FUTURE OF WORK

THE TALENT SHIFT

LEADERS’ PERSPECTIVE: GERMANY
Introduction

Germany, welcome to the Global Talent Crunch. The world is teetering on the brink of an impending skilled labor shortage, set to hit developed and developing economies alike. For Germany, it’s a challenge of epic proportions, and one that could constrain the country’s economic growth by 14.4% at 2030. Globally, at 2030, Korn Ferry research forecasts talent shortages of 85.2 million skilled workers, resulting in US$8.452 trillion in unrealized revenue across twenty of the world’s major economies. As early as 2020, the skilled worker deficit could hit 20.3 million people.

C-suites worldwide are conscious of the challenge posed by the talent crunch: 84% of corporate leaders told us that to survive in the future of work, their company will need more highly skilled workers as a proportion of their workforce. Yet the true magnitude of the problem remains opaque. Although many reported that talent shortages were starting to impact their business now, they told us they see these challenges as cyclical rather than chronic: while 66% of executives predict a highly skilled talent shortage by 2020, only 52% believe there will still be a deficit at 2030, let alone endemic global shortages.

How could the talent crunch disrupt the plans of organizations worldwide? How can business mitigate this new challenge to their strategies? And, at the local level, what action should leaders take that will allow them to succeed despite an increasingly talent-constrained environment?

In this supplementary report, Korn Ferry examines leaders’ attitudes to talent, risk, and value creation in the future of work, to discover how well-prepared leaders are to mitigate the impact of the talent crunch in Germany.

1 Korn Ferry (2018) The Global Talent Crunch: Country Perspective, Germany
3 Korn Ferry (2018) The Talent Shift
Germany is already experiencing a talent crunch—it is predicted to face a deficit of 1.2 million skilled workers at 2020, a figure which will balloon to 2.5 million by 2030. Significantly, over 25% of this deficit will occur in Germany’s financial services sector.

For Germany, the unrealized revenue due to talent shortages could reach US$166.73 billion by 2020, climbing to US$629.89 billion by 2030. In terms of GDP, US$629.89 billion represents 14.4% of Germany’s economy at 2030.

Exacerbating this constrained economic growth, German organizations could find themselves subject to an average pay premium of US$16,000 per highly skilled worker at 2030. The pay premium refers to the amount extra an organization will have to pay (on top of inflation) to attract and retain scarce talent in an employees’ market.

To give an idea of the scale of this cost in the future of work, the total additional cost for highly skilled talent in Germany at 2030 will be an extra US$175.63 billion.

Leaders are already clear that reduced talent supply may escalate their bottom-line costs. Forty-two per cent of leaders in Germany said that talent shortages may force them to increase salaries unsustainably.

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5 Korn Ferry (2018), The Global Talent Crunch: Country Perspective, Germany.
6 Korn Ferry (2018), The Salary Surge.
7 Korn Ferry (2018), The Salary Surge.
Leaders in Germany have ambitious plans to grow their revenue in the near and long term: 88% of leaders said they plan to grow an average of 21% by 2020 increasing to 32% by 2030.

They have similarly aggressive plans to grow headcount over the same time period: 72% of organizations intend to increase headcount by 23% at 2020 to 34% by 2030.

However, a large proportion of Germany’s C-suite believe their organizations are safe from the talent crunch: 46% believe there will either be enough or even surplus skilled talent in the German labor market at 2030.

This attitude appears to reflect leaders’ belief that technology will come to dominate the workplace, at the expense of skilled talent—77% said they think technology will surpass people as their greatest value creator between 2018 and 2030. Further, 63% of companies ranked technology as a top priority when developing and executing their company’s business strategy. But the majority of leaders in Germany do not see the future as a simple battle of man versus machine: 85% also said their companies will need more highly skilled workers as a proportion of the future workforce, with 83% agreeing that technology itself will create the need for more highly skilled jobs.

Historically, ever-more sophisticated technology has created more demand for highly skilled workers than it has consumed. This trend is likely to continue. Companies need workers with creativity, emotional intelligence, diplomacy, and negotiation skills to navigate the new world of work.

Alan Guarino, Vice Chairman, CEO and Board Services, Korn Ferry
A workforce fit for the future

Looking at skilled talent more granularly, German organizations are predicting that digital skills will be highly relevant to their success. The top five roles Germany’s leaders view as critical are:

- Big data analytics
- Information security
- Digital transformation
- Digital analytics
- Digital product development

To deliver their strategies, a very high 88% of leaders in Germany have a formal forecast for their skilled talent needs—yet only 3% have plans that extend through to 2030. Although they are anticipating which roles will be most impactful in the future of work, 64% say they find it easier to create action plans around technology and other tangible assets, citing pressure from shareholders for quick returns and short leadership tenures as limiting factors.

Globally, 51% of leaders say they haven’t faced a significant talent shortage before, meaning there is likely a dearth of leaders with practical knowledge of how to deal with a crisis in this area. Germany’s C-suite say they would mitigate talent shortages by: investing in their employer value proposition to attract and retain skilled talent; implementing mass retraining throughout their workforce; paying a salary premium to attract skilled talent; reconsidering where they focus their organization’s growth strategy, investment, and geographic footprint; and, increasing prices to mitigate increased labor costs.
Can Germany find the talent it needs overseas?

Top executives are already sourced internationally, especially by “tiger economies” such as Singapore and Hong Kong. As skilled talent will soon be in short supply globally, companies are likely to consider casting the net farther afield at the professional level.

But worldwide, many organizations have misplaced confidence that they can find skilled workers in other countries: 86% of business leaders say their response to a skilled talent shortage will be to increase their strategic focus and expand in markets with a more plentiful supply of skilled labor. However, according to the data from *The Global Talent Crunch*, India is the only country predicted to have a surplus of highly skilled workers at 2030, and companies overseas will be fighting hard to retain the talent they do have. Even with advances in technology enabling people to work together across borders, planning to import talent or set up new operations where the talent supply is more plentiful will not be a feasible option.

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*Korn Ferry (2018) The Global Talent Crunch*
There is an opportunity for forward-thinking leaders to steal a march on their competitors by securing the highly-skilled talent they already have and assessing and upskilling their mid-skilled talent to step into more complex roles.

Leaders that prioritize building a highly-skilled talent pipeline will shield their organizations from the worst effects of the talent crunch, which include constrained growth, paying a premium for mission-critical talent, and fighting with competitors in the same shallow pool. On an employer level, leaders should focus on what makes their organization uniquely attractive to employees, both in terms of the company’s core purpose, and all the rewards they can offer people—not just monetary.

With so little certainty in the future of work, but so much pressure to deliver short-term returns, it’s understandable that many organizations intend to forge ahead without rock solid plans for mitigating the talent risk—but their competitors and shareholders are unlikely to be so forgiving. While the rapidly shifting business environment means markets are difficult to predict, leaders can position their organizations for success through proactively tackling the common challenges that we know will exist—the need to reskill lower ranking employees and improve their organizational agility. Being alert and responsive to market changes as they arise and aggressive scenario planning are not just sensible but necessary steps for businesses to survive in the future of work. This agility should prioritize the retraining and redeployment of vast swaths of the workforce, both now and perpetually as markets evolve, so companies not only can avoid mass layoffs as lower-skilled tasks become automated but also so they create their own highly skilled talent pipelines. Companies that fail to forecast, develop, and evolve their talent management strategies will stumble into the future of work blind to its realities, and without the time to make up lost ground. The time for a major rethink of the talent pipeline is now.
In most organizations in Germany the reality of digital transformation leads to a huge surplus of talent in some areas—typically those that can be augmented by digital technology—and a dearth of talent in others—typically those roles that leverage, innovate and create with digital technology. The major challenge for leaders is identifying where the future and surpluses and gaps are and finding the best strategy to deal with both. With the further complication of the talent crunch, strategic options should not be limited to only recruitment and restructuring; organizations should prioritize people development, relocation programs, and developing a compelling employer value proposition. Unfortunately, the talent crunch is often seen only as a risk with limited, often traditional, options to mitigate it. But seeing the talent crunch as one driver that can help clarify priorities in their overall workforce strategy will help leaders navigate different workforce trends and ensure their pipeline of talent is robust for the future.

Christian Weiss, Senior Principal, Korn Ferry

To find out more about the talent crunch and how to mitigate it in Germany, contact Christian Weiss, Senior Principal, Korn Ferry Germany.

Email: christian.weiss@kornferry.com
Call: +49 69 505055 222

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Methodology

These findings are based on a survey of 1,550 business leaders (c-level and c-level minus one) in multimillion-dollar organizations and from 19 countries across the following regions: Americas, EMEA, and Asia Pacific.

To get the global perspective and find out more about how this research was conducted, please take a look at the full report methodology.
Korn Ferry is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.