News Release

WORLD ECONOMIC FORUM

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Global Talent Crisis Lies at Heart of Inequality Debate

- The *Human Capital Report 2017* finds countries' failure to adequately develop people's talents is underpinning inequality by depriving people of opportunity and access to a broad base of good-quality work
- Investments in education often fail due to inadequate focus on lifelong learning, failure to develop high-skilled opportunities and a mismatch of skills required for entering and succeeding in the labour market
- With only 62% of the world's human capital stock fully developed, the United States and Germany are among the best-performing nations in a top 10 dominated by smaller European countries
- Download the full report here

13 September 2017 – Efforts to fully realize people's economic potential – in countries at all stages of economic development – are falling short due to ineffective deployment of skills throughout the workforce, development of future skills and adequate promotion of ongoing learning for those already in employment. These failures to translate investment in education during the formative years into opportunities for higher-quality work during the working lifetime contributes to income inequality by blocking the two pathways to social inclusion, education and work, according to the World Economic Forum's *Human Capital Report 2017*, which is published today.

The report measures 130 countries against four key areas of human capital development; **Capacity**, largely determined by past investment in formal education; **Deployment**, the application and accumulation of skills through work; **Development**, the formal education of the next generation workforce and continued upskilling and reskilling of existing workers; and **Know-how**, the breadth and depth of specialized skills-use at work. Countries' performance is also measured across five distinct age groups or generations: 0-14 years; 15-24 years; 25-54 years; 55-64 years; and 65 years and over.

According to the report's Human Capital Index, 62% of human capital has now been developed globally. Only 25 nations have tapped 70% of their people's human capital or more. With the majority of countries leveraging between 50% and 70% of their human capital, 14 countries remain below 50%.

Human Capital Index — Global Top 10

	rank
Norway	1
Finland	2
Switzerland	3
United States	4
Denmark	5
Germany	6
New Zealand	7
Sweden	8
Slovenia	9
Austria	10

Source: Global Human Capital Report 2017, World Economic Forum

A fundamental tenet of the report is that accumulation of skills does not end at a formal education, and the continuous application and accumulation of skills through work is part of human capital development. All too often economies already possess the required talent but fail to deploy it.

While much is often made of intergenerational inequalities when it comes to the realization of human capital, the report finds every generation faces considerable challenges when it comes to realizing individual potential. For example, while younger people are consistently better off than older generations when it comes to the initial investment in their education, their skills are not always deployed effectively and too many employers continue to look for ready-made talent. The problem of under-deployment of skills among the young also affects those coming towards the end of their working life. Meanwhile, few among those currently in employment – across all age groups –are gaining access to higher skilled work and opportunities to enhance know-how.

“The Fourth Industrial Revolution does not just disrupt employment, it creates a shortfall of newly required skills. Therefore, we are facing a global talent crisis. We need a new mind-set and a true revolution to adapt our educational systems to the education needed for the future work force,” said Klaus Schwab, Founder and Executive Chairman, World Economic Forum.

“Countries’ strategies for developing human capital should vary according to demographic structure. However, every country risks creating lost generations if they fail to adopt a more holistic approach to nurturing talent that takes into account a proactive approach to managing the transition from education to employment and to ongoing learning and skills acquisition,” said Saadia Zahidi, Head, Education, Gender and Work, World Economic Forum.

"Skills are the fundamental unit of human capital. Knowing which skills are most resilient, most persistent, and most likely to remain relevant through technological innovation and economic change is key to successfully upskilling and reskilling workers. Using our data to arm governments and broader policy communities with a richer understanding of skills dynamics can and should fuel more nuanced and strategic investments in building human capital for the future,” said Guy Berger, LinkedIn Economist.

The Human Capital Index 2017
The top 10 is topped by smaller European countries – **Norway (1), Finland (2), Switzerland (3)** – as well as large economies such as the **United States (4)** and **Germany (6)**. Four countries from East Asia and the Pacific region, three countries from the Eastern Europe and Central Asia region and one country from the Middle East and North Africa region are also in the index top 20.

At a regional level, the human capital development gap is smallest in North America, followed by Western Europe, Eastern Europe and Central Asia, East Asia and the Pacific, Latin America, and the Middle East and North Africa. The gap is largest in South Asia and sub-Saharan Africa.

North America is the strongest regional performer, with an average score of 73.95. The United States (4) ranks in the top 10 and Canada (14) in the top 20.

Western Europe has an overall average score of 71.10, the second highest after North America. The rankings are dominated by the Nordic countries –Norway (1), Finland (2), Denmark (5) and Sweden (8), as well as Switzerland (3) and Germany (6) –which collectively take the region’s top spots. Twelve countries have crossed the threshold of developing at least 70% of their human capital. The Netherlands (13) and Belgium (15) rank ahead of the United Kingdom (23) and France (26) to make up the mid-range of the regional league table, while three Mediterranean countries – Portugal (43), Spain (44) and Greece (48) – take the bottom ranks.

Eastern Europe and Central Asia ranks in third place globally, with an overall average score of 67.36. Three countries from the region rank in the top 20: Slovenia (9), Estonia (12) and the Russian Federation (16). The Czech Republic (22), Ukraine (24) and Lithuania (25) all score above the 70% threshold. The bottom-ranked countries in the region, Macedonia, FYR (67) and Albania (85), are held back by high unemployment and underemployment rates across all age groups.

East Asia and the Pacific region scores towards the middle of the range of the index, with an overall average of 65.77. The best-performing countries in the region, such as Singapore (11), Japan (17) and the Republic of Korea (27), are global strongholds of human capital success, while countries such as Lao PDR (84), Myanmar (89) and Cambodia (92) trail behind despite their high degree of human capital utilization across the deployment pillar. ASEAN economies such as **Thailand** (40), **Vietnam** (64), **Indonesia** (65) and **Malaysia** (33) score towards the middle range. **China** (34) ranks well ahead of the other BRICS nations except for the Russian Federation.

Latin America and the Caribbean scores in the lower middle range of the index, with an overall average score of 59.86. The gap between the best and worst performers in the region is smaller than for any other region. The two best-performing countries in the region are Argentina (52) and Chile (53). The region’s two largest economies, Mexico (69) and Brazil (77), rank in the middle and lower half of the index overall along with Peru (66) and Colombia (68). The bottom ranks of the region are made up of Venezuela (94) and Central American nations such as Honduras (101).

Middle East and North Africa has an overall average score of 55.91. Only one country, Israel (18), from the region makes it into the top 20. Three gulf states – the United Arab Emirates (45), Bahrain (47) and Qatar (55) – outperform the rest of the region’s Arab-speaking countries and score in the mid-range of the index overall. Turkey (75) scores at 60%. Saudi Arabia (82), the region’s largest economy, ranks ahead of Egypt (97), its most populous one. Algeria

(112), Tunisia (115) and Morocco (118) make up the lower end of the rankings, ahead of Mauritania (129) and Yemen (129).

South Asia scores second lowest in the index, with an overall average score of 54.10. Sri Lanka (70) is the top performer, while Nepal (98), India (103), Bangladesh (111) and Pakistan (125) lag behind. With the exception of Sri Lanka, the rest have yet to reach the 60% threshold with regard to developing their human capital.

With an overall average score of 52.97, **sub-Saharan Africa** is the lowest-ranked region in the index. Rwanda (71), Ghana (72), Cameroon (73) and Mauritius (74) have developed more than 60% of their human capital. South Africa (87), the region's second largest economy, comes towards the middle in the region. Nigeria (114) ranks in the lower midfield and Ethiopia (127) is the lowest performer, fourth from the bottom on the index overall.

For an analysis of the index by sub-index, click-here

The Specialization of Skills – an Analysis

A research partnership with LinkedIn sheds new light on education and skills around the globe.

Within the broader scope of expansion of higher education between generations, there has been a shift in the choices made by students on which subjects to specialize in as well as an expansion of the set of degrees on offer. Some fields of specialization, such as business administration and management see continued substantial representation by age group across all generations. Others such as economics have declined as the proportion of degrees amongst younger generations. Degrees such as computer science have been growing as a proportion of the degrees held by younger generations. Finally, degrees such as psychology have resurged as a proportion of the degrees held by the youngest cohorts, matching the popularity they once held amongst the oldest cohorts after having dipped among the middle cohorts.

Business, administration and law, social sciences, journalism and information as well as information and communication technologies (ICT) dominate the most popular specializations across all labour markets. Economies in South America are among the most likely to have a focused specialization in business, administration and law, especially in some of South America's largest economies such as Argentina, Brazil, Chile and Colombia. On the other hand, some of the countries in which students are more likely to have pursued a specialization in arts and humanities are the United Kingdom, Ireland, Denmark, the United States, Canada, New Zealand and France. Countries that are home to large tertiary-educated talent pools specialized in engineering, manufacturing and construction include economies with high demand for petrochemical engineers, such as Qatar, Brunei Darussalam, Kuwait, the United Arab Emirates, Malaysia and Bahrain.

When it comes to Information and Communication Technologies talent, data from LinkedIn's global membership shows that there has been a considerable expansion of this particular set of specialist skills. Yet, this boom in ICT talent is not equally distributed across countries and generations. Economies such as Sweden, Australia, the United States, Switzerland and the United Kingdom have relatively more mature ICT talent; others such as Lithuania, Brazil, Romania and Estonia have predominantly young pools of ICT talent.

While expanding education access and undertaking curricula reform are critical for ensuring that future generations are prepared for a changing labour market, the *Human Capital Report 2017* emphasizes the vital nature of continuous skilling, upskilling and reskilling through the workforce. This requires employers to provide learning opportunities to their workers and see these as investments, governments to take a holistic view to broadening and deepening the skills-specialization and complexity of work across their economies, and individuals to see learning as a lifelong activity.

Notes to Editors
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