

# GLOBAL TALENT | REGIONAL GROWTH

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Working towards an Integrated Talent Attraction and Retention Plan  
for the Metropolitan Region The Hague/Rotterdam

## PREFACE

In response to the war for talent, employers in The Hague region chose a common strategy to optimise the working and living environment for international staff and their families and thereby, secure an optimal investment climate for their organisations. The International Community Platform (ICP) was founded in 2008. The ICP research and alignment process analyses the expectations regarding life-careers amongst international talent in The Netherlands and their assessment thereof. Based on the gaps found, ICP defines projects to closer align the local and international stakeholders and increase responsiveness of the entire eco-system. Since ICP's start a lot of data on the profile and drivers of talent has been gathered, whilst initially focusing purely on internationals. ICP has recognized that its life-career model can be applied to talent in a much broader sense, with of course Dutch nationals included. The term 'global talent' or 'talent' covers both in this report.

ICP engaged on this research project as part of its 2016 program to look at the potential barriers to local and regional economic development, due to a perceived lack of a coordinated talent attraction and retention program. Whilst ICP is a The Hague based organisation and has always been funded primarily by The Hague based employer organizations and by the Haaglanden municipalities, the report has considered the breadth of its applicability to the complete Metropolitan Region consisting of the 24 municipalities making up The Hague and Rotterdam region (MRDH).

The MRDH region has been used as the basis for this analysis since it has been recognized by policymakers around the world that competitiveness comparisons can best be made between metropolitan regions with a critical size of around 2 million inhabitants. (The MRDH region has 2.25 million inhabitants).<sup>[1]</sup> The MRDH region accounts for 15% of the total GDP of The Netherlands or about 103 billion EUR.<sup>[2]</sup> Policymakers have identified that (op-

timistically) there are as yet unrealised gains to be made of 30-35 billion EUR. Whilst this will require significant investment, which has already been accepted by the Dutch government, the human capital agenda can either be a drag or a driver on this program. This report aims to identify ways in which talent attraction and retention can be assured to support the realization of these opportunities.

ICP has taken an empirical approach using its research from over the last 8 years with the goal of informing and developing an action based program and tools to support the human capital agenda part of this regional economic development policy.

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Den Haag, October 2016

## SUMMARY

In knowledge economies, human capital has become the most significant asset for innovation and economic growth. Deficiencies in the talent climate directly impact on the business performance of organisations. The Return on Investment (ROI) in Human Capital is a powerful measure to calculate this impact. It shows e.g. how quality of life and access to attractive career paths affect levels of engagement and turnover rates and how this, in turn, relates to revenues, costs and the overall competitiveness of companies, universities and the regional economy.

The ICP strategy 2016 builds further on previous findings and is process-focussed. Many ingredients for an enduring talent hub are available in the Netherlands: professional (digital) infrastructure and services, renowned universities, innovative

employers (small, medium and large), an enabling government and great pools of talent. And still, some flaws in the ecosystem keep us from a top ranking e.g. on INSEAD's Global Talent Competitiveness Index (GTCI) in which The Netherlands is currently ranked number 12.<sup>[3]</sup> If not managed well, these flaws may cause growth barriers and trigger companies and talent to settle and invest elsewhere. Labour market initiatives abound but in a fragmented mode. More insight is needed to create a shared interest in access to talent as the key to manage the risk, first.

In this study, ICP takes a closer look at two weak spots in the regional talent climate: the average quality of life-careers (scored at 6,8/10 in ICP research) and low levels of skill-relatedness in the sector structure of the MRDH region. Poor connections are at the core of both. Further mismatches, disengagement and high turnover

rates resulting from it put pressure on innovation, revenues and increase costs. What if we succeed in turning these pressures into assets? What if we don't? ICP believes more collaboration and clear ownership is required to avoid a Triple Economic Loss scenario including a combination of lower revenues from lower economic activity, higher costs from disengagement and lower returns due to a lack of responsiveness and missed opportunities.

ICP proposes an integrated program that addresses the multifaceted issues uncovered in the research with the goal of turning MRDH in an enduring regional talent hub. The program should be seen as an integral part of the regional economic initiatives to secure business performance and employment for the MRDH region.

# Return on access to talent in a knowledge economy

Exponential technological developments have resulted in an information and knowledge driven society. We are on the eve of the fourth industrial revolution or 'Industry 4.0' where smart materials and manufacturing technologies are combined with smart connectivity technologies, computing and big data. These technologies are expected to provide solutions for all kinds of challenges. But technology cannot replace humans. The production of scientific and business knowledge for innovation can only come from people. The human asset is becoming increasingly important as the "generator" of growth.<sup>[4]</sup> Soft has become rock bottom hard. And thereby, access to talent has become a major business risk.<sup>[5]</sup>

Klaus Schwab, economist and founder of the World Economic Forum states that 'talentism' is the new form of capitalism: **"Capital is being superseded by creativity and the ability to innovate as the most important factors of production. Just as capital replaced manual trades during the process of industrialisation, capital is now giving way to human talent".**<sup>[6]</sup>

In boardrooms, the discussion of talent related topics in terms of economic value is gaining ground but only recently. The primary focus has always been (and often still is) on assets like capital, markets and technology. On a regional level too, the sense of urgency in addressing this 'soft' topic is growing, though slowly and fragmented.

No real scale up in focus is perceived yet. ICP conceives this as a considerable growth risk because whether an organisation or region is able to attract and retain knowledge, determines their ability to compete, grow or even continue. A brief introduction into the related economic principles explains how talent impacts on performance and why ICP has some concerns.

## 1.1 ROI in Human Capital

Economic value is created when investments are made in assets and these assets are exploited in a way that the cash flows generated from selling the product will exceed the costs of production plus the initial investment in the assets. Maximising

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return on investment (ROI) is determined by the ability to maximise revenues and minimise exploitation costs over the lifetime of the asset.

$$\text{ROI} = \frac{\text{Total Revenue} - \text{Total Cost} \times 100}{\text{Total Cost}}$$

From a firm's perspective, current assets need to be exploited in the most efficient way whilst, at the same time, they need to be continuously looking for new growth options to compensate for diminishing returns on their current assets. Assuming an infinite lifetime, total firm value then

is the sum of the value of existing assets and the value of its growth options.

In the new knowledge economy, human capital has become the main driver of economic performance. And as such, an organisation's (and region's) value is closely related to the economic value of human capital. When managed effectively, human capital not only adds value by exploiting current existing assets efficiently, but also has the potential to create and align growth options capturing innovative power.

The value aspect of human capital is often still an underrated topic in many board rooms. Many stakeholders (including accountants) still only recognise part of the upward potential of investments in human capital. They allocate

personnel costs and capitalise intangible assets such as patents, but this does NOT reflect the full economic potential of human capital. Higher upward economic value should also be shown in terms of loyal and engaged employees. In addition, professional recruitment procedures, investments in trainings and retention programs decrease turnover rates and result in higher productivity. The lower costs due to more engagement and less replacement also impact return on investment in a positive way.

# The value aspect of human capital is often still an underrated topic in many board rooms.

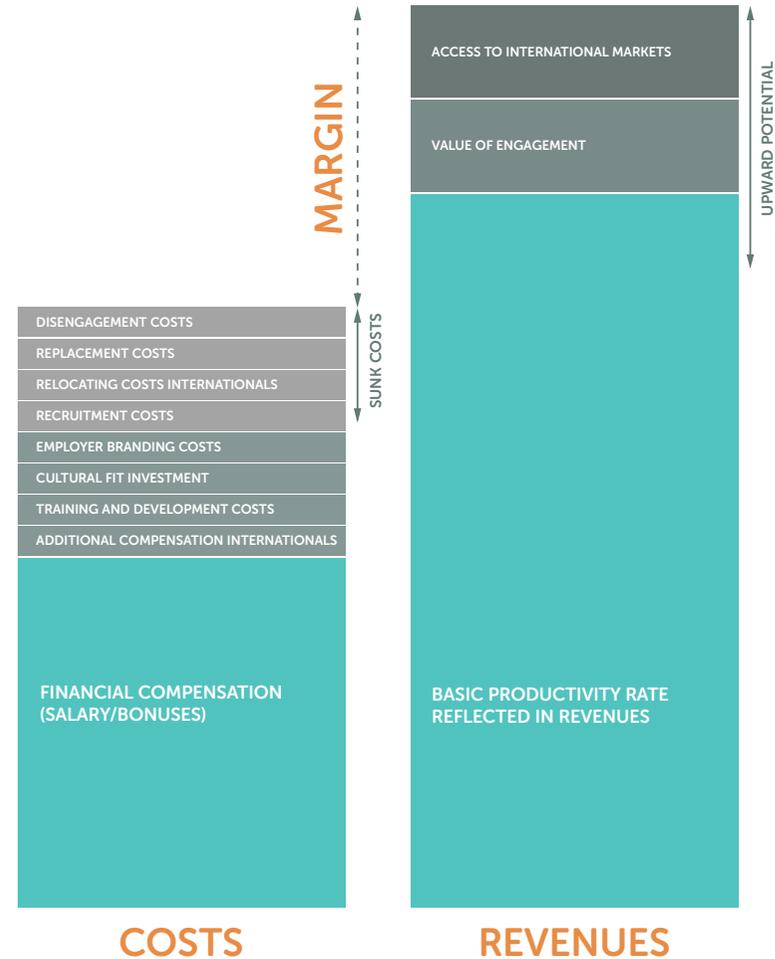
# Return on access to talent in a knowledge economy

## 1.2 Revenues and costs related to human capital

For this study we took mainstream economic theories and elaborated on their assumptions in relation to the field of human capital, on the revenue and cost side. The model below shows the variables we are dealing with from an employer’s perspective:

### Revenues

Within knowledge intensive industries, a productivity multiplier of 2 can be applied to the labour costs for talent (as around 50% of the revenues are allocated to labour costs).<sup>[7]</sup> There is an upward potential on the revenue side in two aspects: access to international markets and highly engaged employees. The latter can be twice as productive as disengaged employees. This is directly reflected in the growth in profits being 3 times higher for companies with engaged workers compared to companies with low levels of engagement.<sup>[8]</sup> Talent shortages and



# Talents from abroad can provide better access to international markets through their cultural skills.

qualitative mismatches in the labour market will result in productivity losses and missed growth opportunities for companies, if not properly addressed. Talent from abroad can fill these gaps. International talent can even help companies tap into their upward potential by providing better access to international markets through the cultural bridge they constitute.

## Costs

The total cost of talent is a sum of various direct and indirect investments made over the lifetime of a person working for an organisation. Direct investments relate to salaries, recruitment and training & development. In case of hiring internationals, relocation and cultural adaptation costs should be added. Indirect investments relate

for example to employer branding costs. Investing in branding potentially has a positive impact on the ROI by lowering recruitment costs.

Recruitment costs are high and if not managed well, the recruitment and retention process may trigger 'sunk costs' that cannot be recovered. In addition to the recruitment costs for the selected candidate(s), an organisation also incurs costs for those rejected. Inefficient recruitment, for example due to insufficient filtering, increases the number of rejected candidates. The costs spent on those non-matches do not add any value to the company. Disengaged workers and early termination of contracts also trigger sunk cost. They result in disengagement and replacement costs and high levels of turnover. Unfortunately, these indirect 'sunk' costs are generally not

separately reported in the financial statements of firms adding to the underestimation and lack of appreciation of the impact of talent acquisition and retention on business performance.

## 1.2 The upward potential of international talent

In most industrialised economies, the growth of technology and science is so fast that the market and educational sectors cannot respond quickly enough and talent shortages emerge. There is an increasing need for talent with so called STEM-profiles (Science, Technology, Engineering, Mathematics). Recent research amongst more than 800 Dutch HR professionals by ADP shows that 23% of respondents acknowledge the challenge of finding the right candidates.[9] These quantitative

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and qualitative mismatches put pressure on an organisation's income as they endanger productivity levels and inhibit innovation. As a result, many organisations turn to international talent as a diverse and rich talent pool.

Demographic changes also explain the need to attract talent from abroad. The Dutch workforce is ageing: the elderly (65+) population is expected to increase from 16% in 2012 to 22% in 2025.<sup>[10]</sup> By this time, the working-age population and thereby the local talent pool, will have shrunk considerably. The net export of talent even increases the urgency for globalisation in the local workforce.<sup>[11]</sup> Many Dutch students and young professionals choose to (further) develop their life-careers abroad.<sup>[12]</sup> Remarkably, the current net import of talent for the Netherlands is zero.<sup>[3]</sup> Therefore, increasing access to foreign talent and retaining local talent is key to prevent a negative figure in the future. In the knowledge economy, new markets and sectors are emerging, many operating at a global

scale. Organisations will therefore benefit from global talent in terms of transfer of knowledge and access to international markets. They will secure productivity and growth by hiring internationals who often display a rich learning and development culture. Language and culture skills and specific knowledge add value in product development. If managed well, the upward potential of access to international markets comes into scope. Research by PBL, for example, shows that companies with an international workforce generate 15% of revenues from international markets while companies without an international workforce only 7,5%.<sup>[11]</sup>

### 1.3 The upward potential of engagement

Business performance increases with high levels of engagement. 'Happy cows are productive cows!'. Highly motivated people enjoy their work activities which results in less procrastination, better job

performance and productivity. Engaged people often display a positive mood<sup>[13]</sup> which facilitates prosocial behavior in the workplace. Prosocial behavior is one of the main elements of group cohesion, effectiveness and enhanced team work. Work engagement also improves creativity.<sup>[14]</sup>

Securing a strong workforce requires from organisations that they meet the life-career expectations of (future) staff and their families. The ICP has come to an integrated view on talent drivers. The motivational research model incorporates career and life aspects, both hard and soft factors.<sup>[5]</sup> Although ICP has focused on internationals in the Netherlands, this model is applicable to Dutch talent too, since talent profiles have converged as a result of globalisation and digitization.

The Global Talent Competitiveness Index (GTCI), 2015-16 indicates that the decision of talent to move internationally is determined on a city or

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regional level rather than a country level.<sup>[3]</sup> The creation of the metropolitan regions MRDH and MRA by the Dutch government recognizes this.<sup>[2]</sup> Talent is attracted to regional hubs such as Silicon Valley, Dubai, Helsinki or London, and generally not to the USA, UAE, Finland or UK. Silicon Valley is the best known “talent magnet” in the world. Due to its demonstrated success it has been emulated in other countries such as “Silicon Alley” in New York state, “Espoo” in Finland, “Chilecon Valley” in Chili and “Silicon Wadi” in Israel.<sup>[15]</sup>

The number of cities and metropolitan regions that are becoming talent hubs is increasing and so is competitiveness. According to the GTCI, talent is attracted to regions that have: high-quality infrastructure, competitive market conditions and business environment, an existing critical mass of

### WHAT DRIVES INTERNATIONAL TALENT?

ICP motivational research model

	LIFE	CAREER
HARD	FACILITIES	REMUNERATION
	ACCESS TO OPPORTUNITIES FOR GROWTH	JOB/STUDY CHARACTERISTICS
SOFT	PEOPLE & CULTURE IN COUNTRY	PEOPLE & CULTURE
	REPUTATION CITY	REPUTATION OF THE EMPLOYER

Securing a strong workforce requires meeting the life-career expectations of (future) staff and their families.

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talent, with excellent networking and cooperation possibilities and superior living conditions. Regional assets and distance - regarding life and career factors - play an important role in attracting talent.<sup>[3]</sup>

The regional economy profits from the success of organisations in talent attraction and retention. 'Good employers' - in this context - are able to source their growth strategies efficiently and effectively and contribute directly and indirectly to the regional income and employment rates.<sup>[3]</sup>

The agglomeration effect results in a pull and additional talent and companies growing the clusters and talent hub and adding to the regional GDP and the number of jobs. These talents (and their families) working at those (new) employers are consumers too and will spend (at least part of) their incomes in the region. The same applies to educational institutions that contribute to the regional economy by being successful in attracting an increasing number of (international) students.<sup>[3]</sup>

To conclude, in this era of 'talentism', the competitiveness of organisations - and regions - has become increasingly dependent of these organisations to increase results by managing the revenues and costs related to human capital and:

- to reduce missed productivity or growth opportunities due to qualitative or quantitative talent mismatches;
- to access and align the upward potential of engaged employees;
- to safeguard the extra premium on international talent due to diversity effects and access to international markets;
- to minimise costs in general and avoid sunk costs in particular by minimising turnover rates due to disengagement.

Talent - national and international alike - decide their 'next step' on assessments of the attractiveness of (future) life-career paths on a regional level. Rankings such as the GTCI are frequently used in the orientation phase. In the next chapters we will have a closer look at how - in the eyes of talent - the MRDH region is doing now and how this perception impacts the performance of all parties in the regional labour market.

## Regional assets and distance play an important role in attracting talent.

# Return on quality of life-careers

ICP research (2014) shows that global talent in the Netherlands rate their life-careers with an average 6,8 out of 10.<sup>[5]</sup> The scores are depicted in the ICP matrix below:

	LIFE	CAREER
HARD	FACILITIES 7,1	REMUNERATION 6,7
	ACCESS TO OPPORTUNITIES FOR GROWTH 6,1	JOB/STUDY CHARACTERISTICS 6,8
SOFT	PEOPLE & CULTURE IN COUNTRY 6,9	PEOPLE & CULTURE 7,1
	REPUTATION CITY 7,1	REPUTATION OF THE EMPLOYER 7,1

## 2.1 Life and career challenges

Over 60% of internationals indicate that career related matters are most decisive in opting for a country. However, high expectations as regards their careers are not always met.

### What's on offer?

- Limited view - International talent generally have a limited perspective on the regional labour market. Both professionals and students collectively apply to the 'usual suspects' - the well known multinationals - and thereby expose themselves to fierce competition. Innovative start-ups and fast-growing midcaps are not always on their radar (yet), whilst these companies desperately need global talent to grow!
- Lack of effective labour market support - Although we live in a highly connected world, talent often still lacks customised support both offline (experts, events etc.) and online (platforms, networks, social media etc.) to get a good overview of the opportunities in the

"glocal" labour market and how to access them.

### Career opportunities difficult to access.

- Closed professional networks - 27% of internationals (including professionals and students) find networks & services hard to find and access. Networks are often open for either Dutch or internationals only with limited cross fertilization.
- Language is a barrier for 19% of internationals. Dutch proficiency is often required, even in international settings. If internationals are accepted into the workplace or networks, the sub-optimal level of English proficiency still makes (too many) people in Dutch environments switch to Dutch in business situations or at the coffee machine, making it harder for global talent to fully engage.

## Return on quality of life-careers

### Misconceptions drivers and contracts

- 82% of all global talent is open for new opportunities: jobs, entrepreneurship or a study. Misconceptions and a lack of information about 'the internationals' e.g. about their (financial) drivers and (expat) contractual situation - have contributed to unfortunate mismatches. The fastest growing group in labour mobility are the global nomads (20%). Many of them are freelancers who stay for just a year but amongst them are many of the knowledge experts in domains we cannot do without. Talent is driven by passion, purpose and potential and do not respond to the classic incentives that are still offered by many employers (think lease cars, fixed employee contracts, etc.).

### Dual career perspectives

- Although 64,4 % of partners expected to find a paid job and 6,8% planned to continue/start their own business, the reality for the respondents who followed their partners looks different: fewer are employed and more are seeking a job and/or volunteering than when they were in their home country. The number one reason for internationals to end assignments is when the family is unable to adapt to the host location (30%).<sup>[16]</sup> closely followed by the knowledge worker him/herself not being able to adapt culturally (28%).<sup>[15]</sup>

ICP research shows that life related factors account for around 40% in the choices talent makes and this percentage only increases with age. Life-related challenges include:

### 'Help yourself' services

Great services set the necessary preconditions for talent to flourish on a personal level. And personal growth often goes hand in hand with career growth. Major mismatches reported included the following:

- Childcare - internationals report that insufficient childcare arrangements (e.g. lack of availability, price and flexibility) interfere with their career. Proactive information can be improved. Half of the respondents were not aware of their rights for financial contributions from the employer or the government. Quality of food and provision of warm meals at lunch time are increasing, but still not common for many childcare organisations.

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## If people cannot grow to their full potential, their motivation and engagement will drop.

- Healthcare - Coordination of care is the most important subject for improvement: both the coordination between specialists and the international patient, GP and specialist, specialists in NL and specialists abroad. Based on the information given, internationals do not always understand how the Dutch healthcare system works.
- Housing - "Hardware" mismatches regarding housing include a lack of short stay housing near the city and a misfit in property requirements. There are also several "software" challenges regarding perceived quality of services. Internationals report a lack of transparency, language issues and perceived discriminatory prices by real estate agents. They also find utility services bureaucratic.
- Public transport - Reported public transport issues include information and announcements in Dutch only, unclear payment system and availability of international connections and early and late hour travel options.

A talent enabling environment implies a connected ecosystem where talent can flourish. Positive experiences are an attribute for an (enduring) talent hub. Talent and its collective experiences impact directly and indirectly on the ROI and performance of all stakeholders in the regional (labour) market: this includes not only employers (large, medium and small), but also educational institutions, service providers and the region as a whole.

### 2.2 The impact of perceived quality of life-careers on business performance

#### Employers

Whilst the average score of 6,8 might not be seen as an alarming risk to labour mobility in the Netherlands, ICP believes it is for various reasons. Firstly because it does not only relate to the 500.000 internationals working and living in our country.

Similar considerations apply to Dutch talent. Quality of life-career ratings correlate to qualitative and quantitative (mis)matches on the labour market. If people cannot grow to their full potential because of perceived hurdles in life and career, their motivation and engagement will drop. They might consider opportunities elsewhere or not even bother

## Talent from abroad is not seen as an option by local SME's yet.

to opt for The Netherlands at all. This also applies to situations in which just one member of a family does not feel happy and/or acknowledged for the values, skills and knowledge he or she brings.

Disengaged workers and talent leaving companies earlier than planned result in disengagement costs (34% of annual salary) and high turnover rates including replacement costs (up to 400% of annual salary for on expert).<sup>[8]</sup> All sunk costs, adding no value to a company and thus wasted money and lost time in progressing potential critical activities.

ICP studies reveal that actually all that talent is looking for - products, services, employers and opportunities for growth - the MRDH region has on offer. Global players with potential are abundant. The weakness however, seems to be visibility and accessibility. The perspective of individuals is limited and results in many people searching and selecting the 'usual suspects'. This situation is frustrating for both talent, employers, educational

institutes and local providers.

Larger companies incur extra hiring costs because of the high number of responses per vacancy because all candidates, including the rejected, need to be handled with care in order to manage reputation risks.<sup>[17]</sup> Attracting specialists (e.g. the STEM profiles) is a challenge for large employers but even more so for innovative midcaps and startups because their brands are often barely or not familiar amongst the talent they would like to hire. Whilst in great need of talent to grow, they have very limited HR and recruitment resources and - amidst the start up, scale up and other challenges, employer branding does not get sufficient priority yet.

Talent from abroad is not seen as an option by local SME's yet. Many of them are unaware of the added value of hiring international talent. In the ICP & MKB The Hague Survey 2016 amongst 120 regional SME's, 63,9% of respondents that regard internationals (companies and talent) as a growth market in our region, do not employ any inter-

## Return on quality of life-careers

national employees themselves nor plan to in the near future.<sup>[18]</sup> Of the respondents that consider (expanding) export of products or services, 44,2% does not employ nor plans to employ internationals in the near future. As discussed below, this 'boomerangs' back on business performance because it frustrates growth and innovation and the upward potential of access to international markets remains out of scope (see figure 1).

SME's that are open to global talent, face the challenge to manage the allocated costs.[18] 39% of the SME's who currently employ internationals or would like to, indicate that they find it a challenge to attract well-qualified internationals because they often prefer the large companies or multinationals with a highly visible 'logo' status. They lose in the competition because of the higher salaries that can be offered by the larger firms. Attracting and retaining great pools of talent would benefit from more coordinated branding activities,

regional branding in addition to employer branding. Now, foreign investors are often the main target group for branding campaigns that surpass the scope of an individual employer. To attract creativity and knowledge to the companies in the region, the stakeholders must join forces and invest in displaying the attractive career paths in small, medium and large organisations to talent.

### Education

In attracting and retaining (international) students the cost revenue model for educational institutions is comparable to the situation of employers' in many respects. The revenues per student consist of the payments received based on the 'bekostigingsmodel' and/or private tuition fees. Revenues for international students are higher. The costs per student include the costs for tuition, research & development and service fees.

The profit and loss model of educational institutions is affected by short-term incentives and long-

term goals, which do not always align. From an economical perspective educational organisations should deliver the future workforce with excellent skills to capture economic value for employers. The basic model is simple and straight-forward: the government allocates an amount of money (investment) per student and the educational organisations deliver a graduate ready to access the labour market. Within this financial model two performance factors are leading: the amount of graduates (quantity) and the quality of the graduates. Both present some challenges and as a result, the government applies a milestone based financial reward system. Educational organisations receive part of the investment when the student passes the first year and the remainder upon graduation. Therefore 'long-term or perpetual students' and dropouts impact revenues (through not receiving graduation fees) and increase the (sunk) costs.

In attracting and retaining (international) students

## Return on quality of life-careers

- generating revenues - close alignment with the regional labour market is key. Talent (or often their parents) will choose universities in countries that are (relatively) affordable and have an excellent track record in delivering students that match the needs of employers now and in the near future. This applies even more so in the context of high tuition fees for internationals and the burden of student loans for many Dutch students.

Ensuring (even) better alignment of education and the labour market is a major challenge.<sup>[17]</sup> It requires close links with key employers in all shapes and sizes. In the ideal situation, educational institutions and students would be provided with real-time and customised labour market information on the regional labour market in general, career opportunities

for people with their specific (study) background and skills in particular. The ICP Match Making Programme (2013-2015) however, displayed the structural connection problems between students and the labour market (internships), between educational institutes and the labour market (eg. for guest lectures and company visits) and, within the educational institutions and businesses between core business and (career) supporting departments. Strong links are often personal. The lack of close links with the labour market are a reason for students to leave our region (earlier than planned), resulting in diminishing and lost revenues for the schools.

The rapid changes in technologies require different skills at a faster pace. The required level

of responsiveness in building 'on the run and up-to-date' educational programs puts pressure on traditional curriculum development processes built around longer life cycles. On the other hand, the necessity of lifelong learning programs with an international orientation opens up new markets and the opportunity to capture new potential customer groups.

To deal with the challenges of a shrinking workforce in the future and minimise the dropout rates of students, the institutions work hard at early labour market introductions. Goal is to better enable students to connect the theoretical context of their studies with practical knowledge in relation to their possible jobs. For the business community this offers an opportunity to get to know their future workforce, monitor them and start

# The lack of close links with the labour market are a reason for students to leave our region.

## Return on quality of life-careers

building talent pools, gearing towards innovation and growth for the future. All employers and educational organisations in the region must join forces more structurally to offer updated programs preparing students for the new profiles that will be required in the new world of work and feed them with business skills.

### Service providers

A whole range of service providers fulfill a strategic role in talent attraction and retention by facilitating the settlement and integration process. Products and services that meet the expectations of the (lead) talent community generate direct revenues for local providers. Due to network effects other related suppliers in the service community profit as well. For example, the real estate agent referring to a physiotherapist, a financial or legal advisor

and childcare facilities he knows has a good reputation in the community. These effects are particularly strong in the international community where the network is strong and mouth to mouth recommendations are valued most. High quality products and services power up the talent hub function of a region by enabling (dual) careers and contributing to talent motivation and flow that boosts business outcomes. Due to agglomeration effects more people and business are likely to follow in the upward spiral creating direct and indirect revenues and employment. Great services help to release the potential for growth in people and businesses.

For this study, we took childcare as the representative of 'service providers'. The case could also be applied - with some modifications - to

housing, healthcare, financial and legal services, culture and leisure and more.

The economic crisis posed challenges to the childcare industry: the available budget of the Dutch government for compensation has been cut. Since 2011 around 100.000 children stopped using childcare services, while the average amount of service hours per child per year decreased from 800 to 600.<sup>[19]</sup> To deal with decreasing revenues, childcare providers cut costs in staff expenses, thereby decreasing the workforce within the childcare industry since 2011 by around 30%. Although the childcare industry is slowly recovering and expects to grow the coming years, hiring full-time employees is risky looking at the fluctuation of occupancy rates.

# Great services help to release the potential for growth in people and businesses.

## Regular and informal (network) meetings build the levels of trust and understanding.

Approximately 500.000 internationals live in The Netherlands<sup>[5]</sup>, making this a potentially interesting (new) customer group for the childcare industry. Dual careers are the standard amongst them and make the amount of hours and activities purchased by internationals lie above average. Internationals are willing to pay for a total childcare package including care, education and support to integrate in the local community (not only the children, but the whole family). The international customer group thus seems a 'safe investment' for the entrepreneurs who 'only' need to offer more services at limited additional costs or (upfront) investments. However, business development is slow. 58% of SME's in our region indicate that they have insufficient knowledge of the international

customer group, and 23% indicates that they do not know how to find/reach this group.<sup>[18]</sup> Having access to data for developing effective marketing strategies and hiring international staff are conditional for winning over this customer group. Hiring international employees (at flexible contracts) would be an excellent way to reach the international community and support dual careers! However, it is difficult because it is unclear which diplomas are and are not accepted.

The process of assembling customer input and validation is often frustrated too by faulty misconceptions, lack of data and poor connections with the customer group and/or their employers. Access to data and analyses on the market are

required for building business cases. Increased exchange of data between employers - providers - government will be beneficial to all. Regular and informal (network) meetings - such as for example the ICP TAP events - help build the levels of trust and understanding.

The average assessment of the quality of life careers (6,8) has a negative effect on business performance of employers (small, medium and large), educational institutes and service providers. Poor connections in the talent eco-system put pressure on the returns of all stakeholders. To find the best option for opening up the growth potential for the region, we must have a closer look at one additional aspect of 'connection' first. The specific regional structure.

## Return on sector structure

# Regions benefit most if they host a set of sectors that are related to each other.

One finding that stands out in the ICP research (2014) is that access to opportunities for growth is the number one reason for talent to opt for a life-career in The Netherlands. However, this driver is rated with the lowest score of 6,1.<sup>[5]</sup> Talents report that they 'Don't know what's on offer', 'Cannot find nor access the perfect match', that professional networks are closed and language and bureaucracy issues exist. Similar frustrations exist amongst 'the other side', the employers.<sup>[5]</sup> To complete the 'root cause analysis' for these frustrations we have a closer look at the specific sector structure in the MRDH region. Does it work for or against talent attraction and retention?

### 3.1 Sectoral structure and skill-relatedness

Researchers in economic geography are incre-

asingly paying attention to the qualitative aspects of diversity in regional economic activity. For a long period of time, they questioned whether regions (or nations) benefit from a specialised or diversified regional sectoral structure. That is, do specialised regions grow faster than diversified regions do?

The arguments from the 'specialisation' camp have been very straightforward: if firms from a certain sector cluster geographically, their interactions will increase. This will enhance opportunities for imitation and learning amongst firms in this industry. At the same time, by being geographically proximate, labour circulation will increase, fostering the diffusion of knowledge, information and ideas across firm boundaries. The influx of new knowledge (local or from abroad) will raise firm productivity. Due to differences across sectors, knowledge

generated in one sector is deemed not useful in other sectors. On the other hand, the 'diversification' camp argues the importance of cross-fertilisation. From this perspective inter-sectoral knowledge flows are seen as the source of economic growth. Knowledge developed in one sector can be readily applied in other sectors. Knowledge from different sectors will spur creativity, productivity and innovations that generate new jobs and economic growth. Thus, regions will benefit most from a diversified regional sectoral structure.

Recently, the attention shifted towards the degree of relatedness amongst sectors. The argument put forward in this literature is that regions benefit most if they host a set of sectors that are related to each other. Different relatedness measures have been constructed, but to put it simply - these measures

## Return on sector structure

quantify how similar a pair of sectors is based on sets of competences, skills, knowledge or technologies found in those sectors. The underlying arguments are a mix of the specialisation and diversification arguments. Generally speaking, the main argument is that related sectors are those pairs of sectors that are similar enough to be able to understand the ideas and knowledge from the other sector and yet still sufficiently different to have opportunities for learning from people 'from outside'. It follows that regions that host related sectors thus benefit from inter-sectoral knowledge flows that boost learning, productivity and innovative behaviour.

The inflow of labour from different but related industries boosts creativity and productivity in businesses. There is a large body of management

literature that stresses the importance of 'external knowledge' for the competitiveness of organisations. Typically, two mechanisms are identified. First, knowledge from 'outside' can be used to identify opportunities to improve organisational processes or products. Second, knowledge from outside the industry can be linked to radical innovations as a result of the combination of two different knowledge sets. For example, military positioning systems resulting in portable GPS devices for walkers and satellite navigation systems in cars. In both cases, external knowledge increases the competitiveness of firms, and regions.<sup>[20]</sup>

Organisations thus need to be aware of the benefits of external knowledge and be prepared to recruit across industrial borders in related industries. What follows, is that organisations benefit from

being located in a region with related economic activity and its respective talents. Being geographically proximate to related knowledge increases the opportunities to recruit new talent, because labour mobility is geographically constrained.<sup>[21]</sup> From the perspective of talent too, being close to related sectors is an asset because it opens up interesting career opportunities for the short and longer term. It enables them - think about the average contract duration of 2,7 years for millennials - to follow up on their drive to switch jobs or find new projects at a regular pace.

One particular interesting relatedness measure is the skill-relatedness measure developed by Neffke & Henning.<sup>[22]</sup> They have used Swedish labour market data to calculate the relatedness of sectors in the Swedish economy. They argue that a pair of

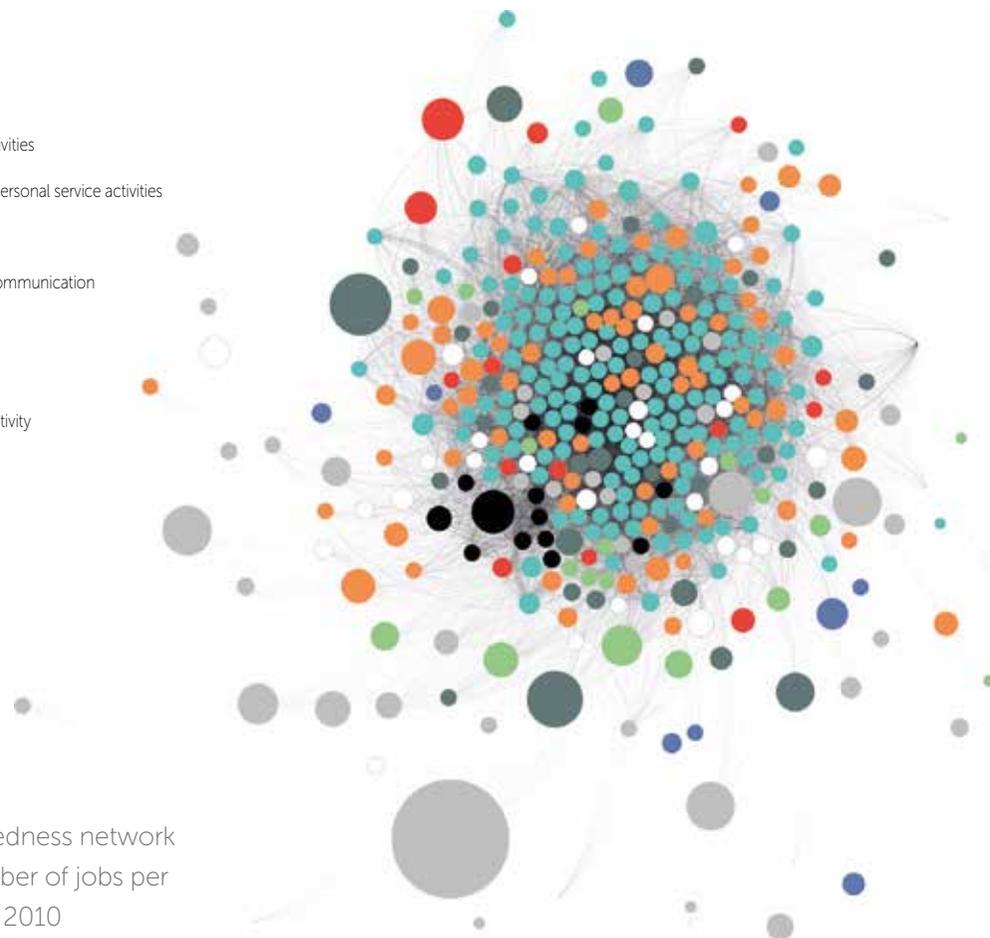
# Being close to related sectors is an asset because it opens up interesting career opportunities.

## Return on sector structure

sectors is related to the extent to which employees switch jobs between this pair of sectors. Thus, if employees from sector X find jobs in sector Y relatively frequently, they assume that sector X and Y are relatively highly related. If no inter-sectoral labour mobility is recorded between two sectors, these sectors are not related. Neffke & Henning recorded labour mobility for a number of years between pairs of sectors and have calculated the relatedness between every pair of sectors in the Swedish economy. The same is currently being done for the Dutch economy by Annet Weterings at the Netherlands Environmental Assessment Agency (PBL).<sup>[23]</sup>

### 3.2 The sectoral structure of the MRDH region

Figure 1 shows the skill-relatedness between 416 sectors in MRDH. Each circle represents a sector. The colour of the circle indicates the group the sector belongs to. The lines between the nodes indicate the relatedness. Sectors are plotted close to the sectors they are related to. Sectors that are related to



**Figure 1.** Skill relatedness network reflecting the number of jobs per sector in MRDH in 2010

## Return on sector structure

a lot of different sectors are plotted in the centre of the figure. Indeed, these are easy-entrance sectors like retail (green) and manufacturing (purple). In figure 1 the size of the circle reflects the number of jobs in that sector in 2010.

This figure shows a couple of important things with respect to the regional sectoral structure of MRDH. First, MRDH doesn't have a lot of jobs in highly-related sectors. In the specific case of MRDH this isn't necessarily a weakness, because these jobs tend to be low-skilled and at the entry-level (e.g. retail

and manufacturing). Secondly, the sectors in which MRDH has a large number of jobs tend to be on the outside of the network. This indicates that these sectors are related to a relatively low number of sectors. Concretely, this means that a large number of employees in MRDH only have a limited number of sectors to which they can relatively easily switch jobs to. Below, this observation is connected to the argument that this is a weakness in terms of career-path opportunities for talent in the region, and as such, a weakness for firms because inter-sectoral knowledge flows are crucial for innovation. If

talent influx is difficult, it will impact on productivity levels. Thirdly, comparing the 2010 sector structure to the sector structure of previous years (available on request) shows that the sectors that have grown the last decade are mostly located on the outside of the network - that is, in the sectors that have a relative low number of highly related sectors. This indicates that with the current trend, the career-path opportunities (defined by the number of jobs employees can easily switch to) of a large chunk of employees in the MRDH region is not increasing.

With the current trend, the career-path opportunities of a large chunk of employees in the MRDH region is not increasing.

## Return on sector structure

In table 1 the top 5 sub-sectors (4-digit SBI08) with the most jobs in the MRDH region in 2010 are listed. For these sub-sectors the number of jobs in 2000 and 2010 are provided, as well as the percentage change over time and their 'centrality score'. Here, the centrality score of a sector calculates how central each sector is to all other sectors based on the relatedness between each pair of sectors. Sectors related to a large number of sectors are found to be very central and have a high centrality score. Concretely, this means that employees working in sectors with a high centrality score have access to a greater number of sectors than employees in low centrality sectors.

A number of observations can be made. First, the general public service sector is, by far, the largest provider of jobs in the region. Over a period of ten years, the sector has produced more than 3.500 jobs in the region. In 2010 this sector produced more than 200% of the number of jobs as the second biggest sector did.

**Table 1.** Top 5 sectors with the most jobs in the MRDH region in 2000 and 2010

SECTOR	# Jobs 2000	# Jobs 2010	% 2000-2010	Centrality
General (overall) public service activities	53.302	56.806	6.6%	0.021
Architectural and engineering activities and related technical consultancy	22.805	25.248	9.7%	0.024
Industrial cleaning	23.994	22.153	-8.3%	0.029
General secondary education	15.657	18.388	14.9%	0.012
Foreign affairs	15.059	18.067	16.7%	0.023
Average Centrality				0.029

Descriptive statistics closeness centrality measure: St.dev = 0.007, min = 0.006, max = 0.043, median = 0.029

## Return on sector structure

Limited  
inter-sectoral  
knowledge flows  
=  
Constrained  
regional innovative  
behaviour.

Second, four-out-of-five of the sectors that provide the most jobs in the MRDH region have been growing between 2000-2010. Third, the centrality score of the top five sectors (in terms of jobs) is below the average centrality score of all sectors. This indicates that employees in these sectors (and especially in secondary education) have relatively limited opportunities to switch to jobs in other sectors. This, in turn, results in restricted labour mobility and career-path opportunities, limited inter-sectoral knowledge flows and constrained regional innovative behaviour.

### 3.3 Skill-relatedness and the impact on business performance

How does the level of skill-relatedness between sectors translate into ROI in human capital terms for the labour market parties? In case of high levels of relatedness talent is more available - attracted by interesting career paths - and willing to step in at better firm conditions (lower salaries) due to perceived perspectives for growth. Although job

hopping opportunities in related regions might be associated with the risk of higher turnover rates, this will be offset by the higher overall availability of required skills and the ability to manage skills shortages and ability to grow that result from it. Related, open and highly accessible labour markets also hold the benefit of opportunities for 'shared investments' in talent matching solutions and network effects. This gives organisations the opportunity to reduce (sunk) costs and boost revenues resulting in higher returns. If non-related, the benefits of influx of external knowledge are harder to grasp and require more active regional and employer branding efforts, and costs.

The MRDH region is facing some serious challenges. The unemployment rate in MRDH (9% in 2015) is relatively high compared to The Netherlands (6,9% in 2015). It is also higher than the European average for large city regions.<sup>[20]</sup> In addition, of the 5 largest Dutch cities, the employment developments for Rotterdam and The Hague are poorest:

## Return on sector structure

from 2009 - 2014, The Hague's employment ratio decreased by 4,7% and Rotterdam by 5,2%, while there are growth figures in other cities such as Amsterdam.<sup>[24]</sup>

The current regional sectoral structure in MRDH does not allow for optimal labour-mobility because the relatedness between the regional sectors is limited. Sectors that have been shrinking for decades (eg. industry, logistics, public services) are strongly represented. While there are sectors with high potential such as tourism and security (our region accounts for 23% of all national security jobs), these sectors are as of yet not nearly big enough in terms of employment to compensate for the job loss in the declining sectors.<sup>[25]</sup> Moreover, the top five sectors that produce most jobs are only related to a relatively low number of other industries. This means that employees in

these sectors will face difficulties in transferring to jobs in other sectors.

To conclude, without further interventions, the current sectoral structure can become troublesome with respect to long-term economic growth for talent, organisations and the region as a whole. The MRDH region would benefit from greater relatedness across its regional sectoral structure. Current cross-sector programs serve as (temporary) stations between non-related sectors to stimulate cooperation and labour flows.

An increase in the total number and impact of those programs would trigger innovation and growth. In the current situation a significant pool of talent (professionals and students) sits untapped just because they are not familiar with the lesser known (SME) companies in the innovative growth

sectors. Knowledge flows between related sectors will increase if the 'unusual suspects' would get more focus in labour market communications both towards talent and employers. Customized information is required to increase both labour mobility between related and non-related sectors.

More collaboration and ownership at the regional level for regional branding including opportunity marketing towards talent (in addition to the corporate group) would open up the labour market perspective for talent and access to talent for organisations.

# Knowledge flows between related sectors will increase with more focus on the "unusual suspects".

# Triple economic loss scenario

Talent is a key asset in economic performance. We elaborated on the challenges to the talent hub function for MRDH. During the past few years, numerous initiatives have been taken to increase connections in the talent ecosystem and become 'future proof'. However, these initiatives are rather fragmented still. Access to talent is and remains a major business risk. Following the current track without more intense collaboration and acceleration might result in a 'triple economic loss' scenario and should be avoided.

## 4.1 Potential loss Number 1: Lower revenues due to talent mismatches

In this scenario employers do not have all resources available on the short/mid term limiting their ability to grow in high-growth markets. Today, overall shortages in STEM profiles are most evident for the technology sector, not in the least for the security sector the region has invested heavily in.

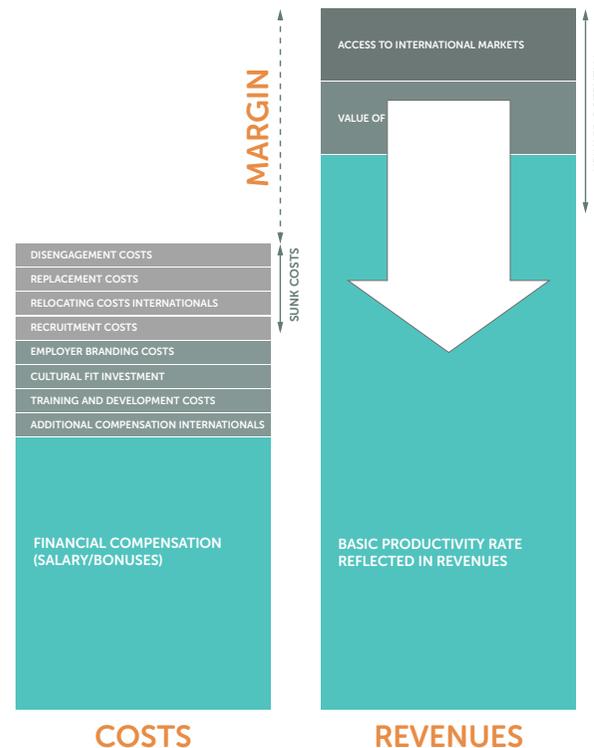


Figure 4.1. Lower revenues due to talent mismatches

Relatively few science and technology students graduate and not all of them stay to work in The Netherlands.<sup>[26]</sup> But qualitative and quantitative mismatches affect other sectors and other profiles (e.g. sales) too.<sup>[8]</sup>

Whilst the introduction of robotics and Artificial Intelligence (AI) is automating many routine and manual job activities, it is creating new job roles as well. These new profiles require a redesign of 'old' job descriptions and talent matching activities driven by a focus on soft skills for innovation.<sup>[27]</sup> As yet, fulfillment of these new roles proves hard with current HR practices and a recruitment industry still largely based on traditional resumes and vacancies. New ways need to be found to access and entuse the 70% of passive candidates to circulate their knowledge in their and/or related sectors. The lack of accurate labour market information makes it hard for policymakers, HR- and business leaders to develop a winning strategy in the war for talent. Talent matching initiatives abound but scalability

## Triple economic loss scenario

is frustrated without intensive collaboration and ownership.<sup>[28]</sup>

More effort in recruiting and retaining internationals is a pre-condition for growth too. Thus far, the region has attracted more foreign non-knowledge workers than knowledge workers.<sup>[29]</sup> This is alarming - and possibly links in with the skill relatedness discussion that the highest centrality in MRDH is in relatively low skilled areas - as technology will create a higher need for high-skilled profiles, leading to an ever larger skills mismatch and need for talent from abroad to close the gap.<sup>[30]</sup>

On paper, the highly mobile 'free movers' seem to be an attractive investment option for the region: smart and ambitious (young) professionals, comfortable with working on short term contracts at local salaries, capturing the innovative potential of companies and providing access to a great global network and international markets. Unfortunately, the average quality of life-career score and low

level of skill relatedness between the sectors, makes the MRDH region less attractive in the eyes of these talents. Enabling growth - for companies, educational institutes and the local providers - requires displaying the attractive career paths that we do have and developing others.

### 4.2 Potential loss Number 2. Higher costs due to disengagement and high turnover rates

In the triple loss scenario organisations will face serious challenges in managing their workforce at competitive costs. The average score of 6,8 for the quality of life-careers puts pressure on costs related to turnover and places the upward potential of engaged workers and access to (international) markets out of scope. When staff members feel unhappy e.g. due to issues at home or work, they will become disengaged and produce less. In case a worker decides to terminate a contract or not accept an extension, additional producti-

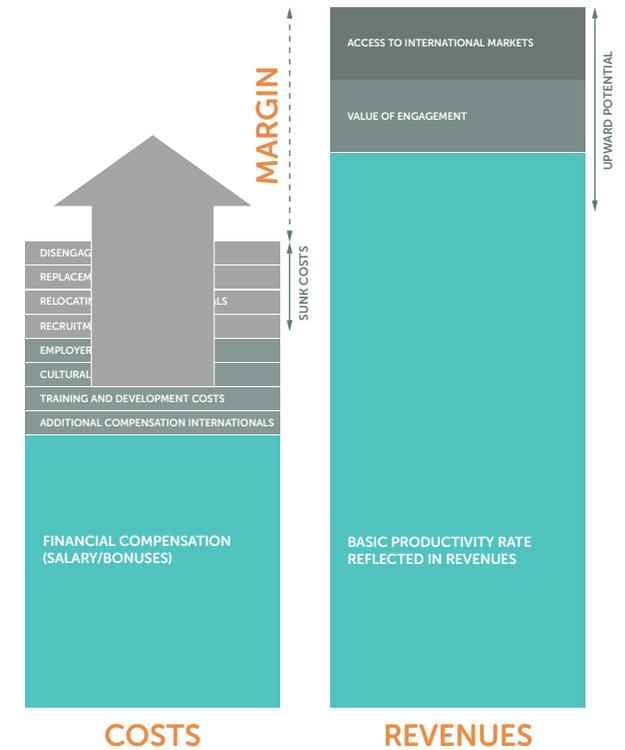


Figure 4.2. Higher costs due to disengagement and high turnover rates

## Triple economic loss scenario

city losses and costs are incurred. The transfer of knowledge and/or potential access to foreign markets will not have reached completion or maturity. The departure will also impact the productivity of the rest of the team. Not only the initial investment for relocation, training, language and cultural adjustment can be assumed as sunk costs, but early departure also leads to high replacement costs: 30 - 50% of the annual salary for starters up to 400% for experts that are hard to find.<sup>[31]</sup> Inefficient recruitment may add up to the extra replacement costs.

Workforce data shows that the average tenure time is decreasing for all generations.<sup>[32]</sup> The millennial generation in particular shows higher employee mobility with the average contract duration having dropped to 3 years.<sup>[33]</sup> This generation represents 35% of the workforce now and 75% by 2025.<sup>[34]</sup> Many of them are looking for challenges on a continuous basis and focus less on 'pyramid driven career opportunities'. If they cannot find what they

are looking for, they opt for alternatives elsewhere. Besides financial rewards, they care about freedom and wish to contribute to an organisation that matches their passion, purpose and potential. They value a dynamic social life for themselves, their partners and families. To ensure their interest and engagement, the minimal requirement for employers and regions is to provide for multiple growth opportunities and a high quality of life.

Although the universities succeed in attracting many international students (over 59.000 in the 2014-2015 academic year with an increase of 85% over 2006 - 2014, and the universities in South Holland are no exception), to ensure full compensation for initial costs the challenge is in integrating them in the labour market.<sup>[35]</sup> Suboptimal alignment between the educational system and employers makes it hard for students to find internships or jobs that match their interests and skills levels. It causes a great loss of economic value due to study delay, drop out, departure, and unemployment.

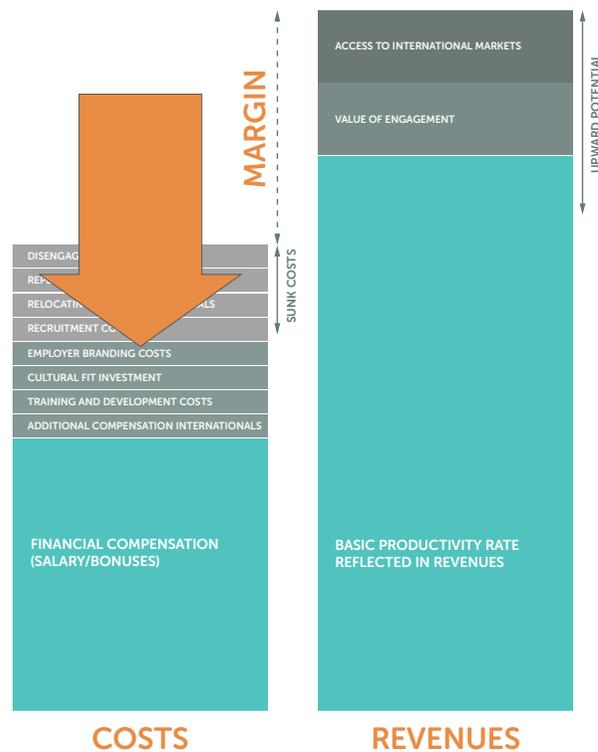
Closing the gap asks for more targeted labour market information - in an early stage of the study- and a toolset that connects students with skill-related firms more effectively.

## Triple economic loss scenario

### 4.3 Potential loss Number 3: Steep diminishing returns, loss due to a non-responsive ecosystem

Until recently firms faced relatively long product lifecycles but the rapid pace of technology and new business models in the new economy put pressure on traditional organisational structures and investment strategies. Diminishing returns are much steeper nowadays due to lower revenues and exponential costs to compete and certain investments need to be made to merely stay in business. Organisations must adapt to this new knowledge driven economy in order to survive and grow.

They must succeed in dealing with uncertainty and activating creativity.<sup>[36]</sup> Competition now comes from unusual players, from other sectors, other countries, other products and services, other experts and knowledge. Innovation becomes crucial to be able to disrupt the disruptors and as such



**Figure 4.3.** Steep diminishing returns, loss due to a non-responsive ecosystem

aligning the right workforce will be the key to innovate. Regional stakeholders must be ready and join forces to deliver and attract talent to fulfil profiles at the regional labour market the outline of which is not even clear yet. In the triple loss scenario the responsiveness stays behind and competitiveness drops.

In this context, organisations are dependent on a flexible and enabling regulatory landscape. Today, in the Dutch context, some hurdles still exist.

For instance, getting a work permit for talent arriving from outside the EU takes (too) long (3 to 4 months). Not only large companies, but also 23% of SME's report rules & regulation as a challenge when recruiting international talent<sup>[18]</sup>. Non-EU students have difficulties organizing (non-obligatory) internships that facilitate access to the labour market after graduating. Another challenge is that certain highly talented scholars or professors do not qualify for the knowledge migrant ruling. Mul-

## Triple economic loss scenario

tionals also indicate a dependency on the 30% ruling that is under discussion as we speak. Without it the competitive position of the Netherlands will worsen.

Although ownership of assets remains important, aligning a flexible network of talent and organisations will be key to decrease sunk costs in talent investment and scale proven business solutions. Time spent in search, selection and assessment processes is lost if candidates that were rejected for a specific role - although qualified in many respects - are not added to a database for future

vacancies or shared with skill-related firms in the region. Currently there are no labour market tools available at an umbrella level within the region to record, track or analyse these developments.

Shared talent investment strategies must be developed to create regional talent pools. These are a must to manage the business risks and ensure a swift response to opportunities in the next economy. Understanding the attributes of an enduring talent hub is key in developing these pools and a sound labour market strategy. The lack of deep(er) knowledge of the exact talent shortages on the

one hand and the passion, purpose and potential of people on the other, makes it hard for policymakers, HR and the recruitment industry to respond. Fulfilling the new profiles in the new world of work is essential for both large and smaller companies because it is a precondition for innovation and positive returns.

# An integrated talent attraction and retention plan for the region

The Netherlands and the MRDH are attractive to talent with some topics for improvement. Being a top country in human capital now does not guarantee the country's future success in talent attraction and retention. The Netherlands currently holds position 12 in the Global Talent Competitiveness Index. Access to talent impacts business and regional performance. In order to prevent a triple economic loss scenario coming into play, this report has shown that stakeholders need to join forces and in be(com)ing an enduring talent hub. ICP believes we have to do this even to maintain our position since the many other attractive metropolitan regions of Europe and the world are all considering the same issues.

During the last couple of years, great initiatives to improve the regional labour market situation have been launched by the socio-economic partners individually and/or by joining forces with MRDH / EPZ / IQ. The scope, content and organisation is still (too) fragmented though. In order for the initiatives to achieve a significant return on

investment and release synergy effects, we need to improve connections based on a shared direction and coordination. 'Connections' not only between stakeholders and sectors but also between data sets, between content of programs, between locally and internationally focused policies and between hard and soft factors.

Based on our accumulated experiences as a regional catalyst for global talent, ICP identifies the following attributes for programs to create and maintain an enduring talent hub:

-  Truly talent central;
-  Fully targeting quality of life and career aspects;
-  Open access to the socio-economic ecosystem;
-  Technology and data driven solutions for alignment;
-  Regional approach and ownership - in definition and execution

ICP proposed an integrated talent attraction and retention program for the MRDH that meets the above criteria.

## A. Open up: big data and analysis

A precondition for closer alignment between the labour market parties is detailed knowledge and understanding of the regional labour market and its players. A talent central approach implies seeing talent availability as a 'push' driver for development as opposed to a 'pull' need.

In order to open up towards the wishes and needs of 'the other', additional and continuous gathering of big data on demographics, corporate hiring needs, talent, their life-career drivers and assessment of performance is a must. Three initiatives respond to this urge for more data and analysis.

### A1. A Regional Talent Monitor

A (bi-) annual quantitative and qualitative research into the profiles, drivers and distractions of global

## An integrated talent attraction and retention plan for the region

talent (both Dutch and international) in the MRDH region would provide for the hard data necessary for the process of alignment in the regional labour market. The proven ICP research and alignment model could be used as a basis and extended with some additional criteria from the Global Talent Competitiveness Index to get an even more comprehensive overview. MRDH seems to qualify best for the role of owner of the Global Talent Monitor - a valuable extension of the current annual MRDH monitor.

### A2. Regional Labour Market Data & Analytics - dashboard

The economic growth of MRDH falls behind other Dutch and European regions and unemployment issues exist. In comparison to other regions of this size, little action has been taken yet to assemble and distribute labour market data. In response to this gap ICP, MKB The Hague, Birch Consultants, Lift set up an initiative to stimulate regional cooperation and ownership by making detailed

labour market information and analyses available. In the project 'Talent gekend' ('Talent acknowledged'), the partners combine several unique sources of labour market data. A data tool (dashboard) is being developed to make labour market data accessible for policymakers, individual employers, universities, students, employed talent and job seekers. The approach is unique as it assembles original data from 2000 companies in the MRDH region (to start with) and employment opportunities based on a database with 1,7 million career paths, which will be updated in real time, with a talent central focus.

The inflow of labour from different but related industries boosts firm creativity and productivity. The dashboard will give more insight in current cooperation between firms and labour flows and support the definition of policies that will highlight interesting options for (additional / new) cross-sector collaborations and career paths.

### A3. ROI on Human Capital calculator

In order to get all parties aligned towards activities that increase the regional attractiveness in the eyes of national and international talent, we need to turn up the level of awareness amongst the 'beneficiaries of talent'. The ROI calculator helps businesses and policymakers quantify the effect of (un)happy talent on productivity, estimate the upward potential of contracting talent from abroad and manage the risk of sunk costs if turnover rates increase e.g. due to distorted career advancement or forced career changes.

Data entered by employers (small, medium and large) will be included in the overall database (see above) for further analysis. The profit and loss model for the calculator has been delivered. Some more work is required for the front and back-end integration and can be done by the experts that have been involved so far. The ROI calculator is a marketing tool to raise awareness, interest, desire and action towards prioritisation of the access to talent agenda.

## An integrated talent attraction and retention plan for the region

### B. Opportunity marketing: on- and offline

#### B1. Regional branding - talent focused

A regional branding strategy was developed in 2015 by InnovationQuarter, MRDH and EPZ including the storyline 'Rotterdam The Hague Area: a real life testing ground'. This strategy is aimed at profiling the existing brands in the region in a coherent manner. The strategy is translated into a number of concrete deliverables such as a toolkit with products which municipalities and marketing organisations can easily integrate into their own branding and marketing activities. InnovationQuarter will coordinate the implementation.

We propose to increase the talent focus and see to it that this regional branding campaign is also disseminated towards the global talent target group. It is important to show (alternative) career paths that will win over future talent - students and

professionals, national and foreign - to choose to move to or stay in MRDH. The educational institutions and local employers and providers could be more involved in developing and executing the campaign to the non-corporate lead groups.

#### B2. Talent matching: on- and offline

Shared investments in on- and offline talent matching solutions will strengthen the regional talent hub that drives innovation and growth. Educational organisations get access to a new group of 'students' and are seated front row' to monitor future required skills. Employers could individually benefit from attracting and retaining talent in the region in collaboration with other parties. Although 'shared talent pools' will affect turnover rates it will be offset by the access benefits. A valuable trade-off, lowering overall transaction costs and at the same time increasing returns.

#### - Lift: A new approach to online talent matching

Lift is a talent matching solution supported by ICP, The Hague University of Applied Sciences, Leiden University and the Municipality of The Hague with a different approach. Instead of historical based matching of available resumes and vacancies, new matching criteria are central. Students and professionals are invited to map out their drivers, values and competencies with a user friendly, playful smartphone based computer application (app) and messaging features. Companies, vacancies, contacts and networks with similar values and ambitions are recommended to the users, which can help them in the right direction towards a next step in their career that fits their Passion, Purpose and Potential. Lift is future-oriented matching.

Lift will contribute to a broader and deeper perspective on the regional labour market for both talent and employers. By swiping cards the tool

## An integrated talent attraction and retention plan for the region

will reveal attractive, cross-sectoral career paths. This in itself is valuable for the users of the tool, and delivers aggregated additional labour market information for schools, policymakers and social partners.

In this project, the labour market tool is provided to individual job seekers and employers. In 2016/2017, the goal is to reach out to 50.000 potential participants and convert 15.000 participants to active users of the app. Through the networking effect over 500.000 new connections in the labour market are expected to arise.

### - International City Podium - offline career event

For the past three years, ICP has organised the International City Podium, which has grown into a successful formula for opening up labour

market opportunities. Goal is to show what's on offer as regards studies, brands, (voluntary) jobs, internships and networks and how to seize these opportunities. The International City Podium is different from the usual 'career event'. Instead of zooming in on one sector or one discipline, it highlights the value of sectoral crossover and interdisciplinary opportunities. One of the objectives is to show not only the 'usual suspects' as potential employers, but also the innovative mid- and small-sized companies, who are dependent on talent to grow. The Podium is always a mix of Dutch and international talent, and thereby exudes the value of multinational and multicultural environments.

The International City Podium can be rolled out on a regional rather than a city level.

## C. Orange carpet: rules and regulation

The inflow of labour from abroad and different but related industries boosts firm creativity and productivity. To enable this inflow, we need supporting rules and regulations. The regulatory and business-labour landscape are monitored by the regional investment agencies under supervision of the national investment agency (NFIA).

The focus of regulatory activities will be on both the corporate investment climate and talent investment climate. (International) students are included in the talent focused activities.

## An integrated talent attraction and retention plan for the region

					
<b>A. OPEN UP: Big data and analysis</b>					
Regional labour market analytics			✓	✓	✓
Regional global talent monitor	✓	✓		✓	✓
ROI on human capital calculator	✓			✓	✓
<b>B. OPPORTUNITY MARKETING: On- and offline</b>					
Regional branding	✓	✓	✓		✓
Talent matching	✓	✓	✓	✓	✓
<b>C. ORANGE CARPET: Rules and regulations</b>					
Talent investment climate	✓		✓		✓

-  Truly talent central;
-  Fully targeting quality of life and career aspects;
-  Open access to the socio-economic ecosystem;
-  Technology and data driven solutions for alignment;
-  Regional approach and ownership - in definition and execution

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