

Talent is Key to Future of Manufacturing Industry

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- New report finds that talent, innovation and strategic use of public policy will play an important role in defining manufacturing sector competitiveness in the future
- Fading labour rate arbitrage, exposure to currency volatility, sovereign debt pressures and emerging protectionist policies challenge further globalization of manufacturing value chains
- Read the full report at <http://www.weforum.org/Manufacturing2012>
- Watch the video at <http://www.youtube.com/watch?v=rldolKukpnU>

New York, 24 April 2012 – Talent, the ability to innovate and the strategic use of public policy will play a significant role in defining the manufacturing sector's competitiveness in developed and emerging economies, according to the *The Future of Manufacturing* report released today by the World Economic Forum.

Written in collaboration with Deloitte Touche Tohmatsu Limited, the study finds that the global manufacturing ecosystem is undergoing a dramatic transformation, with many emerging economies developing significant manufacturing and innovation capabilities, enabling them to produce increasingly complex products and leading to the globalization of manufacturing supply chains. Fading labour rate arbitrage, exposure to currency volatility, sovereign debt pressures and emerging protectionist policies will be countervailing forces to further globalization of manufacturing value chains.

The report highlights key trends that will define manufacturing competition over the next 20 years and which will require the attention and collaboration of policy-makers, civil society and business leaders. With an estimated 10 million manufacturing jobs worldwide that cannot be filled today due to a growing skills gap, the report identifies talent as one of the key differentiators that will define the future of the sector.

Despite the high unemployment rate in many developed economies, companies are struggling to fill manufacturing jobs with the right talent. Several countries are taking action. India, for example, has created the National Skill Development Corporation (NSDC), a public-private partnership set up to identify and fund vocational education businesses. To date, NSDC has approved US\$ 150 million in funding for 29 ventures that will train 40 million youth in diverse trades over the next 10 years.

"Manufacturing is a critical driver of economic growth and job creation in emerging economies such as Brazil, China and India," said **John Moavenzadeh**, Senior Director, Mobility Industries, World Economic Forum. "Developed countries are increasingly recognizing the importance of coordinated policies that enhance the high value-added components of manufacturing supply chains."

The other top differentiators identified in the report include the strategic use of public policy and the ability to innovate. The report also shows that the strategic use of public policy as an enabler of economic development will intensify, resulting in a competition between nations for policy effectiveness and placing a premium on collaboration between policy-makers and business leaders

to create win-win outcomes.

A frequently cited example of success is China's provision of public assistance for new industries, which has helped the country register phenomenal growth in manufacturing. Other contributors to China's success include its state-owned enterprises that serve as incubators for the right talent and export incentives that have helped Chinese companies break into global markets. The innovation capacity for developing creative ideas, addressing new and complex problems, and delivering innovative products and services to global markets will be the capabilities most coveted by countries and companies alike. Germany's Fraunhofer Institute, a private-public partnership with a mandate of transforming scientific discovery into useful applications, and Taiwan's Industrial Technology Research Institute, are two examples of successful national research labs enabling competitive innovation.

The infrastructure necessary to enable manufacturing to flourish and contribute to job growth will grow in importance and sophistication and will be challenging for countries to develop and maintain. Growing material resources competition and scarcity will fundamentally alter country and company resource strategies, and serve as a catalyst to significant breakthroughs in materials sciences.

"Today, and for the foreseeable future, the manufacturing game is going to look like a global talent competition – one in which countries and companies contend to find and develop highly skilled workers who can handle the advanced manufacturing processes needed to make innovative, high-value products," said **Craig Giffi**, Vice-Chairman and Consumer & Industrial Products Industry Leader at Deloitte LLP, USA. "In this competition, the advantage will go to countries that can combine effective public policies with good private-sector leadership, a move that will attract investment and drive superior talent development and innovation."

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