

Talent trends 2019

Upskilling for a digital world

Part of PwC's 22nd Annual Global CEO Survey trends series



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A delicate balance

Top executives increasingly worry about the impact that their companies, strategies and activities will have on the environment, local communities and their employees — and how they can balance this with cost and market pressures and quarterly earnings targets. Against this background, one somewhat intractable challenge is beginning to stand out: the size and composition of the workforce. Automation, primarily in the form of robotics and artificial intelligence (AI), brings with it the promise of improved productivity and higher profits — but at what cost to employment and, by extension, to society? What responsibility do corporations have to reskill employees who otherwise would be displaced by technology? And what value does reskilling offer an organisation?

These are precisely the types of questions that keep CEOs awake at night, according to PwC's 22nd Annual Global CEO Survey. Four out of five CEOs bemoaned their employees' lack of essential skills and identified this factor as a threat to growth (see Exhibit 1). That concern has risen in line with the advent of new technologies over the past five years, and is voiced consistently across all regions: CEOs in Japan and Central/Eastern Europe are most worried, with 95% and 89%, respectively, naming it as a concern, whereas those in Italy (55%) and Turkey (45%) are the least anxious about it. The skills shortage stymies growth chiefly because it stifles innovation and raises workforce costs (see Exhibit 2).

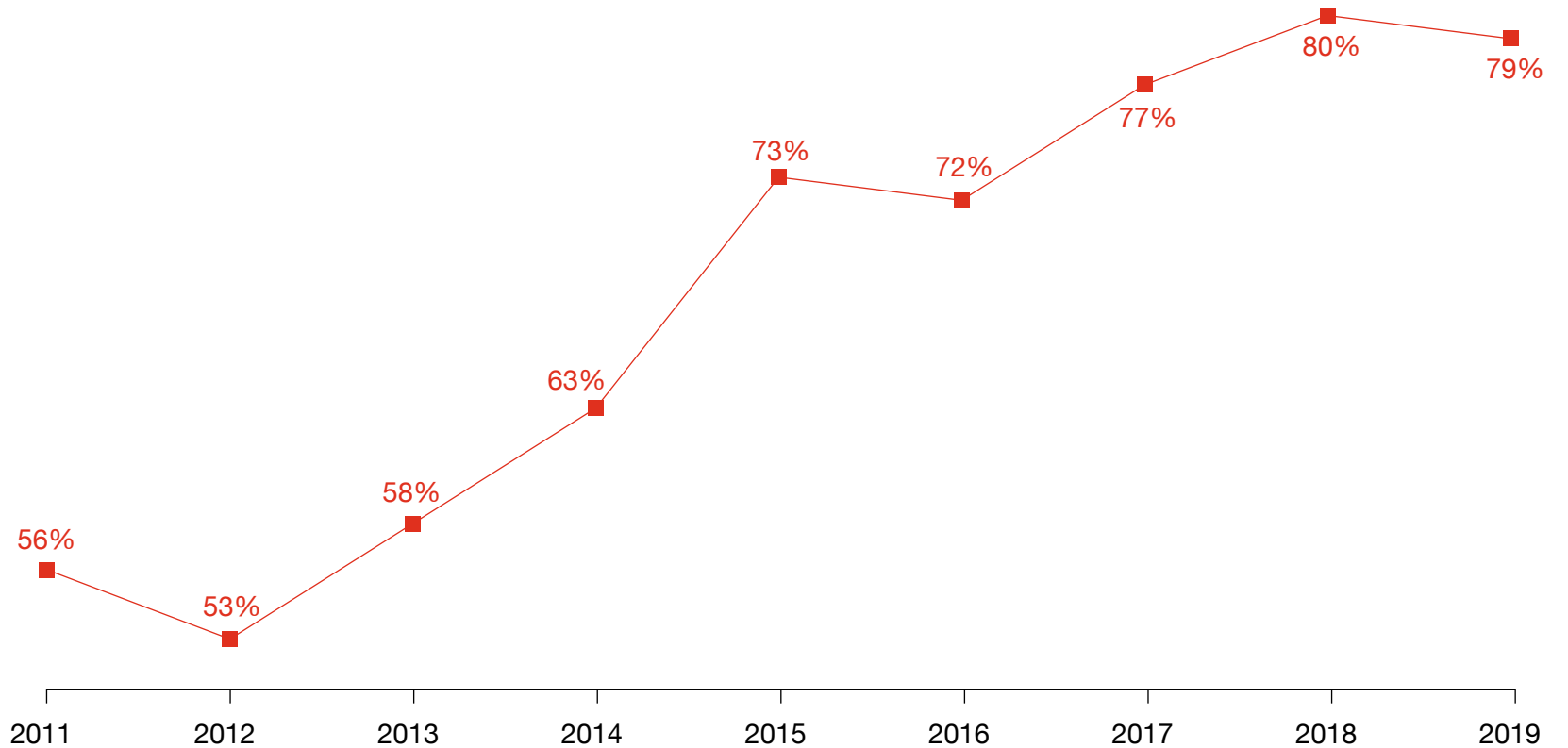
There has been a clear shift over the past few years in the type of skills that leaders say they are looking for. In 2008, CEOs were struggling to find people with global experience. Today, organisations desperately need tech-savvy leaders and employees. In other words, at every level of the hierarchy, people are needed who can harness innovative thinking, form the right strategies and apply the systems and tools that best fit the needs of the business.

EXHIBIT 1

How global CEOs' concern over the availability of skills has risen

QUESTION

How concerned are you about the following threats to your business? (Showing those who responded 'extremely concerned' or 'somewhat concerned' regarding availability of key skills.)



Source: PwC, 22nd Annual Global CEO Survey

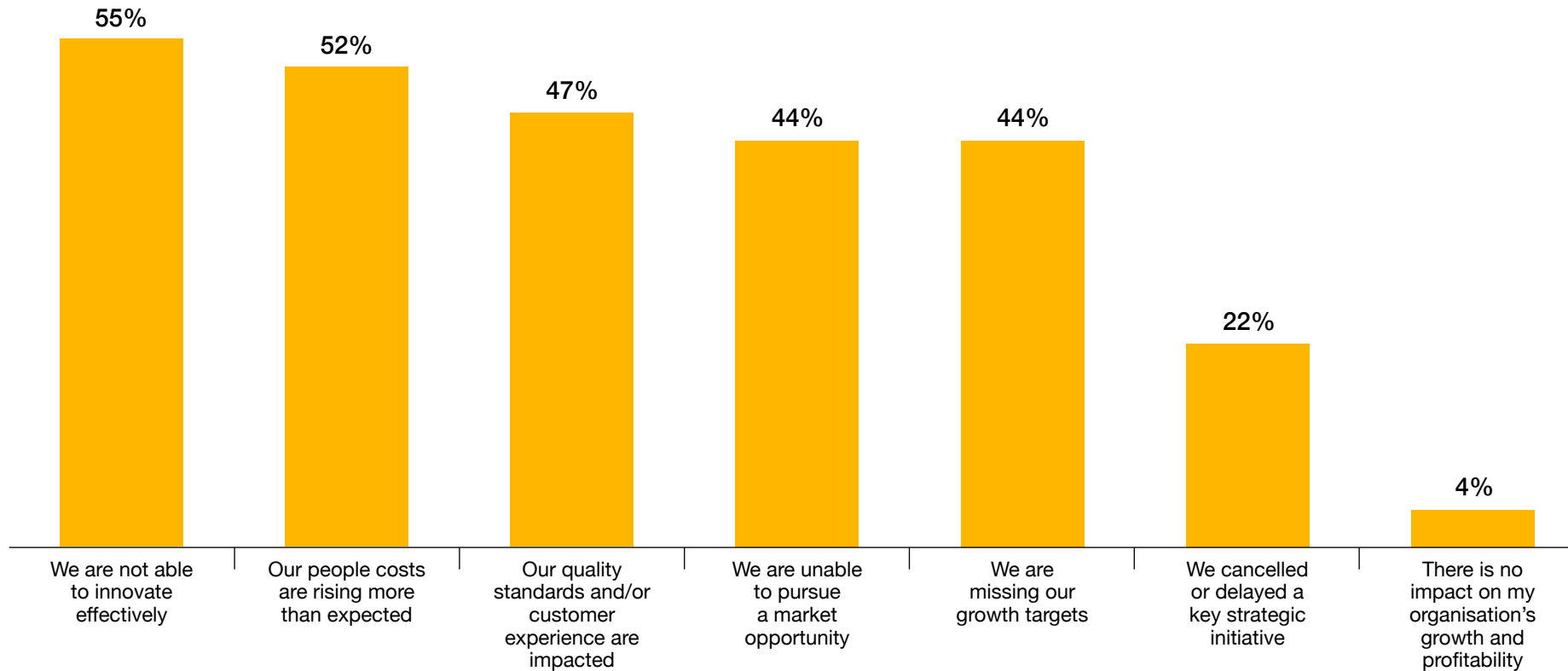
Base: All respondents, global (2019=1,378; 2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258; 2011=1,201)

EXHIBIT 2

How the lack of skills impacts business performance

QUESTION

What impact is 'availability of key skills' having on your organisation's growth prospects? (Asked of those respondents 'extremely concerned' about availability of key skills.)



Source: PwC, 22nd Annual Global CEO Survey
 Base: Global=473

Only then can an organisation, or an economy, maximise the productivity benefits of technology.

Our recent study, *Preparing for tomorrow's workforce, today*, found that businesses also see the nurturing of human skills, particularly leadership, creativity, empathy and curiosity, as essential if they are to take advantage of the potential benefits of new technologies. As a result, although purely functional skills related to automation and AI are often essential for business growth, they are not enough; they won't suffice without these more 'high-touch' managerial and people-oriented capabilities.

Focus on reskilling

With the right skills in scarce supply, CEOs must find cost-effective ways of sourcing what they need. Previous surveys have shown CEOs exploring the idea of hiring people from other sectors — particularly from industries that are further along the innovation journey — and making use of 'gig economy' workers when appropriate. This year's survey sees a shift. CEOs are now focussed on reskilling and upskilling their existing workforce (see Exhibit 3).

The World Economic Forum estimates that it will cost US\$24,000 per head to reskill displaced US workers, but when set against the alternatives — severance payments for workers who are let go and the cost of finding new workers with in-demand skills, amongst other things — reskilling is the more attractive option.

It's understandable that organisations are concentrating on reskilling. Given the right context, people can be highly adaptable, and the ability of organisations to harness that adaptability will be critical as the world of work evolves. The good news is that employees are more than willing to reskill. According to a [PwC global survey](#) of more than 12,000 workers, employees are happy to spend two days per month on training to upgrade their digital skills, if such training is offered by their employer.

Workforce rebalancing

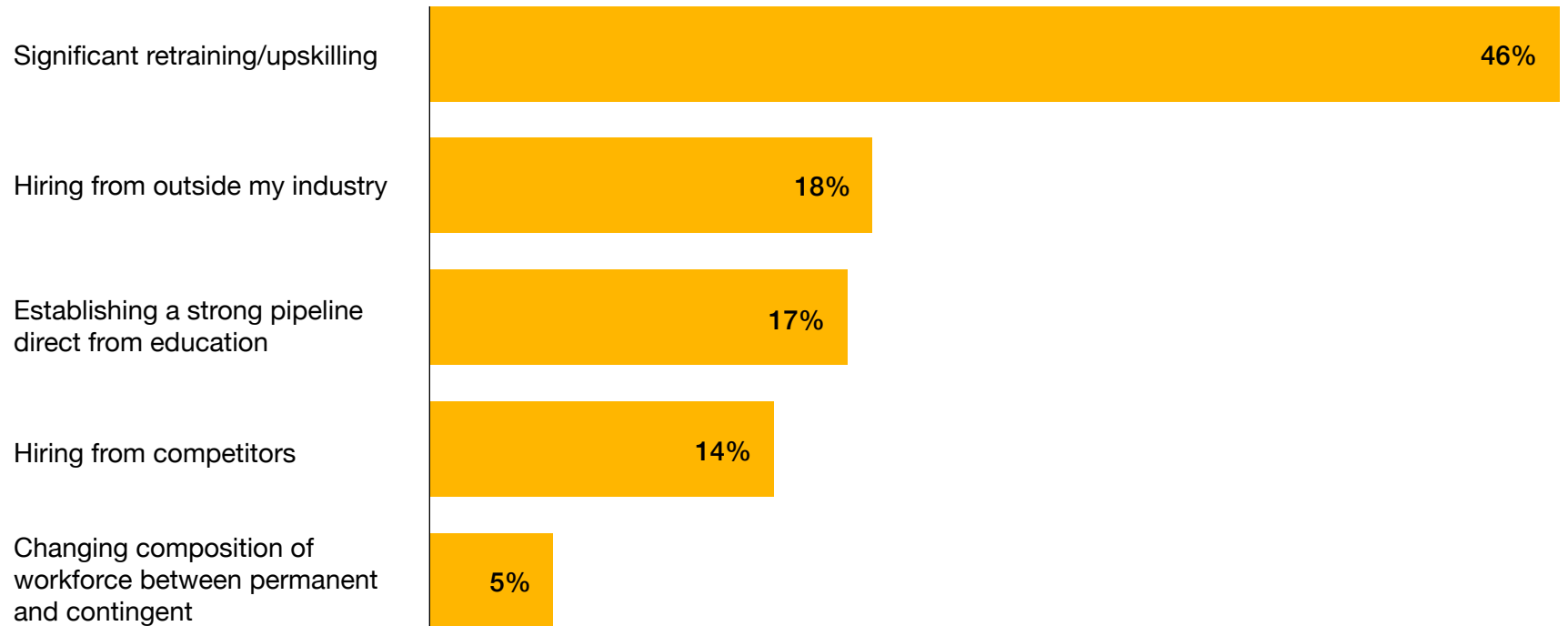
Today's jobs are being unbundled into tasks that could be offshored, automated, augmented with technology or rebundled into new roles as organisations analyse how work gets done. Automation and AI will inevitably displace some workers, although CEOs aren't united on the scale or speed

EXHIBIT 3

CEOs focus on reskilling and upskilling to fill the skills gap

QUESTION

Which of these is the most important to close a potential skills gap in your organisation?



Source: PwC, 22nd Annual Global CEO Survey
Base: All respondents (global=1,378)

of that shift. Business leaders can't protect outmoded jobs, but they are responsible for the people who hold those jobs.

The process of effective reskilling, though, is anything but straightforward. Most organisations' current learning and development programmes are simply not designed for the full complexity of the task. Upskilling efforts must target fundamental skills gaps, instilling at least a baseline of digital acumen, with an eye towards building a flexible workforce for the future. Rather than classroom training exclusively, the programmes should focus on changing behaviours and mind-sets on the job, encouraging people to innovate and solve problems in new ways.

Good work matters

Digital skills have a short shelf life, so learning will need to be continuous and woven into the organisational culture. The challenge for companies is that although employees say that they're willing to reskill themselves, the structure of their jobs may make it impossible to actually do this. Workers need to be engaged and have the time, energy and inclination to acquire new skills. And that occurs only if a strong

learning culture is inextricably woven into a high-quality workplace; you don't find one without the other.

Upskilling is just one element of a comprehensive package to create a workforce of the future. At root, this concept seeks to satisfy the growing desire for 'good work' — a fulfilling, rewarding experience that meets a set of high-quality values. Technology brings opportunities for efficiencies and cost management, but it also brings the opportunity to make working lives more productive and fulfilling.

Many business leaders understand this. They are thus prioritising adaptability, well-being and flexible work. But our research, as outlined in *Preparing for tomorrow's workforce, today*, shows that they still have some distance to go in implementing these practices. A lack of comprehensive data that would inform workforce improvement strategies is a contributing factor — 86% of CEOs see workforce data (particularly qualitative data on how people feel and what they need at work) as critical to effective decision making, but only three in ten say the data they receive is adequate for their needs.



Government and business working together

In recent years, many business leaders have talked about the purpose of their organisation and its role in society. This growing concern reflects the fact that half of CEOs see a lack of trust in business as a threat to growth. Automation will publicly test that narrative.

The future of work has significant social ramifications. Skills mismatches have a direct impact on a nation's GDP, tax revenues and social safety net bill.

Organisations are less productive, and trade generates less tax.

This is why reskilling programmes are being explored by governments as well as corporations. [Luxembourg Digital Skills Bridge](#), which provides technical and financial assistance to upskill employees in companies facing disruption, is a good example of a highly targeted approach. Similarly, a handful of corporations have made significant investments in educational initiatives in their communities. So far, these are isolated examples. Any sustainable approach to reskilling will need broader

engagement and collaboration between the private and public sectors.

Many business leaders aren't clear on where the responsibility for workers displaced by automation and AI should fall. CEOs seem to want government support in their adoption of AI (66% believe that government should provide incentives for the development and use of AI), but not interference — and just over half think that it's the government's responsibility to protect those displaced by technology. Fifty-six percent of CEOs, for instance, believe that governments should provide a

safety net for displaced workers (with the inevitable variations according to political ideology — 85% of CEOs in China agree with this, compared with 28% in the US), and 65% believe that government should incentivise organisations to retrain workers who are displaced by AI.

Yet 62% of CEOs say they are concerned that the increasing tax burden is a threat to growth. Clearly, these views are incompatible. We need an honest, collaborative conversation across every part of society about what automation means for businesses and society, how to



manage the transition, and who should help those who are vulnerable or interested in learning. Seventy-six percent of CEOs think that governments should develop a national strategy for AI and its impact on jobs and communities, but this is a collective challenge that needs a collaborative approach — otherwise, any platitudes about corporate social responsibility will ring hollow.

Tackling the workforce challenge

CEOs must negotiate this risk-fraught workplace revolution under a watchful public eye. No one should underestimate the scale and difficulty of the transition that's underway. The workplace model is moving from the relative stability that has been in place for decades to a condition typified by constant change, with no final destination. Organisations will have many practical obstacles to face along the way,

against a backdrop of employee anxiety and radical social adjustment. The five clear messages for CEOs are:

1. People-related analytics must improve. CEOs are desperate for data on the views and needs of their people (86% say it's important or critical for decision making), but only 29% say the data they receive is adequate. The quality and comprehensiveness of data about employee activity is a long-running problem that urgently must be addressed.

2. Business leaders need to be much clearer about their reskilling strategy and what that really means for their workforce (55% haven't yet created a clear narrative about the future of their workforce and automation). Which skills will be valued and rewarded? Which won't be needed? Which soft skills are required alongside digital skills? Clichéd

generalisations about the importance of reskilling will be quickly exposed. Workers expect honest answers about their future.

3. The external narrative will be equally important. Business leaders need to clearly explain to their external constituents how they will balance the right level of productivity with the need to build trust with society over the longer term.

4. Reskilling is only part of the story. It's more important than ever that organisations create a workplace where people want, and not just need, to work each day — and the evidence suggests that CEOs are not yet providing the workday experiences that people are looking for.

5. A changing workplace needs a new approach to workplace management. The way in which people are measured, incentivised and rewarded will have

to change. Investment in workforce transformation is more likely to pay dividends if it inspires, rather than demands, the right behaviours — and if it sets the expectation that change is a constant.

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About PwC's 22nd Annual Global CEO Survey

PwC conducted 3,200 interviews with CEOs in more than 90 territories.

Notes:

- Not all figures add up to 100%, as a result of rounding percentages and exclusion of 'neither/nor' and 'don't know' responses.
- We also conducted face-to-face, in-depth interviews with CEOs and thought leaders from five continents over the second half of 2018. The interviews can be found at ceosurvey.pwc.
- Our global report (which includes responses from 1,378 CEOs) is weighted by national GDP to ensure that CEOs' views are fairly represented across all major regions.
- The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services: www.pwc.co.uk/pwcresearch.

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