

# EXTERNAL LABOR MARKET ANALYSIS

Company fortunes are influenced continuously by external factors such as changes in the competitive, regulatory, technological, economic, and political environments. Increasingly, a vital factor shaping a company's success is the labor market in which it competes for talent. Although employers exercise little control over their local or regional labor markets, they do have the opportunity to compete in those talent markets more effectively than their competitors. The most effective employers understand variations in labor markets and their business implications.

Mercer's proprietary External Labor Market (ELM) Analysis<sup>®</sup> gives employers the insight for making better workforce decisions. ELM Analysis focuses on the effects that labor market and demographic differences have on a company's unique workforce. This information can be leveraged in recruiting strategies, workforce planning, and site selection. Through the use of this tool, an organization can gain:



An understanding of trends in the local labor market and how they affect the specific job groups a business needs.



Specific recommendations to guide workforce planning or recruiting decisions at a local, regional, national, or international level.



The ability to compare and rank both existing and potential site locations.

When combined with Mercer's proprietary Internal Labor Market (ILM) Analysis<sup>®</sup>, ELM Analysis can link a company's unique workforce dynamics to local labor market issues and identify the broader human capital implications.

**LINKING HUMAN CAPITAL DECISIONS TO BUSINESS RESULTS**  
Mercer's data-based consulting leverages a comprehensive set of proprietary tools and analytics designed to help organizations establish clear and measurable links between their human capital programs and policies and their business results. These tools, which feature both quantitative and qualitative methods, address the growing demand for organizations to manage their people programs more effectively and to demonstrate a return on their investment in these programs. Mercer's approach helps organizations understand their current human capital needs and challenges, project future needs and challenges, and create talent solutions that drive business value.

## HOW IT WORKS

ELM analysis evaluates local, regional, and national labor supply and demand conditions around the world. Even within a metropolitan area, labor market conditions may vary. Understanding the distribution of an organization's workforce and varying labor market characteristics (such as educational attainment rates and commuting distance) informs recruiting efforts, pay decisions, and the selection of alternative site locations.

## SAMPLE OUTPUT

Labor supply is evaluated by occupations relevant to the organization. In the following example, the company was able to examine the ability of the local labor markets around its existing operations to meet its staffing needs. Recruiting efforts were targeted at the local, regional, or national level – depending on which labor market could offer access to a labor pool sufficient for replacement and growth.

	CITY A	CITY B	CITY C	CITY D
Civil engineers	■	■	●	●
Engineering managers	■	■	●	●
Other engineering workers	■	▲	●	▲
Manufacturing workers	●	■	■	▲
Mechanics and maintenance workers	■	▲	●	▲
Accountants and HR professionals	▲	●	▲	▲
Information technology workers	▲	▲	▲	▲

Local labor pool designation key: ■ Alternative sources needed ▲ Replacement hires only ● Expansion possible

Not all labor markets are equally favorable for startup, relocation, or expansion. In addition to addressing labor and real estate costs, this company evaluated current and future labor availability, bilingual language capabilities, and time zone coverage. Location A surpassed others in suitability for relocation from a labor perspective.

## RANKING SUMMARY

WEIGHT	CRITERIA	LOCATION				
		A	B	C	D	E
40%	Current labor availability	131	123	124	137	117
20%	Labor and real estate costs	105	109	97	60	123
10%	Future labor availability	138	136	142	142	128
7%	Size of the bilingual workforce	177	160	132	205	133
5%	Additional time zone coverage supporting 24/7 operations	90	100	100	110	100
4%	Competitive employers present	41	55	69	20	69
4%	Part-time aptitude of workforce	129	123	137	147	110
4%	Attractiveness to relocating workers	110	90	90	110	90
3%	General education quality of local schools	88	110	130	64	118
3%	Labor union power	126	120	118	91	120
	<b>Total</b>	<b>122</b>	<b>118</b>	<b>117</b>	<b>117</b>	<b>116</b>

Weights from executive meeting and interviews

Higher scores are more favorable  
(100 = National average)

For more information about ELM Analysis or any of Mercer's proprietary analytical tools, contact your local Mercer office or visit [www.mercer.com/workforceanalytics](http://www.mercer.com/workforceanalytics).