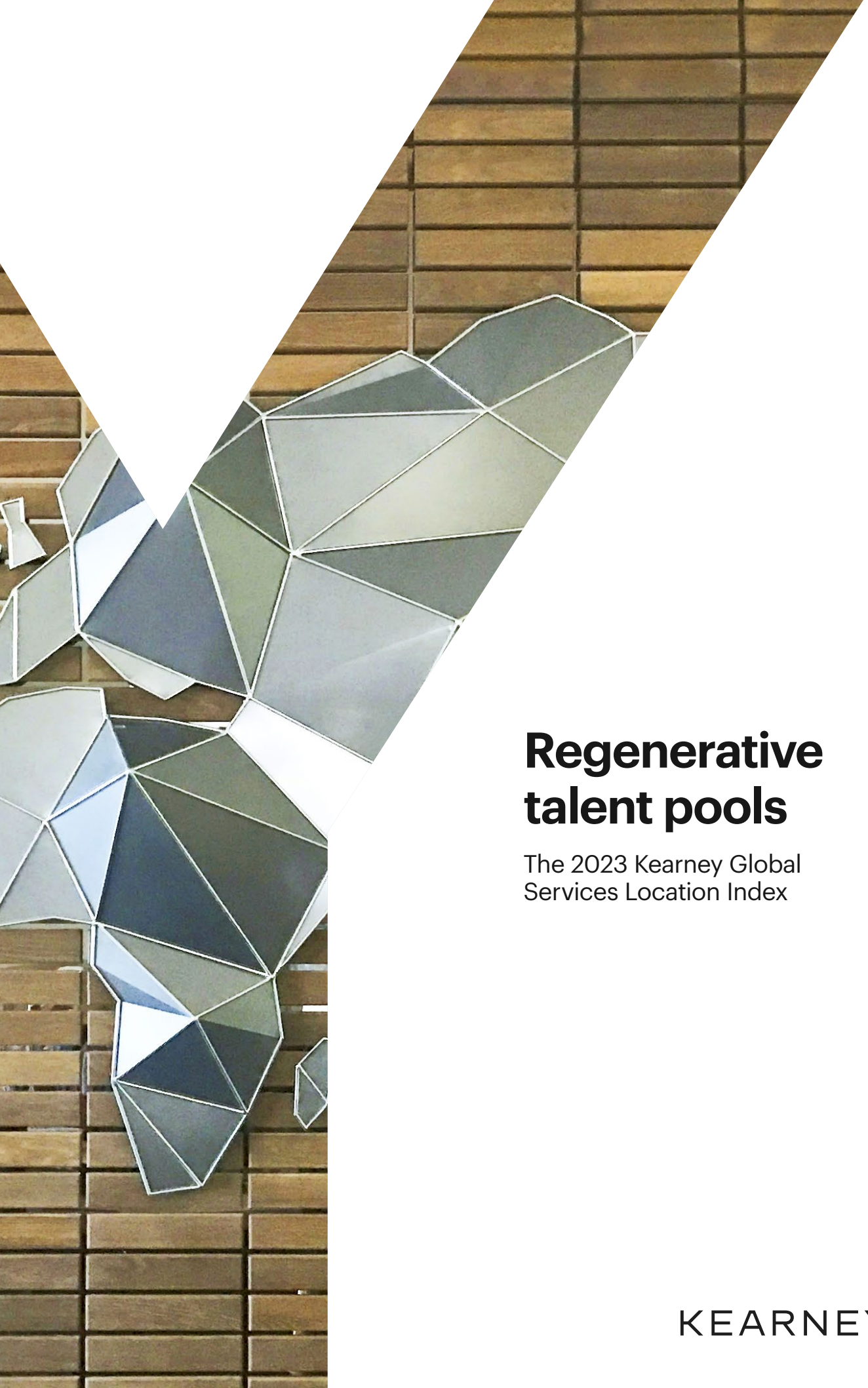


Photo by Kearney alumni

Regenerative talent pools

The 2023 Kearney Global Services Location Index

KEARNEY

A country's attractiveness as an offshore location for business services depends largely on its ability to reskill and redeploy the workforce in response to changing market demands and technological disruptions.

Executive summary

The offshoring of business services continues to see strong growth across borders as companies seek to lower their costs, scale their talent, and become more efficient by using more of the global talent base. In fact, the global market for business services grew from US$624 billion in 2022 to US$681 billion in 2023, and is expected to rise at a compound annual growth rate of 8 percent through 2027.

A variety of factors influence decisions about where to locate offshore operations, including labor and infrastructure costs, available skills and quality of services rendered, infrastructure, business environment, and political and social risks. Kearney's Global Services Location Index (GSLI) helps companies and government institutions understand and compare the factors that make countries attractive as potential locations for offshoring.

A major focus of this year's GSLI is highlighting the importance of **talent regeneration** in maintaining and enhancing the attractiveness of offshore locations. How rapidly a country reskills and redeploys its workforce in response to changing market demands and technological disruptions is influenced by factors such as its education system, labor market conditions, immigration policies, government support, and digital infrastructure. Countries that can quickly regenerate their talent pool have a competitive edge over those that face skills shortages and mismatches.

Overall, the top three countries—India, China, and Malaysia—continue to lead thanks to their immense cost advantage, abundant talent pool, and strong skills. India and China also show signs of strength in talent regeneration capabilities, making them global frontrunners in availability of a tech-enabled workforce.

Asia Pacific countries remain in the lead (though the Philippines has dropped out of the top 10 and Mexico has climbed from 11 to 10). The United Kingdom has seen a notable change with its move up to fifth place—marking the first time a western economy has entered the top five.

The top 10 countries in the 2023 GSLI are shown in figure 1 on page 2.

We cover four major elements in this year's GSLI report:

— The impact of emerging global trends and key local disrupters that are making the talent supply chain more complex, requiring companies to revamp their talent sourcing and management strategies

— Talent regeneration factors that enable or hinder the talent replenishment process

— Relative talent regeneration performance of the top 25 GSLI-ranked countries and a closer look at those that show strong capabilities

— A region-by-region look at the performance of select countries

Figure 1
Top 10 countries in the 2023 GSLI

Country	2023 rank	2021 rank	Δ
India	1	1	—
China	2	2	—
Malaysia	3	3	—
Brazil	4	5	1
United Kingdom	5	8	3
Indonesia	6	4	–2
Vietnam	7	6	–1
United States	8	7	–1
Thailand	9	10	1
Mexico	10	11	1

Increased Decreased No change

Source: Kearney analysis

Regenerative talent pools: everything, everywhere, all at once

This year's GSLI analyzes the social and economic factors that led to the need for talent regeneration and identifies the countries that have been most successful in responding rapidly to this need.

Emerging global trends and local disrupters impacting the talent supply chain

The global labor market has undergone major changes over the past few years. A combination of geopolitical, social, economic, and technological factors has created divergent outcomes for countries and sectors and brought new challenges and opportunities for workers and employers. The demand for new skills and jobs has been shaped by Industry 4.0 (i4.0) technologies, which in turn are quickly changing consumer and worker expectations.

Shifting macroeconomic dynamics are resulting in new economic blocks and trading partners. Brazil, Russia, India, China, and South Africa (BRICS)—once known as the world's fastest-growing economies—are now setting themselves up as the Global South and an alternative to the G7. Equally, growth in frontier economies such as the Philippines, Iran, and Egypt is taking off and, on a PPP basis, will overtake Italy and Canada by 2050.[1] Nigeria, sub-Saharan African's largest economy, will be the third most populous country in the world by 2050. These shifting growth dynamics must be carefully monitored as we look at future talent and skills pools.

The war in Ukraine has impacted the talent availability and renewal in several countries as more than 5.3 million Ukrainians have been displaced and more than 8.1 million refugees have been dispersed across Europe. This ongoing turmoil has disrupted the Ukrainian education system and labor market, with a decrease in foreign investment that is limiting job opportunities for the country's remaining skilled workers.

The global economic slowdown has also caused a hiring slowdown. Big-tech layoffs in early 2023 made headlines, but the industries largely affected by layoffs include construction, accommodation and food services, and healthcare and social services. Small companies saw the biggest decrease in job openings and the largest increase in layoffs, while large companies saw little change in their job openings, hires, and total separation rates.[2]

Technological advancements, particularly in generative AI, are expected to have a huge impact on business over the next few years as i4.0 accelerates. This new wave of AI has the potential to replace or reduce up to 300 million jobs around the world over the next decade while enabling innovation, efficiency, personalization, and creativity. In some cases, it could free up knowledge workers to focus on more strategic tasks and improve their productivity. In other cases, it could displace workers entirely, requiring them to develop new skills and competencies.
(For more information on the State of Industry 4.0, please read here.)

[1] PPP is purchasing power parity
[2] Small companies are defined as those with one to nine employees. Large companies are defined as those with more than 5,000 employees.

Demographic shifts are a slow-moving but ever-present force that affects long-term location services planning. Japan, China, the United States, and many European countries are facing aging populations thanks to longer life expectancy and declining birth rates, which lead to a smaller workforce as a proportion of the total population. Meanwhile, India has a young and fast-growing workforce with a high potential for economic development and innovation. These shifts won't drastically affect a country's near-term ranking in the GSLI but are cause for pause when considering long-term capex-heavy investments into a location.

These disrupters have made the talent supply chain more complex and dynamic, requiring countries and companies to boldly reimagine their talent sourcing and management strategies. Organizations will need to adopt a comprehensive and strategic approach to talent management that requires investing in reskilling and upskilling programs, fostering a culture of learning and innovation, enhancing employee experience and well-being, promoting collaboration and belonging, and aligning talent practices with business objectives and values.

Talent regeneration factors that enable or hinder the replenishment process

Regenerating the talent supply chain has become more challenging because of rapid changes around global macroeconomic trends, workforce demographics, and the sociopolitical landscape. However, with disruption comes new opportunities.

Strengthening the talent supply chain requires successful strategies across four dimensions:

Identify global skills requirements and gaps

This can be done either proactively by predicting macro trends or reactively by adjusting for socioeconomic conditions. Macro trends in new technologies; improvements to the environmental, social, and governance (ESG) posture; localization of supply chains; and an economic slowdown were all foreshadowed by advancements in digital transformation technologies, the Paris Climate Accords, and the COVID-19 pandemic. Additionally, developing more efficient job reallocation mechanisms and building capabilities in core skills such as analytical thinking will help build a more sustainable talent pipeline.

The talent supply chain regeneration is cyclical and iterative, requiring a holistic approach to capture immediate economic benefits.

Close the skills gap by offering training

Talent retention and training are connected. In fact, 87 percent of organizations fund their training programs internally and expect proportional returns from this investment. However, with the differences in talent demographics widening among locations, customized incentives will be a differentiating factor. The employee experience—including well-being initiatives, remote and hybrid work opportunities, diversity inclusion policies, and ESG programs—matters for talent retention as much if not more than traditional incentives such as raises and promotions.

Source the workforce

Global trends have unlocked additional avenues for sourcing talent. Amid supply chain shortages and localization initiatives, many businesses turned to nearshoring to distribute the risk. Particularly in East Asia and Northeastern Europe, maintaining production bases and diversifying suppliers have reduced the disruptions. Practices such as hiring temporary "digital nomads" who have work flexibility and creating advisory roles for retirees have created opportunities to source experienced talent. Although companies will continue to assess skills based on work experience and degrees, the value of certifications and shorter courses will need to increase to keep up with the rapid pace of change.

Create new delivery models to tap into the talent supply

This is the crucial success measure of the talent supply chain. Government policies can make it easier for domestic and international enterprises to establish captive centers, outsource, offshore, and hire contingent or full-time workers. Some policies that help make this happen include favorable tax and outsourcing laws, enabling English-language proficiency, strong data security laws, and domestic stability.

Talent displacement across countries indicates that there is a strong correlation between training and employment opportunities, and it reinforces the importance of a comprehensive approach to regenerate the talent supply chain. Countries must account for attracting and retaining both companies and talent. For example, 29 percent of top-tier AI researchers come from China, but only 11 percent work there. Conversely, 20 percent of top-tier AI researchers come from the United States, but 59 percent work there.

Talent supply chain regeneration is cyclical and iterative. Countries that correctly identify skills required and strategies to fulfill them can capture immediate economic benefits. However, incentivizing larger enterprises to provide training and building an ecosystem of partners can enable talent regeneration for the long term.

Countries must account for attracting and retaining both companies and talent.

Relative talent regeneration performance of the top 25 GSLI-ranked countries and a closer look at those that show strong capabilities

Talent regeneration is defined as the ability to create lasting value by upskilling the workforce to bridge the supply and demand gap created by tech disruptions. To indicate a country's relative performance in executing these strategies, we have assembled a talent regeneration matrix of the top 25 GSLI-ranked countries across two pillars (see figure 2):

— **The focus on digital skill enhancement.** This measures the level of digital skills, depth of educational institutions, responsiveness of the ecosystem in adapting to emerging technologies, and government support in enabling digital skill development.

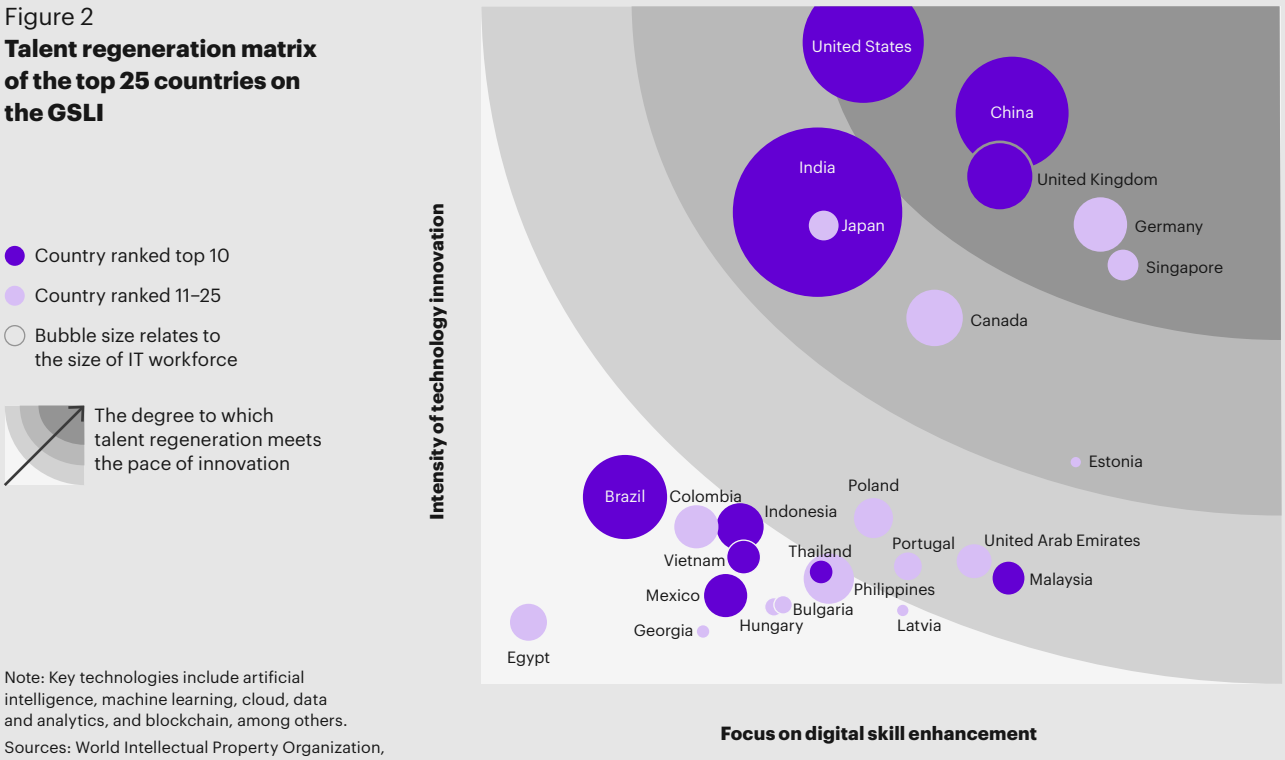
— **The intensity of technology innovation.** This measures the innovation potential as well as the readiness of the existing technology ecosystems using technology patents and start-ups.

A country's position on the matrix is determined by the level and availability of digital skills, educational institutions, patents, start-ups, and government support. The matrix highlights the opportunity for countries such as the United States, China, the United Kingdom, Germany, and Singapore, which are well-positioned to future-proof their workforces and ride the wave of technology disruption.

With the emergence and adoption of digital technologies, cost-centric service locations are at risk of losing their competitiveness to more developed and technologically advanced countries as more work and processes are automated. Talent regeneration will be the backbone of this shift. The faster a country can act, the better it will be able to create lasting value as a service hub. Traditional offshoring leaders such as India, China, Malaysia, Indonesia, Vietnam, Brazil, Thailand, and Mexico will need to invest heavily in talent regeneration as the labor cost advantage becomes less relevant given the technological disruptions and socioeconomic factors.

When comparing our matrix to the 2021 GSLI digital-centric scenario, in which we evaluated what the rankings would look like if digital resonance became the primary location selection criterion, we found most of the countries that showcased digital potential have also proven to be capable of talent regeneration.

Figure 2
Talent regeneration matrix of the top 25 countries on the GSLI



Note: Key technologies include artificial intelligence, machine learning, cloud, data and analytics, and blockchain, among others.

Sources: World Intellectual Property Organization, Pitchbook; Kearney analysis

Next, we turn our attention to eight countries that show strong capabilities in talent regeneration.

India (GSLI rank 1) is a traditional leader in outsourcing because the country has a skilled workforce at a low cost. Demand is booming for AI, ML, and data processing skills, which are expected to be the top technologies in the next five to 10 years. Seizing the opportunity, the government has launched programs such as PM Kaushal Vikas Yojana 4.0 to upskill 4.7 million people on i4.0 technologies such as AI, 3D printing, drones, and the Internet of Things (IoT). To keep the momentum, India is building on its strong science, technology, engineering, and math (STEM) backbone and educating young students on crypto, AI, and other new-age technologies under the National Education Policy 2020. The new National Data Governance Policy will strengthen India as a high-skill, low- to mid-cost market and fulfill the vision to "Make AI in India."

China (GSLI rank 2) is a tech leader focusing on self-sufficiency amid the tech stack wars with the west. A leader in filing tech-based patents on AI, ML, quantum computing, blockchain, and cloud, China's economy is leading in the adoption of digitalization with a strong focus on digital skills enhancement. The nation is building a strong STEM education system by introducing emerging technologies such as AI, analytics, and 3D design along with high cognitive, social, and emotional skills at an early stage. In addition, many application-oriented universities are open to flexible paths, such as the "3+4" program. In 2021, more than 300 universities offered full-time courses in AI. The government is also working with employers to develop industry-specific frameworks that identify the skills that workers need to succeed in each industry, and employers are investing in training and development to keep their employees up to date on the latest technologies and trends. Strong PISA statistics and a variety of industry and academia partnerships are keeping the momentum going.[3] Despite government-funded and public–private initiatives to develop digital skills, China is facing an uncertain workforce size in the mid and long term because of its aging population and low birth rate. The one-child act has been a major contributing factor to the flattening and contracting of China's population.

Even though **Brazil** (GSLI rank 4) is low on the intensity of technology innovation compared with other developed economies, its sheer scale and availability help its case. The country is home to numerous captives and technology hubs, with companies establishing or expanding their innovation hubs. Digitalization accelerated during the pandemic, and Brazil has become a hotbed for digital investments.

The **United Kingdom** (GSLI rank 5) tech sector has become a $1 trillion economy, trailing only the United States and China, and it is one of the strongest ecosystems in Europe. Its strength lies in the UK's deep science and tech background—it has the most technology patents filed in emerging technology such as AI/ML, automation, blockchain, robotics, and other digital technologies. With 3 million tech workers and many world-class companies, the UK is gearing up for upskilling. It is focusing on digital education in schools and keeping STEM graduates ahead of the curve in terms of skills and knowledge. Government plans to invest in digital skills training and other programs, such as funding 1,000 PhDs and scholarships in AI, have helped boost apprentice and digital skill readiness. The UK's 3,000 ed-tech start-ups are helping people upskill and reskill themselves in technology roles. The strong economy, skilled workforce, and favorable business environment are making the UK a rising star as a digital service center. This strong digital focus brought the UK into the top five in the GSLI this year for the first time ever.

Talent regeneration is critical for countries to maintaining and enhancing the attractiveness of offshore locations.

[3] PISA is the program for international student assessment.

The **United States** (GSLI rank 8) is using its innovation focus to upskill its talent. More than a third of US companies are already investing in training programs to improve workforce availability. Government initiatives such as the National Artificial Intelligence Initiative Act are helping the economy bring more investments into AI development while creating a more skilled workforce. The government also plans to invest about $20 billion in digital skills training, and many companies are investing in their employees' digital skills. Advanced digital skills are expected to raise the country's GDP by about $1.1 trillion a year.[4] Educational institutions are also playing a role by offering more AI and emerging tech courses. Since 2011, there has been a 120 percent annual increase in AI-related bachelor's degrees, with more than 140,000 earned in 2021. The booming start-up ecosystem is increasing the demand for advanced skills in technology, leading to the push for talent regeneration.

Singapore (GSLI rank 14) jumped 24 spots, primarily because of its digital resonance and capabilities to foster innovation, which is reflected in the country's thriving tech-based start-up ecosystem. Its tech economy will need another 1.2 million digitally skilled workers by 2025, and with demand growing, the need for a suitable workforce will also grow. To meet this demand, the government is working through research, innovation, and enterprise plans, including a $19 billion investment over a five-year period to advance its R&D landscape.[5] Singapore is investing in training programs and initiatives to help workers develop their skills and in support initiatives such as SkillsFuture Singapore, TechSkills Accelerator, and Industry Transformation Maps. Private-sector firms are also investing in the development of a skilled workforce, and many private collaborations are aimed at upscaling private companies and educational institutions.

Germany (GSLI rank 17) has driven the automation and analytics revolution in Europe thanks to its strong industrial base, research institutions, and government support. Reskilling is important, as the country is moving toward digitalization and sustainability. The government is not only joining private-sector organizations by investing heavily in reskilling initiatives, but also working to upskill the workforce to reduce the skills gap and boost economic growth. Skills in AI, ML, and big data are being prioritized over the next five years, and the government is investing in upskilling STEM graduates to ensure a digitally sound workforce to compete with future economies. Locations such as Cyber Valley in Stuttgart and the Berlin Center for Digital Transformation are emerging as AI hubs, fostering collaboration and knowledge exchange among business, academia, and research institutions.

Canada (GSLI rank 22) is focusing on STEM, upskilling and reskilling its workforce for AI through government initiatives and apprenticeships. In 2023, the government announced a $250 million program to support short-cycle upskilling programs driven by industry needs in high-growth sectors aimed at helping more than 15,000 workers. Canada jumped 24 places in the GSLI based on its proximity to the United States, its abundant IT workforce, and its digital capabilities to support the United States as a nearshore location. The country's plan to accept 1.45 million immigrants by 2025 to combat its labor shortage should strengthen its position.

It's clear that the countries that emphasize talent development and refreshed skills are poised to perform well as offshore locations. Those that excel will also be fairly well-equipped to perform well in digital resonance.

[4] GDP is gross domestic product.
[5] R&D is research and development.

The 2023 Global Services Location Index

The 78 countries in the 2023 GSLI were selected based on corporate input, current remote services activity, and government initiatives to promote the sector.

The most improved countries

As technologies such as artificial intelligence (AI) and machine learning (ML) continue to mature, automation brings more jobs onshore and nearshore, while pure-play information technology (IT) outsourcing and labor arbitrage are losing their sheen. These changes have increased the importance of reskilling the workforce to keep up with the pace of technology innovation. As a result, we have updated some of the skills and digital metrics used in the 2023 Index to reflect emerging realities. This shift has brought countries such as Canada, Poland, and Singapore into the limelight as emerging technology destinations and innovation hubs.

The seven most improved countries are shown in figure 3.

Figure 3
The seven most improved countries in the 2023 GSLI

Country	2023 rank	2021 rank	Δ
Singapore	14	38	24
Japan	18	22	4
Hungary	19	37	18
United Arab Emirates	21	25	4
Canada	22	46	24
Morocco	28	40	12
South Korea	37	41	4

Source: Kearney analysis

A region-by-region look at the performance of select countries

A country's ability to regenerate talent is strongly correlated with digital resonance, which measures the digital skills of the labor force and the digital outputs of business activity. Therefore, digital resonance is becoming a performance differentiator, and there is a strong need for new skills in areas such as AI/ML, cloud, data, analytics, and blockchain.

Next, we offer a region-by-region look at the digital services performance in select countries not discussed in-depth above.

Latin America

Latin America is benefitting from its proximity to the United States and nearshoring. **Mexico** (GSLI rank 10) drew a record $35.3 billion in foreign direct investment in 2022, with a large portion coming from the United States. As more organizations turn to Mexico as an effective and cost-effective choice for outsourcing their IT operations, this trend is expected to continue. Major US companies have been landing in Mexico because of similar time zones and a skilled workforce.

Colombia (GSLI rank 11) has a large pool of highly qualified IT specialists, and the government is investing to expand its IT industry, making the country an attractive location for outsourcing. Medellín is home to several tech schools and universities that offer IT courses. Companies have also opened new contact centers thanks to the country's high-tech innovation capabilities and its digitally skilled bilingual workforce.

Photo by Juan Llanos
Kearney, Dallas, TX

Asia Pacific

Nine Asia Pacific countries, including Singapore and Japan, ranked below 20th, although India, China, Malaysia, Indonesia, Vietnam, and Thailand were in the top 10. Traditional outsourcing-oriented economies are awakening to the emerging challenges. For instance, **Malaysia** (GSLI rank 3) benefits from a strong focus on building digital skills, the adoption of emerging technologies, and government support for developing digital skills. A workforce equipped with advanced digital skills such as cloud architecture, analytics, AI, and software development contributes an estimated $105.7 billion a year to the country's GDP. Already a hub for top companies, Malaysia's digital economy has initiatives to help tech start-ups integrate across the region, and the country is making investments to attract Fortune 500 tech companies to create high-value jobs. The country is also banking on public–private partnerships to narrow the skills gap and achieve the goals of its transformative Malaysia 5.0 initiative while also fulfilling initiatives such as the #MyDigitalMaker Movement, eUsahawan, Premier Digital Tech Institute, and Digital Skills Training Directory to upskill and reskill its population.

Indonesia (GSLI rank 6) has a massive workforce of about 135 million people, but there is a shortage of skilled workers. Only 40 percent of the workforce has the skills needed to work with emerging technologies, which led to it slipping two spots on this year's GSLI. Indonesia's emerging focus on digital skills enhancement is helping it resurge, with IT behemoths expressing interest in investing in the digital economy because of its cost-effectiveness. The central government in Jakarta has been seeking support from US and Japanese decision-makers to make Indonesia a corporate relocation center. The government is prioritizing vocational training to strengthen skills and has launched Kartu Prakerja, a digital adult learning program.

Vietnam (GSLI rank 7) remains a strong Asian outsourcing destination. The presence of major technology companies demonstrates that the country is a global digital hub, motivating it to continue upskilling its workforce.

Traditional outsourcing-oriented economies in the region are awakening to the emerging challenges.

Thailand (GSLI rank 9) jumped one spot on the back of its financial attractiveness and business environment. Its future lies in capitalizing on its population's digital skills to become an innovation hub. Thailand's digital transformation efforts have been intensifying, with the Ministry of Labor partnering with public firms to upskill about 4 million digital citizens and launching a Smart Skills program to provide access to online courses on digital skills such as IT support and data analytics.

The **Philippines** (GSLI rank 12) continues to be the business process outsourcing (BPO) engine of Asia: it is home to more than 1,000 BPO companies with nearly 1.2 million employees. However, it slipped three spots in this year's GSLI, primarily because of the rise of Mexico and Colombia as nearshore capability centers with proximity to the United States. With growing demand for technologies such as AI, ML, the IoT, and automation, the demand for a skilled workforce is also growing. To seize this opportunity, the government offers the Technical Education and Skills Development Authority and a wide range of courses in the BPO sector—from basic customer service to more specialized knowledge such as data analysis and cloud computing. In 2022, Digital Edge debuted in the market by launching a data center there, helping to bridge the digital divide in Southeast Asia's most dynamic countries.

Photo by Kearney alumni

Europe

Poland (GSLI rank 13) comes in second after the UK in financial attractiveness and skills availability. The country attracts sizable foreign direct investments and has more than 400 higher-education institutions, including 40 state-owned universities and about 20 public institutes of technology that have produced some 400,000 IT professionals skilled in AI, cloud, and data science. Global public firms have invested billions of dollars in the Polish Digital Valley, new data centers, expansions to Polish offices, and commitments to hire 5,000 cloud and automation specialists.

Hungary (GSLI rank 19) is a leading provider of highly skilled IT personnel, making it a prime option for nearshore outsourcing in Europe. The country jumped six spots from 2019 to 2021 and 18 spots from 2021 to 2023. Hungary's heavy investments in emerging technologies such as the IoT and AI- and IT-friendly policies such as financial support have led companies to establish R&D centers there.

The **Czech Republic** (GSLI rank 31) is quickly becoming a desirable place for outsourcing thanks to its large, well-trained labor supply. The country has a specialized workforce with more than 200,000 IT workers and 30,000 university students specializing in technology-related subjects.

Photo by Kearney alumni

France (GSLI rank 33) is well-positioned for the digital economy as an innovation leader, and its businesses are at the forefront of adopting new technologies. As a result, the country appears to be a promising service location. Apart from being home to several large IT companies, France is also a hub for IT start-ups. The government launched several initiatives to support upskilling, including the Plan *d'investissement dans les compétences*, which aims to train about a million people, and is working with employers to develop industry-specific skills frameworks that identify the skills that workers need to succeed. With three gigafactories expected to be operational by the end of 2023, the government has deep-dived into public–private partnerships and collaborations to train the workforce and impart the digital skills needed to support the digitalization of the entire value chain—from factory automation with i4.0 to AI applications.

Russia (GSLI rank 36) moved down 15 positions because of a drop in its business environment and infrastructure scores. The ongoing war with Ukraine has created political instability, and foreign sanctions are holding companies back from establishing or expanding in the region. Russia has the lowest score in terms of country risk and terrorism, which has led to a decline in foreign direct investments.

The United Arab Emirates is an emerging technology hub and is the second most talent regenerative country in the MENA region.

Middle East and Africa

The **United Arab Emirates** (GSLI rank 21) is an emerging technology hub in the region, as it is home to more than 4,000 start-ups, 39 percent of all scale-ups in the MENA region.[6] In 2022, scale-ups in the UAE raised more than 55 percent of the $9.1 billion raised by scale-ups in MENA. The UAE is the second most talent regenerative country in the region. Its scaling capabilities and good relations with key Gulf and African countries position the UAE to become a location of choice for nearshoring for the region.

Egypt (GSLI rank 23) dropped eight places primarily because of its lack of a digital focus. Comparing apples to apples, the country improved one place (GSLI 2021 compared with GSLI 2023 considering the same countries and the same metrics). The decline can be attributed to rising labor costs along with currency volatility as the Egyptian pound declined against the US dollar in 2022. Public debt has also grown to $163 billion, accounting for almost 93 percent of the country's GDP. Egypt scores very low on intensity of technology innovation, but the country is starting to focus on developing emerging technological skills. Public–private partnerships have been established with the Information Technology Industry Development Agency to improve young IT professionals' access to the labor market and employability while fostering their professional growth and helping Egypt maintain its position as a regional talent and offshore hub.

Turkey (GSI rank 26) maintained its position and is gaining momentum thanks to its focus on the IT sector and investments. Many STEM centers and labs have been established. Turkey now boasts more than 50,000 graduates from 129 state universities, 75 private universities, and 727 private IT centers, and the country has about 300,000 employees in the IT industry.

Morocco (GSLI rank 28) jumped 12 places. Its cost-competitiveness and multilingual (English, French, and Spanish) workforce along with a renewed focus on digital upskilling have improved the nation's vision to host tech-related commercial operations. The government plans to invest millions of dollars in the outsourcing sector to generate roughly 5,000 new jobs by the end of 2026.

[6] MENA is Middle East and North Africa.

Seven of the 18 countries that are new to the Index are from the Middle East and Africa, a region historically underrepresented in the GSLI. These seven new entrants are competing with long-established, traditional outsourcing countries but offer a competitive advantage as a regional nearshoring option. Jordan and the Kingdom of Saudi Arabia are the two strongest new entrants to the region.

Key countries include **Jordan** (GSLI rank 39), the **Kingdom of Saudi Arabia** (GSLI rank 67), **Qatar** (GSLI rank 74), and **Oman** (GSLI rank 77). Jordan is a strong entrant with a competitive cost advantage with good talent availability. However, the story for Saudi Arabia, Qatar, and Oman is unique as they always strive for excellence and elite solutions. Their focus has been to provide a best-in-class business environment and digital capabilities. Their lower ranks on this year's Index are the result of the financial unattractiveness of these locations along with the lack of ease of hiring. In a different scenario in which we look at the region purely from a business environment and digital resonance perspective, these countries improve their ranks drastically (Saudi Arabia +13, Qatar +23, and Oman +24)—indicating that these countries could become regional champions for digital innovation.[7]

[7] A digital-centric GSLI scenario in which financial attractiveness, people skills and availability, business environment, and digital resonance are weighted 5 percent, 15 percent, 40 percent, and 40 percent respectively

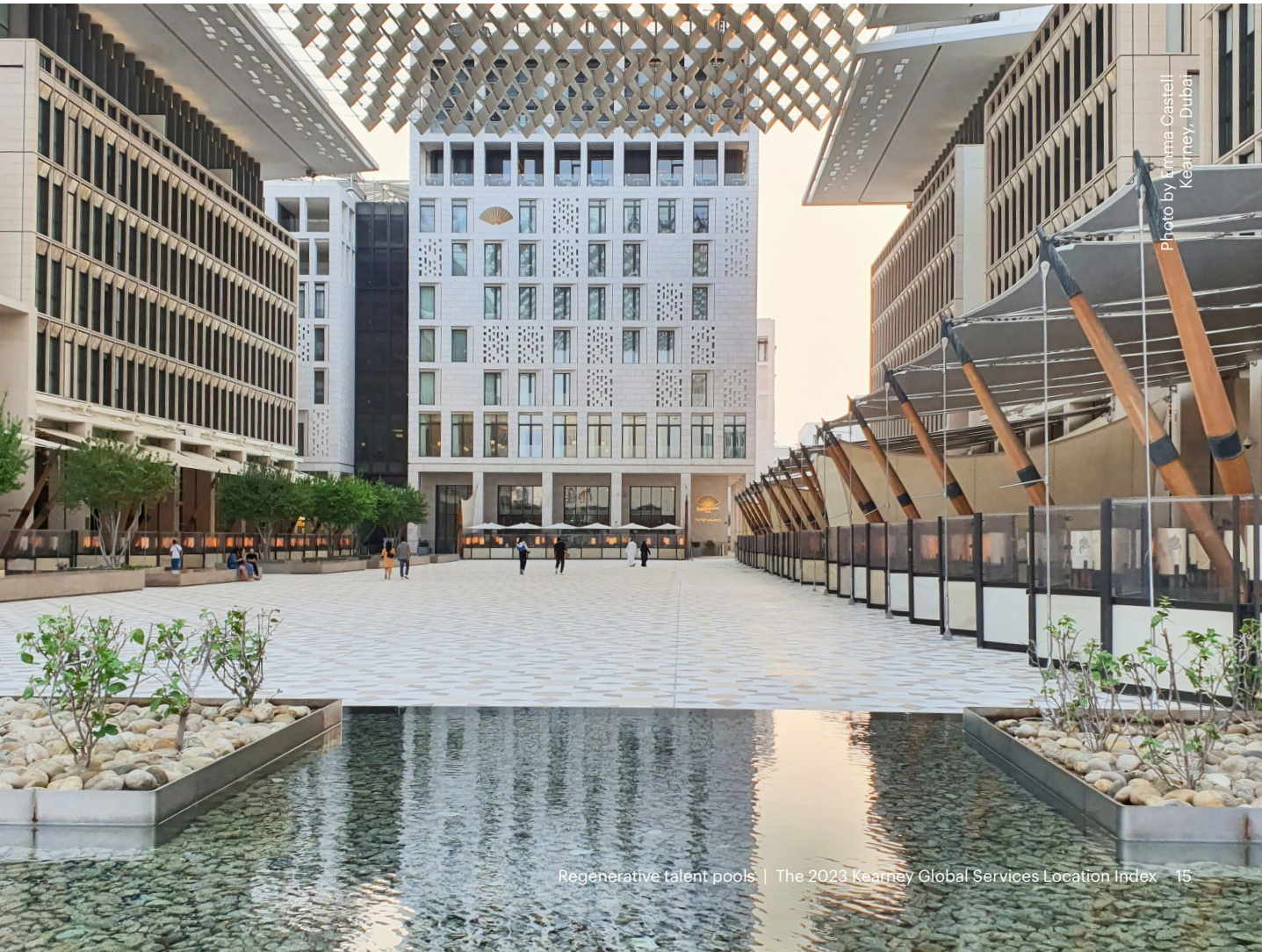


Photo by Emma Castell, Kearney, Dubai

The 2023 GSLI rankings

In 2023, the GSLI ranks 78 countries based on 52 metrics, up from 60 countries and 47 metrics in 2021 (see figure 4 below and 5 on page 17).

The GSLI focuses on four weighted dimensions:

— **Financial attractiveness:** cost of labor and infrastructure

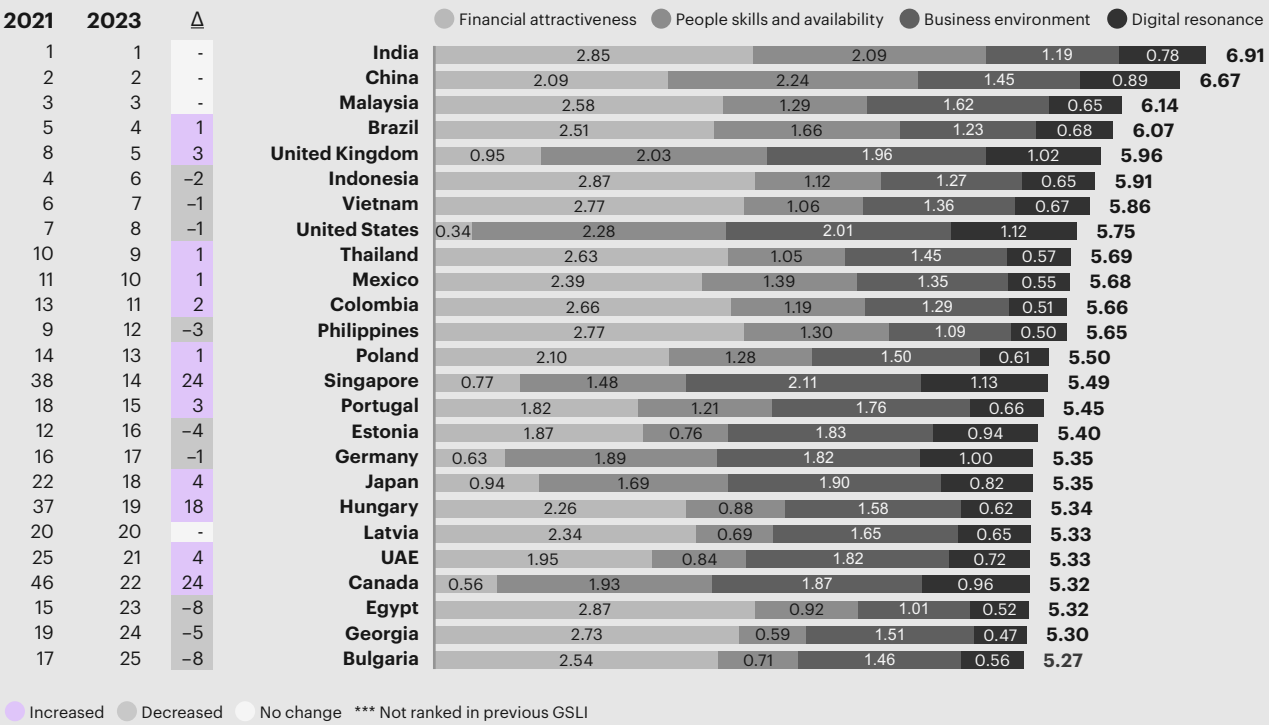
— **People skills and availability:** quantity and quality of the talent pool

— **Business environment:** political, economic, regulatory, and cultural aspects that affect the ease of doing business

— **Digital resonance:** digital skills of the labor force and digital outputs of business activity

(For more information about the study and country ranking methodology see the Appendix.)

Figure 4
GSLI 1–25

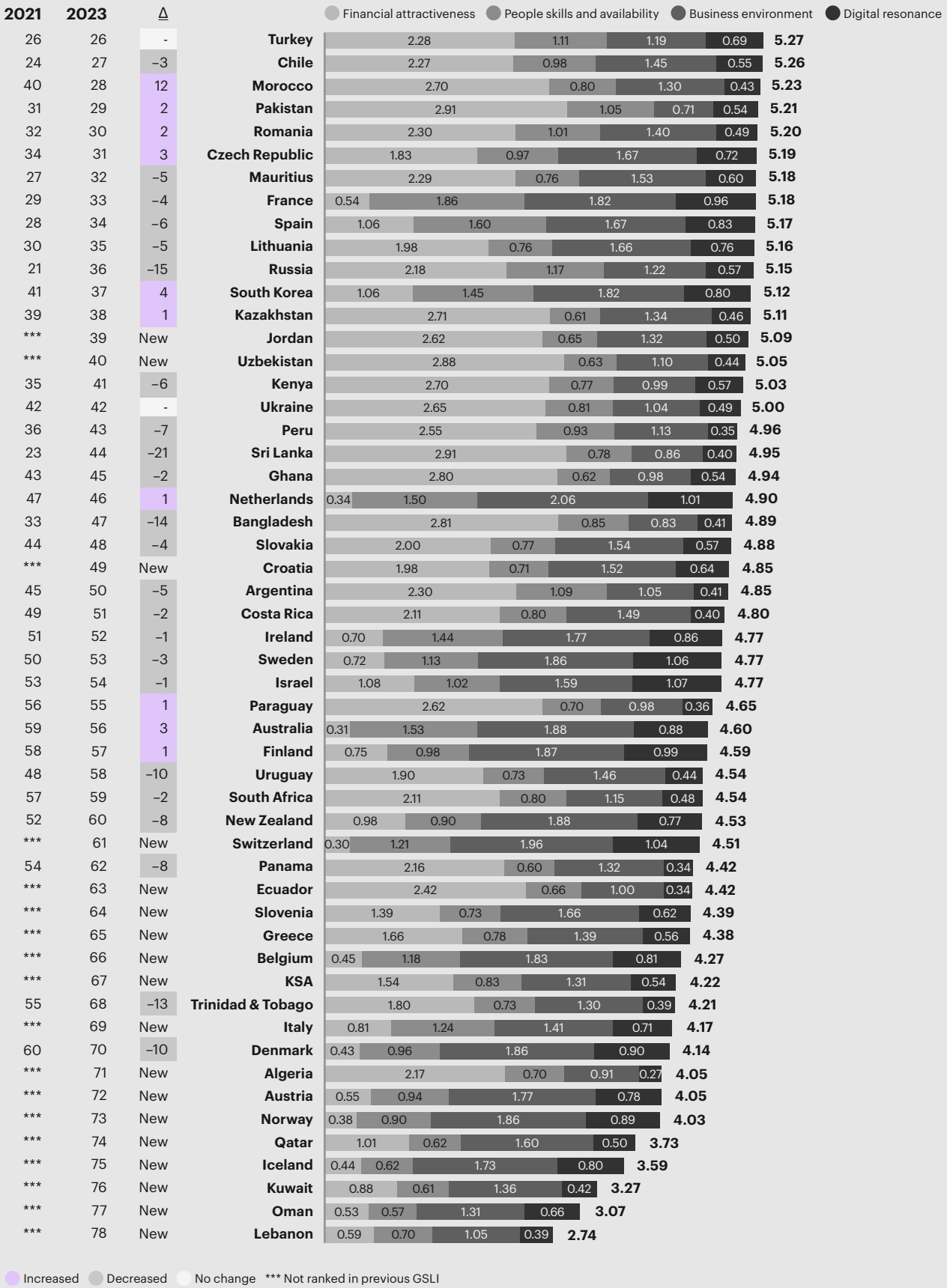


2021	2023	Δ		Financial attractiveness	People skills and availability	Business environment	Digital resonance	
1	1	-	**India**	2.85	2.09	1.19	0.78	**6.91**
2	2	-	**China**	2.09	2.24	1.45	0.89	**6.67**
3	3	-	**Malaysia**	2.58	1.29	1.62	0.65	**6.14**
5	4	1	**Brazil**	2.51	1.66	1.23	0.68	**6.07**
8	5	3	**United Kingdom**	0.95	2.03	1.96	1.02	**5.96**
4	6	–2	**Indonesia**	2.87	1.12	1.27	0.65	**5.91**
6	7	–1	**Vietnam**	2.77	1.06	1.36	0.67	**5.86**
7	8	–1	**United States**	0.34	2.28	2.01	1.12	**5.75**
10	9	1	**Thailand**	2.63	1.05	1.45	0.57	**5.69**
11	10	1	**Mexico**	2.39	1.39	1.35	0.55	**5.68**
13	11	2	**Colombia**	2.66	1.19	1.29	0.51	**5.66**
9	12	–3	**Philippines**	2.77	1.30	1.09	0.50	**5.65**
14	13	1	**Poland**	2.10	1.28	1.50	0.61	**5.50**
38	14	24	**Singapore**	0.77	1.48	2.11	1.13	**5.49**
18	15	3	**Portugal**	1.82	1.21	1.76	0.66	**5.45**
12	16	–4	**Estonia**	1.87	0.76	1.83	0.94	**5.40**
16	17	–1	**Germany**	0.63	1.89	1.82	1.00	**5.35**
22	18	4	**Japan**	0.94	1.69	1.90	0.82	**5.35**
37	19	18	**Hungary**	2.26	0.88	1.58	0.62	**5.34**
20	20	-	**Latvia**	2.34	0.69	1.65	0.65	**5.33**
25	21	4	**UAE**	1.95	0.84	1.82	0.72	**5.33**
46	22	24	**Canada**	0.56	1.93	1.87	0.96	**5.32**
15	23	–8	**Egypt**	2.87	0.92	1.01	0.52	**5.32**
19	24	–5	**Georgia**	2.73	0.59	1.51	0.47	**5.30**
17	25	–8	**Bulgaria**	2.54	0.71	1.46	0.56	**5.27**

Increased Decreased No change *** Not ranked in previous GSLI

Note: GSLI is the Global Services Location Index.
Source: Kearney analysis

Figure 5
GSLI 26–78



2021	2023	Δ		Financial attractiveness	People skills and availability	Business environment	Digital resonance	
26	26	-	Turkey	2.28	1.11	1.19	0.69	5.27
24	27	–3	Chile	2.27	0.98	1.45	0.55	5.26
40	28	12	Morocco	2.70	0.80	1.30	0.43	5.23
31	29	2	Pakistan	2.91	1.05	0.71	0.54	5.21
32	30	2	Romania	2.30	1.01	1.40	0.49	5.20
34	31	3	Czech Republic	1.83	0.97	1.67	0.72	5.19
27	32	–5	Mauritius	2.29	0.76	1.53	0.60	5.18
29	33	–4	France	0.54	1.86	1.82	0.96	5.18
28	34	–6	Spain	1.06	1.60	1.67	0.83	5.17
30	35	–5	Lithuania	1.98	0.76	1.66	0.76	5.16
21	36	–15	Russia	2.18	1.17	1.22	0.57	5.15
41	37	4	South Korea	1.06	1.45	1.82	0.80	5.12
39	38	1	Kazakhstan	2.71	0.61	1.34	0.46	5.11
***	39	New	Jordan	2.62	0.65	1.32	0.50	5.09
***	40	New	Uzbekistan	2.88	0.63	1.10	0.44	5.05
35	41	–6	Kenya	2.70	0.77	0.99	0.57	5.03
42	42	-	Ukraine	2.65	0.81	1.04	0.49	5.00
36	43	–7	Peru	2.55	0.93	1.13	0.35	4.96
23	44	–21	Sri Lanka	2.91	0.78	0.86	0.40	4.95
43	45	–2	Ghana	2.80	0.62	0.98	0.54	4.94
47	46	1	Netherlands	0.34	1.50	2.06	1.01	4.90
33	47	–14	Bangladesh	2.81	0.85	0.83	0.41	4.89
44	48	–4	Slovakia	2.00	0.77	1.54	0.57	4.88
***	49	New	Croatia	1.98	0.71	1.52	0.64	4.85
45	50	–5	Argentina	2.30	1.09	1.05	0.41	4.85
49	51	–2	Costa Rica	2.11	0.80	1.49	0.40	4.80
51	52	–1	Ireland	0.70	1.44	1.77	0.86	4.77
50	53	–3	Sweden	0.72	1.13	1.86	1.06	4.77
53	54	–1	Israel	1.08	1.02	1.59	1.07	4.77
56	55	1	Paraguay	2.62	0.70	0.98	0.36	4.65
59	56	3	Australia	0.31	1.53	1.88	0.88	4.60
58	57	1	Finland	0.75	0.98	1.87	0.99	4.59
48	58	–10	Uruguay	1.90	0.73	1.46	0.44	4.54
57	59	–2	South Africa	2.11	0.80	1.15	0.48	4.54
52	60	–8	New Zealand	0.98	0.90	1.88	0.77	4.53
***	61	New	Switzerland	0.30	1.21	1.96	1.04	4.51
54	62	–8	Panama	2.16	0.60	1.32	0.34	4.42
***	63	New	Ecuador	2.42	0.66	1.00	0.34	4.42
***	64	New	Slovenia	1.39	0.73	1.66	0.62	4.39
***	65	New	Greece	1.66	0.78	1.39	0.56	4.38
***	66	New	Belgium	0.45	1.18	1.83	0.81	4.27
***	67	New	KSA	1.54	0.83	1.31	0.54	4.22
55	68	–13	Trinidad & Tobago	1.80	0.73	1.30	0.39	4.21
***	69	New	Italy	0.81	1.24	1.41	0.71	4.17
60	70	–10	Denmark	0.43	0.96	1.86	0.90	4.14
***	71	New	Algeria	2.17	0.70	0.91	0.27	4.05
***	72	New	Austria	0.55	0.94	1.77	0.78	4.05
***	73	New	Norway	0.38	0.90	1.86	0.89	4.03
***	74	New	Qatar	1.01	0.62	1.60	0.50	3.73
***	75	New	Iceland	0.44	0.62	1.73	0.80	3.59
***	76	New	Kuwait	0.88	0.61	1.36	0.42	3.27
***	77	New	Oman	0.53	0.57	1.31	0.66	3.07
***	78	New	Lebanon	0.59	0.70	1.05	0.39	2.74

Increased Decreased No change *** Not ranked in previous GSLI

Note: GSLI is the Global Services Location Index.
Source: Kearney analysis

Conclusion

Although it once made good business sense to use talent in other countries to reduce costs, the movement toward the automation-intense i4.0 environment and generative AI means that labor cost is becoming less of a consideration. The key considerations have become:

— how ready a location is to address every technological/digital disruption (everything)

— how digitally connected it is (everywhere)

— how resilient and regenerative are the labor pools (all at once)

As the focus turns to people skills and availability and digital resonance, countries such as the United States, United Kingdom, Germany, Canada, Singapore, and Japan are in the best position to become top locations for global services.[8] Consequently, traditional cost-focused countries lose their competitive advantage, with countries such as Malaysia, Indonesia, Vietnam, Thailand, and Mexico at the highest risk of dropping out of the top 10.

Countries that want to attract foreign investments in their workforce will need to step up in terms of their general talent capabilities for the present as well as the future. The ability to bake in talent regeneration through education and training is a must, and governments and the private sector both have a role to play. A major shift is afoot and staying competitive means the winners will be those where the labor pools can be everything, everywhere, all at once.

As the focus turns to people skills, availability, and digital resonance, traditional cost-focused countries lose their competitive advantage.

[8] A talent- and digital-centric GSLI scenario in which financial attractiveness, people skills and availability, business environment, and digital resonance are weighted 15 percent, 35 percent, 25 percent, and 25 percent respectively

Authors

Arjun Sethi
Partner, Singapore
arjun.sethi@kearney.com

Juan Llanos
Partner, Dallas
juan.llanos@kearney.com

Rahul Lele
Principal, New York
rahul.lele@kearney.com

Vanessa Redensek
Consultant, Dallas
vanessa.redensek@kearney.com

Arun Singh
Research Manager, Gurugram
arun.singh@kearney.com

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Appendix
About the study and country ranking methodology

Countries are evaluated against 52 measurements across four major categories (see figure).

This year, we incorporated new metrics into the Index to be more forward-looking, and we captured both digital resonance and talent regeneration capabilities and availability. In the process, we dropped a few metrics from the people skills and availability and digital resonance pillars that were focused on traditional IT, and we added more digital-focused parameters. Paired with the global economic uncertainty, this led to a marked difference in some countries' rankings compared with the 2021 GSLI.

The metrics used to evaluate location attractiveness were determined from past GSLI editions, responses to Kearney surveys and other industry questionnaires, and knowledge obtained in client engagements over the past five years. The compensation costs component of the financial attractiveness category is based on data from the Mercer Global Pay Summary. The relative weights of each metric are based on their importance to the location decision, again derived from client experience and industry surveys. Because cost advantage is typically the primary driver behind location decisions, financial factors constitute 35 percent of the total weight in the 2023 Index. People skills and availability and business environment each constitute 25 percent of the total weight, and digital resonance is 15 percent.

For past editions of the Kearney Global Services Location Index, please click here.

Figure
Global Services Location Index components and framework

Financial attractiveness (35%)	People skills and availability (25%)	Business environment (25%)	Digital resonance (15%)
Compensation costs	ITO/BPO experience and skills	Country environment	Digital skills
Infrastructure costs	Labor force availability	Country infrastructure	Legal and cybersecurity
Tax and regulatory costs	Educational skills	Cultural adaptability	Corporate activity
	Language skills	Security of IP	Outputs

Note: ITO is information technology outsourcing; BPO is business process outsourcing; IP is intellectual property.
Source: Kearney analysis

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