

## Australian Institute of Company Directors

# Bridging the talent gap

Rolling international border closures as a result of the pandemic are playing havoc with Australian companies' longstanding reliance on recruiting imported talent — but there are options to explore.

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480,000 expats have returned to Australia since the beginning of the pandemic.

Source: Department of Foreign Affairs & Trade (March 2021)

37% of returned Australians intend to stay in Australia permanently, 12% until borders open. 35% intend to return overseas sometime in the future and 15% are not sure/undecided.

Source: Advance.org

Skilled migration was critical to our economic success as a country when the international borders slammed shut. Before the pandemic, more than 100,000 migrants arrived on our shores annually under the skilled migration program — comprising 50 per cent of permanent arrivals in Australia. Net overseas migration accounted for 57 per

cent of Australia's population growth and more than 20 per cent of the increase in the economy's productive capacity for two decades — estimated at \$172b in additional output.

COVID-19 may have put an end to all of that, exposing many sectors reliant on importing talent. Directors across agribusiness, hospitality, technology and cleaning services have recalibrated their plans for attracting the best and brightest. The adjustment is just the tip of the iceberg. Experts say policymakers and employers have long overlooked training and development more than they should have in a modern economy, exposing business to undue risk as the talent pool contracts.

## Repat reservoir

Advance.org is an expat professional network for the Australian global diaspora, with an estimated 750,000 members. Director Warrick Cramer, who also sits on the board of Hackers/Founders, says the situation is fuelling frustration among companies.

"Competition for talent is now global, with many of the top talent using remote workplaces until borders open. There is an overall sense of frustration and rising anger with the ongoing border closures because this is a handbrake on Australian companies competing with open digital economies around the world," says Cramer. "The tech companies are finding it challenging to fill key roles, and they've become more creative about where and how their senior people are working. And the smart companies in Australia have discovered the expat talent pool and are hiring people who would otherwise not have been available to them."

Cramer is referring to the 480,000 repats who have returned home since the beginning of the pandemic, providing a melting pot of talent that organisations would be wise to tap into. They're arriving from a range of countries and cities — New York, London, Singapore and Hong Kong, to name a few. Some have had their careers cut short due to COVID-19 — providing the perfect poaching ground for other companies.

This repat talent pool may prove helpful. The federal government has signalled that borders will remain closed until at least mid-2022 and Treasury's Intergenerational Report finds that the pandemic is causing a short-run shock to net overseas migration, which is forecast to be negative as more people leave the country than enter it. "In net terms, 97,000 people are forecast to leave Australia in 2020–21 and 77,000 are forecast to leave in 2021–22," the report says.

## Challenges laid bare

Border closures have been of particular concern to companies such as food manufacturer SPC, affected by both ends of the talent pipeline. The organisation has made several key acquisitions in the past 18 months and expanded its portfolio under the leadership of CEO Robert Giles GAICD, who says COVID-19 has highlighted the lack of available workers to undertake seasonal work in the absence of overseas

support. "Although we are not a grower, it impacts our ability to process and manufacture food. We see fruit picking as helping to address regional economic development."

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SPC has announced several key hires across key areas of the business as part of its global growth strategy, including across the C-Suite. But Giles admits it's been challenging to do this virtually. "We believe it's essential to ensure our staff are well-suited to our organisation and it's been challenging having to do this virtually. COVID-19 has challenged us to redefine how we secure the best talent. We're obviously keen to have conversations with international partners and customers when international travel is possible," he says.

"Australian labour is a key component of creating a sustainable future for Australian food manufacturing while promoting local economic development," adds Giles. "While COVID-19 is a temporary obstacle to international talent, we also see international workers as helping to fill that gap. We hope government funding — such as the subsidies announced by the Victorian government, — remains a long term solution to bolstering local employment."

## Talent tussles

Organisations trying to overcome border closures have taken to poaching talent from competitors, points out Jonathan Jeffries, co-founder of executive search firm Think & Grow. He says full-blown talent tussles are occurring between large organisations. "As a result, talent are being offered between 10–40 per cent more than their base salary, which creates a difficult talent vacuum for those organisations that aren't in a position to offer more money."

In a major shift, talent has the upperhand. The usual strategy was to hire senior talent and expect their ongoing loyalty for at least a decade. But four years is all you can expect from talent these days, says Jeffries.

"Talent as a whole, regardless of level, values itself better since the start of the pandemic," he says. "As a result, difficult conversations are being had in all organisations about flexibility, with some employees moving interstate for lifestyle reasons and retaining their jobs. The pandemic has put candidates in a much stronger position than before. We can see from LinkedIn that waves of people have moved from

NAB to ANZ and back, but is that really providing a company [with] a future- growth strategy to support its new way of working — a much more customer centric model? Not really.”

Jeffries says it’s about time; that there have been minimal pay increases over the past five years and the pandemic is only levelling out where things should have been in light of the rising cost of living, particularly housing. He’s also watched some organisations retrain up-and-comers, improving those who are an exceptional organisational culture fit. However, many companies don’t have the skills to do this, needing a more proactive strategy to upskill from within.

“We’re going to be far more impacted in five years’ time if global corporate migration patterns don’t return to where they were,” warns Jeffries. “Australia has to get ahead in retraining graduates into the future economy — and predicting what it wants to be great at as a nation.”

## Skills pandemic

The poaching situation has gotten so dire that some companies have taken expensive steps to secure talent. Paying inflated prices to secure scarce airline tickets, hotel quarantine costs and larger wages are common for big companies, recruiters reveal. Cramer has heard stories of companies collaborating, setting up talent-sharing strategies to build projects jointly. “There are also companies using crowdsourced talent platforms at all levels of management, not just the technical level — tapping the talent of the wider population, bringing in greater diversity and reaping the rewards,” he says.

Other companies, such as technology consultancy Mantel Group, are embracing a hybrid working model and building collaboration hubs to be shared by both clients and employees in key cities. The company recently announced a hub on Magnetic Island after an employee moved there, giving clients the chance to holiday there and call into the working space during their stay. It also has a hub in Queenstown, New Zealand.

Whether these measures are enough to fill the gap are yet to be seen. Australia needs 156,000 new technology workers by 2025 to ensure economic growth is not harmed by the skills shortage, according to research from Deloitte Access Economics and RMIT Online.

Organisations are also accepting that their bright new talent hires will need to work from home on the other side of the world for the foreseeable future. Domino’s Pizza Enterprises conducted a global search for a group chief technology officer, hiring Matthias Hansen, who resides in Switzerland. In an example of remote working now increasingly common, Hansen won’t meet his colleagues in Australia until the end of the year, when he relocates with his family.

IT company Okta has also been on a major recruitment drive that has required the team to hire outside established hiring conventions by removing restrictions on recruiting from a single geographic location, says general manager Asia Pacific Graham Sowden. For example, a recent hire works out of the Sydney office, but focuses on the Japan market. “While this runs counter to the traditional approach for many companies focusing on growing their Asia Pacific presence, the hire is expected to support a broader understanding of the market and offer an opportunity to bridge cultural differences,” he says.

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## Innovation critical

The solution for many organisations battling talent shortages lies in thinking outside the box about the type of employment contract offered, explains Advance CEO Johanna Pitman GAICD. “There is a huge opportunity to think laterally, to create roles based on availability of talent. Employers need to be flexible and creative in their outreach strategies.”

Use could be made of the talent that has returned to Australia temporarily. This strategy would enable companies to introduce overseas thinking into their organisations for short periods of time, she says. Organisations could actively maintain contact with talent while they are overseas – the right role could prompt an earlier return home. “Too often, talented Australians say companies don’t want to speak to them until they’ve landed back in Australia, let alone in the six months before they return home,” says Pitman.

Organisations trying to win the war on talent in the tight labour market need to clearly articulate their employee value proposition, says Kris Grant, CEO of recruitment and management consultancy ASPL Group. “This is about understanding what you’ve got to offer and why people should work for you – such as flexibility, purpose, rewards, recognition, health insurance, great culture or free coffee.”

## Still call Australia home

Research by Advance.org reveals that 37 per cent of returned Australians intend to: stay in Australia permanently, 12 per cent until borders open. And 35 per cent will return overseas sometime in the future. The not sure/undecided cohort accounts for 15 per cent.

Concerns from some boards about this talent being a flight risk once the borders open are short-sighted, says Pitman. Her key takeaway is that many could well stay in Australia for the right role, given the displacement the pandemic has caused.

Meanwhile, skills acquired overseas aren't translating into jobs in local companies. Advance research shows 31 per cent of recruiters prioritise a candidate with only local work experience, favouring their knowledge of recent Australian history, the political climate and culture over candidates who have been out of the country for a period of time "Mid to senior executive level, directors and associate directors are particularly difficult to place, with many organisations not valuing their experience," says Pitman.

## A national chief technologist?

Melinda Cilento, CEO of the Committee for Economic Development of Australia says the solution lies in better digital capabilities as a nation — the government should appoint a chief technologist with a remit of long-term focus on emerging technologies.

"Our nation can no longer afford to be a follower in the digital and technology space, and a tech-led recovery requires tough conversations about opening borders."