

Where to Hire in Europe in a Changing Market

Updated 09 April 2026

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Sara Murray: Welcome to C-Suite Perspectives, a signature series by The Conference Board. I'm Sara Murray, managing director, international, and the guest host of today's episode. Today we'll discuss the best countries in Europe for multinationals to hire in. And joining me is Robin Maillard, researcher in the Human Capital Center at The Conference Board, Europe, and author of the Where to Hire Index.

This is a new tool from The Conference Board and it's a data-driven guide to 31 European labor markets, analyzing everything from talent and skills to workplace culture and competitiveness. Let's start with why did you decide to create the Where to Hire Index and what problem does it solve for companies operating in Europe?

Robin Maillard: We created the Where to Hire Index to answer quite a simple but complex question: companies nowadays decisions are balancing skills, availability, cost, productivity, and an increasingly more difficult international institutional context. It's just not one factor in their hiring

The European labor market is fragmenting and shifting structurally. The demographics are changing quite fast, people are aging fast. There are also a wave of digitalization and a bigger and bigger skills gap. Companies need to adapt.

The talent map is redrawing nowadays and we, not just with our Members, companies lack the clear, comparable, and decision-oriented framework. Most existing rankings were a bit too narrow and focused mostly on either costs or talent.

As I mentioned before, there are more things to take into account for multinationals. We

have a lot of indicators and combine them to have a single view, a single data-driven benchmark.

We started with countries all in Europe, we might cover more, maybe in Asia or North America as well. It helps chief human resources officers (CHROs) and their colleagues answer a key question: where can we access the right skills at sustainable cost now but also in the future? It translates complex labor market data into practical decisions: where to hire, where to invest, where to expand operations. It shifts the conversation from is the labor the cheapest to where can talent drive long-term performance and return on investment?

Sara Murray: It is really about helping companies move from intuition to data when deciding where to hire. And it sounds like, more importantly, it's not just for today but for where talent will be sustainable in the future.

Robin Maillard: Exactly. It's not about trying to understand short-term changes but long-term ones.

Sara Murray: As you said, many rankings look at cost or talent alone. What makes the Where to Hire Index different from other talent or competitive rankings?

Robin Maillard: We combine skills, productivity costs, institutions, business culture, and labor market dynamics into one single framework. We take more indicators into account, rather than just a cost-driven view. What's really different is the aspect about culture and institutions that are often overlooked by other indexes on the market.

It reflects really how companies actually make decisions. At The Conference Board in the Human Chapter Center, we are in contact with the Members all the time. We ask them, what is important to you? And we saw that cost isn't the most important factor anymore. Skills are the most important aspect nowadays, where I can really find the right skills. We need to make sure that the cost is sustainable, that the added value is there. We take productivity into account; maybe all the skills are in one country but the people in that country are not that productive, so might not be that interesting to invest there.

We make sure in that index that we balance these aspects. We focus really on performance. Not just price, not just cheap labor. But really return on investment, return on talent, I like to say. It's really a holistic view of the talent ecosystem, including culture, institution, and associated factors.

It is actionable for strategy. It's not descriptive. What I mean is that it's a decision support tool for Members. It's not just a ranking to see whether your country is performing better than another one. It's not at all that about that.

Sara Murray: It's not a cost ranking, it's more about performance ranking. You're really looking at the ecosystem and it's not just one variable that can tell that story.

Robin Maillard: Indeed.

Sara Murray: When you look at trends in Europe's labor market, this tool, why is it necessary now?

Robin Maillard: Very good question. What's happening right now in Europe: it's a real structural shift in the labor market. We see a structural talent shortage and demographic decline, aging population, shrinking workforce, which is tightening the talent supply across Europe. We see also from our multinational Members that the skills needed are changing very fast.

There is, for instance, AI, the green transition. All these skill sets are quite new and change every two, three years. We need to make sure that if you are a multinational, we give you the locations where you can find people that are adaptable, that are really able to learn new skills in a sustainable way, which is not the other skills right now but not adaptable in five years. That's what we tried to measure here and that's the reason why we included a lot of indicators about business culture, so that you make sure that you can retain the right talent in one market.

What we see also is a fragmentation of the labor market in Europe. It's important to have that in mind. The reality is really uneven across countries, across sectors. Skills are available in some markets, not in another one. Some countries have the skills but it's very difficult to retain employees because wages are not attractive, etc. So the markets are competing but are very different too.

What we see as well is the rising strategic importance of the location decision. It's really a business strategy level nowadays. It's not just an operational choice. You need to take it seriously because one bad decision can have a lot of costs and in the future it can really compound. These are the trends in Europe nowadays.

Sara Murray: So Europe's talent map is basically being redrawn in real time and companies can't rely on old assumptions, especially, as you said, with the demographic shifts, with the digital shifts, it's changing everything. It's a good opportunity to totally rethink how to make those decisions. You mentioned this tool is primarily for CHROs. Is that right?

Robin Maillard: Yeah. At its core, this is really a tool for decision-makers. The higher in the hierarchy, the more useful it'll be for you. It's for CHROs and senior HR leaders overall working on the HR strategy and workforce planning. It would be useful to them and business leaders overall, people working on the strategy of one company. Because here it's not just for HR people, it's really for everyone working in a multinational to understand what's at stake. I truly believe that nowadays talent war is not over. It's key. It's strategic. It's for everyone working in strategy.

Sara Murray: A strategic tool because it's really about shaping the footprint, not just filling roles.

Robin Maillard: Indeed.

Sara Murray: Yeah. This is more about long-term trends rather than what's happening now. That's where it can really help.

Robin Maillard: Indeed. It's about long-term fundamentals. It's designed for strategic decisions. It's not cyclical timing. The ranking we have right now, the scores we give to all the dimensions in the index, won't fundamentally change. What we are giving is a view which is stable. The fact that we take a lot of indicators into account, it adds a lot of stability to our index. It gives a view for the next years to come. It's not for just today and it won't change tomorrow either.

Sara Murray: It's really about structural competitiveness and where companies can win over the next decade.

Robin Maillard: Yes, indeed. That's really what we try to progress with this index.

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Sara Murray: Welcome back to C-Suite Perspectives. I'm your host, Sara Murray, managing director, international at The Conference Board. I'm joined by Robin Maillard, researcher at the Human Capital Center in Europe. What were some of the most surprising or counterintuitive findings from this year's results?

Robin Maillard: The first one I would say—and I had that question a lot here with my colleagues—is the most competitive countries are also the most expensive ones. The top three are Denmark, Switzerland, Ireland. It shows one key finding. If you have to remember one thing from the index is that cost isn't a synonym for competitiveness. It's not low cost, you are competitive. It's not at all like this. In talent war, it's different.

Expensive markets deliver an exceptional return on investment. They have high productivity, they have strong institutions. It's stable. They are real level. Companies pay more but they get better performance and lower risk, which is key for multinationals.

Another one is that smaller, agile economies outperform larger ones. The top three—Denmark, Switzerland, Ireland-- are smaller economies and they are really agile.

They can adapt to the market. The market is changing fast and it's no surprise that the small market is better for that. They can adapt quickly.

The biggest markets in Europe, the biggest economies, they are not performing that well. Germany, France, Italy—it's difficult for them to adapt. Scale nowadays is no longer a guarantee of competitiveness. The economy is moving too fast.

Sara Murray: Yeah, indeed. Because in the end, high-cost countries often deliver the best return because of skills, because of productivity.

Robin Maillard: Indeed. That's right.

Sara Murray: How should companies actually use the Where to Hire Index in practice when making location or workforce decisions?

Robin Maillard: We need to come back to the definition of an index to understand really how it works. The value of an index is to decide which kind of decision you want to take, what's important for you. And you pick them and decide based on that.

Our index can provide exactly what you need. For instance, you are looking for very strategic high-skill roles. What do you need? You are less concerned about being low cost. What you are concerned about is having people that really will come with new ideas, innovative ideas. Where does that happen? You want to retain them because ideas do not come from someone staying in your company for six months only. You want to retain them in one country attractive enough to retain them on the long term. We answer this kind of question with the index. We help our Members make better decisions. It's a decision tool.

So I identified what's important for me. I want the short list of the best markets. If I have three to four countries that are relevant for one position, that's already a win for me because I can decide between four countries and focus on these four countries and try to find the right persons in this market. It's also helping companies balance short-term efficiency versus long-term value. Low cost is a synonym of quick wins but it's also a ?synonym for add-on cost that will compound over time.

Really the goal is to avoid that and to move toward high-skills investment and sustainable performance and growth in the long term. And lastly, in terms of geopolitical aspect, when the economy is uncertain, it's really important to diversify and our index might help companies diversify their hiring footprint, avoid an overreliance on one country, and help them build multi-country talent strategies.

Sara Murray: The value is in balancing three things—the talent, the cost, the long-term resilience—and just thinking maybe differently about the types of roles that you're hiring.

Robin Maillard: Exactly. It really helps to think in terms of roles and what you need for one specific role and decide accordingly.

Sara Murray: Yeah. What you just touched on again is the trade off. Because if you just look at cost, that's not actually going to get you everything. This index can help you move away from that "low cost equals better" mindset because it's more about the return on the talent than simply the cost of talent.

Robin Maillard: Yes, indeed. Should really be used as a strategic discussion tool. Make sure that you can come with a slightly different idea, taking more things into account, and share it with evidence in a board or in a strategic meeting. Not only just cost as the aspects.

Sara Murray: I wanted to ask about what you thought some of the biggest mistakes companies are making when choosing to hire in Europe. Do you think it primarily is on the cost or are there other mistakes that are sometimes made?

Robin Maillard: It used to be just about cost. That's the first mistake. But I'm speaking here in the past because I think it's less and less true and the index will help also on that matter. It's also about having a one-size-fits-all approach and thinking that I'm going to move everything there.

It used to be a big mistake thinking short term, not strategy, not long term. Underestimating institutional and cultural factors, over relying on large or obvious markets and not diversifying enough. It's also a big mistake.

Sara Murray: It's really, again, like you said, institutions, culture, long-term adaptability that needs to be a much broader set of considerations.

Robin Maillard: Yes.

Sara Murray: Looking ahead, what changes do you expect in the next few years?

Robin Maillard: Looking ahead, we expect the competition for talent to intensify significantly. The war isn't over. It's just beginning, to be honest. Populations are aging fast here in Europe. Immigration schemes are not coming for different reasons. They are not happening so it's really difficult to offset the aging population. So competition for skills, for talent will increase over time.

Skills will become the main competitive differentiator for multinationals, with AI, the digital transformation-- but also the green transitions sometimes is overlooked. This will push companies into massive reskilling pressure. We have to take that into account because you need employees that are ready.

That critical divergence between countries as well. I mentioned that smaller countries are more agile and that divergence will increase over time because, as I mentioned before, it's changing really fast. If it continues that way, if some countries continue to be rigid, we'll see that divergence deepen over time. Rigidity, demographics, two very difficult aspects for some markets. They will need to find ways to face that.

The last thing is that location strategies will become more and more sophisticated. We will see more and more companies going for a multi-country footprint really adapted to their situation with really hybrid ways of working. Increasingly, it will become a reality and human capital is becoming more and more strategic, really. So that's something to take into account.

And we'll see a definitive shift throughout, where should I hire to something more about where to build talent ecosystems, how do I build the talent pipeline or make sure that all my employees that are aging who maybe tomorrow won't be working for me will be replaced, and that the sustainable cost. It's not last minute, I need to find someone to replace that employee but really already prepared or otherwise the cost will be too high and it'll be very difficult to competitive on the long term.

Strategic workforce planning will become key and more and more strategic for companies. The key takeaway, talent strategy will be the main driver of business competitiveness for multinationals.

Sara Murray: Yeah, likely to see more divergence countries pulling ahead based on skills and adaptability and companies will just need to be much more dynamic in how they choose where to hire. Wow. Thank you for joining us today. I think if there's one message from today's conversation that I'm taking away, it's that way you will hire is going to become as strategic as what you produce.

And just thank you, Robin, for your time. Really appreciate it. Very much, and thanks to all of you for listening to C-Suite Perspectives. I'm Sara Murray, and this series has been brought to you by The Conference Board.

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