



FUTURE OF WORK
**THE GLOBAL
TALENT
CRUNCH**
**COUNTRY
PERSPECTIVE:
AUSTRALIA**



A global talent crunch—looming skilled labour shortages set to hit both developed and developing economies—could cost nations trillions of dollars in unrealised annual revenues by 2030, new Korn Ferry study finds.

Introduction

A major commercial crisis is looming over organisations and economies throughout the world. By 2030, we can expect a talent deficit of 85.2 million workers across the economies analysed—greater than the current population of Germany. This global skills shortage could result in \$8.5 trillion in unrealised annual revenue by 2030—equivalent to the combined GDP of Germany and Japan.

While global leaders have bet heavily on technology for future growth—a 2016 Korn Ferry survey found that 67% of CEOs believe technology will be their chief value generator in the future of work¹—they have discounted the value of human capital. Misalignment between automation, AI, machine learning, and other technological advances and the skills and experience talent needs to leverage the full potential of those advances is a main factor contributing to growing talent deficits. Technology cannot deliver the promised productivity gains if there are not enough human workers with the right skills. This has set the scene for a global talent crunch.

The talent crunch, as defined by Korn Ferry, refers to the gap between the supply and demand of skilled labour in 20 developed and developing economies at three critical milestones: 2020, 2025 and 2030. In Korn Ferry's latest study on the future of work, The Global Talent Crunch, we used economic modeling to explore the financial impact to organisations and economies if the talent crunch is left unaddressed².

In this supplementary report, we uncover what the talent crunch could mean for Australia at 2030.

Asia Pacific

2030: Labour skills shortage of 47 million and unrealised output of \$4.238 trillion

The talent crunch as a percentage of the global economy is most pronounced in the Asia Pacific region. While some countries in this region are dealing with rapidly ageing populations, others have a rising number of working-age citizens. Hong Kong and Japan face particularly stark deficits, for instance; in contrast, India stands out as the only country out of 20 economies studied that can expect a talent surplus, expected to reach 245 million workers by 2030.



How we uncovered the talent crunch

To understand the global demand for skilled labour in the future of work we assessed the demand for talent versus supply in 20 developed and developing economies across the Americas (Brazil, Mexico, the United States), EMEA (France, Germany, Netherlands, Russia, Saudi Arabia, South Africa, UAE, and the UK) and Asia Pacific (Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore and Thailand).

We examined talent supply and demand in each market as a whole and within three major knowledge-intensive sectors: **financial and business services** (including insurance and real estate), **TMT** (technology, media and telecommunications) and **manufacturing**.

Within these knowledge-intensive sectors, we measured the gap between talent supply and demand at three distinct skill levels, referenced throughout as:

1. **Highly skilled workers (Level A):** These individuals have completed post-secondary education, such as college (or university), or a high level trade college qualification
2. **Mid-skilled workers (Level B):** These individuals have attained upper secondary education, such as high school, or a low level trade college qualification
3. **Low-skilled workers (Level C):** These individuals have less than upper secondary education

Level A talent is the most highly in demand and globally is in shortest supply. According to our model, by 2025 demand for Level A workers will outstrip supply by 13.6 million workers globally. This will rise to 35.1 million Level A workers by 2030 across all sectors.





What does the talent crunch mean for Australia?

The economic picture

Australia is already facing a talent crunch: its Level A deficit will stand at 739,000 by 2020 and deteriorate at a rate of 11.3% annually to 2.2 million by 2030. 2.2 million is equivalent to 43.8% of Australia's Level A workforce in 2030.

By 2030, Australia could lose out on \$587.56 billion USD that will not be generated due to talent shortages. As soon as 2020, the unrealised output figure will be \$162.35 billion USD.

In terms of the size of its economy, Australia could fail to grow by more than 25% by 2030.

Talent supply and demand by sector

More granularly, at the sector level, Australia will experience the following demand and supply of talent in its **financial and business services**, **TMT** and **manufacturing** sectors at 2030.

Sector	Surplus / deficit of Level A talent at 2030	Surplus / deficit of Level B talent at 2030	Surplus / deficit of Level C talent at 2030	Economic impact to Australia in 2030
Finance, Insurance, Real Estate and Business Services	-306,188	-230,946	+1,638	Australia will fail to generate \$68.06bn USD from its financial and business services sector
Technology, Media, Telecommunications (TMT)	-65,535	-17,602	+69	Australia will fail to generate \$15.65bn USD from its TMT sector
Manufacturing	-91,573	-166,664	+1,785	Australia will fail to generate \$26.63bn from its manufacturing sector
Rest of economy	-1,697,735	-1,725,958	+16,890	Australia will fail to generate \$477.21bn USD from the rest of its economy

Australia is already feeling the pinch of the talent crunch. With a long period of economic growth, low unemployment levels and an expanding services sector, candidate availability is declining. In some industries, like renewable energy, tourism and technology, it's not uncommon for jobs to remain unfilled for more than 60 days. Skilled shortages are emerging in some technician, trade worker and professional occupations, especially within the STEM area. "The number of job advertisements for engineering and IT skills continues to increase, intensifying the competition for highly skilled talent," says Andrew Lafontaine, Strategy Execution & Digital Solutions, Korn Ferry.

A person is sitting on the edge of a dark, craggy rock formation that juts out over a vast, rolling landscape. The landscape is covered in green vegetation and stretches towards distant mountains under a sky with soft, wispy clouds. The lighting suggests it is either dawn or dusk, with a warm glow on the horizon. A large, stylized green quotation mark is positioned in the upper right, and a matching closing mark is in the lower right, both partially overlapping a dark green diagonal band.

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In a time when the pressure is on for organisations to respond quickly and creatively to the changing world, they may simply not have the skills they need to innovate and create opportunities for the future that lies ahead.

Andrew Lafontaine,
Strategy Execution &
Digital Solutions,
Korn Ferry Australia.

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Can technology mitigate the talent crunch?

Technologists might argue that labour deficits will be filled by automation, AI, the rise of robotics and machine learning. If history is a guide to the future, this would be a dangerous assumption to make, particularly looking at Level A talent. Technology does substitute labour—as is typically intended—but also complements labour by raising output in ways that ultimately increase the demand for labour.

Furthermore, CEOs are already overestimating the productivity gains technology can offer them. In Korn Ferry's first study into the future of work³, we found that leaders' belief that physical capital will outperform human capital translates into a trillion-dollar blind spot: economic research as part of the same study proved that people are set to add \$1,215 trillion to the global economy, whereas physical capital—including technology—will only contribute \$521 trillion.

The best approach to create value in the future of work is to leverage the power of both people and technology. Machine learning will automate a range of functions, changing the nature of jobs and employment—but there will still be a need for highly skilled individuals to manage, apply and enhance that automation. Creative high-skill jobs, senior-level positions and those that involve personal interaction are most likely to remain unthreatened.





The Last Word

The trillions of dollars of revenue that will not be generated because of skilled labour deficits means that governments and organisations must make talent strategy a key priority and seriously consider how to educate, train, and upskill their existing workforces.

In the fast-changing business environment, workforce planning and a comprehensive understanding of the talent supply chain are critical. Leaders need a deep understanding of talent marketplace economics to put the right planning and core proposition in place to ensure they have the skills their organisation needs.

Organisations can minimise the effect of the talent crunch by understanding future workforce demand—the critical roles and skills they will need to meet both short and long-term business objectives. The Korn Ferry framework for Strategic Workforce Planning (SWP) helps companies to accurately define what workforce they will need now and in the future, and what they should spend on human capital to generate maximum return on investment. This approach is known as the 5 rightS: right shape, right skills, right size, right site, and right spend. The 5 rightS translate the business objectives into a clear picture of the required future workforce.

For more information on the impact of the talent crunch on organisations operating in Australia, and how to prepare for it, contact Andrew Lafontaine, Strategy Execution & Digital Solutions, Korn Ferry Australia.

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References

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2. Korn Ferry (2018). *The Global Talent Crunch*
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3. Korn Ferry Institute (2016). *The Trillion-dollar Difference*
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About Korn Ferry

Korn Ferry is a global organisational consulting firm. We help companies design their organisation—the structure, the roles, and responsibilities, as well as how they compensate, develop, and motivate their people. As importantly, we help organisations select and hire the talent they need to execute their strategy. Our approximately 7,000 colleagues serve clients in more than 50 countries.