Korn Ferry Study Reveals Company Payrolls Across Asia Pacific Could Soar Long-Term Due to Skilled Talent Shortages

Salaries for highly skilled workers could boom as talent shortages take hold across Asia Pacific, according to a new study* by Korn Ferry (NYSE: KFY). Left unchecked, the salary surge could add more than $1 trillion to annual payrolls in the region by 2030, jeopardizing companies' profitability and threatening business models. In Thailand, worker shortage will cost an additional $22 Billion by 2020, $27 Billion by 2025, and $34 Billion by 2030.

"The new era of work is one of scarcity in abundance: there are plenty of people, but not enough with the skills their organizations will need to survive," said Dhritiman Chakrabarti, Korn Ferry Head of Rewards and Benefits for the APAC region. "While overall wage increases are just keeping pace with inflation, salaries for in-demand workers will skyrocket if companies choose to compete for the best and brightest on salary alone."

Korn Ferry's Salary Surge study estimates the impact of the global talent shortage, identified in Korn Ferry's recent Global Talent Crunch study, on payrolls in 20 major global economies at three milestones: 2020, 2025 and 2030, and across three sectors: financial and business services; technology, media and telecommunications (TMT); and manufacturing. It measures how much more organizations could be forced to pay workers, above normal inflation increases.

Based on the study, the projected labor demand figures for graduate level workers and above in Thailand in the year 2020, 2025 and 2030 are 5,737,900, 5,857,280 and 6,016,130 respectively. Meanwhile, the projected labor supply figures for graduate level workers in the year are 2020 at 5,164,160, 2025 at 5,137,790 and 2030 at 5,054,850. This will cause a 10%, 12% and 16% labour shortage in 2020, 2025 and 2030 respectively.

The study reveals the huge impact the salary surge could have on countries across the region:
■ Japanese companies can expect to pay the most: Japan is predicted to pay approximately an additional $468 billion by 2030.
■ Thailand companies can be expected to pay more than $34 billion by 2030.
■ However, smaller markets with limited workforces are likely to feel the most pressure. By 2030, Singapore and Hong Kong could expect salary premiums equivalent to more than 10 percent of their 2017 GDP**.
■ By 2030, China could see an additional wage bill of more than $342 billion.
■ India is the only economy that can expect to avoid upward spiralling wages, as unlike any other country in the study it will have a highly skilled talent surplus at each milestone.
■ By 2030, the average pay premium (what employers could have to pay over and above the amount that salaries would rise over time due to normal inflation) across the region per worker is $14,710 per year. However, Hong Kong could face a staggering $40,539 per year per highly skilled worker; Singapore could expect to pay an extra $29,065; and Australia $28,625 more by 2030.
■ At a sector level, manufacturing, a critical driver of growth for emerging economies, may be stalled by the huge impact of the salary surge. In China the highly skilled worker shortage is expected to exceed one million workers by 2030, meaning that the wage premium could reach nearly

$51 billion by the same date – higher than any other country analysed.

Dr. Mana Lohatepanont, Managing Director, Korn Ferry Thailand and Vietnam, said, “In Thailand, the increase in average pay premiums may have a high impact at both the macro and micro level, especially in 2030 where average pay premiums will be as high as $34 million, equivalent to 7% of Thailand’s GDP in 2017. By 2030, organizations will see a 15% surge in annual payroll compared to salary increases, and this will directly affect businesses’ bottom-line. Organizations that identify and develop employees’ skills and competencies to match their future needs will be well-positioned to enjoy financial success.”

Globally the talent crunch could add $2.5 trillion to company payrolls annually, revealing the huge impact the salary surge could have at a country level:

- U.S. companies can expect to pay the most globally: facing a wage premium of more than $531 billion by 2030.
- Germany is the worst affected in EMEA, facing a potential wage premium of approximately $176 billion by 2030.
- While the U.K. and France can expect a better short-term outlook, by 2030 the U.K.’s wage premium may be equivalent to 5 percent of its 2017 GDP** and France’s may reach 4 percent of its 2017 GDP**.
- The average pay premium per worker across the 20 economies is $11,164 per year.

“Buying in talent from the market is unsustainable. Instead, companies across Asia Pacific must focus on engaging and reskilling their current workers,” said Chakrabarti. “With existing highly skilled workers, leaders must focus on what really drives retention. We know that employees who have the opportunity for career development, benefit from inspiring leadership and feel their work has purpose are more likely to stay at an organization, and – crucially – will be more engaged and productive.”

“In tomorrow’s world of work, the employees who will succeed won’t necessarily be the people with the highest level of academic achievement,” said Chakrabarti. “Instead, they will be the ones who are adaptable and willing to learn, with enough flexibility to handle rapidly shifting working environments and less hierarchical structures. Companies need to identify the talent of tomorrow and help them achieve their potential.”

**GDP figures based on 2017 IMF estimates