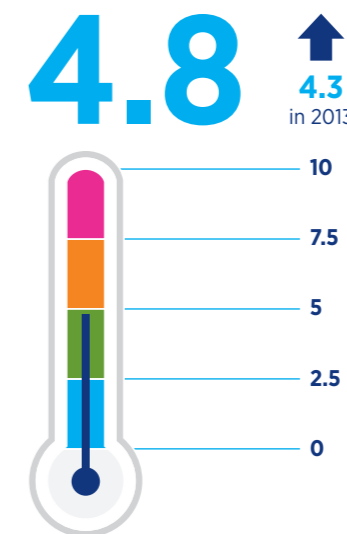
The Netherlands with an overall score of 4.8 continues to struggle toward economic recovery.

Its forecast GDP growth rate of 0.5% for 2014 is better than last year's contraction but still well below long-term averages.

Both overall unemployment (7.5%) and long-term unemployment (2.5%) continue to inch upward.

Labour participation rates remain high, although wage pressure is quite low.

Overall score

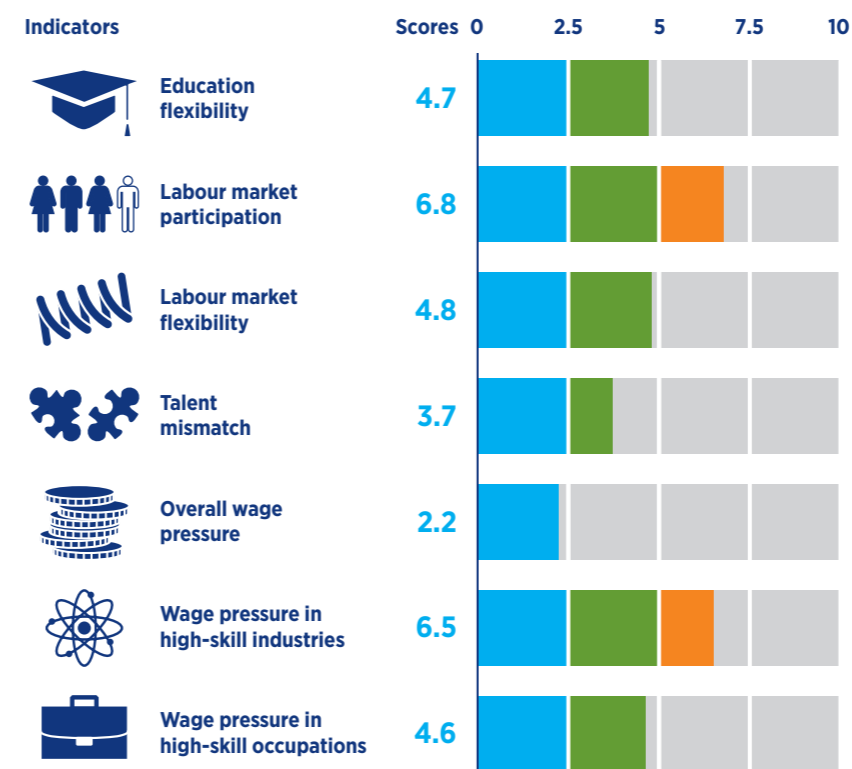


Background economic data

	2013	2014 [†]
Population	16.8m	16.9m
GDP		
GDP (Billion EUR*)	649	652
GDP growth	-0.7%	0.5%
GDP/head (EUR*)	38,600	38,700
Unemployment		
Unemployment rate	6.7%	7.5%
Long-term unempl. rate	2.3%	2.5%

*2014 prices †Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

The Netherlands' forecasted emergence from recession is supported by the significant uptick in overall wage pressure from 0 to 2.2. However, increasing rates of overall and long-term unemployment will act as constraints on the labour market's ability to aid the country's economic recovery.

Downward pressure from:

- Overall wage pressure
- Structural unemployment
- Talent mismatch

Upward pressure from:

- Wage pressure in high-skill industries
- Labour market participation
- Labour market regulations

View from the ground

Overall demand for qualified staff is still low and employers seek flexibility by hiring temporary staff. The Dutch labour market has become extremely flexible and this will facilitate further growth of jobs. At the same time there are structural skill shortages in technical areas such as electrical engineers, ICT and maritime experts. The Dutch economy is very international and the labour market is transforming into an international candidate market, providing a bigger pool to meet continuous demand. This will help businesses find the relevant experts when the economy picks up.

Robert van Veggel, Managing Director, Hays Netherlands

POLAND

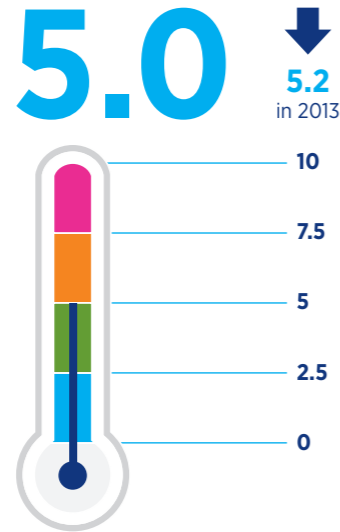
Country profile

Poland's economy is closely integrated with its European trading partners (particularly Germany) and is consequently experiencing improved economic prospects (GDP growth now projected to be 3.3% during 2014).

With low inflation, this growth is translating into real increases in overall wages.

The country's overall score of 5.0 reflects Poland's return to more normal labour markets conditions.

Overall score

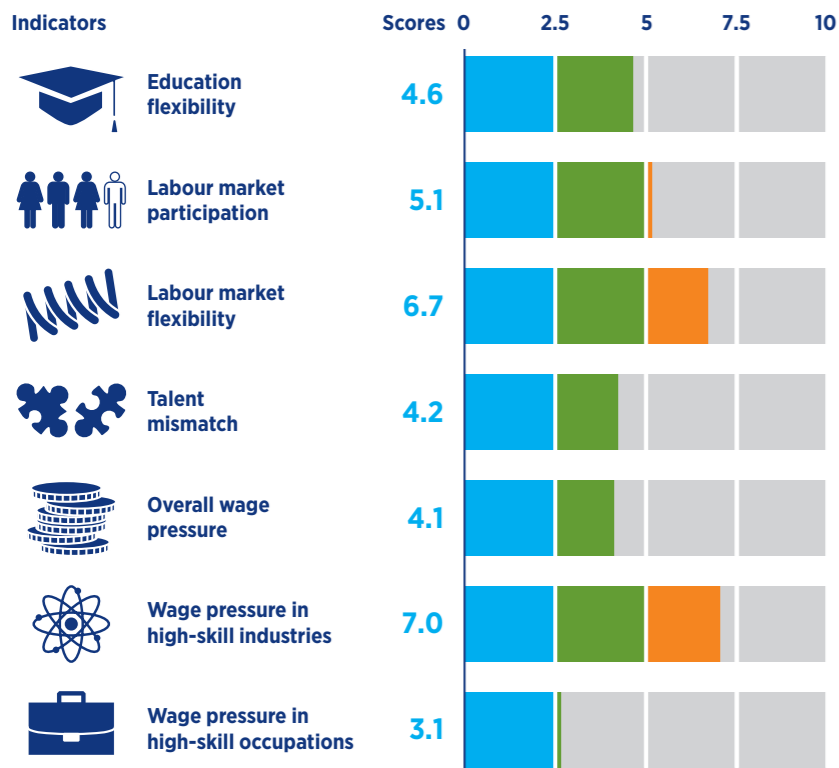


Background economic data

	2013	2014*
Population	38.5m	38.6m
GDP		
GDP (Billion PLN*)	1,654	1,707
GDP growth	1.6%	3.3%
GDP/head (PLN*)	42,900	44,300
Unemployment		
Unemployment rate	10.4%	9.5%
Long-term unempl. rate	3.6%	3.3%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

A pick-up in job creation in the export-oriented manufacturing sector has helped employment growth and is behind recent declines in the overall unemployment rate.

Downward pressure from:

- International PISA ranking
- Overall wage pressure
- Wages in high-skill occupations

Upward pressure from:

- Structural unemployment
- Job vacancies
- Labour market regulations

View from the ground

Poland is now recognised as having a fairly stable economy with a technically rich, skilled talent pool. Thus it is attracting significant global investment in its manufacturing and IT industries. In addition, Poland is recognised as a premier location in Europe for shared services centres. Recently there have been developments to move from standard operational tasks to more advanced processes such as HR, procurement and logistics, marketing and strategic planning. However, there is still a significant skills mismatch with a large proportion of graduates unable to find their first job. Universities, local authorities and businesses are beginning to work more closely together to close the gap.

Michał Młynarczyk, Managing Director, Hays Poland

PORTUGAL

Country profile

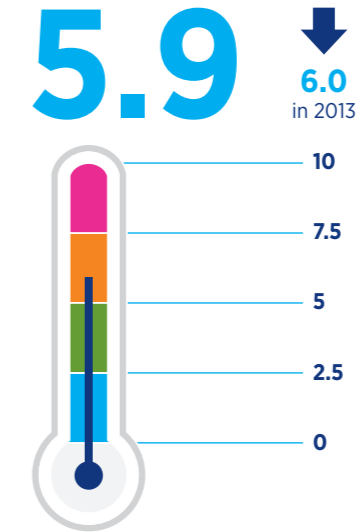
Portugal's relatively high score of 5.9 reflects the overall dysfunction in its labour markets rather than strong economic growth.

Unemployment is falling but it is expected to remain extraordinarily high at 15.5%.

The economy is no longer contracting but now growing at a forecast rate of 1.1%.

While these trends are positive, the labour market is far from returning to historic levels.

Overall score

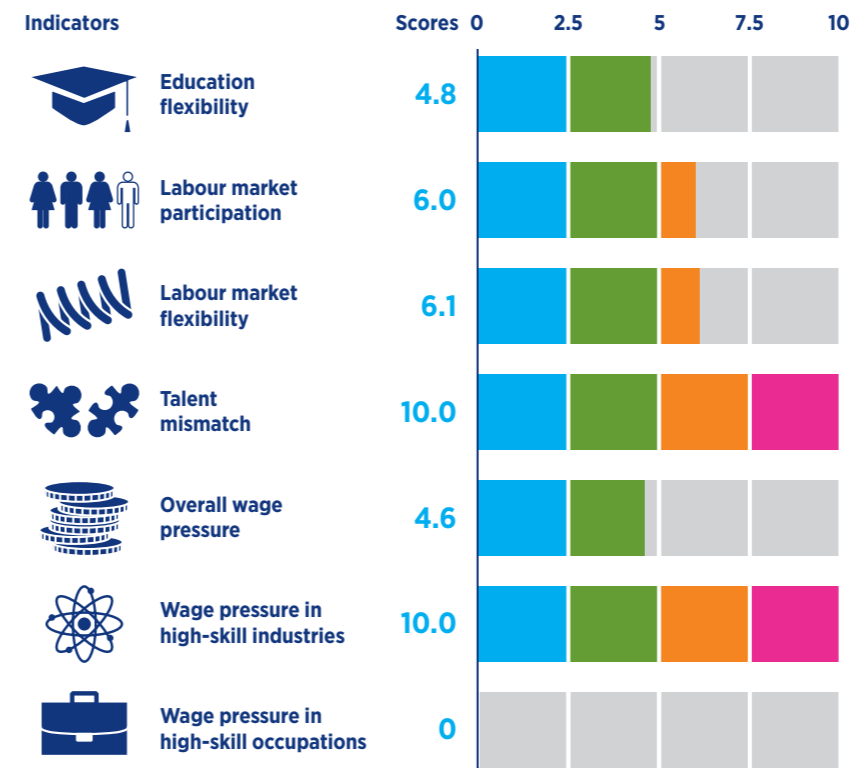


Background economic data

	2013	2014*
Population	10.5m	10.4m
GDP		
GDP (Billion EUR*)	167	169
GDP growth	-1.4%	1.1%
GDP/head (EUR*)	16,000	16,200
Unemployment		
Unemployment rate	16.5%	15.5%
Long-term unempl. rate	8.0%	7.5%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

High long-term unemployment is contributing strongly to Portugal's high talent mismatch score. The talent premium in high-skill industries also remains exceptionally high.

Downward pressure from:

- Wage pressure in high-skill occupations
- Education level
- Overall wage pressure

Upward pressure from:

- Structural unemployment
- Job vacancies
- Wage pressure in high-skill industries

View from the ground

The Portuguese economy is showing the first positive signs of recovery and the labour market seems to be regaining its dynamism, as employment statistics gradually improve. However, there are still some structural issues that need to be solved collectively, one of them being the severe talent mismatch that may be preventing companies and professionals from taking the next step in implementing more ambitious plans for the future. Readjusting the available pool of talent to the current market needs will probably be the biggest challenge for the years to come.

Paula Baptista, Managing Director, Hays Portugal

RUSSIA

Country profile

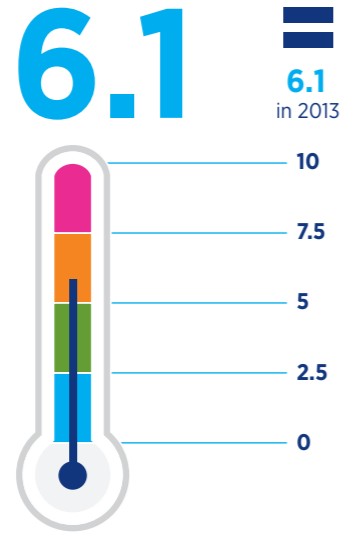
Russia's economy has been brought to a virtual standstill because of recent geopolitical tension.

Overall economic growth in 2014 is forecast to be 0.2%. There are however significant risks that it may be lower than this projection.

These recent developments are not likely to be fully reflected in the country's overall score of 6.1.

Even before the recent outbreak in regional tension, Russia's overall and long-term employment were each forecast to increase slightly this year.

Overall score

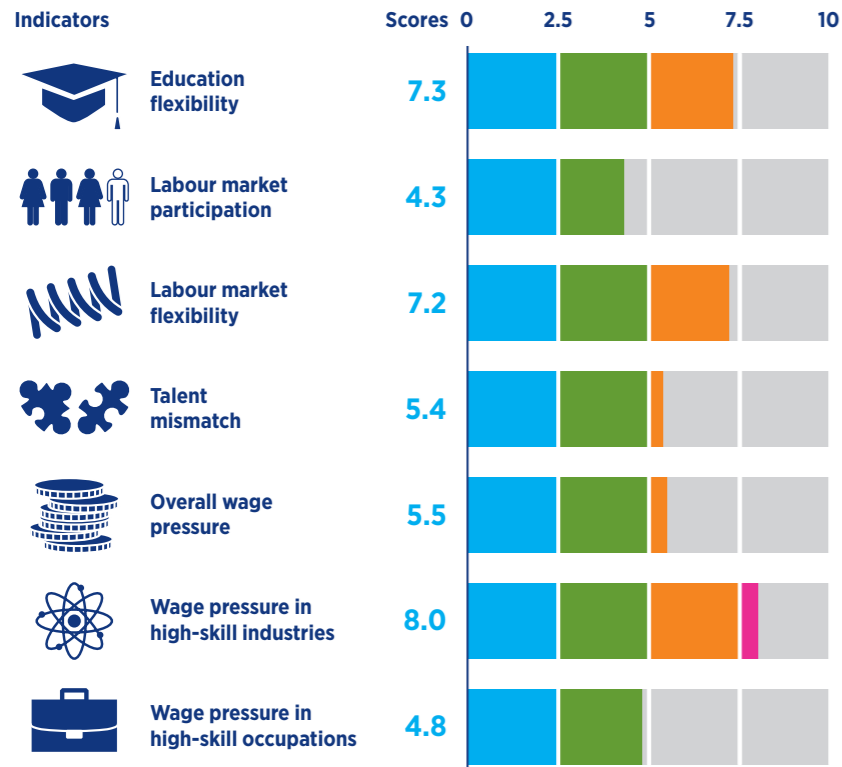


Background economic data

	2013	2014*
Population	142.8m	142.4m
GDP		
GDP (Billion RUB*)	72,306	72,437
GDP growth	1.2%	0.2%
GDP/head (RUB*)	506,500	508,600
Unemployment		
Unemployment rate	5.5%	5.9%
Long-term unempl. rate	1.8%	2.0%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Russia's educational quality and regulatory climate continue to place considerable strain on the country's labour markets.

Downward pressure from:

- Labour market participation
- Labour market participation, ages 15-24
- Wage pressure in high-skill occupations

Upward pressure from:

- International PISA ranking
- Labour market regulations
- Wage pressure in high-skill industries

View from the ground

During challenging economic and political conditions, the country will still struggle to educate its youth about the needs of the economy and labour market regulations will place significant restraints on economic growth. Shortage of skilled labour persists in high-skill industries and professions, and wage pressure indicators reflect candidate-driven market conditions. Russia lacks structural and consistent dialogue between the government, businesses and education facilities, although certain steps have been made in this direction recently.

Alexey Shteingardt, Managing Director, Hays Russia

SPAIN

Country profile

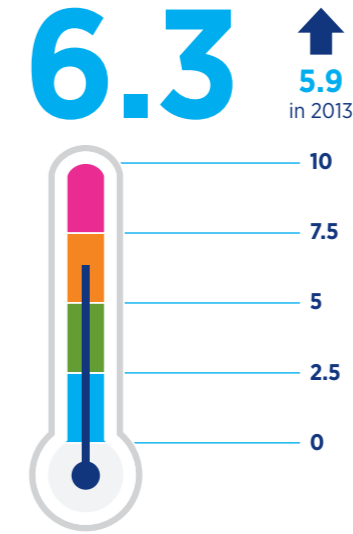
After a prolonged period of negative growth, Spain's GDP is finally expected to increase this year, albeit at the slow rate of 1.1%.

The labour market is under immense pressure. Unemployment is forecast at 25.2% and this includes 3.5 million people who have been without a job for more than a year.

Net migration is causing the labour force to decline rapidly.

All of this is reflected in Spain's high overall score of 6.3.

Overall score

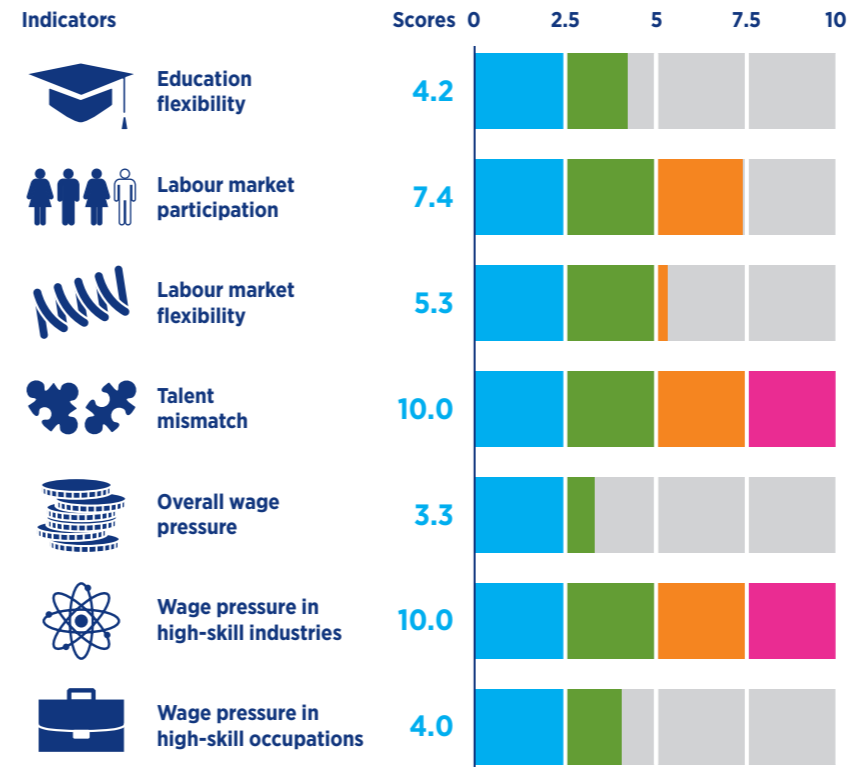


Background economic data

	2013	2014*
Population	46.7m	46.6m
GDP		
GDP (Billion EUR*)	1,025	1,037
GDP growth	-1.2%	1.1%
GDP/head (EUR*)	21,900	22,200
Unemployment		
Unemployment rate	26.4%	25.2%
Long-term unempl. rate	11.7%	11.2%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Declining youth participation in the labour force and very high long-term unemployment mean that Spain's labour markets will continue to feel stress for years to come.

Downward pressure from:

- Wage pressure in high-skill occupations
- Overall wage pressure
- Education levels

Upward pressure from:

- Labour force participation
- Structural unemployment
- Wage pressure in high-skill industries

View from the ground

Spain has seen recent improvements in economic circumstances with positive annual GDP growth, and as a consequence, the employment trend is going in the right direction. However, with an unemployment rate still significantly higher than that of any of its neighbours (especially youth and long-term unemployment), the acceleration of this trend remains critical. Higher education remains structurally strong but relatively isolated from private sector business and slow to adapt to changing market needs. It is to be hoped that the improving circumstances will generate an increase in market confidence, so enabling greater dynamism and flexibility. Continued innovation will be key.

Chris Dottie, Managing Director, Hays Spain

SWEDEN

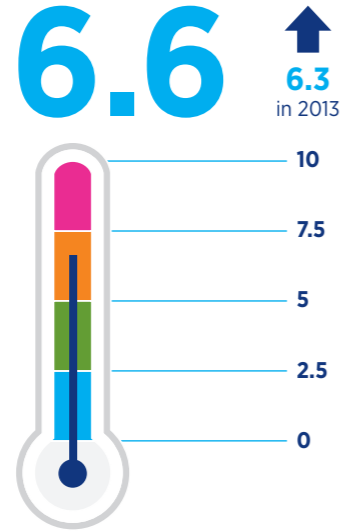
Country profile

The pace of Sweden's economic recovery continues to gain momentum and GDP growth is now expected to be 2% this year.

The country's recent labour regulatory reforms, plus net in-migration, have each helped expand the labour force.

Nevertheless, Sweden's overall score of 6.6 points to increasing labour market stress.

Overall score

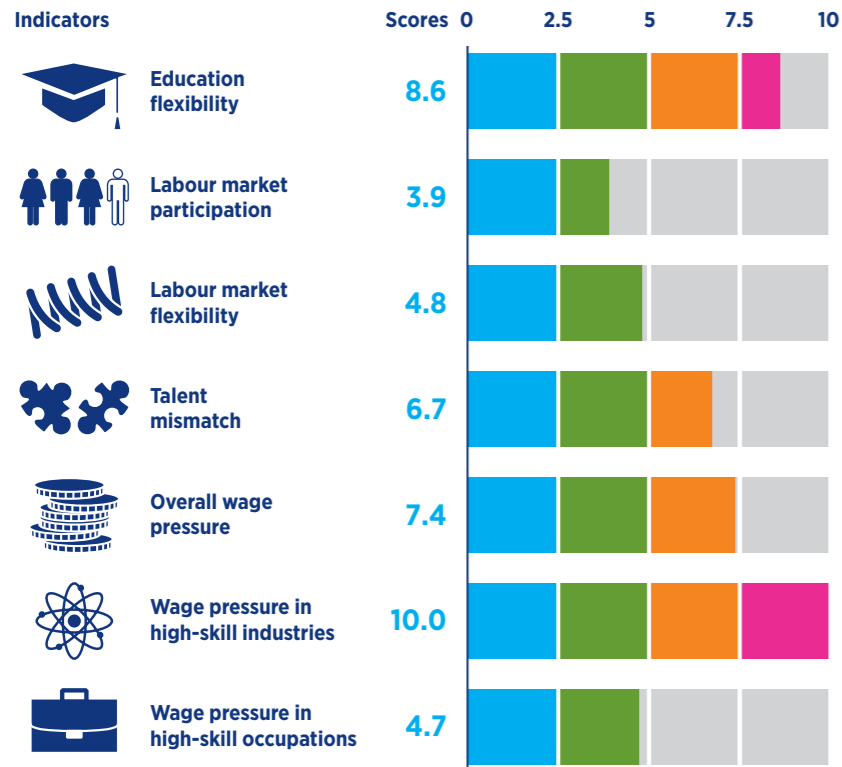


Background economic data

	2013	2014 [†]
Population	9.6m	9.7m
GDP		
GDP (Billion SEK*)	3,694	3,768
GDP growth	1.6%	2.0%
GDP/head (SEK*)	384,700	389,400
Unemployment		
Unemployment rate	8.0%	7.9%
Long-term unempl. rate	1.4%	1.4%

*2014 prices †Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Sweden continues to experience significant wage pressure in high-skill industries, but escalating overall wage pressure is now exerting considerable pressure as well.

Downward pressure from:

- Labour market participation
- Labour market regulations
- Wage pressure in high-skill occupations

Upward pressure from:

- International PISA ranking
- Wage pressure in high-skill industries
- Overall wage pressure

View from the ground

Overall, Sweden has managed the tough economic climate well with a GDP forecast of 2% and unemployment rates continuing to decrease. 2014 is an election year and current polls indicate that there will be a change in power. Education is a hot topic, as Sweden has dropped dramatically in the latest PISA ranking. The general opinion is that Sweden needs to improve its education structure to maintain the existing focus on business innovation. Discussions around the labour market have been focused on the survival of the discount structure in statutory benefits when hiring staff under the age of 27 years.

Johan Alsen, Managing Director, Hays Sweden

SWITZERLAND

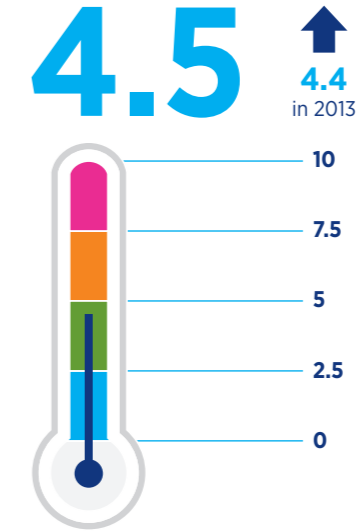
Country profile

Switzerland's economy is forecast to grow by 1.8% this year and although that represents a bit of slowdown from last year, and still below long-term averages, the country's key economic vital signs are excellent.

Inflation remains very low but so too does unemployment at only 3.2%.

This healthy labour picture is reflected in the country's overall score of 4.5.

Overall score

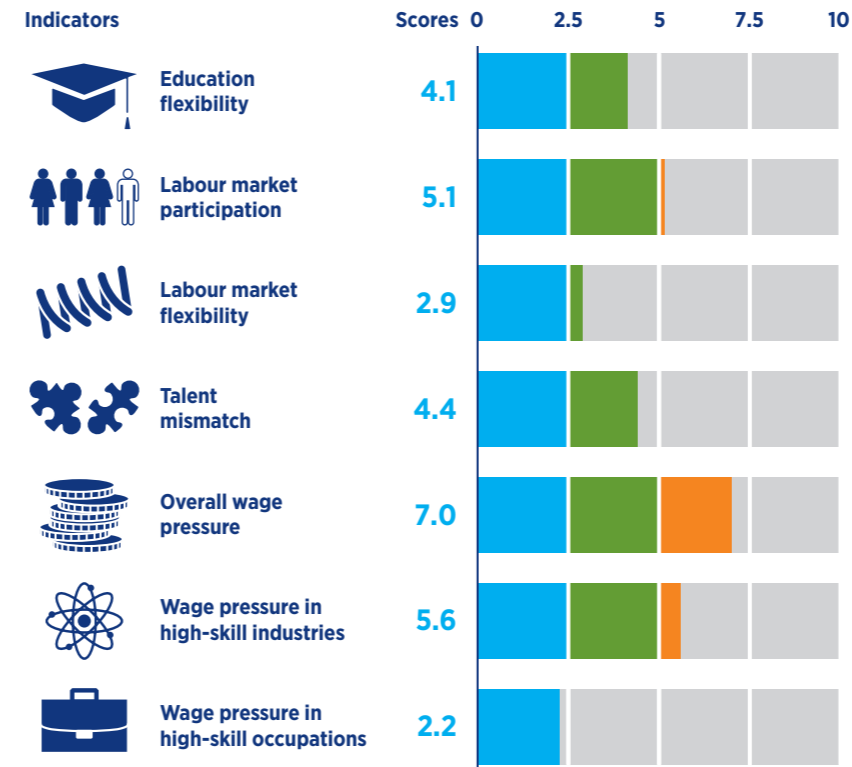


Background economic data

	2013	2014 [†]
Population	8.1m	8.2m
GDP		
GDP (Billion CHF*)	604	615
GDP growth	2.0%	1.8%
GDP/head (CHF*)	74,400	75,000
Unemployment		
Unemployment rate	3.2%	3.2%
Long-term unempl. rate	1.1%	1.1%

*2014 prices †Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Net inward migration has continued to help increase the size of Switzerland's overall labour force and this trend is contributing to the generally favourable reading in most of the Index indicators.

Downward pressure from:

- Net in-migration
- Labour market regulations
- Wage pressures in high-skill occupations

Upward pressure from:

- Long-term unemployment
- Overall wage pressure
- Wage pressure in high-skill industries

View from the ground

Following a tight vote, the Swiss electorate accepted the Peoples Party's initiative against 'mass immigration'. The initiative commands the Swiss Government to renegotiate the EU-Swiss 'Treaty on the freedom of movement of persons' within three years. According to predictions, the medium to long-term growth potential of Switzerland could be seriously affected. Switzerland is home to a lot of multinationals and foreign professionals, and there is a risk that these major players will relocate to other countries, if such regulations prevent them from finding qualified specialists. However, there is hope; how the reforms will look depends on how the Federal Council turns the initiative into law.

Marc Lutz, Managing Director, Hays Switzerland

UNITED KINGDOM

Country profile

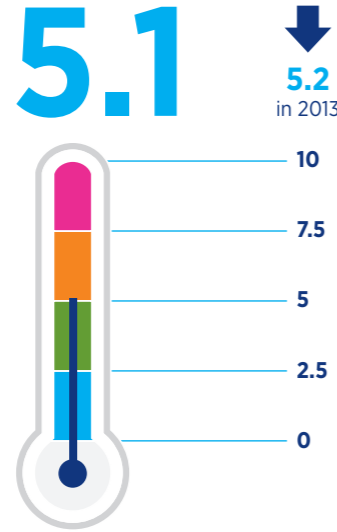
During the second quarter of 2014, it appears that the size of the UK economy has finally passed its previous peak level of output, after a period of more than six years.

In fact, this year's projected GDP growth of 3.2% would (if realised) exceed long-term averages.

Unemployment continues to inch downward; although a part of this decline is attributable to the rise of part-time workers.

The UK's overall rating of 5.1 reflects the return to more normal labour markets.

Overall score

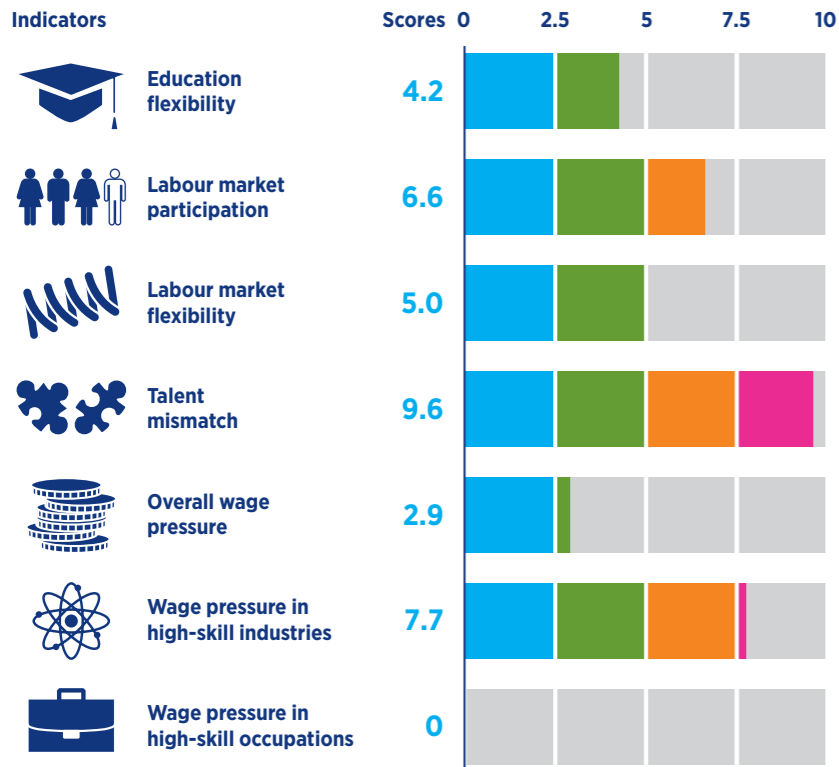


Background economic data

	2013	2014*
Population	64.2m	64.6m
GDP		
GDP (Billion GBP*)	1,626	1,677
GDP growth	1.7%	3.2%
GDP/head (GBP*)	25,300	26,000
Unemployment		
Unemployment rate	7.5%	6.9%
Long-term unempl. rate	2.6%	2.4%

*2014 prices *Average forecast figures for 2014

Breakdown of seven indicator scores



Key finding

Long-term unemployment remains stubbornly high and this is a major contributor to the high talent mismatch indicator.

Downward pressure from:

- Net in-migration
- Overall wage pressure
- Wage pressure in high-skill occupations

Upward pressure from:

- Long-term unemployment
- Labour market participation
- Wage pressure in high-skill industries

View from the ground

The UK is back in growth mode and the outlook is positive. What is worrying is that unemployment remains stubbornly high and employers are struggling to find the professionals they need. The talent mismatch is particularly prevalent in industries like engineering and IT but skills shortages can be seen across the majority of sectors we recruit for. The UK needs to see widespread structural reform if we are to tackle this issue. Ensuring businesses have easy access to the talent they need should be a priority before we start to see further signs of wage inflation.

Nigel Heap, Managing Director, Hays UK

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Hays has more than 40 years of experience helping organisations and businesses fill permanent positions, contract roles and temporary assignments, across the private and public sectors. As the world's largest specialist recruitment agency, last year alone Hays helped over a quarter of a million professional people worldwide find their next career role. With over 8,000 staff operating from 237 offices across 33 countries, Hays is a market leader in the UK and Asia Pacific and one of the market leaders in Continental Europe and Latin America and has a growing presence in North America.

Hays works across 20 specialist areas, from healthcare to energy, finance to construction and education to IT. Its recruiting experts deal with 8 million CVs a year and conduct nearly 40,000 interviews per month. Last year Hays worked with clients, large and small, across the globe to find nearly 60,000 permanent employees and to fill over 212,000 temporary assignments.

Every day Hays helps clients simultaneously dealing with talent shortages in certain markets, while having to reshape workforces in others. The nature of employment is also changing fast, with technological advances driving evolutions in the way people work. Hays understands these complexities and is uniquely positioned across its markets to solve them.

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Data sources for indicator scores

The analysis on which the Hays Global Skills Index was based utilised data as of Q2 2014. Developments subsequent to this date are not reflected in the 2014 findings.

Labour freedom
Heritage Foundation, 2014 Index of Economic Freedom

Improvements in education levels
Barro, Robert and Jong-Wha Lee, April 2010, "A New Data Set of Educational Attainment in the World, 1950-2010." Journal of Development Economics, vol 104, pp.184-198.

Change in economic participation rate (overall)
Oxford Economics Global Macro Model

Change in economic participation (15-24 year olds)
International Labour Organization (ILO)

Change in economic participation (55-64 year olds)
International Labour Organization (ILO)

Economic participation rate rank
International Labour Organization (ILO)

Output gap (% GDP)
International Monetary Fund (IMF)

Long-term unemployment rate
Organization for Economic Cooperation and Development (OECD), National statistical agencies

Vacancies (000s)
Organization for Economic Cooperation and Development (OECD), Eurostat, National statistical agencies

GDP (LC, real, billion)
Oxford Economics Global Macro Model

GDP growth (real)
Oxford Economics Global Macro Model

Population (mn)
Oxford Economics Global Macro Model

Unemployment rate
Oxford Economics Global Macro Model

GDP/head (LC, real)
Oxford Economics Global Macro Model

Government balance
Oxford Economics Global Macro Model

Current account
Oxford Economics Global Macro Model

Non-Accelerating Inflation Rate of Unemployment (NAIRU)
Oxford Economics Global Macro Model

CPI inflation
Oxford Economics Global Macro Model

PPI inflation
Oxford Economics Global Macro Model

Imports + Exports (%GDP)
Oxford Economics Global Macro Model

PISA reading scores
PISA 2012 Results: What Students Know and Can Do (OECD)

PISA math scores
PISA 2012 Results: What Students Know and Can Do (OECD)

PISA science scores
PISA 2012 Results: What Students Know and Can Do (OECD)

Average PISA rank
PISA 2012 Results: What Students Know and Can Do (OECD)

Net migration
US Government

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