

The Future of Talent:

OPPORTUNITIES UNLIMITED



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Foreword

Talent, or at least the skills we think of as being desirable for tomorrow's talent to possess, is changing.

In business, and elsewhere, technical skills are being overtaken by the human touch – by the problem solvers, the creatives and the communicators.

This paper focuses on the skills businesses will need to succeed in the future. The backdrop to that future – globalisation and technological and demographic changes – are themes in two of our earlier *future[inc]* papers: Disruptive Technologies – Risks and opportunities and The Future of Work – How can we adapt to survive and thrive? Keeping up is hard.

Our research, conducted as part of this paper, has identified a mismatch. There's a gap between skills that businesses think of as being important in their future workplaces and those that they feel they are good at attracting. Top of mind for many is adaptability and agility.

The answer, this paper suggests, is to 'trawl in wider waters,' embracing diverse pools of talent by exploring less-traditional options. For example, by increasing flexible work offerings, including hours of work, work locations and leave entitlements. This will help open up new pools of skilled talent.

Businesses and individuals will benefit from viewing work experience, past and present, as a bundle of skills which are transferable across industries, and from role-to-role.

Our *future[inc]* series seeks to encourage discussion around how we plan for our long-term prosperity. An important element is ensuring we are equipped with the skills necessary for the future.

Please read this paper and join the discussion.



Rick Ellis

CEO, Chartered Accountants Australia
and New Zealand

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Executive Summary

The world is changing, shaped by megatrends, and uncertainty is the only certainty.

We are in transition to a time when many of us will have more than one career in our lifetime. Increasingly many of us will spend periods of time in and out of the workforce, retraining, learning new skills and relaunching ourselves into new fields of paid and unpaid work as the three traditional stages of life – education, work and retirement – break down. Skills we have conventionally valued, being the acquisition of technical knowledge and the ability to process routine information, are increasingly being replaced by technology, and the essentially human skills of communication, creativity, and collaboration are now key.

We don't have a skills shortage, when we truly consider skills, not jobs, but organisations must seek those skills more widely in diverse pools of talent. Australian and New Zealand businesses feel confident their talent has the right skills for the way their organisations are working today, but less confident about the way their organisations will work in the future.

Organisations have rated the most important skills for the talent of the future as communication, problem solving, adaptability, agility, and resilience. These skills are less able to be replaced by technology, and will be vital in an uncertain world. These skills are also transportable across industries and roles.

Organisations feel they are good at attracting and retaining these skills, although there is work to be done on attracting and retaining agility and adaptability. In many ways adaptability and agility are skills that will develop with experience and cannot be taught, but organisations can play a key role in enhancing these skills through more flexible ways of thinking about work. Research shows that capitalising on diverse talent pools and offering different ways of working improve organisational decision making and ultimately lead to enhanced financial performance.

In a challenge for the education sector, formal schooling is seen by many as less useful for developing future skills, demonstrating a lack of confidence by business in the sector's ability to equip the future workforce with the skills they will need. Only two in five employers believe the education system is doing a good job of preparing people for organisations like their own. Businesses are responding by offering on-the-job training, mentoring and coaching as a way of organically developing the skills they need.

Freeing ourselves from traditional ideas of how work is done, and by whom, will open up opportunities for different ways of working, creating opportunity out of uncertainty. More than half of employers in Australia and over two-thirds in New Zealand feel they need to make changes to their work practices to prepare for the talent and work of the future. Many of those changes are already taking place, with flexibility of hours and upgrading technology as the most important changes businesses feel they need to make; however, many businesses feel they are only doing at best an average job of making these changes. More can be done to make flexibility in its widest sense work for all.

The future is coming, whether we are ready for it or not. Business knows it needs to change, has identified the skills it needs, and is now working through how to attract, develop and retain those skills. While there is work still to be done in the education sector to ensure it is doing its part to develop the talent of the future, innovative educational practices are being developed in collaboration with industry. Coupled with a business sector that is aware of the challenges, and moving to address them, the future of talent in Australian and New Zealand is looking bright.

Introduction

The world is in transition. We have moved from the agricultural age to the industrial age, and most recently to the information age. But what is coming next? Some argue we are moving into a Conceptual Age, where the majority of the workforce will be creators and empathisers. Others refer to a New Work Order, shaped by automation, globalisation and collaboration. Whatever we decide to call it, how do countries, organisations, and individuals capitalise on this change and not get left behind, and how ready are businesses for this change?

For all the talk of digital disruption, we need to consider the role that human beings will still play, working side-by-side with the machines. While employers are keen to maximise the benefits of technology, people will always be needed and while some roles will be replaced, others that we cannot even imagine now will be critical.

The skills required for this new way of working are also changing, with employers looking not for deep technical skills, but instead for “enterprise skills” such as the ability to problem solve, communicate effectively, adapt, collaborate, lead, create and innovate. While skills in STEM (science technology engineering and maths) will remain important, these enterprise skills’ have increasingly become the foundation as employers recognise that many technical skills can be learnt later by the right talent.

Do employers feel they currently have these skills in their workplaces? If not, how and where will employers find people with these skills and develop them further? What changes do employers need to make, to foster enterprise skills, and how ready are they to make those changes? How widespread are acceptance and understanding of the need for new ways of working?

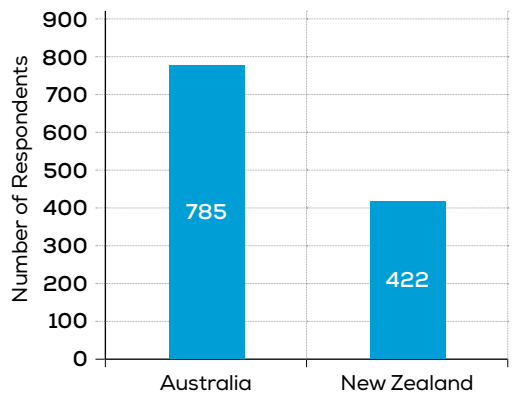
What will be the impact of the 100-year life, and the demographic changes associated with the megatrends? What beneficial impacts might there be for traditionally underutilised pockets of talent, and will opening up different ways of working that create opportunities for diverse talent to come to the fore? Will inclusive leadership become a core skill as we think more broadly about talent and see more diverse workers and more diverse ways of working?

To discover how business feels about these questions, Chartered Accountants ANZ commissioned research across more than 1,200 Australian and New Zealand organisations, asking those who had a direct influence on the decision-making processes around people for their views, as well as finding case studies from leading organisations undertaking innovative work in this space.

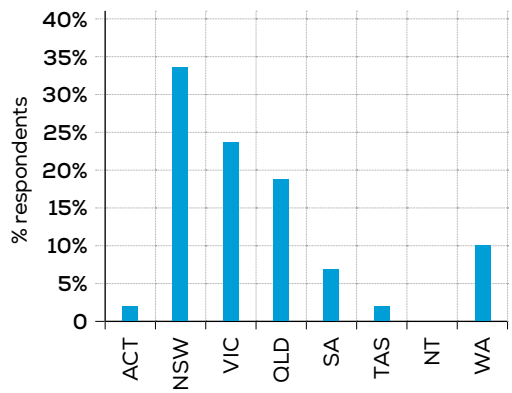
The results are fascinating, and we have suggestions for policy makers, organisations and individuals.

Research Methodology

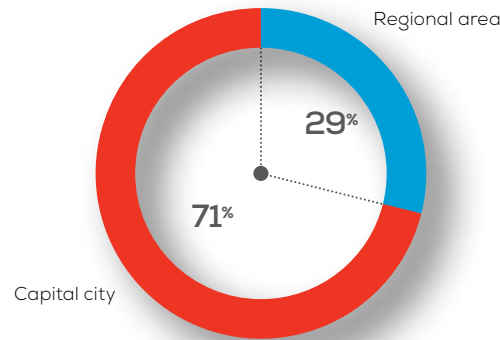
Our survey includes data from 1,207 business leaders across Australia and New Zealand.



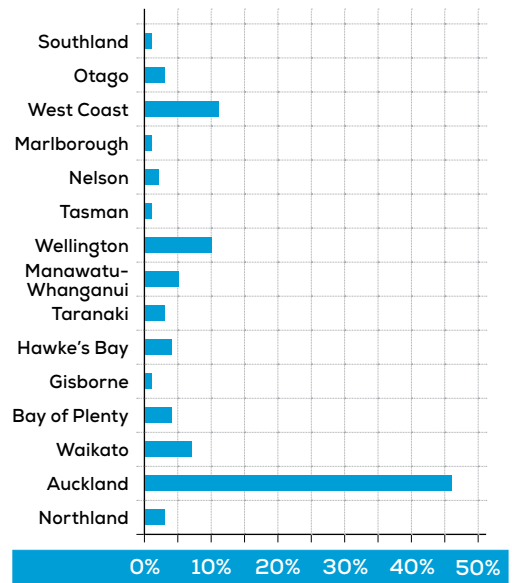
Number of respondents by country



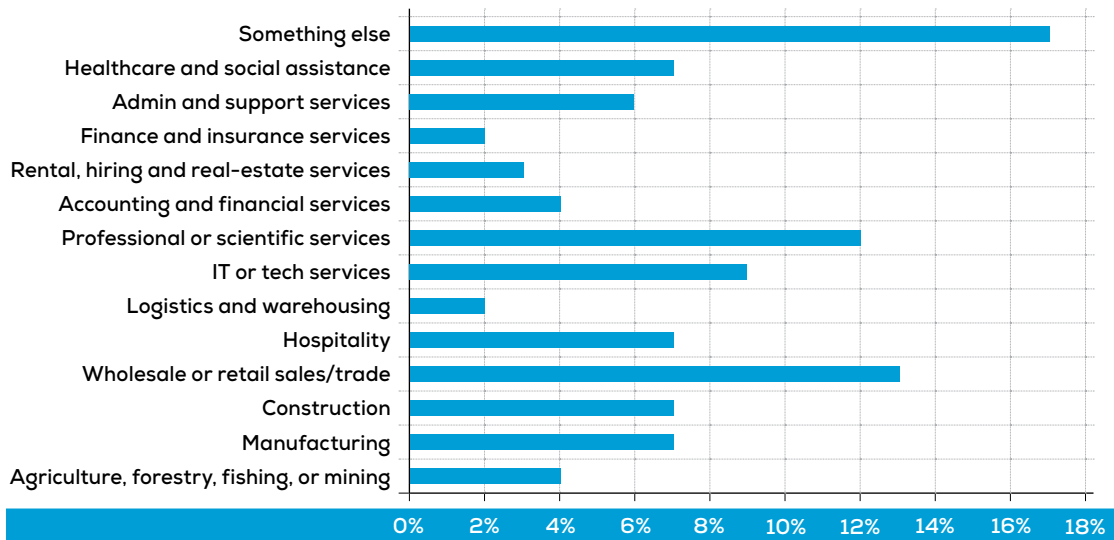
Demographic spread across Australia by State



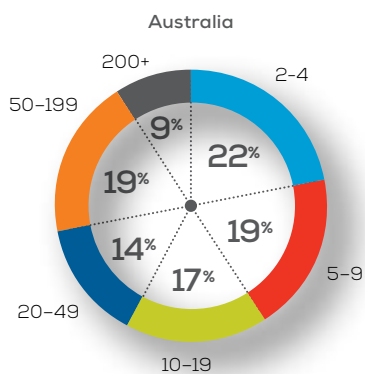
Australia regional/capital split



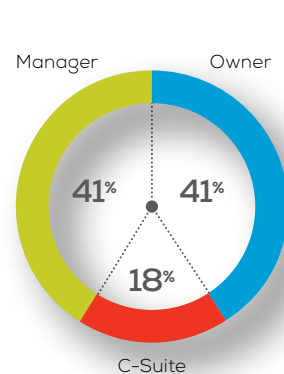
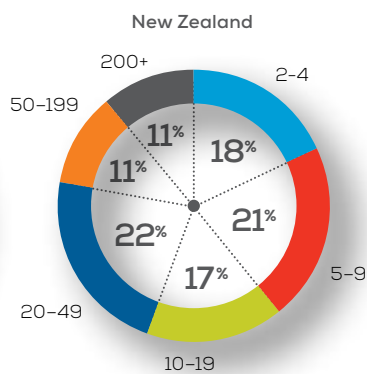
New Zealand response by region



Respondents by industry



Organisation size (employees)



Organisational role

01

The impact of the megatrends

Tremendous forces are reshaping society and the world of work – redistributing power, wealth, competition and opportunity around the globe. They are accompanied by disruptive innovations, radical thinking, new business models and resource scarcity. Every sector is affected.





These megatrends will form the foundation for the future. However, it is the way in which humans respond to the challenges and opportunities the megatrends bring that will determine the environment in which the future of work and the future of talent play out.

Technological breakthroughs

Automation, robotics and artificial intelligence are advancing quickly, dramatically changing the nature and number of jobs available. Technology has the power to improve lives – raising productivity, living standards, average life span, and freeing people to focus on personal fulfilment. But it also brings the threat of social unrest and political upheaval if economic advantages are not shared equitably. Recent research by PwC suggests that 37% of people are worried about automation putting jobs at risk – up from 33% in 2014.¹

Demographic shifts

With a few regional exceptions, the world's population is ageing, placing businesses, social institutions and economies under pressure. Our longer life span will affect business models, talent ambitions and pension costs. Older workers will need to learn new skills and work for longer. The shortage of a human workforce in a number of rapidly ageing economies will drive the need for automation and productivity enhancements.

Rapid urbanisation

By 2030, the United Nations project that 4.9 billion people will be urban dwellers and, by 2050, the world's urban population will have increased by 72%.² In this new world, cities will become important agents for job creation.

Shifts in global economic power

The rapidly developing nations placed to make the biggest gains will be those with a large working-age population that embrace a business ethos, attract investment and improve their education systems. Emerging nations face the biggest challenge as technology increases the gulf between them and the developed world. If these nations lack significant, sustained investment, unemployment and migration will continue to be rampant.

Meanwhile, in developed countries, the erosion of the middle class, wealth disparity and job losses due to large-scale automation will increase the risk of social unrest.

Resource scarcity and climate change

Demand for energy and water is forecast to increase by as much as 50% and 40% respectively by 2030.³ New types of jobs in alternative energy, new engineering processes, product design and waste management and reuse will need to be created to deal with these needs. Traditional energy industries, and the millions of people employed in them, will see a rapid restructuring.

Globalisation

Globalisation has helped to free up flows of money, people, goods and information; facilitate universal connectivity; and create a skilled workforce. But many believe it has done little or nothing to mitigate climate change, promote the development of fairer tax systems or close the gap between rich and poor.

Many business leaders believe it is vital to address social challenges by focusing on purposeful growth. This means influencing the political, economic, regulatory and social systems within which companies operate, through better collaboration with government and finding non-adversarial ways to interact. Executives need to be flexible enough to find common ground without compromising their values.

02

What happens when megatrends collide?

Megatrends are transforming the way we do business, and how we interact as a society and individuals. Overall this transformation is positive, but often changes are accompanied by challenges.



Convergence or divergence?

The twin forces of globalisation and technological progress have helped to boost living standards and lessen inequality between countries.⁴ And, remarkably, they've lifted a billion people out of extreme poverty.⁵

But greater convergence has been accompanied by greater divergence, as CEOs have been predicting since PwC's first Annual Global CEO Survey in 2007.⁶ By 2016, most CEOs foresaw a world in which multiple beliefs, value systems, laws and liberties, banking systems and trading blocs would prevail. These beliefs have since been borne out, with the United Kingdom referendum on European Union membership (also known as the Brexit referendum) in June 2016 and the United States (US) presidential election in November 2016 exposing deep divisions among voters.

These world events revealed the extent of public discontent over job losses in some industrial sectors, and rising income inequality, to which globalisation and technology have contributed, as well as a profound mistrust of "the establishment".

But the news isn't all bad. Even as some forces are causing rifts in society, others are linking the world more closely. While digital connectivity receives its share of bad press for its links to outsourcing and job losses, certain countries will always reach out globally because they can't produce everything they need. A standout from the latest PwC CEO Survey was that almost three-quarters of New Zealand CEOs⁷ saw growth coming from new opportunities in partnering with other organisations.

In this regard New Zealand CEOs are well ahead of their counterparts around the globe.

Many countries will continue to collaborate on borderless issues like security and the environment. Simply put, the world has become more complex.

The future of globalisation

The economic axis has shifted, making international cooperation more intricate. China's rebalancing has hit demand for commodities, and regulatory measures introduced in the wake of the financial crisis have dented cross-border capital flows.

But it's arguably the views of the public – and their potential impact on national policies – which could slow the pace of globalisation most of all.

Trade agreements could be most seriously affected. The Trans-Pacific Partnership (TPP), signed in February 2016 but yet to be ratified, and the draft Transatlantic Trade and Investment Partnership have both been widely opposed in many of the countries involved. US President Donald Trump made withdrawal from the TPP a key election promise during his presidential campaign, signing an executive order to remove the US from the trade deal in his first day in office.

CEOs now have a key role to play both in shaping public sentiment and cooperating with government, to curb the increasing hostility to globalisation that is making it harder to compete on the world stage as a result of more closed national policies.

Standing at the crossroads – the Age of Uncertainty

Confluent economic and geopolitical uncertainties have led to an environment that is difficult to read: a single event could trigger a need for wholesale strategic change. Successful leaders have the ability to weather stormy conditions and adapt to uncertainty, looking for the upside and seizing the opportunities that arise.

It is not enough to focus on organic growth and cost reductions, CEOs are prioritising investment in innovation and digital capabilities.⁸

The forces of technology and globalisation will continue to transform the world. But in which direction? Are we entering an age of de-globalisation or can we usher in a new era of inclusive global growth?

Twelve years ago, Daniel H Pink's book *A Whole New Mind: Why Right-Brainers Will Rule the World*,⁹ opined that the world was moving into a conceptual age, in which society and the economy would be built on inventive, empathic, big-picture capabilities. He argued that those who succeeded in the next age would be creators of beauty and narrative, who could weave seemingly unconnected ideas into something new. An essential element would be the ability to empathise and to find joy in interpersonal interactions and the pursuit of common purpose. Twelve years on it must be said that Pink's vision still seems a long way off – although perhaps Elon Musk is at the front of the curve, with the combination of ideas around space travel, renewable energy and electric cars, with a little "save the planet" evangelism thrown in for good measure.¹⁰

Managing man and machine

Twenty years ago there were fewer than 700,000 industrial robots worldwide; today, there are 1.8 million and the number could soar to 2.6 million by 2019.¹¹ Robots are now entering the services arena; 3-D printing can be used to make cars and aircraft; biotechnology will change the way we grow crops, produce food and manufacture medicines; and nanotechnology and artificial intelligence will affect various industries.

The public mood around these rapid advances is one of apprehension, with 79% believing technology will cause job losses over the next five years.¹² Despite this, 30% of the businesses we surveyed disagreed with the statement that technology would replace current talent in the next ten years.

In an age dominated by machines, business leaders need to ensure that the people they employ are able to rise to the challenges of the new revolution. Talent shortages are already reported by 40% of employers,¹³ and the gap is growing. Analysis of job advertisements conducted by the Foundation for Young Australians (FYA) found that demand for digital skills increased 212% in the three years to 2015, while requests for critical thinking skills increased by 158% and demand for creativity increased by 65%.¹⁴

By 2020, the World Economic Forum predicts that more than one-third of the desired skill sets of most jobs will comprise skills not yet considered crucial today.¹⁵

Whatever the numbers may be, one thing is certain: technology will have a disruptive impact on the workforce, and it will do so right across the skills spectrum.

03

Moving beyond jobs to skills

In a fast changing world, our future focus must be on skills gained, and their transferability between different jobs and careers.





In Chartered Accountants Australia and New Zealand's 2016 *future[inc]* paper, *The Future of Work: how can we adapt to survive and thrive?*¹⁶ we examined how individuals in the labour market viewed the future. We found that 60% of people who had indicated they would pursue new jobs in the next 10 years, thought they would change industry, their role or both.

This attitude to work heralds a seismic shift in our attitudes to careers. A job for life no longer has a place in modern society. Individuals will likely have a number of different careers in their lifetime. Consequently, the historical emphasis on job title and job security must make way for a greater focus on the skills gained, and their portability between different roles and projects.

This paper examines the other side of the equation. We asked employers to rate a range of skills for their importance in the future. These skills apply across sectors and across jobs – they are not limited to any one industry. They represent the new way of thinking about work.

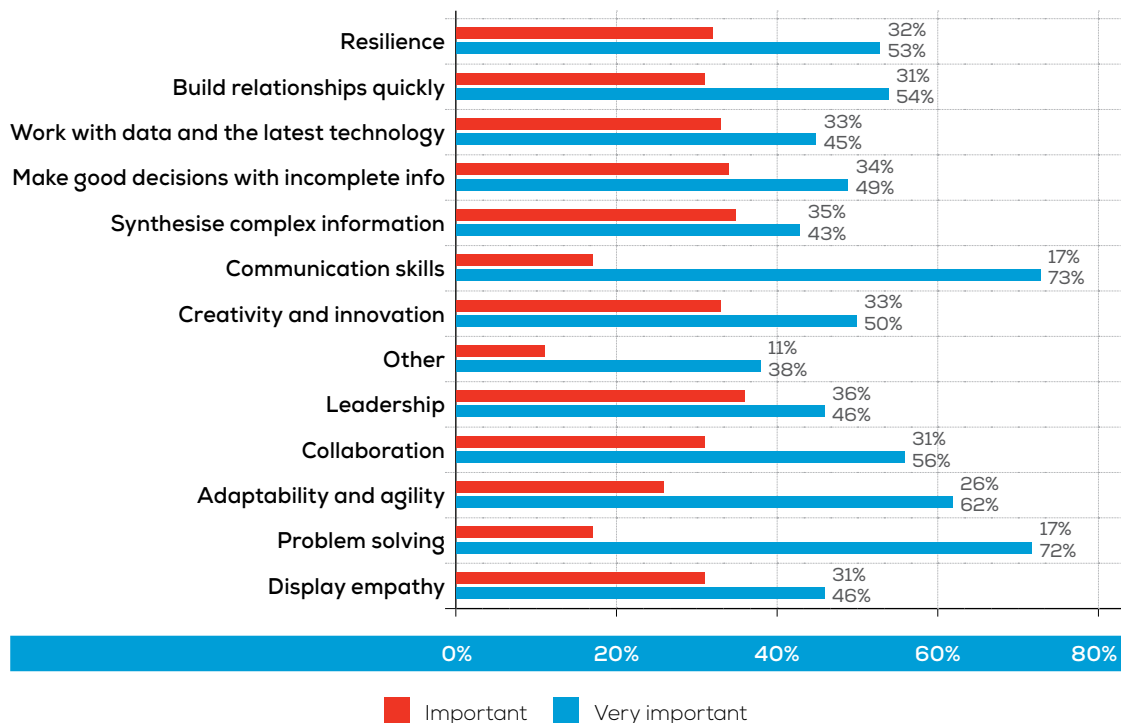


Figure 1 Skills rated by business as important for the future

As can be seen from figure 1, the most important skills for the future were identified by business as problem solving and communication, with almost three-quarters of Australian and New Zealand businesses rating these skills as very important to the future of their business. Adaptability and agility were also rated as very important in both countries – by 62% of respondents – with resilience, collaboration and the ability to build relationships quickly rated closely behind.

These results are not surprising given the combination of the increased uptake of technology, a shift away from manual tasks and lower-order processing work, and uncertainty about the future. In this environment the human or enterprise skills really come to the fore. Collaboration and problem solving are very human skills, more difficult for technology to replicate. Adaptability, resilience and agility are also human skills that are essential in a world of constant change and uncertainty.

The accounting profession rated its top four very important skills for the future as problem solving (76%), communication skills (68%), collaboration (56%) and the ability to work with data and the latest technology and systems (54%). This reflects the increased use of technology by the profession, which has removed much of the lower-order processing work. This has enabled accountants to instead focus on adding value to their clients through strategic advice, using their skills for higher-order problem solving.

There is a mismatch, however, between the skills that are rated as very important by the accounting profession, and those that it thinks it is excellent at attracting and retaining.

While the profession rates highly its ability to attract and retain talent with good communication skills and problem solving abilities, it does not rate itself highly in attracting and retaining collaborative skills (only 27% of respondents said that they were excellent at this) and the ability to work with data and the latest technology and systems (33%). These findings illustrate the ongoing challenge faced by the accounting profession to ensure that these important skills are developed and retained.

Already we are seeing moves to improve this, such as Chartered Accountants Australia and New Zealand's offering training¹⁷ in emotional intelligence and authentic leadership, in addition to a range of resources and online courses to equip their members and others in dealing with the latest technology and systems such as Blockchain and data analytics. In addition, the business faculties of many of Australia and New Zealand's universities have adapted their offerings to ensure students develop these skills as part of their degrees. For example, the University of Sydney offers courses in inclusive leadership, and the opportunity to participate in cross-disciplinary team-based projects as part of their business degree. We explore this in more detail in the chapter on education.

Business size impacted on the skills that organisations felt were important for the future. Very small businesses (2–4 people) rated communication skills and problem solving most highly, but also rated the ability to build relationships quickly as very important. The skills rated least important by these smaller businesses were the ability to synthesise complex information, the ability to work with data and the latest technology and systems.

In a small business, the ability for all employees to form relationships with customers and each other is critical, as there is nowhere to hide. This means these skills are likely to be prioritised by small businesses over the technical ability to work with complex information, data and the latest technology. Problem solving and communication skills remain important to all organisations, irrespective of the business size.

Businesses were also asked how good they thought their organisation was at attracting and retaining talent with the skills they identified as important for the future. Overall, the results were positive, with four in five Australian and New Zealand businesses confident that they could attract and retain talent with their desired skills. In particular, Australian businesses rated themselves as excellent at attracting and retaining talent with good communication skills, and New Zealand organisations believed they were excellent at attracting and retaining those who have the ability to build relationships quickly.

Interestingly, very small businesses (2–4 people) were most likely to rate themselves as excellent on attracting and retaining the right skillset they need across the entire range of skills, but particularly in building relationships quickly. Large businesses were least likely to rate as excellent across all skills, particularly on creativity and innovation, and the ability to make good decisions with incomplete information. These results suggest that small is truly agile and creative, and consequently has an advantage in attracting and retaining talent.

As illustrated in figure 2, we analysed the combination of skills identified by businesses as being important for the future, against those skills businesses

feel they are less able to attract. We found that across both Australia and New Zealand, adaptability and agility are both considered important, and harder to attract and retain.

This must be a focus for employers going forward. **While some elements of these skills are innate, they can also be fostered by giving employees development opportunities within their own organisations.** These could include transfers across business units, rotation programmes, “acting” in other roles, secondments to other business units, or assignments with related organisations. For large international employers, their global mobility programmes are a great way of developing these skills, with an overseas assignment often seen as an essential step in developing senior leaders.¹⁸

Our research demonstrates that organisations are feeling comfortable that they have the right skills for now, and in part this is due to work they have already been doing in training their own workforces. These findings are in line with the 2016–2017 ManpowerGroup’s Talent Shortage survey¹⁹, which found that as skills needs change rapidly, many employers are looking inside their organisations for solutions, with more than half choosing to develop and train their own people. This represents a significant jump from ManpowerGroup’s 2015 survey, where only 20% prioritised training and development to fill roles or find new skills.

Individuals and businesses must adopt a mindset of continual learning to succeed in the uncertainty of the future. While most

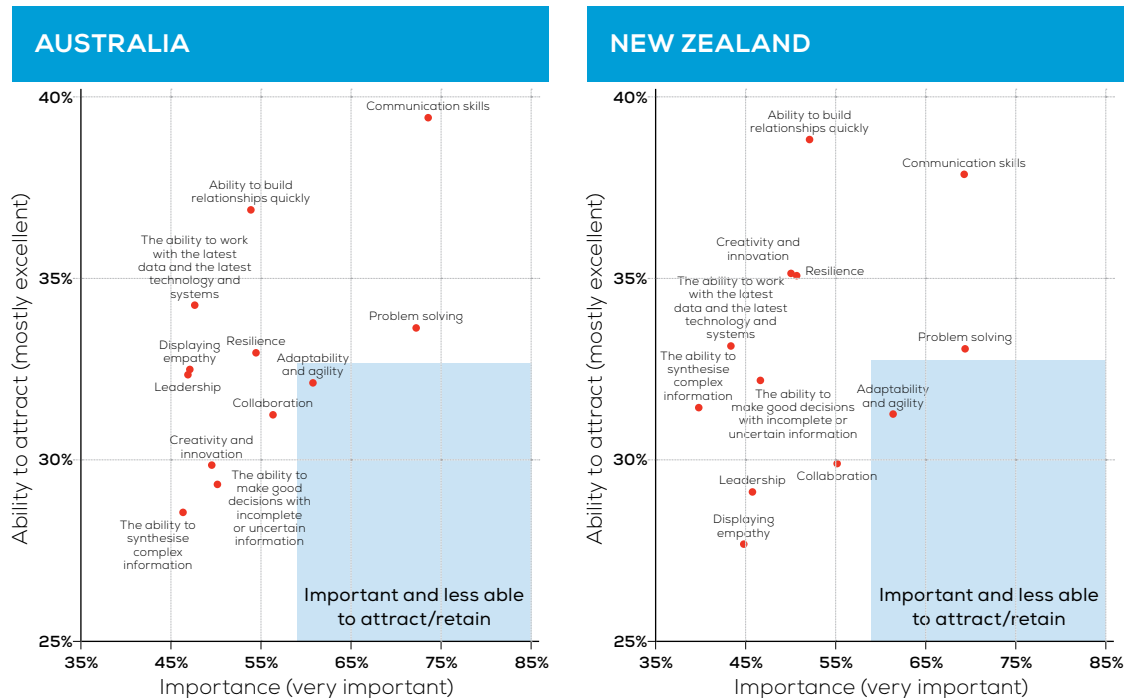


Figure 2 Businesses' ability to attract skills identified as important for the future

Australian and New Zealand businesses feel confident that they have the skills they need now, there is still room for improvement to ensure talent has the opportunities to become more adaptable and agile.

The way of the future – a portfolio career?

The Foundation for Young Australians believes that jobs are more related than we realise – and that when a person trains or works in one job, they acquire the skills needed for 13 other jobs. They advocate the clustering of jobs into similar groups.²⁰

“Upskilling our global workforce is critical to ensure organizations have the skills they need to accelerate performance and everyone has access to the opportunities on offer,” said Jonas Prising, ManpowerGroup Chairman & CEO. “The best organizations know this, which is why we’ve seen a marked rise in the number of businesses focusing on training and development to fill talent gaps. We expect to see this number grow.”

-
- **The Generators** cluster comprises jobs that require a high level of interpersonal interaction. Typical jobs in this group include retail, sales, hospitality and entertainment.
 - **The Artisans** include jobs that require skill in manual tasks related to construction, production, maintenance or technical customer service.
 - **The Designers** deploy skills or knowledge of science, mathematics and design to construct or engineer products or buildings.
 - **The Coordinators** cluster comprises jobs that involve repetitive administrative and behind-the-scenes process or service tasks.
 - **The Informers** include professionals providing information, education or business services.
 - **The Carers** seek to improve the mental or physical health or wellbeing of others, and include medical, care and personal support services.
 - **The Technologists** cluster comprises jobs that require skilled understanding and manipulation of digital technology.
-

The portability of skills means that while building seniority in a particular career, employees can also focus on developing a portfolio of skills that opens the door to a cluster of jobs. The concept of a “portfolio career” moves away from the traditional job for life, towards a career journey that could encompass up to 17 job changes across five different careers.²¹

In embarking on their career journey, young people need to reflect on the job clusters that best match their skills and interests. This can be tested by gaining early career experience in the types of entry-level jobs often available to young people. Experienced workers also need to think differently about their working history, viewing it not just as a series of roles, but teasing out the skills they developed and deployed in those roles.

Case Study – PWC: Finding The Talent Of Tomorrow

When Julie Duncan addresses a group of school students, she generally starts by sharing her own experience as a teenager of being told by her high school careers counsellor that she could be a nurse, teacher, housewife – or a nun (her poor typing skills rendered her unqualified for a secretarial role).

She followed in her mother’s footsteps and trained as a nurse. Some 20 years on, she has enjoyed a non-traditional career in three very different industries and over a dozen jobs.

It is why she is so comfortable in her current role of Talent Acquisition Leader for PwC Australia, telling young people that they should expect up to 17 changes of employers across five different careers in their working lives.

Duncan advises young school leavers to think about themselves as a bundle of skills and capabilities, not a defined role or profession, because the PwC of today no longer limits its hiring to accounting graduates.

The professional services firm hires a mix of undergraduates, graduates, post-graduates and people without formal qualifications. At the graduate and undergraduate level people are recruited from across all degree disciplines. Rather than focusing on the type of degree or the academic transcript, the firm looks for those who are curious, adaptable and passionate about collaborating with clients to solve their important problems.

The intake programmes involve graduates, vacationers, work placements and traineeships. A two-day STEM academy offers a development experience.

In 2018 the firm will pilot a new Higher Apprentice and Traineeship scheme, which gives individuals the opportunity to pursue a career, while earning a qualification at Diploma level, as an alternative to the university route. The pilot is designed to improve diversity and social mobility by attracting talented school leavers that PwC would not normally access.

To support the creation of a more diverse workplace, PwC's graduate recruitment programmes utilise "blind CVs", which strip out names, schools, universities and other potential sources of bias.

Duncan's final words of advice come from Australia's chief scientist Alan Finkel:

"It is time to recognise that it is not a failure to progress to a job that has no obvious link to one's degree. In the mass education era, the capacity to pivot is probably the most reliable predictor of success."

That capacity to pivot – to take the skills one has learned and apply them in a different context – will become increasingly important as we all live longer and the traditional concept of one linear career path breaks down further.

The 100-year lifespan

The move from jobs to skills is also very relevant in the context of an ageing population. Over the last two hundred years, across every decade, life expectancy has increased by two or three years. The result is that many babies born in wealthy countries today can expect to live to more than 100.²² In their book *The 100-Year Life*:

Living and Working in an Age of Longevity, Lynda Gratton and Andrew Scott examine the implications of the longer lifespan, and in particular how government policy, corporate attitudes and working lives need to change in response.

The authors maintain that the current three-stage life cycle of education, career and retirement will need to be replaced by a multistage life cycle and a more individualised approach to working. The traditional concept of retirement, being the complete cessation of paid work, will change as many people want and need to continue working well into their 70s and 80s.

This longer working life will drive the need for ongoing lifelong education, enabling individuals to obtain and develop new skills as the nature of work changes. Further, individuals may need to take time out of full-time work to retrain, or wish to take longer holidays, work flexibly or take sabbaticals to aid their wellbeing and productivity as they age. Governments and business will need to rethink their policies in this regard to ensure that legislation, societal attitudes and corporate practices support this new reality.

High performing and innovative companies seeking talent from non-traditional sources will respond flexibly to the differing motivations and needs of workers across the life stages. We may see the 50-year-old graduate, and will need to rethink our working models, by providing increased flexibility and focusing more on competencies and output than traditional measures such as revenue targets and billable hours.²³

We asked businesses to what extent they saw the 100-year life impacting on the way their business operated. The results were similar in both countries, with over 60% of respondents saying it would impact to some or a great extent. The same number responded that they were ready for that impact. Highlighting the point that we are still in a transition phase, the traditional linear career path is not dead just yet, with only 20% of New Zealand responses and 19% of Australian responses saying that we should abolish expectations of a linear career path.

The ways in which organisations feel they are getting ready for a 100-year life was explored by asking them about what they thought might happen to the traditional

linear career path for their organisation within the next ten years.

As can be seen from figure 3, the most common prediction (38% across both New Zealand and Australia) was that the casual/contractor workforce would increase. This is a positive indication that employers are considering different ways in which workers might be used across their lifetime, and thinking outside the traditional full-time employment model. The challenge is to strike the right balance with employment regulation, to allow the widest variety of working patterns, including casual, contracting, part-time and project-based or seasonal work, while still ensuring that unscrupulous employers do not take advantage of vulnerable workers. Flexibility must still provide decent work and remuneration.

Other areas of focus for both countries included a greater likelihood of hiring talent with transferable soft skills as opposed to specialised technical skills, and providing opportunities for employees to be promoted and move within the company. Also, but to a lesser degree, respondents said that they intended to focus less on years of experience for new hires, suggesting that organisations are becoming increasingly open to developing necessary skills internally for the right candidates. Overall, these findings demonstrate that organisations across both Australia and New Zealand are showing signs of thinking about skills, not jobs, and that they are changing their attitudes and practices in preparation for a more diverse workforce brought about, in part, by the “100-year life”.

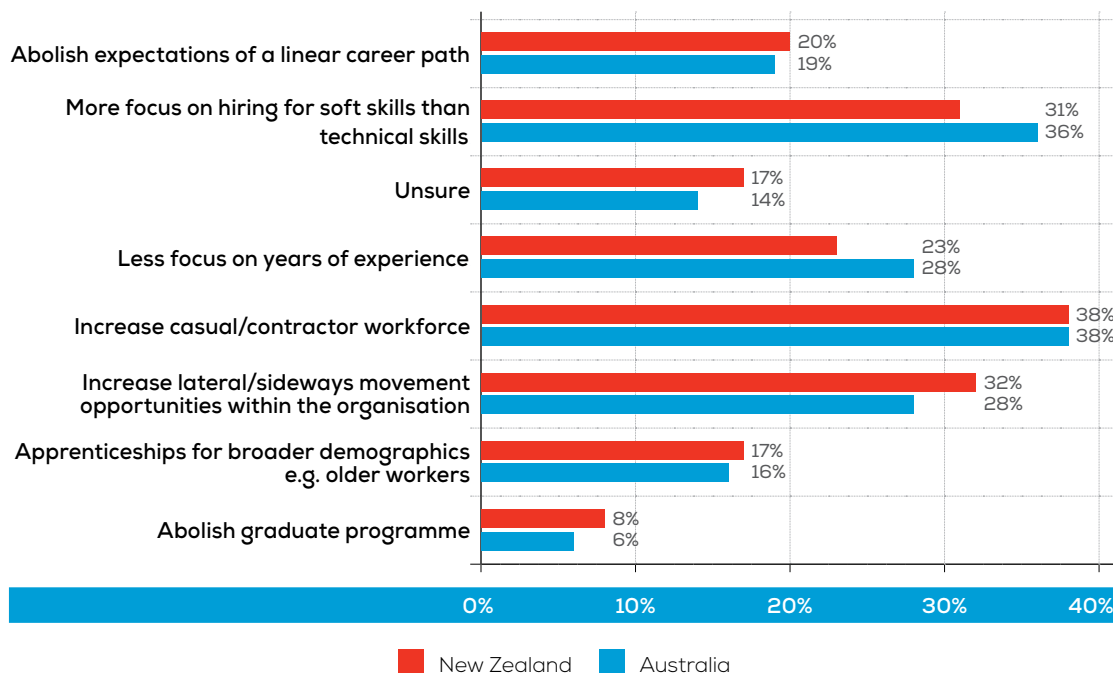


Figure 3 Predicted career path changes over the next ten years

ACTION POINTS

- Adaptability and agility as a skill is considered very important, but harder to attract and retain. Employers can develop agility and adaptability by designing and encouraging ways for employees to experience different working environments and gain new skills within their business.
- Young people need to reflect on the job clusters that best match their skills and interests.
- Experienced workers need to think differently about their working history to identify the skills they developed, rather than focusing on the jobs they performed
- Businesses need to get better at recognising portability of skills across industries and look for skill development, not job history, when recruiting.
- Age does not automatically equate to stage of career – businesses need to be open to the possibility of 50-year-old graduates and not make assumptions.
- Employment law regulation needs to strike the right balance between protecting vulnerable workers, but also opening up flexible work practices and not restricting their attractiveness or availability through rigid rules around minimum hours or penalty rates for non-standard work.

04

Do we have a skills or a search crisis?

Employers struggling to recruit talent with the skills they need, are being encouraged to expand the parameters of their search and “trawl in wider waters”.





In a recent study by HR consulting firm ManpowerGroup, 40%²⁴ of global employers said that they were experiencing a shortage of talent. Global specialist recruiter Hays identified a similar trend in their 2016 Global Skills Index,²⁵ finding that many businesses are struggling to find the talent that they need, and concluding that the need to address the growing skills shortage is more critical than ever.

When analysed more closely, however, these skills shortages are categorised into traditional technical skills, such as IT, trades, engineering, and sales.²⁶ As we argued in the previous section, if we break away from thinking about “jobs” to think more about the transferable “enterprise skills”, many of these skills shortages in traditional jobs could be addressed through a combination of targeted immigration programmes to bring in qualified people in the short term, in combination with overlaying or topping up the required technical training at an employer or educational level as a gateway to obtaining these particular skills.

It is much easier for an employer to say they need a three-year post-qualification experienced accountant, than to think critically about the specific skills needed for the particular role. A non-standard applicant from a different background, say sales and marketing, could also bring the necessary client relationship and financial management skills, with some targeted additional training in accounting concepts and standards. In many ways the agility and resourcefulness of small businesses mean they have been doing this for years, with employees needing to wear many hats and be able to undertake many different types of work. At the other end of the spectrum sit the large legal and accounting professional services firms. Employees in such firms tend to specialise, becoming very narrow

in their focus, therefore less able to move across their discipline, let alone outside it.

In thinking about the skills we need for the future we asked organisations across Australia and New Zealand whether they thought they had the right skills for the way their organisation works today, and how it will work in the future.

As shown in figure 4, at least 85% of Australian and New Zealand businesses said that their current people have the skills for the way their organisation works today, but only 71% of Australian and 66% of New Zealand businesses feel prepared in this regard for the way their organisation will work in the future. Although Australian businesses indicated they were slightly more prepared for the future, the gap between the current and future states in both countries shows that businesses are aware of their skills deficit for the future state of work.

In both countries the mid-sized organisations were less likely to say that they are prepared for the work of the future: 68% of organisations with 10–19 employees, and 65 % of those with 20–49 employees feel prepared. By contrast, 75% of small businesses with 2–4 employees feel prepared. While the size of the business appears to correlate with readiness, encouragingly only a minority of all sized businesses said they are not ready for how they will work in the future (18% Australia and 22% New Zealand).

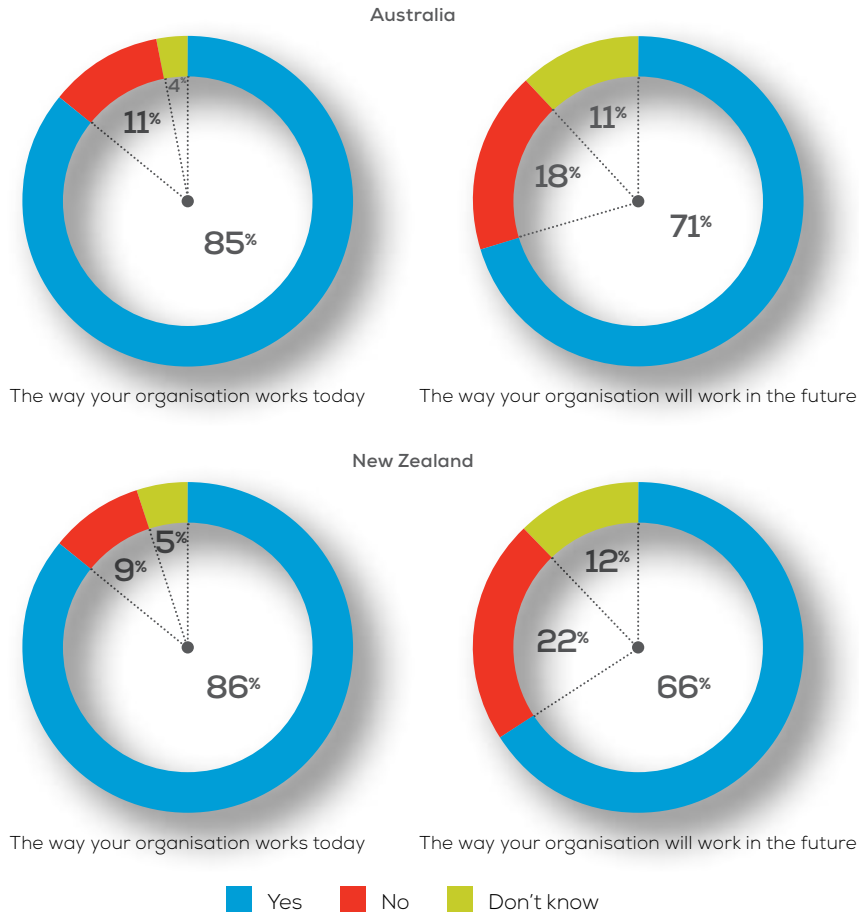


Figure 4 Do you feel that your organisation has the right skills for the way your organisation works today/will work in the future?

Attracting and retaining talent with the right skills for both now and the future must be an area of focus for businesses to ensure their ongoing productivity and profitability in a fast changing world. Failing to have the right skills impact on growth and profitability. Globally,

77% of CEOs are concerned that key skills shortages could impair their company's growth.²⁷ But do we have a skills shortage or are we just looking too narrowly, both for the skills we think we need, and for who may have those skills? We think it is the latter.

The importance of diversity and inclusion

How can organisations source a wider variety of skills in order to address a possible skills shortage or to enhance performance? Mainly by trawling in wider waters. Diversity and inclusiveness is no longer a feel-good HR sideline – it is key to accessing the widest pool of candidates, whether that be older workers, workers with carer responsibilities, people with a disability or any other element of difference. In short, anyone other than the traditional full-time male worker with no other responsibilities that our very concept of work has been built around.

Not only must organisations attract these candidates, to capitalise on their differences they must also make them feel included. The results are striking in terms of performance for organisations that do this successfully. McKinsey research²⁸ shows that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians. Companies in the bottom quartile in these dimensions are statistically less likely to achieve above-average returns.

While correlation does not equal causation (greater gender and ethnic diversity in corporate leadership doesn't automatically translate into more profit), the correlation does indicate that when companies commit themselves to diverse leadership, they are more successful. More diverse companies are better able to win top talent and improve their customer orientation, employee satisfaction and decision making, and

all that leads to a virtuous cycle of increasing returns. This in turn suggests that other kinds of diversity – for example, in age, sexual orientation and experience (such as a global mindset and cultural fluency) – are also likely to bring some level of competitive advantage for companies that can attract and retain such diverse talent.

Diversity on its own is only part of the solution; real benefits also come from inclusion, even within existing employee cohorts.

Recent work by Cloverpop²⁹ researched inclusive decision making and analysed approximately 600 business decisions made by 200 different business teams in a wide variety of companies over two years. The research shows a direct link between inclusive decision making and better business performance.

- Inclusive teams make better business decisions up to 87% of the time.
- Teams that follow an inclusive process make decisions twice as fast with half the meetings.
- Decisions made and executed by diverse teams delivered 60% better results.

As shown in figure 5, our research found that 65% of businesses across Australia and New Zealand thought building a more inclusive culture was important to the future of work and attracting talent.

While two-thirds of businesses across both countries rated themselves as good or extremely good at building an inclusive culture, figure 6 shows that 24% of New Zealand businesses and 19% of Australian businesses acknowledge a need to build a more inclusive culture in order to prepare for the future of talent.

Figure 5 Practices ranked as important to future ability to attract and retain talent

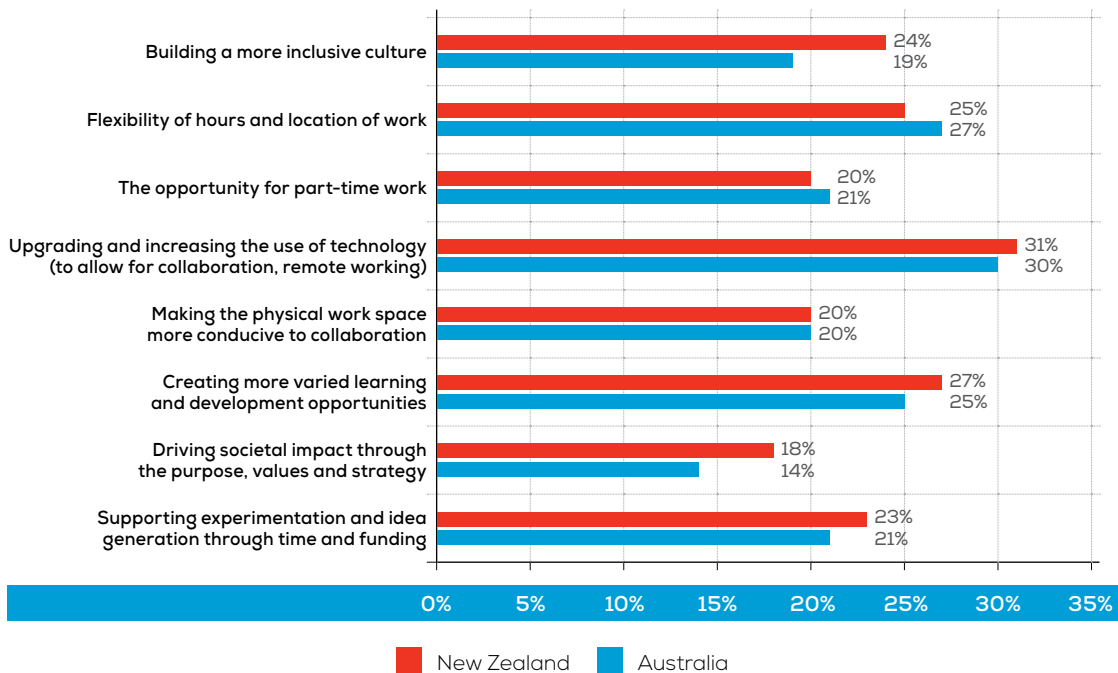
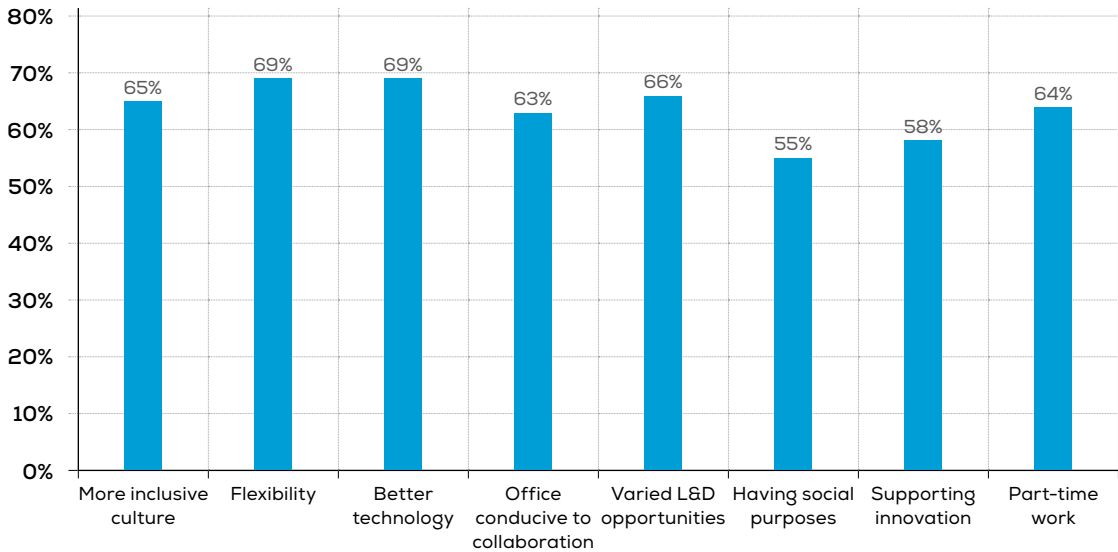


Figure 6 Which work practices does your organisation need to change or improve on to prepare for the future of talent?

Each year PwC conducts an analysis of OECD countries to assess measures of workforce participation by women (PwC Women in Work Index), older workers (PwC Golden Age Index) and younger workers (PwC Young Workers Index). The indices measure performance across a range of tailored measures, including participation rates and unemployment rates.

New Zealand consistently rates more highly than Australia in the PwC Women in Work Index.³⁰ In 2017 New Zealand rated fourth behind the Scandinavian countries while Australia slipped to 16th. In part this is due to a much narrower pay gap between average male and female earnings in New Zealand than Australia, (6% versus 15%) and slightly higher rates of both labour force participation by women, and women in full-time rather than part-time employment. Across the OECD, a US\$6 trillion boost to OECD GDP could be gained by boosting female employment rates to match those of Sweden.

New Zealand does even better in the PwC Golden Age Index,³¹ which is calculated based on a range of measures including the employment rate for those over 55, the gender gap in employment, part-time work rate, full-time earnings for 55–64 year olds compared to 25–54 year olds, effective exit age from the workforce and training participation rates.

In 2017 New Zealand ranked second in the Golden Age Index behind Iceland, with Australia improving its position from previous years to an all-time high of 12th. New Zealand's higher employment rates of 55–69 year olds, and Australia's higher part-time employment rate and lower average effective labour force exit age explain the difference. Again there could be a significant boost to OECD GDP of US\$2 trillion if older worker

employment rates were increased to match those in Iceland.

There is a strong correlation between the Women in Work Index and Golden Age Index, suggesting that work policies that suit both women and older workers, such as flexible work arrangements, quality childcare and eldercare arrangements, can help to retain women of all ages in the workforce consistently and for longer.³²

In the 2016 PwC Young Workers Index,³³ both countries rank outside the top ten OECD countries. Australia dropped to 11th from 10th the year before, and New Zealand fell one place to 18th from 17th. This index is based on a range of measures, including share of youth not in employment, education or training, employment rates, unemployment rates, relative employment, part-time employment, long-term employment, school drop-out rates and educational enrolment rates. Across the OECD the estimated long-term boost to GDP from lowering the rates of youth not in employment, education or training to match those of Germany could be over US\$1.1 trillion.

The three labour market themes that commonly feature in high performers on the Young Workers Index are:

- promoting vocational education and training
- engaging employers with youth and schools
- focusing on social inclusion.

Elements of all of those strategies exist in Australia and New Zealand workplaces and educational institutions, but clearly there is more work to be done. There is scope for each of the 35 OECD countries to improve the economic performance and social inclusion of their younger

workers by sharing good practice and learning from what has worked in other countries.

So with all of this in mind, how could a workforce be designed from scratch to meet a business's needs? The following case study illustrates how.

Case Study – ICC Sydney: A blue sky people strategy

Sydney's new International Convention Centre is a world-class facility. Designed to replace the obsolete Sydney Convention and Exhibition Centre, the \$1.5 billion facility features 35,000m² of exhibition space and three theatres, and can host three major events simultaneously.

When the centre's director for human resources Mathew Paine was brought on board two years before the opening date, he was tasked with creating the human resources department from scratch – and given carte blanche about how to proceed.

As well as developing policies, procedures and systems, and a strategy for attracting and recruiting the centre's 1,800 staff, Paine also had to develop and build a culture and an employer brand for the new entity.

"Being a new business, we had no legacy and no diversity-inclusion strategy, so I sat down for a week and researched other organisations and what they're doing in the diversity space to get an idea of best practice," Paine told HRM in an interview in December 2016.³⁴

The plan he came up with was to target mature-age workers and youth workers, parents and carers returning to work, and members of the LGBTI community.

A mothers' room has been established in the facility, to meet their needs while at work. To attract youth workers, the ICC has established a partnership with Sydney TAFE that will see staff trained at work while receiving nationally recognised qualifications. Mature workers, meanwhile, have been targeted through strategies that allow them to transition into retirement rather than leaving employment completely.

A stand-out focus is on LGTBI workers, with ICC Sydney providing unpaid leave of up to 12 months for workers wanting to change gender. When the staff member returns, they collaborate with management to design a communication and education strategy for their team. Paine believes it is a first in Australia.

With a bold vision to be an employer of choice and a great place to work, Paine's ongoing challenge is to maintain the level of employee engagement now that the launch buzz is dying down and the daily work has begun. To facilitate this, he will utilise Net Promoter Score surveys for all team members. The Net Promoter Score is an index that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging overall satisfaction.

Women

Many women, and increasingly more men, take time out of paid employment to care for children or older relatives. These individuals often struggle to return to the workforce, sometimes never returning or seeking part-time or less-demanding roles than they held previously. By responding flexibly and meeting these needs, employers open up a valuable source of skilled talent they might otherwise have lost.

Even though both countries do relatively well in the PwC Women in Work Index, employers wishing to capitalise on this pool of educated workers can do more. Potential practices include offering flexible work arrangements across a wider range of roles, industries and at varying levels of seniority, such as part-time work, working during school terms or during school hours only, offering the ability to purchase additional leave to cover school holiday periods, or by offering the ability to work flexible hours or to work remotely.

Case Study – Beam Australia: Driving business growth with untapped talent

Beam Australia's goal is to provide Australian businesses with access to a hidden pool of talent that is seeking flexible working conditions and part-time roles, and in so doing to improve the work-life balance of Australia's workers.

Beam's founders Stephanie Reuss and Victoria Stuart see the problem as two-fold. Many businesses – particularly SMEs – cannot afford the kind of high-calibre talent that will enable them to drive their businesses forward. Meanwhile, many professional women are dropping out of the workforce after they have children, due to a lack of appropriate roles that enable them to pursue both their career and personal goals.

The Beam solution is to match talent with organisations in a part-time capacity and allow both to flourish.

Research has shown that 25 hours is the optimal cognitive function for workers in a week,³⁵ while research by Ernst & Young revealed that women in flexible roles (part-time, contract or casual) appear to be the most productive members of our workforce.³⁶

Beam provides an online marketplace for businesses to exchange flexibility in return for top professional talent. Covering all roles, including tech, client facing, digital and transformation, Beam targets high calibre professional talent, including:

- full-time parents with professional experience returning to the workforce
- professionals opting out of full-time work and looking to switch to more flexible roles
- portfolio-career seekers
- professional sportspeople
- carers of sick or disabled family members or elderly parents.

Beam's offering is a selective attraction strategy to improve gender diversity and build the pipeline of women in leadership. Talent is prescreened to the corporate standard, and approved employers can mine the talent database to reduce the time taken to fill positions.

What kinds of people are drawn to Beam?

- 89% have a Bachelor degree, MBA or PhD.
- 90% have over ten years' experience and 53% have over 15 years' experience.
- 75% prefer to work three or four days per week.
- 76% are female.

Reuss and Stuart say as well as seeking flexibility, the candidates that are drawn to Beam are searching for jobs that honour their experience and the investment they have made in their careers. Many of them are also looking for organisations that are purpose-led, where the values of the business align to their personal values.

Older workers

Both countries also have the benefit of an active and ageing population. As we have seen, New Zealand rates highly in the PwC Golden Age Index on older worker participation. Many organisations already have talented and experienced senior workers in their workforce.

Older workers can benefit from similar flexibility offered to workers with child and elder caring responsibilities, demonstrating that flexibility can benefit the entire workforce, not just women with small children. Offerings such as flexible working hours, extended leave, carer

leave for partners or grandchildren, and seasonal or part-time work are some solutions to retaining mature workers for longer and leveraging their skills and experience.

In an era where highly skilled workers are becoming increasingly scarce for many, organisations cannot afford to overlook any pool of talent. The following case study demonstrates how one New Zealand employer successfully tapped into the talent of its older workers and is leveraging it, particularly to transfer corporate and industry know-how to younger workers.

Case Study – Real Journeys New Zealand: Wisdom workers

Otago/Southland-based tourism operator Real Journeys has developed a “wisdom workers” initiative to utilise the experience of its older workers and to provide exceptional learning opportunities for young workers.³⁷

“We wanted our motivated and diverse employees looking for career development to have the opportunity to drive their own careers and, potentially one day, drive our boats,” says Real Journeys Director of People & Performance Kevin Sharpe. “For our skilled, experienced and much-loved skippers it provided an opportunity to informally mentor the next generation and share what they know.”

Founded 60 years ago by Les and Olive Hutchins, Real Journeys has developed into a highly respected tourism company. Real Journeys operates the TSS Earnslaw and Walter Peak High Country Station in Queenstown, Te Anau Glow Worm Caves, cruising in Doubtful and Milford Sounds, and the Stewart Island ferries and kiwi spotting. In addition, Real Journeys also owns and operates Cardrona Alpine Resort, Christchurch International Antarctic Centre, Go Orange and Queenstown Rafting.

The diverse workforce of 550 comprises 70% New Zealanders and 30% overseas employees, with significant representation from Australia, the UK, China, Japan and Korea.

The majority of employees are between the ages of 21 and 30 with approximately 100 over the age of 50.

The creation of wisdom workers was a response to staff feedback.

“There was frustration from the younger employees looking to progress and a need to look at how we were managing the retirement of launch masters. It soon became clear that this was an industry-wide issue, so we set about formulating a plan to utilise internal talent and capability to resolve it in our back yard,” says Sharpe.

Real Journeys has now become the biggest maritime training employer behind the Navy. It has removed barriers to achieving a Qualified Deck Crew ticket from Maritime New Zealand by aligning its resources to Maritime New Zealand’s programme and having them accredited – the first company in New Zealand to do so.

The initiative has had solid support from company management. Director of Operations Paul Norris saw the value in the initiative and made it a priority for core maritime operations. He saw it as imperative to get the Marine Manager and Chief Launch Master to create resources that enabled ageing skippers to integrate with the younger generation with the best possible result.

The wisdom workers played a crucial role from the outset, in the creation of a New Zealand Certificate qualification. The supporting workbook was fully customised to Real Journeys and in the first season, just short of 150 people achieved the NZQA qualification. Wisdom workers’ knowledge enabled Real Journeys to use content from internal learning material and industry standard operating procedures as a base to build the qualification.

Using the workbook as a tool for training that was already occurring informally meant that wisdom workers had a level of comfort in the fact that crew across all of Real Journey's diverse and remote locations were being held to the same standard. This not only increased competence across the board but allowed skippers to deliver the same information in their own way.

With skippers verifying and observing crew progress throughout training, wisdom workers would sit down for one-on-one opportunities with each of the employees to reinforce learning, engage and encourage. They were able to support learners who had English as a second language and ensure vessels were safer.

Real Journeys has six wisdom workers who are now NZQA-qualified workplace assessors. Two have gained accreditation as Maritime New Zealand examiners. In just under 20 months more than 250 employees have completed crew qualifications.

Two new, fully customised maritime qualifications are available to employees as a next step in progression: Masters Assistant and Onboard Passenger Services, and more than 15 people are enrolled to complete.

Real Journeys is currently trialling a Skipper Restricted Limits course for six employees who have been identified as future launch masters, which will be co-facilitated by wisdom workers.

While it seems such an obvious choice to make use of the skills and wisdom of older workers, there are still challenges in our attitudes to older workers, with age-based discrimination still rife.

A 2015 study conducted by the Australian Human Rights Commission found that three in five people who were

over 50 and looking for paid work had been discriminated against because of their age.³⁸ With an ageing population, businesses will be severely limiting their talent pool if they do not consider employing older workers or leveraging the skills of their existing ageing workforce.

Multigenerational workforces

Increasingly, multiple generations coexist in the workforce simultaneously.

We asked our employers what they thought motivated different age groups of workers.

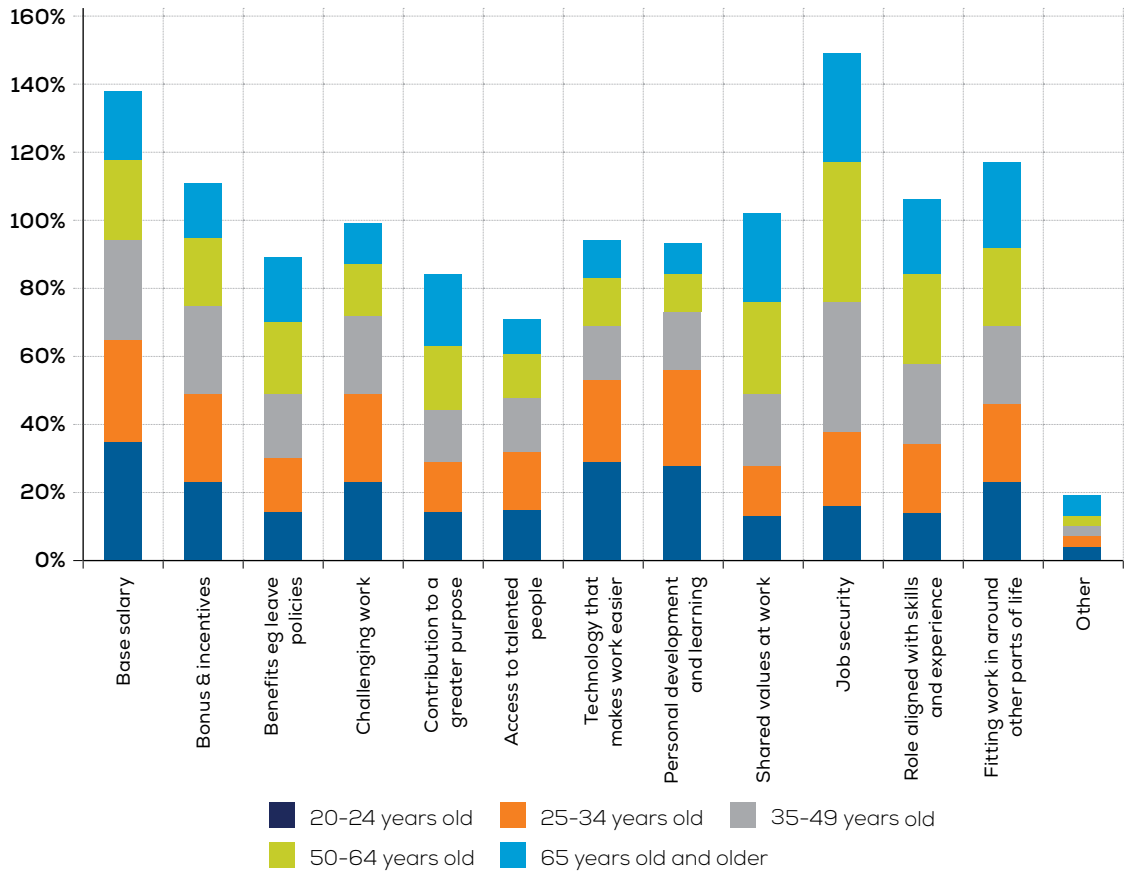


Figure 7 What motivates each age group?

Those aged 20-34 were seen as more motivated by base salary, technology and personal development. By contrast, those aged 50 and over were seen as more motivated by working with people who share their values, job security and a role that aligns with skills. Those aged 35-49 fit somewhere in between these two – with the highest motivator seen as job security.

These results may seem surprising given the amount of attention that has been paid to “Millennials” and what they are perceived to be and want. The Millennial is typically described as a new type of employee: less loyal than their parents and grandparents, but seeking a deeper connection with their employer than merely a monthly salary. We are told their motivators include factors such as engagement, quality of life and status, while desired benefits include non-monetary rewards such as education opportunities. An entire industry has sprung up around the mythology of the

Millennial and helping corporations to attract and retain this new breed of worker.

Our research findings are more consistent with those recently published in the Harvard Business Review.³⁹ KPMG Vice Chair Bruce N Pfau examined several studies into Millennial behaviour that found little evidence to support the view that Millennials are radically different employees than their predecessors. Pfau concluded: “It’s likely that companies pursuing Millennial-specific employee engagement strategies are wasting time, focus, and money. They would be far better served to focus on factors that lead all employees to join, stay, and perform at their best.”

This aligns with the experience of Sam Galluccio who, as HR general manager at Catholic Healthcare Limited, worked in an organisation with multiple generations in the workplace.

Case Study – Catholic Healthcare Limited: Across the generations

Galluccio discussed the strategies that need to be in place when multiple generations are employed side-by-side:⁴⁰ “Our reward and recognition programs have to be out of the box. They have to be flexible and capable of meeting all needs. For instance, we’ve been trialling a points-based reward and recognition program where people who do great work are able to redeem something of their choice that suits them and their tastes.”

He says motivations for younger staff are completely different to those of more mature workers. At one end it is about income, career prospects and opportunities such as travel. At the other, it is about flexibility, principles and satisfaction. But for all groups, it’s a feeling of being respected and valued. Galluccio says that employers have to consider whether long-service leave or grandparent leave may be just as important as maternity leave, and must put in place infrastructure where any employee of any age can easily find out what programmes are available specifically for them.

What works for Millennials will also work for older workers and indeed most workers – everyone wants to be respected and valued – and flexibility is important at any stage of life.

Tapping into cultural diversity

Addressing identified skills shortages by targeted immigration measures can create tensions among local workers, who fear job losses and reduced opportunities. This in turn can make governments hesitant to employ migration schemes which may be unpopular at the ballot box. A collaborative approach is required between business and government to attract and integrate skilled migrant workers without fuelling fear and resentment within local communities. It is here that inclusion is so important in making sure that differences are embraced, and not viewed with suspicion.

Cultural diversity works in a number of ways to improve productivity. In addition to targeted immigration programmes bringing in new skilled workers to address shortages, cultural diversity is strongly correlated with better decision making and business performance. As the McKinsey research⁴¹ shows, companies in the top quartile for racial and ethnic diversity are 35% more likely to have financial returns above their national industry medians. Again that can only happen if there is a culture of inclusion, not exclusion.

In June 2015 Dr Tim Soutphommasane, Race Discrimination Commissioner at Australia's Human Rights Commission,

asked why in Australia's multicultural society, we don't see more diversity among our leaders, and questioned whether we have leadership that is fit for today's Australia.⁴² He invited members of the business and academic community to join him in leading this change. The Working Group on Cultural Diversity and Inclusive Leadership was formed, consisting of the Australian Human Rights Commission, the University of Sydney Business School, Westpac, PwC Australia and Telstra.

At the launch in July 2016, Dr Soutphommasane said *"Holding up a mirror to ourselves isn't easy. We don't always do well with self-examination. But improvement never comes without accepting that we can do better."*

Our conversations about cultural diversity must be conducted in this spirit. They should be guided by ambition and aspiration. Doing better is about us fulfilling our potential – as individuals, as organisations, as a society.

At the same time, these conversations require an honest recognition. Attitudes and cultures will have to change – but change won't be inevitable. It may be resisted. Overcoming this requires not only talk, but also action. Good intentions must be turned into staunch commitment."

The blueprint, *Leading for Change: A blueprint for cultural diversity and inclusive leadership*,⁴³ makes the case for change and sets out what organisations need to be doing to deliver on cultural diversity.

The case for change

In addition to providing employers access to a greater range of skills, the case for cultural diversity can be emphatically made. Simply put, a more diverse workforce makes for better decision making. There is mounting evidence that more diverse organisations achieve better performance.

There may also be costs to organisations that fail to practise inclusive leadership. A failure to change can result in decreased productivity, a higher level of turnover and absenteeism, and reduced job satisfaction among staff. Then there is reputational damage that can be caused by racial discrimination.

The way forward

Leading for Change proposes actions in three respects: leadership, systems and culture.

Leadership: senior leaders must have skin in the game

Those leaders who are most successful in advancing diversity understand it both as a moral and business imperative: as something to be done because of their personal values and because their companies need it to be competitive. They also get involved in starting conversations and sending signals to create momentum to improve cultural diversity and inclusion in leadership.

Measuring cultural diversity

Gathering and reporting data on cultural diversity must accompany any leadership commitment to the issue. Doing so gives a baseline for measuring future progress. It also helps to focus minds within organisations.

We understand that measuring cultural diversity is complex but, this does not mean we should avoid doing so.

Accountability and targets

To generate lasting change, cultural diversity needs to be embedded in an organisation's goals, strategy and performance. A strong case exists for including realistic and achievable targets as part of one's diversity and inclusion policies.

Dealing with bias and discrimination

Our judgements about leadership may be particularly susceptible to bias. When it concerns advancement within professional life, prejudice can trump diversity. Countering bias and discrimination requires more than just consciousness raising – it also requires training and education.

Professional development: cultivating diverse leaders

Organisations may need to redefine their assumptions about leadership. Promoting inclusive leadership means that people do not end up privileging certain cultural groups over others because of assumptions about what leadership must look and sound like. This can be done through identifying diverse talent, mentoring and sponsorship, and empowering talent through professional development.

At the intersections of diversity

While diversity traditionally looks at numbers of people in defined categories, say gender and culture, or age and disability, often it is at the intersections of those categories that specific challenges can exist. Targeted programmes can specifically address the challenges these groups might face. This also opens up wider access to skills that may not have been traditionally associated with these groups.

Examples of this include the programmes run by Career Trackers in Australia,⁴⁴ targeted at young refugees and asylum seekers, assisting them to find work. This tackles disadvantages associated with both their youth and cultural background. Career Trackers is focused on getting interns long-term employment at the end of their internships, and at the same time helping them to overcome the three biggest obstacles that they face in gaining

professional employment in Australia:

1. they haven't got an Australian company on their CV
2. they haven't got an Australian referee
3. they haven't got a professional network in Australia.

The 12-week internship programme takes those three barriers away and positions the participants for long-term future employment. Without a programme like this, those young people may never find the work that will allow them to reach their potential. The skills they bring to those roles, particularly their personal resilience, would also be lost.

A successful example of addressing the intersectionality of gender and culture is the Māori Women's Development Inc programmes aimed at providing opportunities for wāhine Māori who have been turned down elsewhere, in the process building skills that are transferable to other enterprises.

Case Study – Māori Women's Development Inc: Empowering success

Wāhine Māori who have been turned down by traditional lenders are doing well in the digital arena, in areas including honey exports, kaimoana⁴⁵ exports, social enterprise, sporting merchandise and more.⁴⁶

Māori Women's Development Inc (MWDI) is a charitable trust, which was set up in 1987 to support Māori women and their whānau⁴⁷ into business. It grew from members of the Māori Women's Welfare League, who recognised that there were Māori women at home, running or wanting to start microbusinesses who had no access to loans.

The group secured funding from the Ministry of Māori Affairs, and MWDI was born under the leadership of Dame Georgina Kirby, who was the first CEO. Teresa Tepania-Ashton has been the CEO for the past seven years, and under her leadership MWDI continues to empower women and their whānau into the workforce with an ever-increasing suite of holistic initiatives.

At the core is the provision of low-interest micro loans of between \$30,000 and \$50,000, and stemming from that are a number of programmes that grow awareness of the kind of wrap-around support that wāhine Māori need to be successful in business.

First was HINEPRENEUR™, established in 2015, to support wāhine Māori to further develop their business ideas or review their business goals and aspirations. MWDI built its capacity to do this in partnership with RP Enterprises and Empower-World, who trained a pool of coaches.

Since 2013 MWDI has trained more than 100 financial capability facilitators who can empower women, their whānau, and marae⁴⁸ communities to increase their financial literacy and capability. HineBOSS is a three-day programme which provides a toolkit for wāhine Māori to explore and develop a business idea or review their current business. The toolkit is designed with a coaching framework and covers the different segments of business.

“In our financial capability and marae programmes we watch people become empowered to manage their own finances wisely, and then extend those abilities to management of their business and marae. They sit alongside their children and learn how to be better with money,” says Tepania-Ashton. “It’s changing lives.”

HineTimebank, (accessed via MWDI’s website), creates a space for wāhine Māori to trade their skills with other wāhine without the exchange of money. The only currency in the HineTimebank is time.

“An example of this is if I needed support around business structures I could borrow an hour of your time to teach me. In return you receive one Timebank credit that you can use in exchange for skills from another Timebank member,” says Teresa Tepania-Ashton.

MWDI’s programmes ensure support for not just the individual or business but their wider whānau. This benefits not only the whānau but their wider communities.

ACTION POINTS

- Talent is distributed evenly throughout the population, and looking only to traditional sources of workers and specific job history is limiting. What might at first look like a skills shortage may on closer inspection reveal too narrow a search. By widening the search to look for skills and more diverse candidates, organisations open themselves up to improved productivity and performance, as well as being able to source skills they may have struggled to find.
 - Inclusion is the key to capitalising on diversity, whether that be in managing skilled immigration, or in working with multigenerational workforces, or just ensuring that people feel they belong. Inclusive decision making yields better decisions.
 - Flexibility works for all workers, not just women with small children, and organisations should be designing and encouraging flexible work practices for all employees.
 - With an ageing population, businesses will be severely limiting their talent pool if they shy away from employing older workers or fail to capitalise on the skills of their existing older workers.
 - Businesses need to focus on factors that lead all employees to join, stay, and perform at their best.
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05

The role of education

If we accept that uncertainty and rapid change will be a hallmark of the future, then continuous learning must become second nature.





With OECD evidence estimating that 65% of children today will do jobs that haven't even been invented yet, it is clear that a flexible and highly adaptive workforce is needed. Our research shows that business already recognises this, with adaptability and agility rated highly, and being recognised as the most important but most difficult skills for business to attract and retain.

For many young people, the transition from school to the workforce is taking longer and becoming more uncertain. Youth unemployment in Australia (15–24 year olds) averaged 12.7% in 2016, up from 9.4% in 2007,⁴⁹ and fewer young people have full-time work. In New Zealand, youth unemployment hit 13.5% in January 2017 with an average of 11.99% from 2004 until 2017.⁵⁰

The once reliable pathway to a permanent job via tertiary education is no longer certain. The full-time employment rate for Australian bachelor graduates dropped to 71% in 2016, compared to 85% in 2007.⁵¹ Data from 2013 in New Zealand shows that the first year after completing their bachelor's degree, 53% of domestic graduates who stayed in New Zealand were employed, and 40% went onto further study.⁵²

The Foundation for Young Australians (FYA)⁵³ cautions education providers against assuming that only jobs requiring a certain qualification, such as a bachelor's degree, are affected by changes in the way we work. Their research suggests that the skills that will matter most in 2030 for workers in university-qualified occupations will become more significant across the whole economy. For example, in the future, judgement and critical thinking could be used on average for 17 hours a week in jobs requiring university qualifications, and for 15 hours a week across all other jobs.

Our employers were asked to rate a range of sources and whether they were useful for developing traditional skills and the skills of the future. Their responses are shown in figure 8.

Although there is still clearly a role for these institutions, formal schooling from high school to university degrees was seen as less valuable for developing future skills when compared with on-the-job training, mentoring, and online courses and professional development courses. Further, only 41% of New Zealand respondents and 42% of Australian respondents agreed with this statement: "The current education system does a good job of preparing people for careers in organisations like mine." This strongly suggests that there is work to be done to better align the educational experience and the needs of individuals and business both now and in the future.

In a recent interview,⁵⁴ Head of the NSW Department of Education Mark Scott said schools have some catching up to do if they are to prepare young people for the world they are going to grow up in.

"We've commissioned some papers on artificial intelligence, computerised learning and impact on education. Just as the tech companies have an agile approach to innovation where they trial and evaluate, they iterate and they go again, we need that approach in education as well."

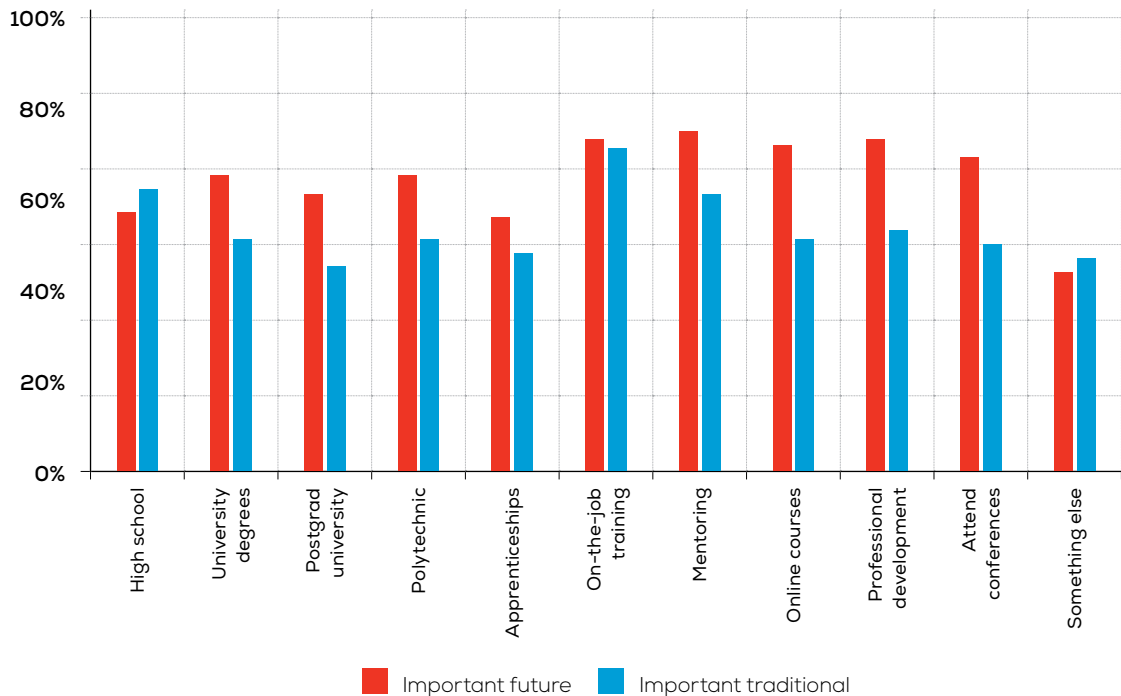


Figure 8 Usefulness of sources for developing new and traditional skills

Scott acknowledges that everyone needs a strong foundation of literacy and numeracy standards as the basis of lifelong learning. But with many white-collar jobs disappearing, or fundamentally changing, he says workers of the future will need deep knowledge as well as capabilities like creative thinking, collaboration and a growth mindset.

PwC partner and National Education Leader David Sacks agrees. He believes that Australian school education needs to move to broaden its measures of success beyond NAPLAN and ATAR scores, addressing the marketisation of education that has seen many schools accused of “teaching to the test”.

Of the fastest growing occupations, 75% now require STEM skills, and all require ICT skills.⁵⁵ Where once the school curriculum focused on providing students with basic facts, laws and theories, with a small percentage going on to be scientists or engineers, it is now necessary for all students to be able to find solutions to complex social and environmental problems.

This will require students to develop higher-order thinking skills, social intelligence, the ability to work with diverse groups of people and a commitment to lifelong learning. The national school curriculums in both Australia and New Zealand are shifting to try and adapt to these changing

needs and give students the skills they will need to succeed in the future,^{56 57} introducing a range of broader learning outcomes, and general capabilities such as critical and creative thinking, personal and social capability, and ethical understanding. However, in Australia there is no consistent national approach to measuring and tracking the general capabilities, and each State is able to

independently determine the extent to which they are assessed and reported.⁵⁸

Creative collaborations between universities, governments, corporates and community groups are also driving greater social inclusion and access for a more diverse range of people to the education needed to ensure that they have the skills of the future.

Case Study – Māori Women's Development Inc: A focus on youth

Māori Women's Development Inc (MWDI) (featured in a case study previously) also works collaboratively with education providers, government and business to amplify the programmes it can provide.⁵⁹

Its He Papa Pūtea and He Rautaki Marae programmes were developed and implemented in partnership with Massey University's Fin-Ed Centre and the Commission for Financial Capability. In 2017 it is running the He Rautaki Marae programme with 25 marae. He Papa Pūtea and He Rautaki Marae were developed in response to a growing awareness that an ability to make money and an ability to manage it are two separate things, says MWDI CEO Teresa Tenania-Ashton. "The two programmes support wahine⁶⁰ entrepreneurs, marae trustees and individuals to understand and better manage money," she says.

MWDI also delivers two rangatahi (youth) programmes to start planting the seeds of business acumen and empowerment at a young age.

The MaiBiz in Schools programme has been running for ten years. About 1,500 Year 12 and 13 students from low-decile schools around Aotearoa attend a three-day entrepreneurial programme annually, which alerts them to business possibilities and gives the tools to start planning for a future in business.

Te Wero Pakihi takes students selected from MaiBiz and sponsors them to complete an accelerator business programme in Auckland where teams are given a challenge to make impactful and effective change within a corporate organisation. Both programmes encourage teams to come up with a business idea and bring that idea to life.

"In our rangatahi programmes we often see youth who schools have written off, but after our programmes they take on leadership roles like prefect or head girl," says Tepania-Ashton. "We watch them transition from school and beyond. At the end of our Te Wero Pakihi programme we hear from students who were close to dropping out of school but after doing the programme they have found their purpose and are more engaged in school and focused on their future."

The tertiary sector responds

Responding to feedback from employers and students alike, and in an environment of reducing rates of graduate employment, leading universities in New Zealand and Australia are introducing new courses, curriculums and entry criteria with a view to better preparing students for the workforce of the future.

The University of Auckland recognises that to benefit from the digital transformation, New Zealand needs a digitally skilled workforce, technology leaders who are business savvy, and leaders who can creatively ideate, plan and execute digital strategy.⁶¹

The business school curriculum is shifting to include data analytics, digital marketing and communications, social media, business modelling, change management, innovation and entrepreneurship. A focus on gaining knowledge is giving way to helping students prepare for an uncertain future by developing their creativity, emotional intelligence, adaptability, communication skills, teamwork and cross-cultural understanding.

Traditional lectures are being replaced by team-based learning and more experiential approaches to learning, and instructors are bringing technology into the classroom and going online to support students outside of the classroom. The Business School is also increasing engagement with students outside of the classroom, and encouraging them to collaborate entrepreneurially with businesses. The Centre for Innovation and Entrepreneurship, hosted in the Business School, is poised to open a new maker-space to inspire creativity and

collaboration among students, staff and businesses.

The University of New South Wales

has introduced a new entry test for its undergraduate law dual degree programme.⁶² The aim of the test is to highlight applicants who are good at communicating, problem solving and critical analysis, and are able to apply ethical values to the subject matter. The results of the test will be used in conjunction with applicants' Australian Tertiary Admission Rank, International Baccalaureate or other academic results.

The University believes the new test will offer a genuine opportunity to people from lower socio-economic and diverse backgrounds who really want to study law.

The University of Sydney has adopted a whole new approach to learning. It says⁶³ *"Throughout our lives we're taught important lessons. We learn how to talk, to write, even how to behave. But not everyone has been taught how to unlearn. To be brave enough to question the world, challenge the established, demolish social norms and build new ones in their place. So we've been doing some unlearning of our own. We've reimaged the way we teach, so our students can reimagine the world."*

As an example of this, the Business School has added core "inclusive leadership" units to its undergraduate Bachelor of Commerce degree programme to reflect its commitment to "leadership for good".⁶⁴ Commencing in 2017, the units are designed to ensure active in-class discussion and debate on the nature and purpose of business and the way in which leadership can be exercised to make people's lives better.

La Trobe University has introduced a Career Ready strategy to support student employability.⁶⁵ Prompted by employer feedback that there has been a shift away from only deep technical expertise to a more holistic approach, including more human-centred attitudes, the programme supports students to develop the skills and attributes that employers value, such as openness to change, social and emotional intelligence, creative and critical thinking, and self-awareness. Key elements include an employer engagement team, a programme to embed employability into the curriculum, resources to support internships and work-integrated learning, and an in-house recruitment firm.

The programme includes a personal dashboard where students are encouraged to take control of their growth and development, and to tell their story to potential employers by highlighting experiential learning activities they have participated in and the skills and attributes they have developed.

One university has gone even further, and created an entire degree to encourage collaboration across traditional academic silos, and give students real-life project work that relies on different ways of thinking and working together in collaboration within industry partners.

Case Study – UTS: Bachelor of Creative Intelligence and Innovation

Faced with the challenge of preparing students for a future characterised by extraordinary change and uncertainty, where they will solve problems is not yet known, using technologies yet to be developed, senior leaders at the University of Technology, Sydney (UTS) are looking to design the education of the future.

Unconvinced that silo degrees are still fit for purpose in a working world that will demand collaboration across transdisciplinary teams, UTS has created the ground-breaking Bachelor of Creative Intelligence and Innovation (BCII). Undertaken alongside a core degree from any faculty within the university, during the first three years of study the BCII replaces lectures and tutorials with hackathons, think tanks and hot-housing days in a creative lab environment during winter and summer schools. Drawing on creative methods and practices from across the disciplines, students explore what innovation looks like from multiple perspectives and are empowered to “think big” and “think different” about future possibilities and their role as change-makers.

In the dedicated fourth year students work with corporate partners on real-life issues, realising projects, initiating start-ups, running symposiums on creativity and innovation, and working with a broad range of academics and real-world clients, such as Google, the ABC, Accenture, Visa, Deloitte, High Resolves, the City of Sydney, and boutique advertising agency The Hallway. Learning about thought leadership from thought leaders, they learn how to locate value, create value and communicate their own value and their competitive advantage upon graduation.

The BCII is a world-first and world-leading degree that has been recognised by the prestigious “Reimagine Education” awards, a year-long global competition designed to uncover transformative initiatives across the educational sector. Its transdisciplinary nature means it is among the most ambitious programmes of its kind worldwide, going well beyond the design-thinking and design-led innovation programmes now common in the university environment, to examine how innovation is led from multiple disciplinary perspectives. It goes beyond the arts-based approach to creative thinking, too, by including the sciences, IT, engineering, health, business and law in its field of enquiry.

With its first cohort of students set to graduate in 2017, the BCII is attracting growing interest from students, with only 1 in 18 applicants gaining a place. A new diploma pathway will shortly be launched.

ACTION POINTS

- Educational institutions need to better align the educational experience with the needs of individuals and businesses.
 - School education needs to move to broaden its measures of success, addressing the marketisation of education and “teaching to the test”.
 - A range of broader learning outcomes, and general capabilities such as critical and creative thinking, personal and social capability, and ethical understanding, coupled with a consistent approach to measuring and tracking the general capabilities are needed in the education sphere.
 - Creative collaborations between universities, governments, corporates and community groups would drive greater social inclusion and access to the skills of the future for a more diverse range of people.
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06

How are employers responding to this changing environment?

We asked to what extent employers felt that their organisations needed to make changes to their way of working to prepare for the talent and work of the future.





More than half of Australian businesses and nearly two-thirds of New Zealand businesses said they need to make changes. Almost 15% of all businesses surveyed thought that those changes needed to be significant.

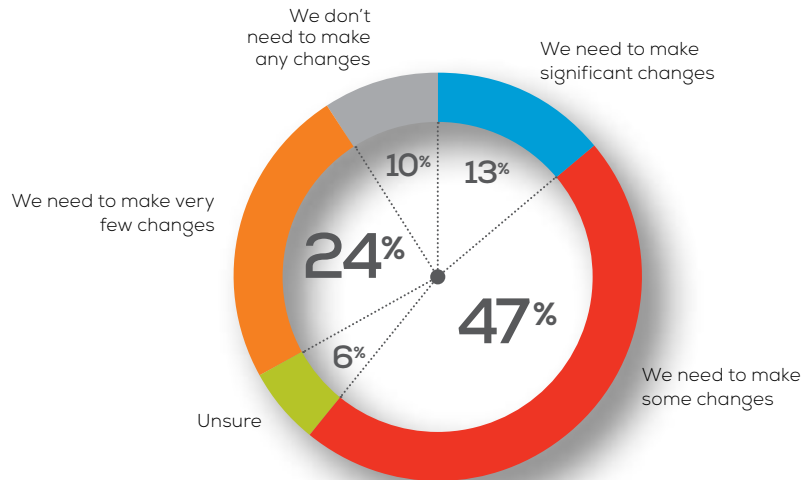


Figure 9 To what extent do organisations need to change ways of working to prepare for the future of work

In terms of whose responsibility it is perceived to be to prepare for the changing world of work, as shown in figure 10, 59% of Australian and 64% of New Zealand employers were either

neutral, or agreed that businesses should be more flexible and adjust the way they work to suit employees in preparing for the changing world of work.

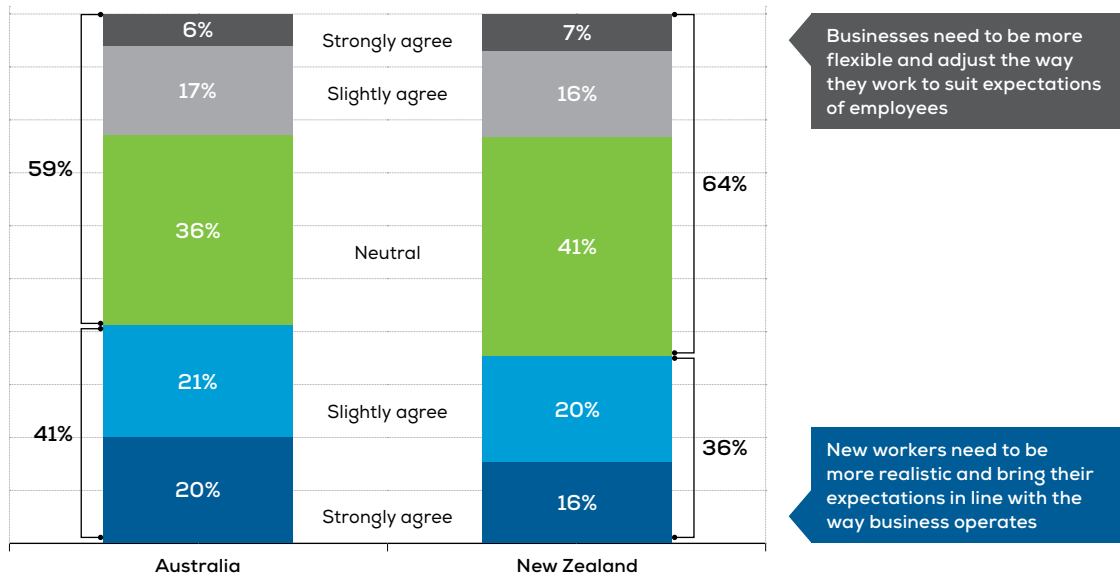


Figure 10 Who is/should be responsible for preparing for the changing world of work?

However, figure 10 also shows that over a third of respondents in both countries felt that the responsibility for preparing for the changing world of work rests with employees. What is clear is that both employees and employers will need to be agile and flexible in order to successfully prepare themselves for the future of work. Flexible and agile employers will be more likely to attract the best talent both now and in the future.

When asked which work practices would be very important to organisations for their future ability to attract and retain talent, flexibility of hours and upgrading technology to allow for collaboration and remote working were rated by businesses as the most important factors, across both countries, as shown in figure 11.

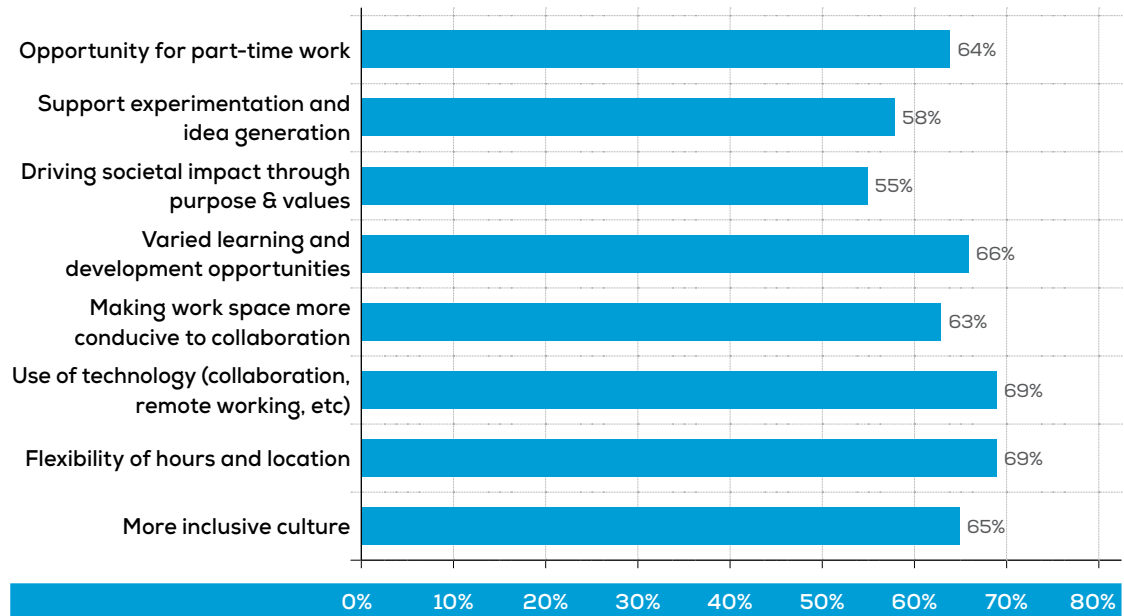


Figure 11 Very important practices for future ability to attract and retain talent

Australian businesses are slightly more confident that they're extremely good on those work practices now – in particular upgrading technology to allow for remote working and collaboration. However, as

depicted in figure 12, overall one-third to one-half of all businesses surveyed felt that they were just doing an average job at providing these practices in their organisation now.

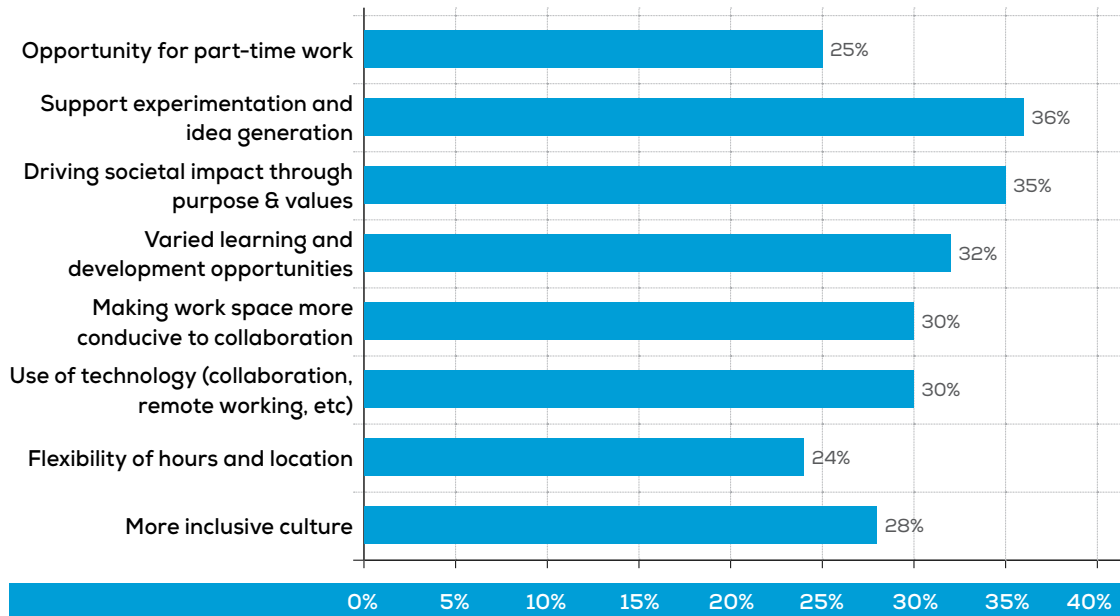


Figure 12 Organisations performing only averagely in these practices now

This must improve if those businesses want to attract and retain talent.

Businesses were asked to rate a number of statements with how strongly they felt it would affect the way they worked over the next ten years.

The strongest level of agreement was with the statement: "Technology is likely to have a significant impact on the way we work in the next 10 years" – with 72% of Australian respondents and 76% of New Zealand respondents either strongly agreeing or agreeing somewhat.

One way of using technology to attract the talent needed is for businesses to re-engineer their working spaces and conditions. As technology improves and becomes more economical, virtual

working will become increasingly common, allowing people from around the globe to collaborate, and facilitating work-life balance for groups such as parents of young children and those with elder-care responsibilities.

The highest level of disagreement in both countries was with the statement: "Some of our talent will be replaced by technology within the next 10 years", with 30% of New Zealand businesses and 29% of Australian businesses disagreeing. Not everyone believes that their jobs will be taken by robots.

Another area in which technology is also set to play a bigger role is in talent acquisition and management, where big data will drive recruitment and online ratings systems will replace CVs.

Case Study – Vend Ltd: High tech recruitment

Auckland-based retail software company Vend has grown at a rapid pace since its launch in late 2010. Due to New Zealand's recent technology boom, the company faces a shortage of technical talent.

Chief People Officer Penelope Barton says the technology industry changes every day, so Vend needs people who are incredibly driven and can work in ambiguous, changing surroundings. She looks for people who can jump into a problem, figure out how to fix it, make connections and leverage the people around them.

In a fast-paced environment, Barton says those who are process-driven can get bogged down in the detail and are unable to make the fast, smart decisions the company needs to move forward.

The company lives out its mission by utilising technology at all stages of the employment process. This includes developing the world's first recruitment chat bot, which was built in house by the People & Culture team. The chat bot generates insights and people analytics based on chats – such as when people are chatting, where they're from and what they're discussing – which enables the company to customise the recruitment experience. Barton believes this could lead to additional bots being deployed in other parts of the employment life cycle.

The recruitment process is self-paced and uses a lot of technology, an easy process that Barton says mirrors what working at Vend is like. If people give up or call to work around the chat bot, she says generally they're not a good fit for the self-paced environment at the company.

Recruitment for all roles involves a specific, realistic case study to work on and solve. This acts as another screening point to gauge the commitment and determination of the candidates.

The company aims to empower managers with autonomy to organise their teams. Everyone in the organisation aligns to the organisational strategy and four key goals, and executives share goals to ensure accountability across teams.

There are no performance reviews at Vend, which uses an off-the-shelf software tool called 15:5 (15 minutes for the employee to fill in a form, five minutes for the manager to review it) that is used to facilitate individuals' self-reflection on their performance and goals. Each month there is a set of questions that are tailored to the needs of each team or function. Some groups have opted to open up the review to the full team for peer review.

Vend maps the employee life cycle from awareness to exit to track the steps involved throughout the employee journey and understand how employees feel. This is compared to the engagement goals of the organisation, and action is taken as needed. Barton believes it is small, daily actions that make a difference.

In terms of the kinds of learning opportunities that businesses are offering, the most common response was on-the-job training – provided by over 70% of employers. Next most popular was mentoring and coaching, although Australian businesses were

significantly more likely to offer this (61% of businesses) than New Zealand businesses (54%). Coming in third, offered by one-third of all businesses, was professional development courses and training.

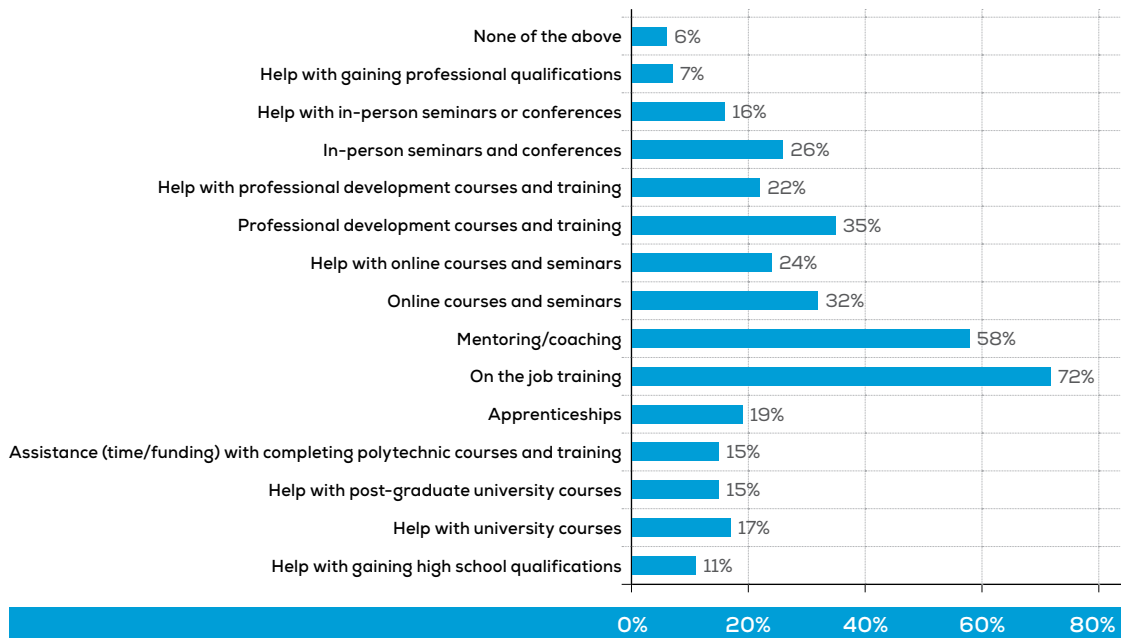


Figure 13 Which of the following do you provide as learning opportunities for your talent?

This is consistent with our earlier analysis of how businesses were responding to a perceived skills shortage, with many more conducting their own training and development opportunities to top-up the specific skills they needed in their business.

As illustrated in figure 13, We also found a capability gap between the skills that businesses rate as very important such as communication skills, problem solving and adaptability and agility, and those that they think they should help develop.

This capability gap needs attention.

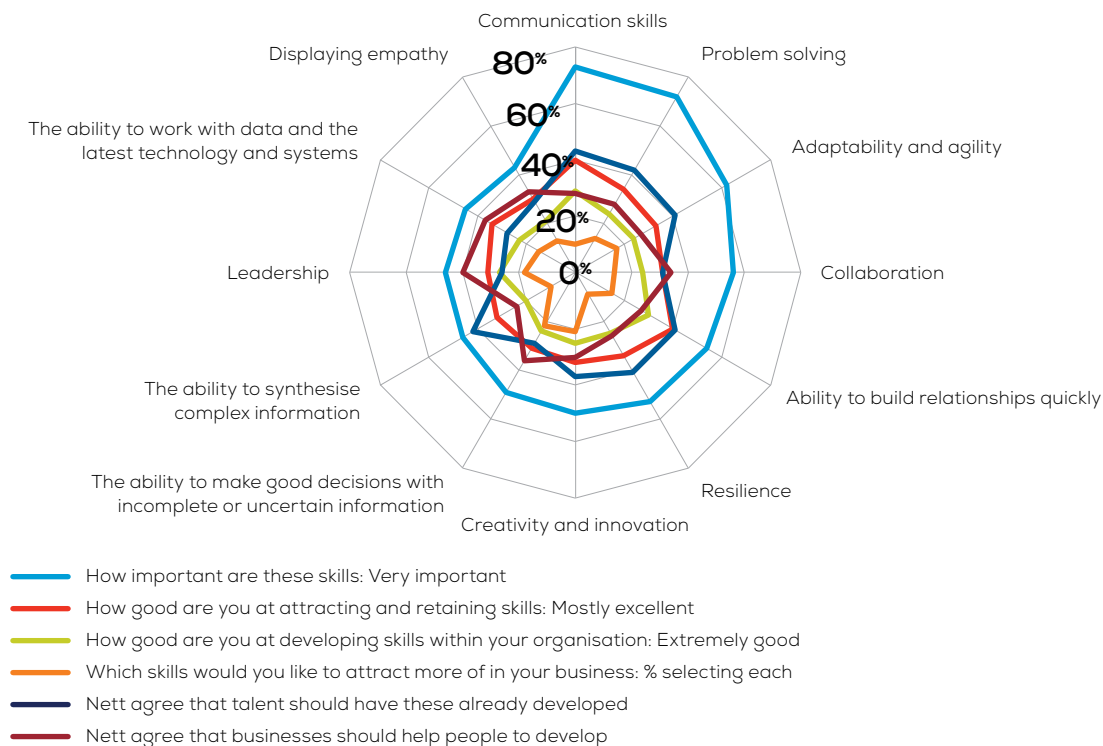


Figure 14 Skills of the future

ACTION POINTS

- Businesses need to make changes to the way they work to prepare for the talent of the future.
- Employers should be doing more to facilitate flexibility and introduce new ways of working.
- Address the capability gap between the skills that businesses say are important and that business should help develop, and how good businesses feel they are at developing that skill.

Conclusion

In an age of uncertainty, there is also opportunity, but to capitalise on it requires adaptability and agility, problem solving, good communication skills and resilience.

While some argue we have a skills shortage, our position is that we are not looking at skills broadly enough. We are in transition from focusing on jobs, to the more nuanced collection of enterprise skills of communication, collaboration and creativity. In an uncertain world, those enterprise skills need to be combined with adaptability and agility in order for individuals and businesses to survive and thrive. Australian and New Zealand businesses rate these skills as very important, but are finding adaptability and agility harder to attract and retain.

We all have an opportunity to be more diverse and inclusive in our thinking about who may have those skills, and how we develop and then deploy them. We also have the opportunity to be much more flexible in how we think about work, moving away from both the traditional three-stage life of education, employment and retirement, and also our very concept of work as a full-time, uninterrupted linear career path.

Most businesses say they have the skills for how they work now, but are less likely to say they are ready for the future. They are looking to technology and flexible work practices to accommodate different ways of working. This is a positive sign of the expansion of our traditional ways of thinking about work, and how it is done, but is just the beginning, and

employers can be doing much more to facilitate truly flexible work and provide meaningful alternatives to the linear career path.

Employers have a good understanding of what motivates and drives different people in their organisations, and are embracing the diversity of thinking that comes with people from different cultures, ages, genders and every other dimension of difference, but there is still work to be done to address assumptions and stereotypes to allow everyone's true potential to be realised. Discrimination must be minimised. It's vital that no one is left behind due to socio-economic disadvantage and lack of opportunities.

Businesses, governments, community organisations, educational institutions and individuals need to work together to find new solutions for different ways of working, but that is already starting to occur.

We must all commit to lifelong learning and learn to embrace a world with less job security, but greater focus on transferable skills. We need to trust that those skills will be recognised and valued, and that we can thrive in the new world order.

The only certainty is uncertainty, but opportunity waits for those who are adaptable and agile.

Recommendations

For businesses

- Develop business leaders with the capacity to build relationships based on trust and shared values and purpose.
- Don't fear technology – use the rise of automation to make jobs more interesting and purposeful.
- Embrace diversity and inclusiveness as key talent strategies essential in addressing any skill shortages and unlocking potential. Appoint executive teams that reflect the diversity of the employee pool and foster inclusive decision making.
- Understand the changes that longevity will make to the motivations and needs of workers, as the three-stage life cycle of education, work and retirement transforms into an individual and multistage journey.
- Shift attitudes towards older workers, to remove age discrimination and tap into talent and mentoring potential.
- Avoid focusing too narrowly on Millennial-specific employee engagement strategies. Instead, develop talent strategies that lead all employees to join, stay, and perform at their best.
- Reimagine work in every sense – who does it, how it is done and where it is done, to take advantage of the widest pool of talent.

Policy makers

- Collaborate with employers, universities, community organisations and professional bodies to design educational programmes.
- Instil a strong foundation of literacy and numeracy standards as well as capabilities like creative thinking, collaboration and a growth mindset, starting in early childhood education.
- Support the portability of skills across occupations, by designing incentives and offerings to match the core skills in key clusters of work rather than training for individual occupations.

Individuals

- Reflect on the job clusters that best match your skills and interests, and test your compatibility during early career experience.
- Embrace continuous learning in order to respond to new information and new technology when making decisions.
- Accept that all jobs will be affected by technology and prepare for that reality by acquiring skills that will allow you to succeed in an automated and globalised workplace.
- Get comfortable with pursuing a portfolio career that involves changing employers and occupations multiple times.
- Be prepared to work more independently and entrepreneurially.

Multi-stakeholder collaborations

- Tackle inequality via coalitions between the private sector, governments and non-governmental organisations.
- Pursue a collaborative approach between business and government aimed at attracting and integrating skilled migrant workers without fuelling fear and resentment within local communities.
- Co-design fit for the future educational pathways that focus on enterprise skills, not deep technical knowledge.

Advice for young people today:

*"... to stay ahead, you need to focus on **your ability to continuously adapt...**
For students, it's not just about acquiring knowledge, but **about how to learn.**
For the rest of us, we should remember that **intellectual complacency is not our friend** – that learning – not just new things but new ways of thinking – is a life-long endeavour."*

Blair Sheppard, Global Leader, Strategy and Leadership Development, PwC

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