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Latin American Growth Fuels Need for Talent, but from Where?

Developing Economies Need Talent to "Come Home"

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Executive Summary

Immigration from Latin American countries to North America and Europe has loomed large in the public consciousness for a fair amount of time. But a reverse migration is underway as well, and while it may not generate the press and attention of the former, it has not escaped the notice of governments, industry and business.

Steadily improving economies in those countries have sparked a return by those who went north or overseas for better educational and professional opportunities. But improving political and socio-economic stability in a significant number of nations has resulted in expatriates renouncing that status and going home. And they are returning as highly trained, experienced professionals seeking opportunities to utilize their expertise in their region of origin. Also of significance, uncertainties in countries such as Venezuela and Argentina are motivating professionals, who may have looked for more stable environs in the US, to be open to relocating to countries within Latin America.

In addition to professional reasons, these returnees are motivated to return to the culture they grew up in and the families they grew up with. And now that the salary gaps are closing they have the means to do so. The years that they and their peers spent away, improving economies and the growth of IT, finance, and tech industries in their home countries have resulted in talent shortages in their homelands that must be met, and there are professionals who are available and eager to do just that.

The Big Picture

The political, cultural, and economic landscapes in Latin America have been on an upswing throughout the 2000s, and 2014 may have been the region's best year yet. Countries such as Brazil, Chile and Mexico are driving its upward trajectory. According to the U.N., "Based on promising signs of private consumption and manufacturing, the region will see [expected] growth rates of 3.6 percent in 2014 and 4.1 percent in 2015, according to 'World Economic Situation and Prospects 2014', a report that launches in January." The U.N. Economic Commission on Latin America forecast that Latin-American economic development would be the highest of all global regions for 2014.

2014 saw Latin America's visibility rise culturally, as well. Prominent sporting events, increased tourism, media coverage, and the emergence of popular public figures raised the region's profile, and *The Economist* recently announced the addition of a weekly column devoted to Latin America.

While the region as a whole is recognized as one enjoying increased social, political, and economic stability, several countries stand out.

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Regional Snapshots

Mexico

A major series of energy reforms signed into law in the summer of 2014 by President Enrique Peña Nieto is predicted by many experts to benefit Mexico's economy substantially. "Looking beyond the next year or so, the government's reform and investment plans will raise the economy's potential rate of growth," said David Rees, emerging markets economist at London-based research firm Capital Economics.

Some estimate that the reforms will generate a two percent boost in the GDP within 10 years, while Rees predicts growth at four-and-a-half percent in 2015 and four percent in 2016, which "will leave Mexico comfortably outperforming the region's other major economy, Brazil." In addition, the creation of an additional two million jobs is anticipated, and domestic and international businesses, corporations, and organizations are positioning themselves for the multi-faceted uptick.

A surprising 89 percent of Mexican immigrants return of their own volition, according to a study by Mexicans and Americans Thinking Together (MATT) and Southern Methodist University. The World Bank approved a US $300 million Development Policy Loan in the education sector in late 2013, and improvements in this sector may begin to influence decision making around returning to Mexico.

Colombia

The rise in commodity exports, especially oil, coal, and coffee, has driven an average growth rate of one percent quarter after quarter in Columbia, making it the third largest economy in Latin America. Finance Minister Mauricio Cardenas includes several reforms in explaining Columbia's growth. Lower mortgage rates, arranged by the government in partnership with banks, and $200 million in public money that leveraged investment in housing totaling $2 billion has helped boost construction by more than ten percent annually.

The World Bank's report 'Global Economic Prospects' identifies Colombia as one of the most attractive Latin American countries in which to invest from 2014 throughout 2016, and societal reforms and programs have shaped the advancement of Colombian society and increased its appeal, as well.

Comprehensive initiatives for impoverished children and families have led to significant reductions in poverty and socioeconomic inequality rates, especially in rural areas. Security has been increased through governmental initiatives and discussions with FARC and ELN, the two largest guerilla movements, with the end of the last such wars in the Americas in sight.

Chile

An employment boom in Chile has created approximately 600,000 jobs in just two years, and some economists speculate that the labor market will expand even further. And while all sectors of the Chilean economy grew last year manufacturing and construction experienced the most significant gains.

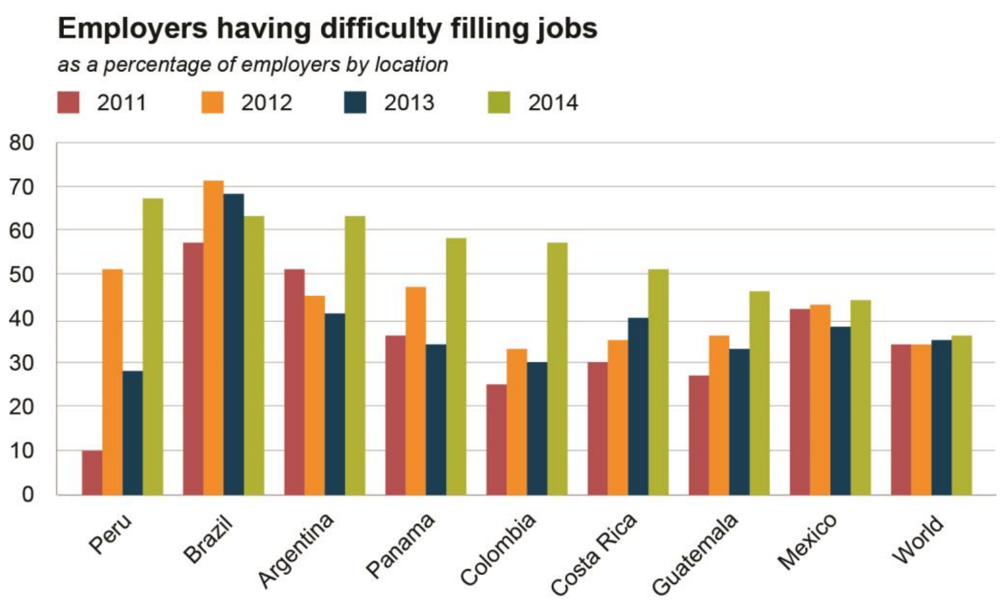
The Heritage Foundation reports that the substantial decline of the growth rate of Chile's GDP from 2006 to 2009, coupled with the deterioration of fiscal discipline and high levels of public spending sparked reforms that added one million jobs between 2010 and 2014. The economy's capacity for growth at high rates is based on solid foundations. The average annual growth rate of 5.7 percent from 2010 to 2012 made Chile the second highest among the Organization for Economic Cooperation and Development (OECD) countries.

The *Santiago Times* reports that trends in global migration and the country's thriving economy are impacting the picture of immigration in Chile. OECD figures indicate that immigration has increased by 200 percent since 2002, and many in the governmental and business sectors would like to see that trend continue. Foreigners with expert qualifications are being actively sought, as well as an increase in temporary workers to ease chronic labor shortages in such key areas as agriculture and construction.

Chile's economy is one of Latin America's fastest growing, and poverty rates have been significantly reduced. Approximately seven million people have risen out of poverty in 2004, according to the World Bank.

Talent Gaps

Migration patterns are being changed by the growth of these emerging markets. Developed markets remain at the top of choices made by economic immigrants, and reverse immigration is increasing noticeably. According to the World Economic Forum, "The return migration of highly skilled workers to their home countries is a growing trend for emerging countries."



Source: Own elaboration. Data from ManpowerGroup. Talent Shortage Surveys, 2011–14.

Emerging markets are causing the balance of power to shift, and the increasingly scarce talent is becoming a competitive differentiator as business productivity and economic influence is again becoming tied to population growth.

An article in *The New York Times*, "For Migrants, New Land of Opportunity is Mexico," reported that "The new arrivals [from the US, China, Europe, etc.] range in class from executives to laborers… If the country of 112 million people can harness the energy of foreigners and newly educated Mexicans, become partners with the slew of American firms seeking alternatives to China, and get them to do more than just hire cheap labor, economists and officials say Mexico could finally become a more equal partner for the United States and the first-world country its presidents have promised for decades."

And of major demographic significance, over 50 percent of Mexico's population of more than 110 million are under 27 years old. This is an immense resource for labor and talent at all levels. And with some of the world's largest reserves of shale, the resource potential for Mexico is massive. A number of companies have proactively registered in Mexico in anticipation of increased private sector participation. Depending on forthcoming reforms in the energy sector, Mexico is poised to increase in economic and political significance in the very near future.

The need for skilled professionals is acute throughout the region. Factors, tactics and recommendations that impact the process of finding and recruiting the talent to meet these needs include:

- Employers in Latin America are actively hiring, or looking to do so. A recent survey found that 39 percent of respondents in Brazil, 23 percent in Peru and 18 percent in Columbia had strong outlooks for hiring. And 15 to 17 percent of employers in Argentina, Costa Rica, Guatemala and Mexico reported positive hiring intentions.
- In Mexico the need for talent to meet increased productivity goals in the automotive, aerospace, biotech, IT and telecom is acute. Mexico, which has long been the largest source of immigration to the United States, also represents the highest rate of reverse immigration and, according to MATT, economics were not the most significant motives. The impetus to return is largely personal.
- 37 percent of employers in the Americas are encountering more difficulty in filling positions than the global average. In Brazil this translates to 6 out of 10 employers, and 44 percent of the employers in Mexico have trouble filling positions.
- Despite the fact that over 40 percent of Brazilian employers are looking to hire and almost 60 percent are unable to fill current vacancies, 5.7 percent of the population remains unemployed because that seemingly available, potential workforce is unable to meet the requirements for the positions available in terms of education, skills and experience. In fact, more than half of the employers — 56 percent — in the Americas state that those are the primary obstacles to hiring from the local population.
- The labor laws in some Latin American countries, Brazil and Panama in particular, make it difficult for employers to look outside their own borders for talent. Helping potential new hires navigate those bureaucracies may be a viable tactic in matching talent and positions.

- Peru's growth has switched from mining to IT, and tech professionals who left that country in the last 15–20 years for opportunities in the United States, Mexico or Europe have an impetus to return. Companies such as Microsoft are increasing their investment in Peru, but the growth of the IT sector there mirrors that in other countries in the region, such as Mexico and Chile. For the time being Peru is less attractive as a place to live, and so employers there must expect to pay a premium of 20 percent to 30 percent for that talent.
- The simultaneous growth of these industries throughout the region means that talent actively, or even passively, seeking positions can realistically expect multiple offers — and more lucrative packages.
- Employers in these regions are also actively seeking diversity candidates, meaning that female candidates in a management position can command a premium.
- Instability in countries such as Argentina and Venezuela continue to drive professionals out. At one time their interests would have been primarily in the US or Europe, but now the opportunities available throughout Latin America make staying in the region more attractive, particularly as salaries are commiserate with that they can command outside of the region.

It is logical to assume that, in time, Latin American nations will develop infrastructures and policies that prepare more of their own citizens to take their place in the local workforce. The higher levels of education, new skills and experience will enable these professionals to actively participate in, and enjoy the benefits of, the growing economies and the industries that drive them.

Until then, however, the current need for talent is documented and powerful. The employers who develop strategies for finding, hiring and retaining that talent from outside will enjoy a strong lead in beating their competition locally, regionally, and internationally.

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