understanding talent scarcity.

randstad

partner for talent.

contents

executive summary.

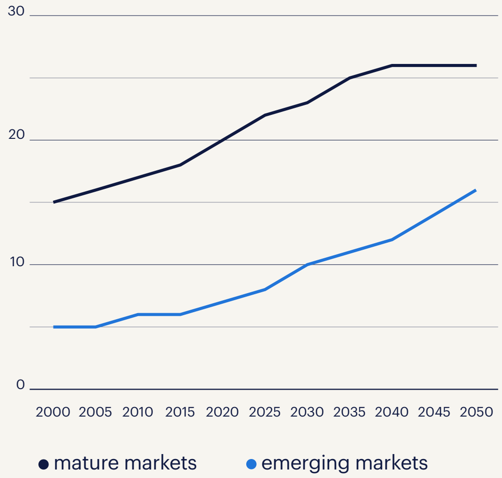
Across the world, many industrialized markets are facing a rapidly graying population and workforce. The demographics of populous countries are a harbinger of societal challenges, with talent scarcity one of the most vexing consequences of this long trend. And slower migration over the past three years as a result of the pandemic has restricted talent movement, making the global labor market less efficient.

The acuity of the aging global population is undeniable. According to the World Health Organization, from 2015 to 2050, the proportion of the world's population over 60 will nearly double from 12% to 22%. In Europe, the share of the population aged 65 and over is increasing in every EU member state. By 2050, one in four people in Asia and the Pacific will be over 60. From 2010 to 2020, the 65-plus population in the US experienced its largest-ever 10-year gain.

Furthermore, the aging populations in some of the world's most dynamic economies are not being offset by births. From Europe to China, declining reproductive rates will lead to long-term workforce worries and, in turn, serious consequences for their economies. Japan, which has the oldest median age of any major economy in the world, also has one of the lowest birth rates at 1.26 per woman during her lifetime (a rate of 2.1 is needed to sustain a population).

projected percentage of those 65+ in mature and emerging markets.

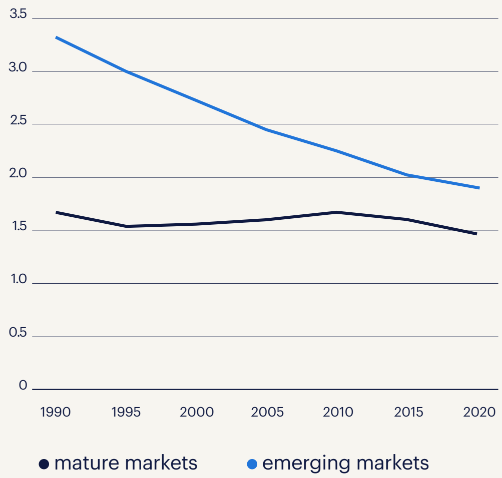
increase in elderly population in both mature and emerging markets.



source: OECD

fertility rates in mature and emerging markets between 1990 and 2020.

decrease in birth rates in both mature and emerging markets.



source: OECD

intensification of structural talent scarcity

The rapid graying of the global workforce, along with falling fertility rates, suggests talent scarcity will be endemic to the labor market in the years and decades ahead. As a country's demographics grow older, the number of people available to participate in the workforce falls due to retirements, disabilities and deaths. Since reaching its highest levels ever in 2008, the percentage of working-age people (15 to 64) in OECD countries has steadily declined. By contrast, according to Bain & Company, older people will account for more than one-quarter of the workers among G7 member countries. By 2030 there will be 150 million more workers who are 55 or older. At the same time, the share of younger workers (15 to 24) in these countries has declined.

Demographics data points to three developments that will continue to stress the labor market's ability to provide enough workers for growing economic needs:

- An increase in retirements in many industrialized markets around the world, leading to a significant exodus of workers.
- The rapid graying of the global workforce and subsequent impact on talent mobility to fill job vacancies.
- A continuing decline in core workforce activity — accelerated during the pandemic — as people choose to either retire earlier than expected or reduce the number of hours worked.

The long-term impact of talent scarcity means that even during economic declines, the problem remains across all work arrangements, labor types and skill levels. Lower labor activity and unemployment rates intensify the structural labor market gap. In fact, according to the OECD, unemployment rates in member countries remained below 5% as of July 2023, a near-record low, despite a softening global economy. A clear example of the structural nature of talent scarcity can be found in the US, where the number of job vacancies has exceeded the number of unemployed since 2018. As of July 2023, that ratio remains at 1.5 jobs for each unemployed person.

consequences vary by sector and business

The effects of an aging workforce will be felt most acutely in a number of sectors under pressure to secure talent. For instance, in the US, these include business services, healthcare and information services. As of last November, some 2 million of the 10.4 million US job vacancies were in professional and business services, followed by 1.9 million in healthcare. Within these sectors, roles such as general practitioner physicians, tax preparers and auditing professionals also have some of the highest median age of all professions.

Businesses that require intense physical labor may be most affected by an aging workforce. For instance, agriculture, mining, construction and others face pressure to find replacements for retiring workers, who tend to leave the labor market at an earlier age than desk workers. As an example, the average age of US farmers was up to 57.5 as of the last census taken of the sector; this was up 1.2 years from the previous survey. In the UK, the number of construction workers over 60 has risen faster than any other age group.

Companies with a higher concentration of older workers across all skill levels also risk losing more intellectual property and leadership, which can have serious consequences on performance and succession planning. Furthermore, for those operating in markets with employer-sponsored healthcare, higher associated costs could also affect profitability.

While an aging workforce presents challenges to policymakers and employers, a few positive trends may help counter some of the negative effects of graying demographics. Since 2001, working lives have become longer in Europe. A similar trend is taking place in Asia, where retirement ages are shifting in China, South Korea and Japan. Encouraging and incentivizing older workers to put off retirement may be key to minimizing talent scarcity.

Furthermore, adopting immigration policies to attract more highly skilled workers can help mitigate the aging workforce. For instance, the foreign-born population in the US has become increasingly important to its labor market, growing from 20 million (14.6% of total employment) in 2000 to 31 million (19.6%) in 2022. At the same time, the percentage of those with an advanced level of education has increased from 33% to 47%.

the impact on employers and Randstad

Sustained structural talent scarcity caused by aging demographics poses immense challenges for the labor market, employers and the global economy at large. An economy's inability to sufficiently provide talent in today's highly dynamic environment will constrict long-term growth and innovation.

Randstad sees this as an opportunity. We are on a journey to build career-long relationships with talent around the world, to become a trusted source of employment opportunities and career guidance. Our ambition to become the world's most equitable and specialized talent company is underpinned by ensuring we know the needs of talent best. By understanding and becoming a true partner to talent, we can also deliver on the needs of our clients which are becoming increasingly complex due to talent scarcity.

The aging workforce poses tremendous challenges for the global economy. And the structural gap in talent availability in many mature countries will continue to intensify in the foreseeable future. As the market leader, we will leverage our global footprint, deep talent and client insights to design and implement innovative talent solutions that address the growing talent scarcity crisis.

trend 1

aging workforce.

As baby-boomers retire and fertility rates continue to fall in most industrialized nations, more people will leave the labor market than enter during the next decade, resulting in a deficit of talent. This has been an ongoing trend in Japan, Italy and Germany since the early 2000s and is one cause of stagnating economic growth in these markets. In Germany, migration has partially offset the consequences of an aging workforce but data for the decades ahead shows the population will continue to shrink.

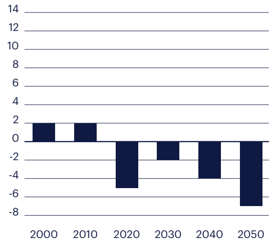
Other European countries such as Belgium, France, the Netherlands, Spain, the UK and Poland are following suit. All these countries are encouraging workers in their 50s and 60s to remain in the labor market with varying degrees of success.

In the US, the workforce will continue to grow, albeit at its slowest pace this century. Countries with liberal immigration policies such as Canada and Australia will be able to avoid the demographic gap. But even in countries with large populations such as Brazil and India, workforce data point to an eventual rise in talent scarcity several decades into the future.

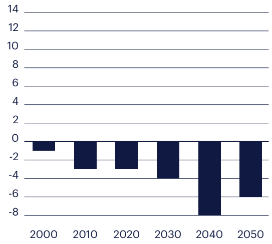
the demographic gap: growth of working age population is stagnating.

50-year growth of working-age population (age 15-64) in %.

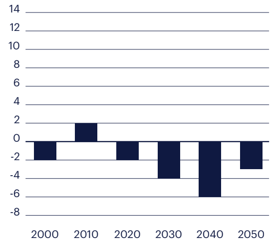
poland



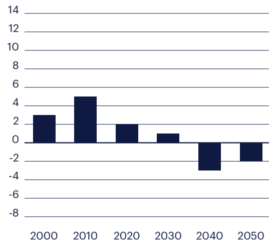
japan



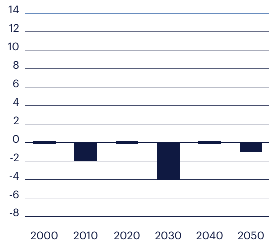
italy



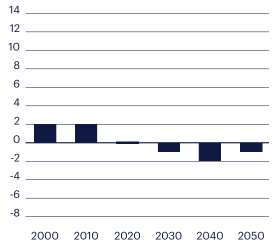
spain



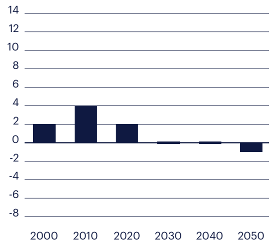
germany



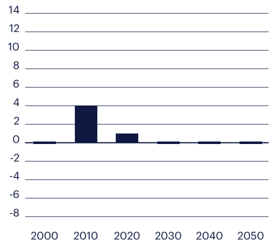
france



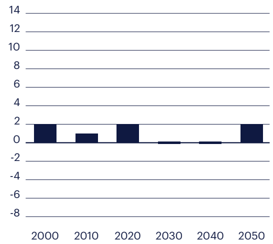
uk



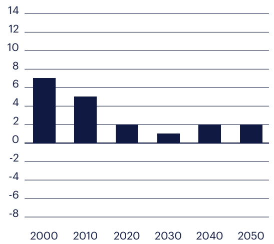
belgium



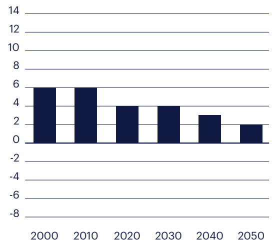
netherlands



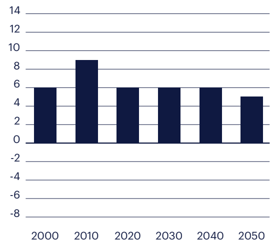
us



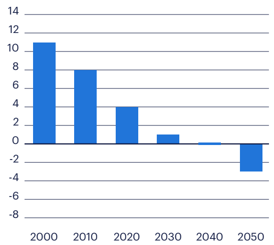
canada



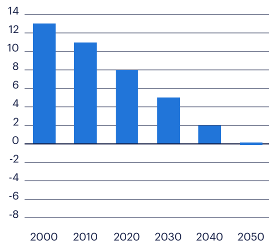
australia



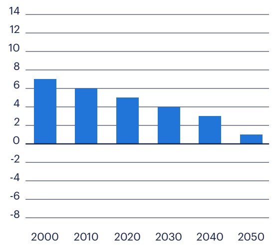
brazil



india



argentina



● mature markets ● emerging markets

source: OECD

trend 2
declining working-age population.

In a number of large economies, the working-age population is already declining from a decade ago. The trend is concerning in Germany and France, where projections show a considerable fall in the number of working-age people through 2050. Similarly, the same is happening in Italy and Poland but to a lesser degree. Beyond this decade, Spain and Belgium will also begin to experience a modest decline. A notable exception is the Netherlands, where a gradual rise will occur through the same period.

In contrast, Japan will continue its sharp decline, accounting for the oldest population among major economies. Its working-age population is also projected to decline from 87.2 million in 1995 to 57.1 million in 2050.

While projections for the US, Canada and Australia are more positive for the next several decades, growth will be slow but consistent. Data shows the main drivers for growth will come from immigrants joining the workforce in these countries.

population trends: in some countries the working population is already shrinking.

expected shift of the working-age population (15-64) in millions (m).

● mature markets ● emerging markets

source: OECD

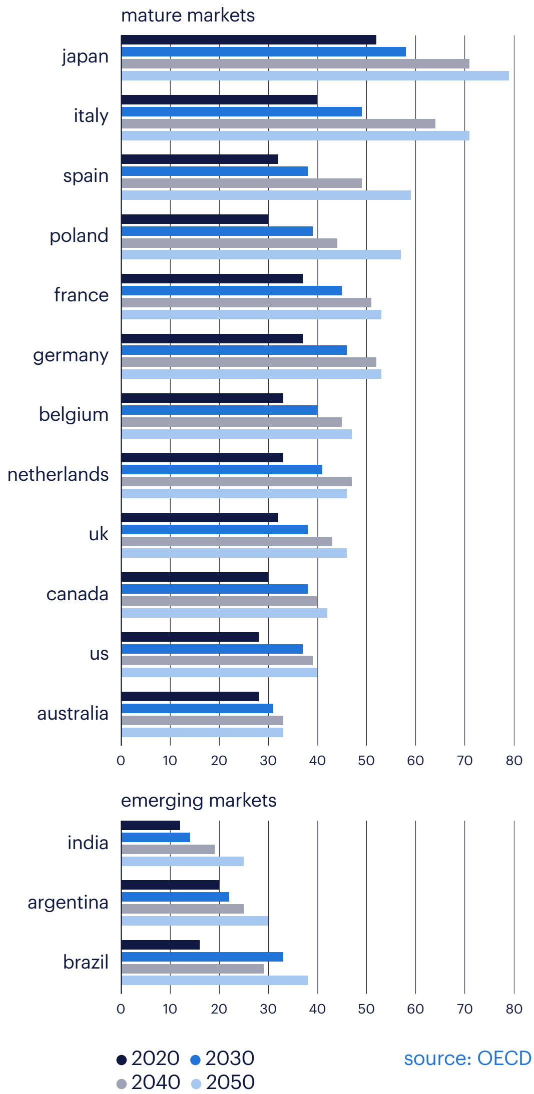
* total population, 2023

The expected declines in the working-age population over the next several decades will place a significant burden on those remaining in the workforce. A rapid increase in the old-age dependency ratio will affect many industrialized nations, with some experiencing a sharp rise in elderly care costs. The trend will be especially prominent in key European countries such as Italy, France and Germany, which are already contending with a high ratio due to its graying population.

In Europe, the ratio by 2050 will vary throughout the bloc, from 46% in the Netherlands and the UK to as much as 71% in Italy and 59% in Spain. Japan will have the highest ratio among all major economies, with the elderly accounting for 79% of the working-age population. Even in countries such as Australia, Canada and the US, which have a positive population projection, their ratio will rise, albeit at moderate levels. In India and Brazil, the ratio will increase minimally compared with other industrialized nations.

old-age dependency ratio: systematic increase in every country in the coming decades.

old age dependency ratio:
population 65 and over / population 20-64, in %.



source: OECD

trend 3

mixed activity rates across markets.

The availability of talent is not solely a function of the working-age population but also people's willingness to work, which is measured as activity rates.

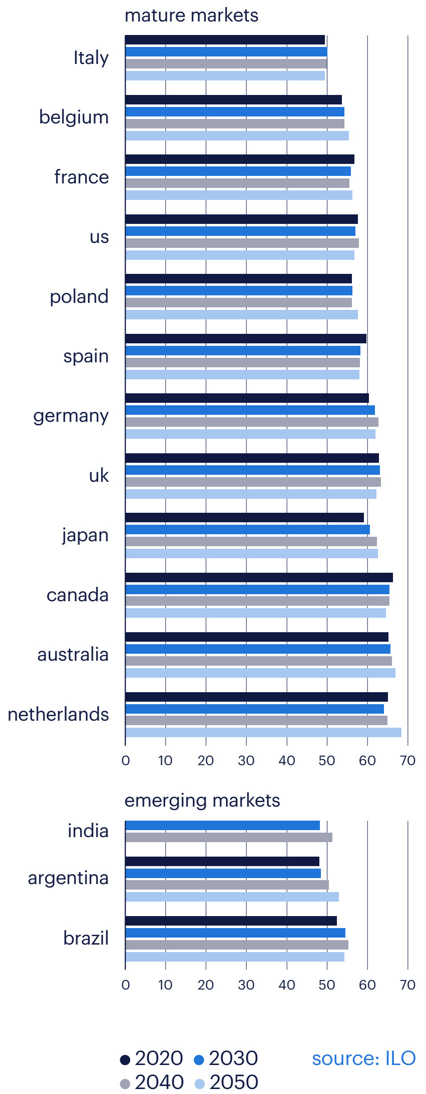
This benchmark in recent years has not developed consistently across all countries. In some — Australia, the Netherlands, Belgium, Japan, Brazil and Argentina — the rates have remained steady over time, which implies a healthy behavior among their working-age adults.

In other countries such as France, Canada and Spain, activity rates have fallen during the past decade, indicating growing reluctance to participate in the labor market. In the two European markets, this is especially problematic because the working-age population is already declining, so lower activity rates only compound the talent scarcity challenge.

In most mature markets, activity rates have been falling since 2010 as people withdraw from the workforce. The most notable long-term trend can be found in the US, where the activity of this core demographic has been declining by 3% since the beginning of the century. However, a counter-trend is also emerging. Since 2000, in markets such as Japan and Germany, some segments of the 65+ age group have decided to continue to work, helping to alleviate talent scarcity across many industries.

activity rates: mixed trends, with declines in some markets and increases in others.

active population aged 15 and over / population aged 15 and over, in %.



source: ILO

trend 4

historically low unemployment rates.

Despite the recent slowdown in hiring, unemployment rates around the world remain unusually low; among OECD member countries, they are near historic levels. In fact, many of these countries are experiencing their lowest rate in the past 20 years.

Specifically, Germany, the US, the UK, Japan and Canada continue to experience talent scarcity across many roles. Notable exceptions to the high employment rates are Spain and Italy, where higher-than-average levels of people out of work have become the norm.

There are currently full employment levels in countries such as Japan (2.4% unemployment rate), Poland (2.9%), Germany (3.0%), the US (3%), Australia (3.5%), and the Netherlands (3%), which explains why it has been difficult to fill vacancies in the past two years. Even as fears of a recession have gripped some of these areas, their labor markets have remained resilient with scarcity still present.

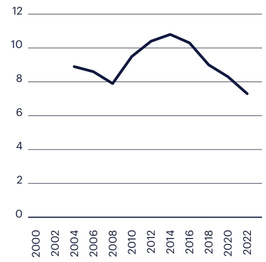
unemployment rates: at the minimum in most countries.

unemployment rates (age 15-74) in % of active population.

spain

italy

france



belgium

canada

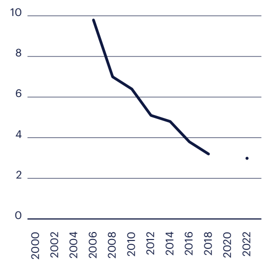
uk

australia

netherlands

us

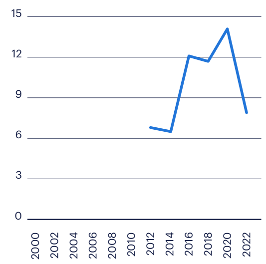
germany



poland

japan

brazil



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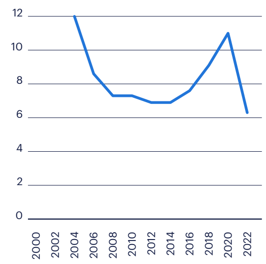
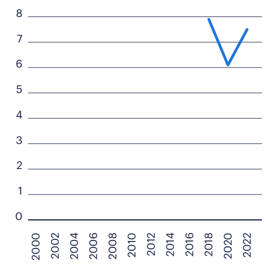


india



● mature markets ● emerging markets

source: ILO

trend 5
rising job vacancy rates.

A slight easing in vacancy rates in 2023 has not alleviated difficulties associated with acquiring specialized and some business-as-usual skills. During the past decade, but especially in the post-pandemic period, the labor market has experienced near-universal increases in vacancy rates. Difficulties with recruiting technical and emerging skills such as Artificial Intelligence have risen as demand outpaces supply.

In countries such as Belgium, the Netherlands and Germany, vacancy rates currently exceed 4%. In the US, the rate is nearly double at 7%, which poses a serious problem for American employers. In all of these markets, prolonged vacancy rates are impacting operational performance, revenue generation and innovation.

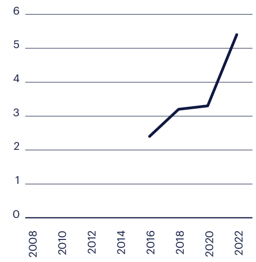
It is notable that in many countries, the severity of the vacancy challenge has increased dramatically during the last two years. Although talent scarcity did not originate with the pandemic, it has clearly worsened and in most countries the vacancy rate is now double that of the previous decade.

rising job vacancy rates.

vacancy rates in %.

us

canada

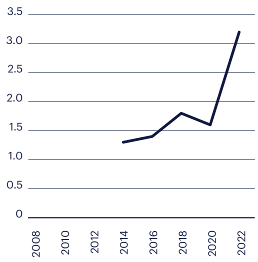


netherlands

belgium

germany

australia



uk

italy

poland

spain

source: eurostat and national statistics institutes

trend 6

top sectors affected.

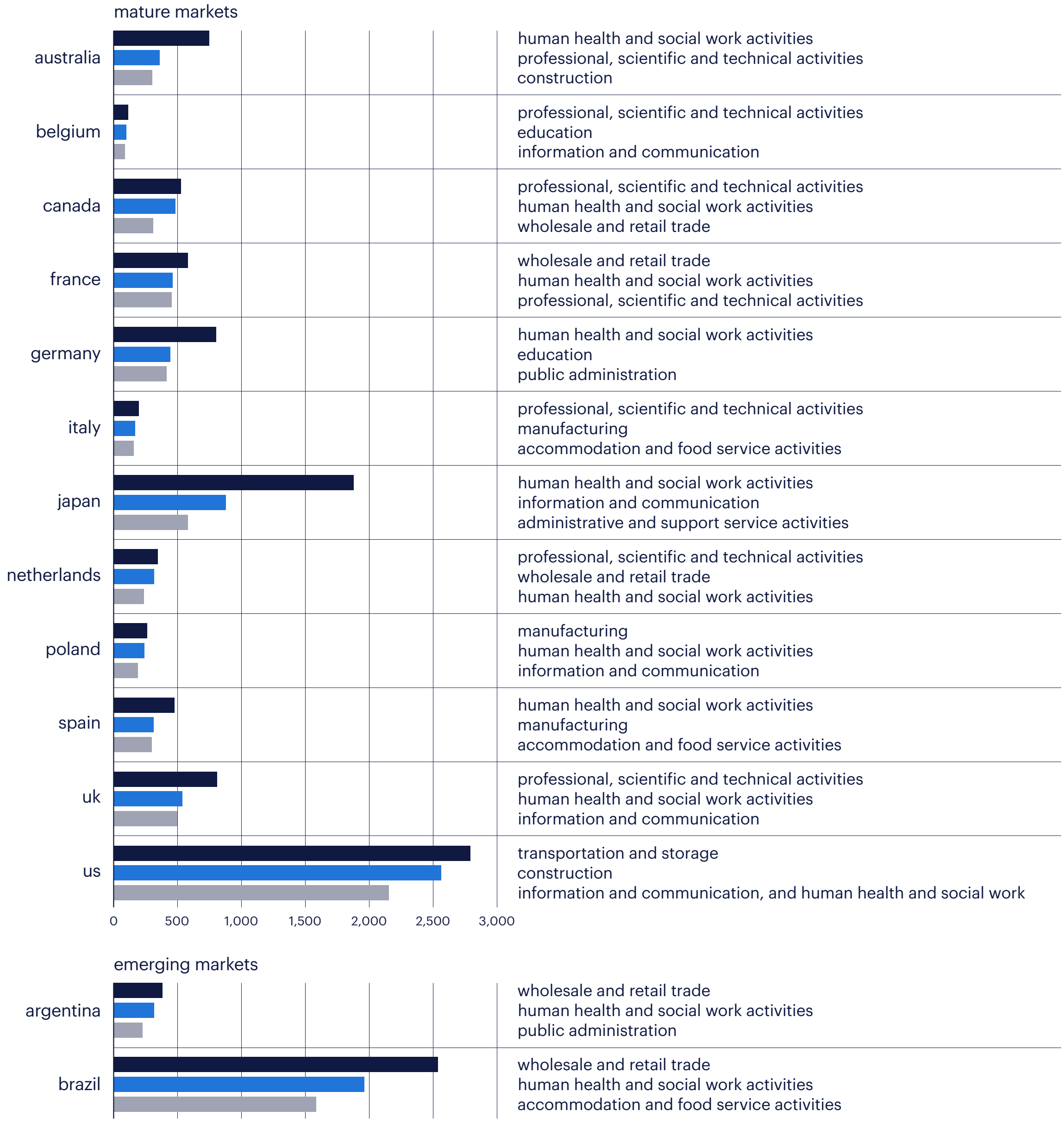
Structural scarcity has affected sectors to varying degrees. Of the 10.5 million US job openings reported last November, the highest numbers were in business services (2 million with a vacancy rate of 8.3%), followed by healthcare (1.9 million with a vacancy rate of 8.5%) and ICT (with a rate of 6.4%). Over the past decade, the vacancy rates for these professions have all doubled. Additionally, logistics has emerged as a standout job creator due to strong global demand.

One sector clearly in decline, except in the US, is the primary sector. Manufacturing growth has varied around the world. In some countries, this has continued to be a clear driver of job creation (Germany, Italy, Spain, Poland and Japan), while in others it has experienced setbacks (Brazil and the US).

In 2022, 4.2 million Americans worked in computer programming and related activities. This is 103% more than in 2012 and reflects a growth trend expected to continue during the next decade. Similarly, strong growth is expected in healthcare, which has experienced structural talent shortages for many years. As life expectancy grows and people remain active well into their old age, demand for healthcare professionals will rise accordingly. Construction and trade growth has also risen 31% and 45%, respectively, marked by volatile talent shortages.

industries most likely to be affected by an aging population

top 3 industries by country with the highest employment increase in the last 10 years (thousands of workers).



source: ILO

trend 7

growth of highly skilled jobs.

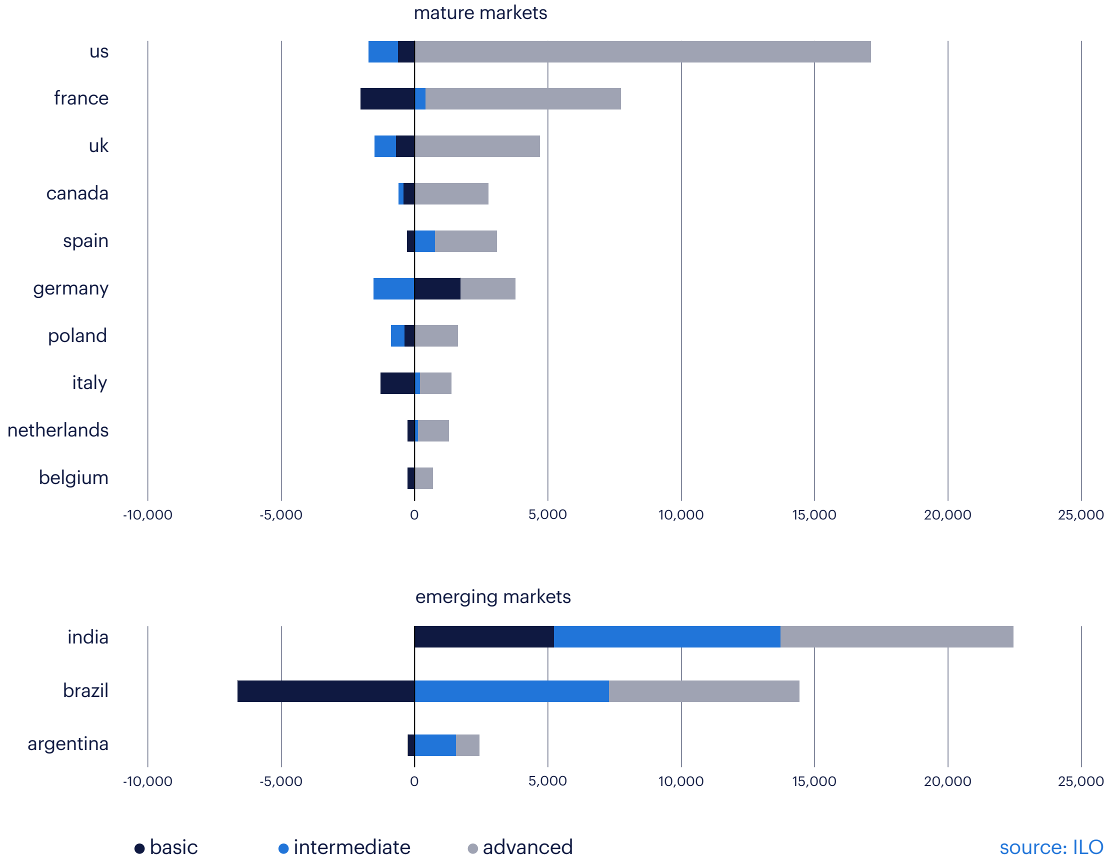
During the past decade, 66 million jobs have been created in the group of countries Randstad studied, with every market recording gains. The greatest area of increase — 55.7 million — has been in roles filled by workers with advanced education. This is due to digitalization and technological advancements resulting in jobs requiring specialized skills. And of the total number of roles added, 14.6 million required an intermediate level of qualification.

In contrast, nearly 6.1 million low-skilled jobs have been lost in the past decade. As a result, job opportunities for workers with a lower level of qualification have been reduced. This also leads to a greater skills gap and potentially inequities among a nation’s population.

In all selected markets, growth has concentrated in higher-skilled jobs. In the Netherlands, for example, employment for those with a basic level of education shrank 10% between 2012 and 2022, to 1.9 million jobs. For people with intermediate levels of education, the loss was about 10%, down from 3.6 million to 3.3 million. Growth was abundant for those with advanced education, more than doubling from 1.9 to 4.1 million.

employment rose primarily among workers with advanced degrees in the last decade.

employment increases in the last decade, by educational levels (thousands of workers).



source: ILO

trend 8

retaining older workers

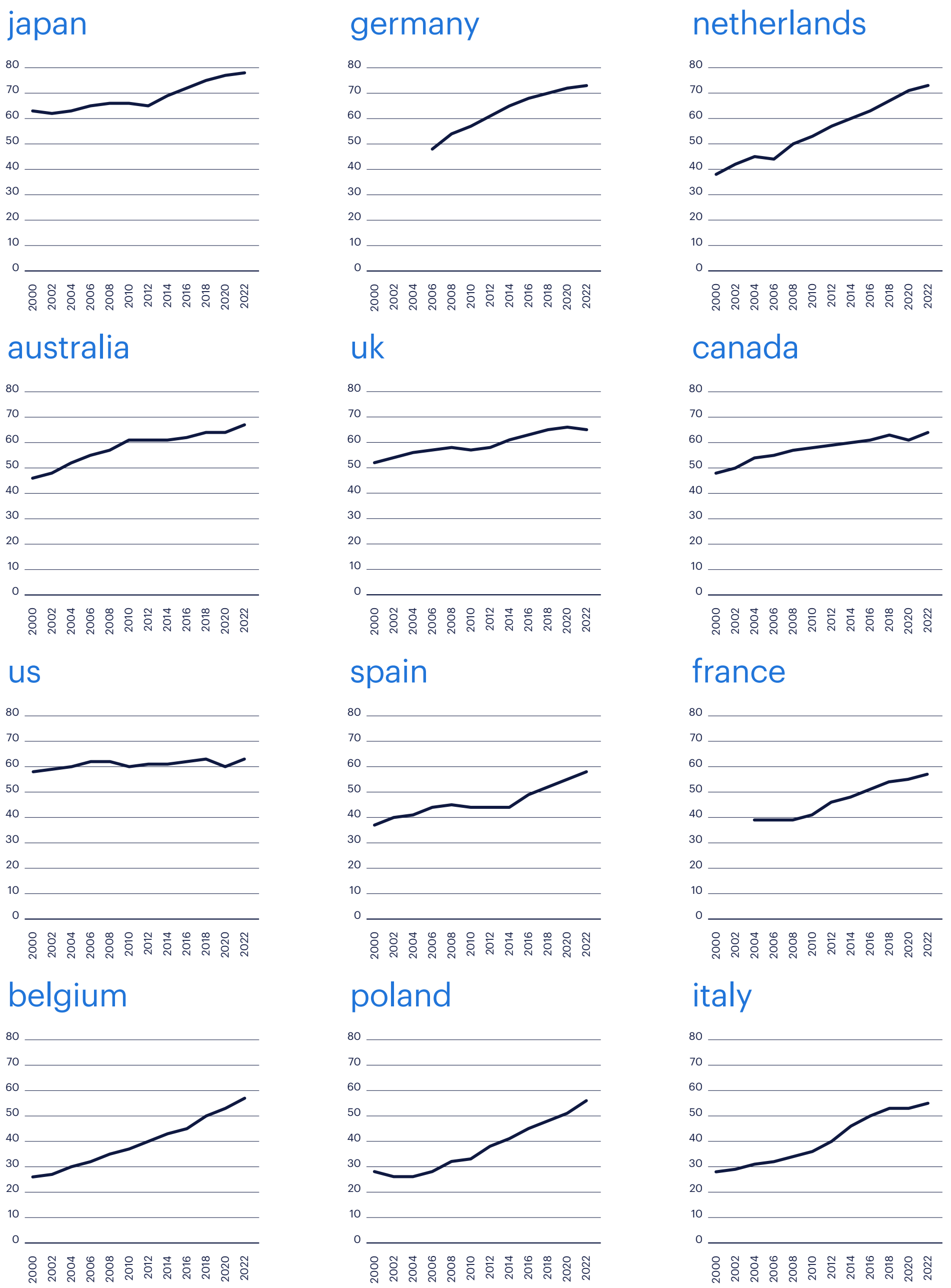
As the workforce continues to gray in the decades ahead, retention of older workers will be key to mitigating worsening structural talent scarcity. OECD data shows that since 2017, the employment of people 55 to 64 has been mostly consistent, with small variations each year. Overall, about 60% of this population remain active in the labor market, notably higher than from 2007.

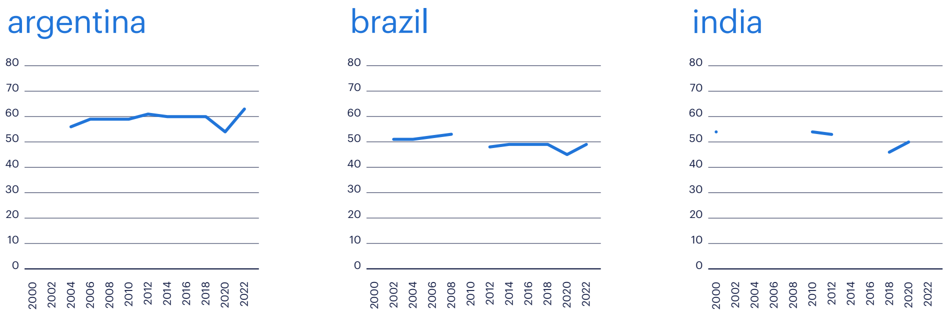
It's no surprise that the country with the highest percentage of employed older workers is Japan, which in 2022 has more than three-quarters of those 55 to 64 still working. This was followed by Germany (73.3%) and the Netherlands (73.2%). The countries with the lowest percentage include Italy (55%), Belgium (56.7%) and France (56.9%).

Even more notable is that a significant portion of people 65 and older continue to work, with Japan again leading the way. OECD 2021 data revealed that about 13.6% of elderly Japanese remain in the labor market, followed by South Korea with 13% and the US at 6.6%.

retaining the 55+ population in the workforce: activity rate has increased for those 55+ in all countries since 2000.

employment rate of people aged 55-64, in %.





● mature markets ● emerging markets

source: OECD, ILO

trend 9
highly-skilled migration & talent hubs.

Faced with a reduction in the working-age population and lower activity rates among older workers, some countries have prioritized immigration as a remedy to their talent scarcity problem. Markets such as Canada, Germany and the US continue to add to their workforce despite a stagnant fertility rate among locally-born populations.

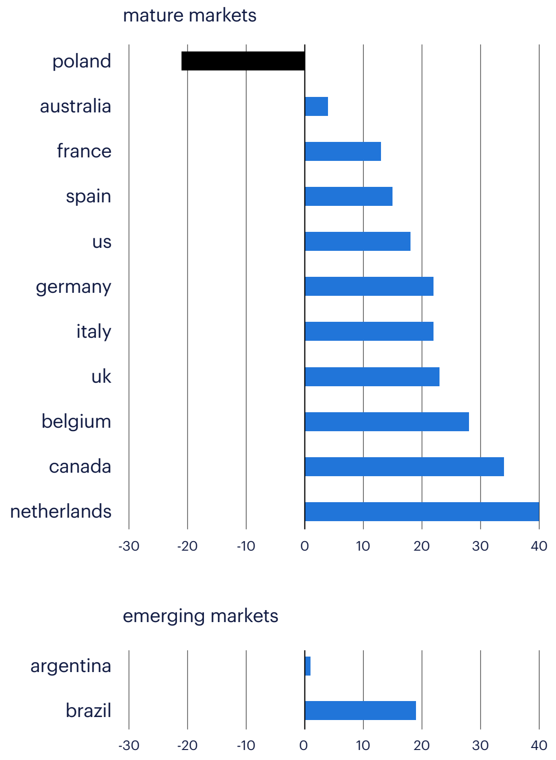
With the exception of Poland, the foreign-born working-age population has been rising significantly, with some countries posting gains of 20% or more. This represents a collective increase of 17.5 million people in the last 10 years.

Aside from talent mobility, the ever-evolving practices around remote and hybrid work will also play a crucial role in mitigating talent scarcity. Companies with work policies based on flexibility with intentionality enhance their access to talent and optimize their mix of on- and off-site resources.

Leveraging talent that can be located anywhere in the world also means some markets will expand their role as global talent hubs. Markets such as India, Poland and others may be called on more in the future to undertake work currently conducted onshore. India, in particular, will be pivotal as its demographics are much younger than most other industrialized nations.

foreign-born working-age population: increases across most markets.

10-year growth rate of the foreign-born working-age population, in %.



source: ILO

trend 10

the opportunity of AI.

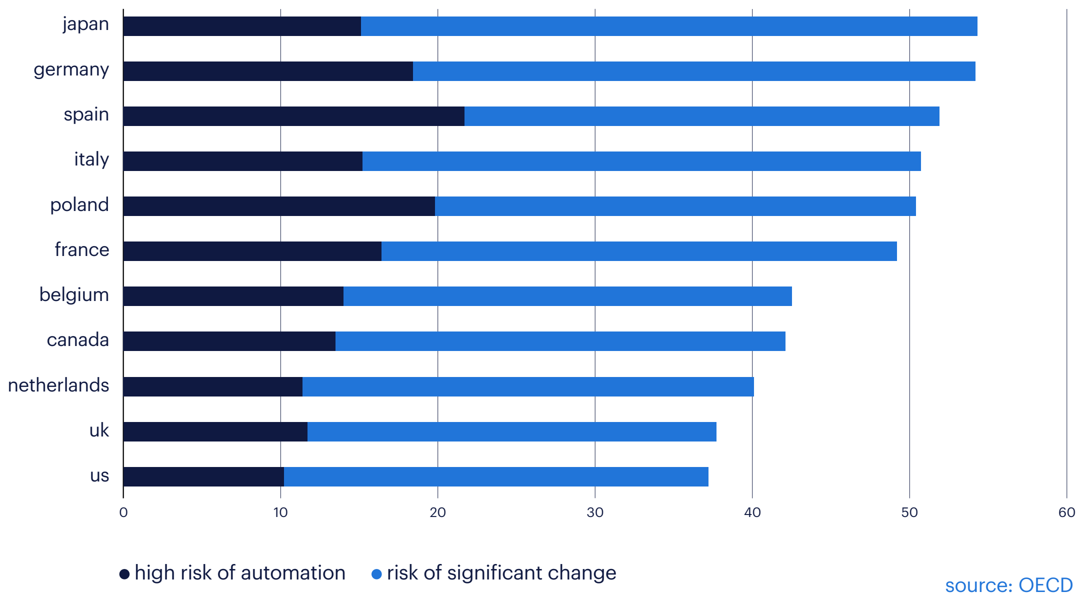
Automation and the most innovative technologies, particularly AI, are having a very significant impact on the labor market, but this is not being felt equally in all countries or occupations. On average, 14% of current jobs face a high risk of automation, while 32% will undergo significant changes — both in the functions performed and in the skills required as a result of automation.

When the analysis specifically includes AI, the most exposed occupations include not only those of a scientific and technological nature but also managerial, economic and legal occupations. This doesn't mean these professions will disappear. On the contrary, recent studies show where the use of technology is intensive, a positive correlation is detected between the exposure of the professions to AI and employment growth.

There will be a transitional period in which some workers face displacement. Through reskilling and upskilling, however, those who can adapt quickly to new work requirements will most likely succeed in a transformed world of work.

automation, AI and jobs: 45% of jobs at risk of disappearing or undergoing significant changes.

jobs at risk of automation (% of total jobs).



source: OECD

average exposure to AI across countries by occupation.

0 = no exposure; 1 = full exposure

source: OECD

conclusion.

conclusion.

The aging of the world's industrialized nations will continue to exacerbate structural shortcomings in the labor market. As retirements intensify over the next several years and as workforce activity rates decline among older workers, talent scarcity will likely worsen, leading to challenges for employers to procure and retain the human resources they need to optimize growth.

Reversing the demographics in many of these markets will not be possible in the near or even medium term as these trends are decades in the making. Policymakers, however, should consider other solutions that may bring more immediate relief to a tight labor market. It's clear that only through a multi-pronged approach can markets around the world overcome their structural gaps.

As demonstrated in some markets, successful retention and encouragement of older workers to remain actively working will sustain economic activities. These may require both private and public efforts to incentivize people to hold off retirement or to work part-time, flexible schedules that complement their active lifestyles. In Japan, for instance, nearly 40% of corporations hire people over the age of 70.

Beyond retention of older workers, country leaders must also consider how immigration policies may affect their nation's ability to attract highly-skilled talent. Opening up borders may be a debated policy, but as a number of countries have demonstrated, immigration has enabled access to younger, more skilled workers to help fill long-term vacancies and address rising labor costs.

Employers should also see untethering talent from location as an opportunity and assess the viability of leveraging talent hubs outside of their markets. Such a move can help organizations augment their workforce and broaden skill sets that otherwise would be challenging to acquire locally.

Finally, increasing the use of technology to empower workers may help drive productivity and efficiency, reducing the need for headcount. This, too, may stir concerns among labor unions and other worker groups, but it's an approach that may be effective in battling structural scarcity caused by the long-term impact of an aging society.

we invite your thoughts
and comments.
let's start a conversation.

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