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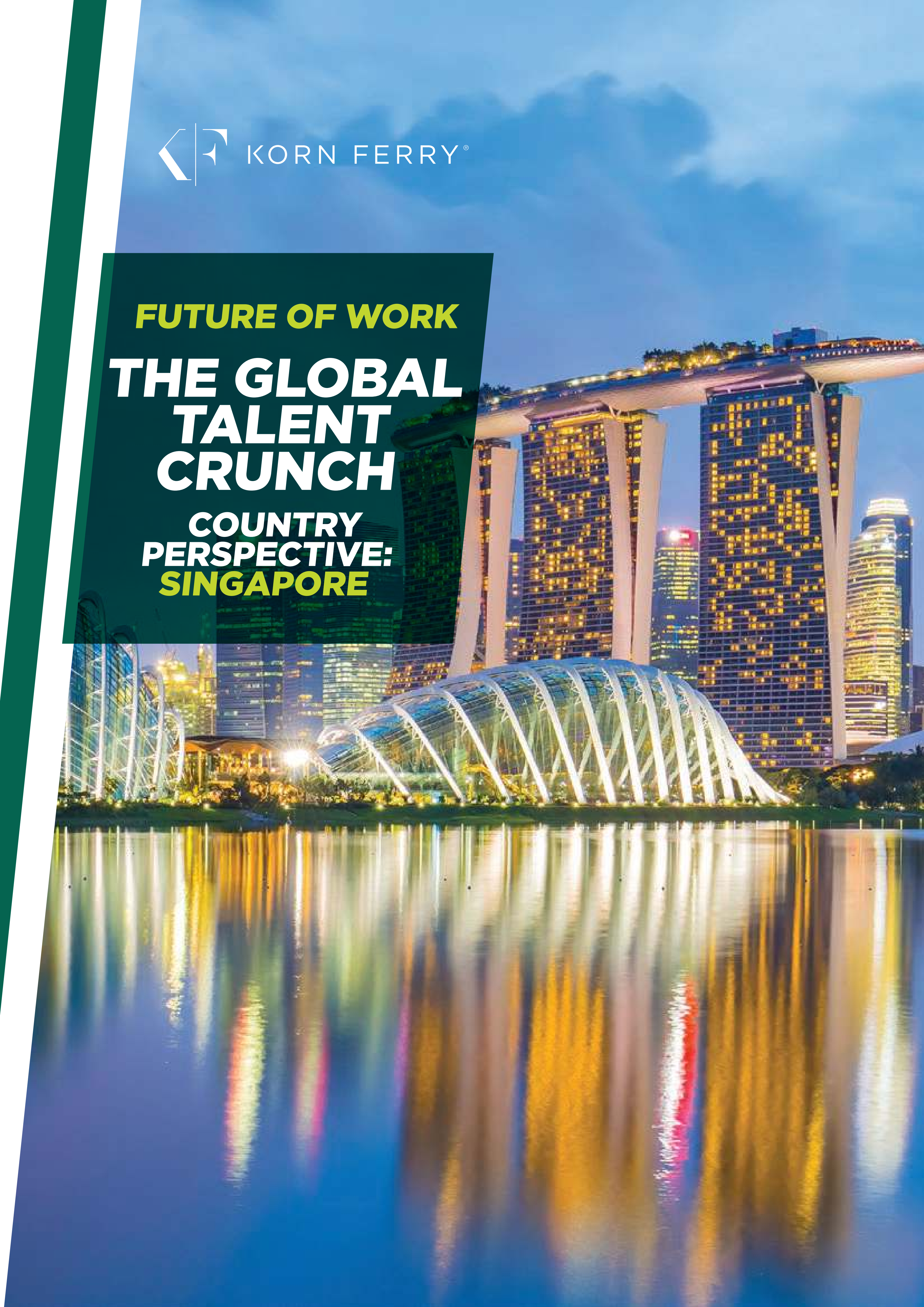


FUTURE OF WORK

THE GLOBAL TALENT CRUNCH

COUNTRY PERSPECTIVE: SINGAPORE

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

Introduction

A major commercial crisis is looming over organizations and economies throughout the world. By 2030, we can expect a talent deficit of 85.2 million workers across the economies analyzed—greater than the current population of Germany. This global skills shortage could result in $8.5 trillion in unrealized 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 work[1]—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 labor 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 organizations and economies if the talent crunch is left unaddressed[2].

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

Asia Pacific

2030: Labor skills shortage of 47 million and unrealized 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

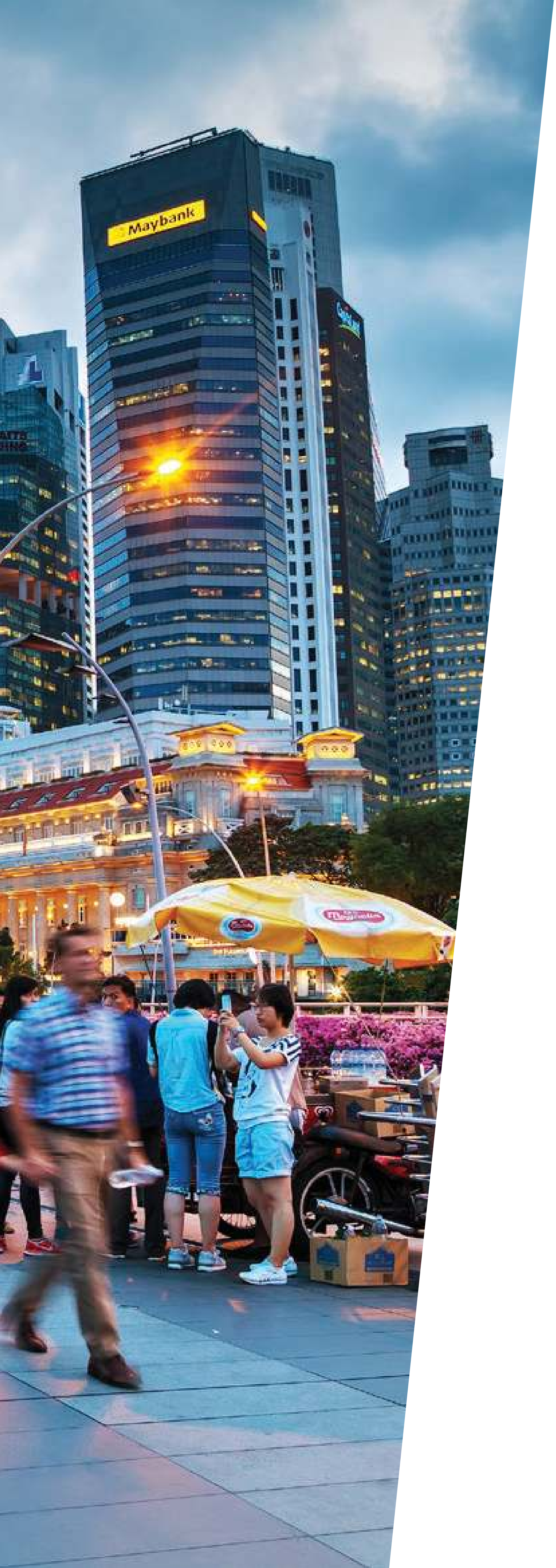
To understand the global demand for skilled labor in the future of work we assessed the demand for talent versus supply in 20 developed and developing economies across the Americas (Brazil, Mexico, the United States), EMEA (France, Germany, the Netherlands, Russia, Saudi Arabia, South Africa, UAE, and 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 Singapore?

The economic picture

Singapore is already facing a talent crunch: its Level A deficit will stand at 248,000 by 2020 and deteriorate at a rate of 15.6% annually to 1.1 million by 2030. 1.1 million is equivalent to 61.3% of Singapore's Level A workforce in 2030.

Singapore is also expected to face a small Level B deficit in 2030. The gap is expected to deteriorate from a surplus of 207,000 in 2020 to a deficit of 8,000 in 2030, or the equivalent of 0.6% of Level B talent.

Finance will account for 24.7% of Level A shortages in 2020, which will increase to 28.5% by 2030. Technology and manufacturing will account for 4.9% and 2.8% of total Level A shortages in 2030.

By 2030, Singapore could lose out on $106.82bn USD that will not be realized due to talent shortages.

In terms of the size of its economy, Singapore could fail to grow by 21% by 2030.

Talent supply and demand by sector

More granularly, at the sector level, Singapore 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 Singapore in 2030 (USD)
Finance, Insurance, Real Estate and Business Services	-302,197	-4,006	+2,972	Singapore will fail to generate $29.16bn from its financial and business services sector
Technology, Media, Telecommunications (TMT)	-52,332	-269	+127	Singapore will fail to generate $2.74bn from its TMT sector
Manufacturing	-30,068	-1,408	+1,467	Singapore will fail to generate $5.06bn from its manufacturing sector
Rest of economy	-676,435	-2,364	+19,861	Singapore will fail to generate $69.86bn from the rest of its economy

"Singapore needs to accept and embrace the talent challenge. As a small economy that is heavily focused on highly-skilled talent, the talent crunch in Singapore has already started and is being felt across several different sectors, particularly with highly-skilled labor," said Dilal Ranasinghe, Head of Search and Client Development, Korn Ferry Futurestep ASEAN. "We have significantly underestimated how quickly demand for highly-skilled labor is being created in the economy through organic economic growth, new types of organizations, technological advancement and changing consumer demands. The speed at which the nature of jobs are changing is far faster than expected. Jobs 10 years ago are different today, jobs in 10 years' time will demand very different skillsets compared to today. This is causing a significant labor deficit as the upgrading of skillsets is not happening fast enough."

While Singapore attracts talent well today, there's a question mark as to whether Singapore can continue attracting high caliber talent from abroad in large numbers. The places where Singapore currently attracts workers from will no longer have the people to spare and will be fighting hard to retain those they do have. This will inevitably make it increasingly challenging for Singapore to continue attracting and fostering talent; relying on strategies that worked in the past cannot secure Singapore's future prosperity.

Importing talent is not sustainable and should only be a small part of Singapore's response to the talent crunch. At a country level, we need to focus on our current workforce and look at how we can upgrade and reskill the population quickly and efficiently. It's a similar story for organizations. Leaders should look to HR as their critical strategic partners in this process, but the issue of talent shortages should be on the agenda of top management.

Dilal Ranasinghe,
Head of Search and
Client Development,
Korn Ferry Futurestep
ASEAN.

Can technology mitigate the talent crunch?

Technologists might argue that labor 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 labor—as is typically intended—but also complements labor by raising output in ways that ultimately increase the demand for labor.

Furthermore, CEOs are already overestimating the productivity gains technology can offer them. In Korn Ferry's first study into the future of work[3], 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 labor deficits means that governments and organizations must make talent strategy a key priority and seriously consider how to educate, train, and upskill their existing workforces.

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 organization needs.

Through workforce planning, organizations can clarify the skillsets and capabilities of their current workforce and identify areas where organizational agility should be leveraged. Strategic workforce planning will help leaders optimize their workforce for today while preparing their organizations for the future. By identifying the gaps between the workforce the organization needs and the one they have, leaders can see how to close them, whether through developing or redeploying their talent. Anticipating not only future needed skillsets, but also embedding learning agility into workforces will be critical to ensure people are able to continuously learn and adapt in an ever-changing future of work.

For more information on the impact of the talent crunch on organizations operating in Singapore, and how to prepare for it, contact Dilal Ranasinghe, Head of Search and Client Development, ASEAN, Korn Ferry Futurestep.

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About Korn Ferry

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