

Australian CEO Survey 2023

Skills and Workforce Research Note

JANUARY 2023



This Centre for Education and Training Research Note highlights the skills and workforce findings from the **Australian Industry Group's CEO Expectations Survey 2023**.

90%

of businesses expect to be impacted by skills shortages in 2023 with 47% expecting their business to be impacted a great extent and 43% to a small extent. This is largely uniform across all industries represented in the Ai Group CEO Survey.

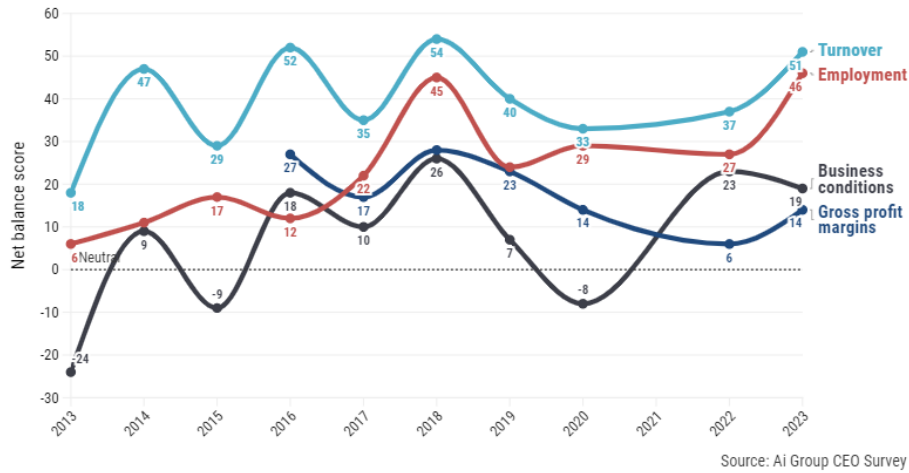
Despite the growing lack of spare capacity in the labour market in 2022, businesses reported a strong increase in their headcount as **41% of businesses increased their employment in 2022**. This level of growth is comparable to 2018 when business turnover conditions were similarly strong.

Conditions indicators in CEO Survey 2012-22



Looking to 2023, **55% of businesses expect to increase their employment** and the competition for workers can be expected to intensify given the unemployment rate has continued to fall to its lowest levels in decades (currently 3.4%).

Conditions expectations in the CEO survey, 2013 – 2023



Business leaders were asked what factors were most likely to inhibit their growth in 2023. Skilled labour shortages were the second highest constraint, identified by 36% of businesses, behind increased costs at 47%.

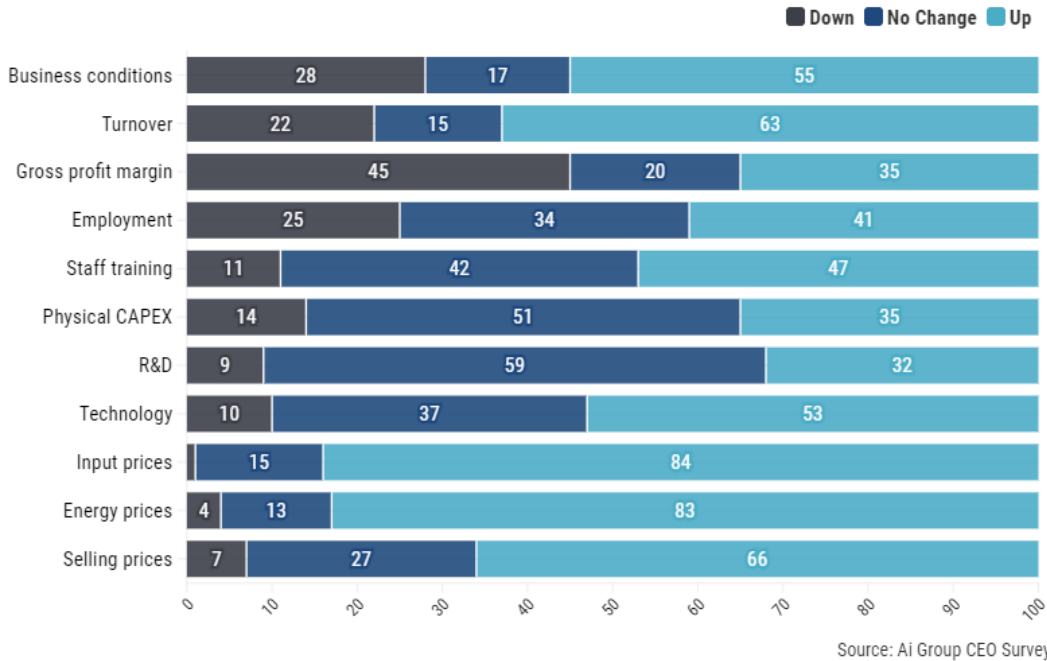
Workforce development

In 2022, business investment in staff training climbed to all-time highs as businesses aggressively sought to increase the skills and capabilities of their existing workforces.

47% of businesses reported increasing their investment in staff training in 2022. This is a 10 year high result and highest recorded level since the inception of the Ai Group CEO Prospects survey in 2013.

As the battle for skilled talent has intensified, businesses have expanded their efforts to upskill and retrain their existing workforces through significant increases in investment in their workforces.

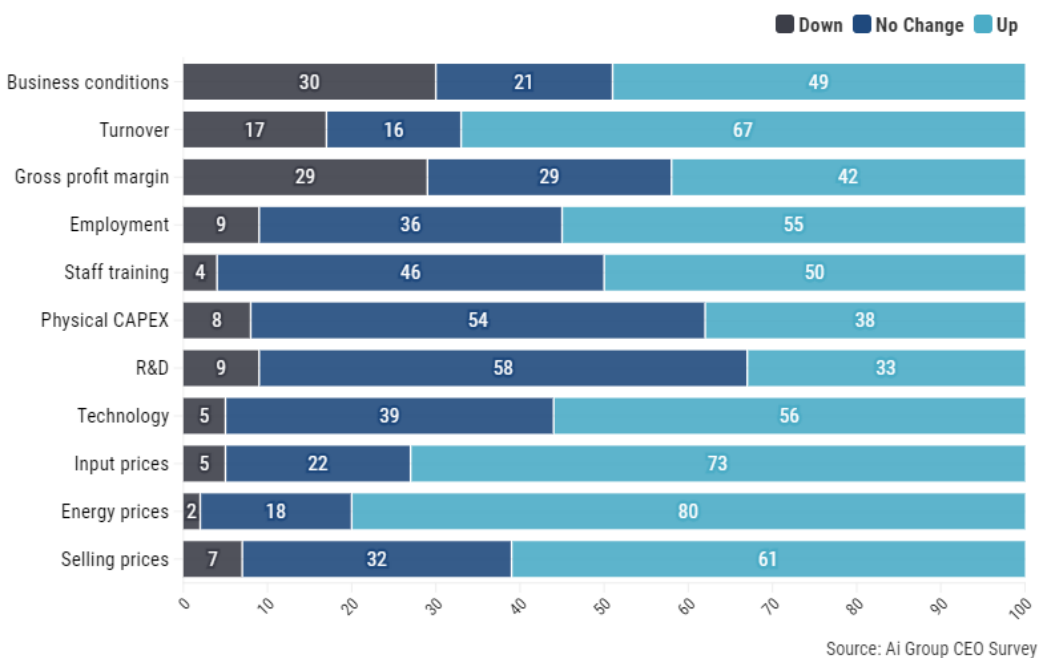
Business indicators in 2022 compared to 2021



Compounding the marked increase in investment in staff training in 2022, **half (50%) of businesses expect to increase their investment in 2023** and 46% report no change in their investment level.

The renewed focus on workforce development has driven staff training to the second highest reported business investment priority in 2023 – trailing investment in Technology which has rebounded to pre-pandemic levels.

Business expectations for 2023 compared to 2022

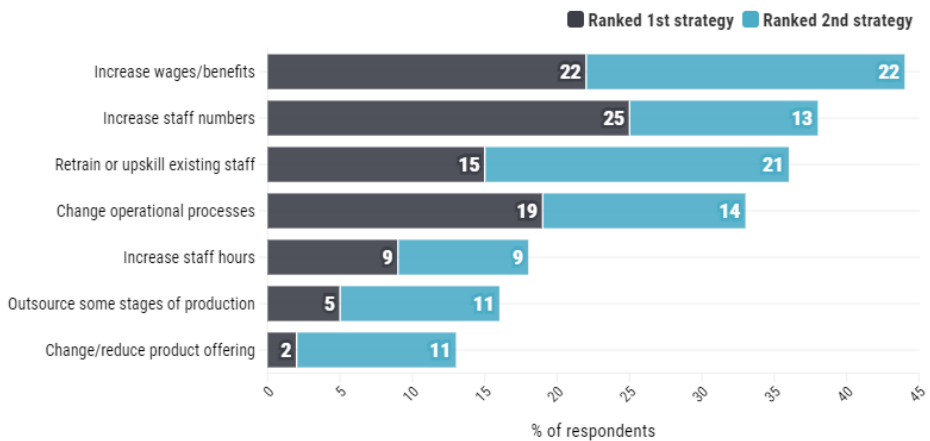


Strategic responses to shortages

Businesses have indicated that they are now also exploring operational changes to business models in order to overcome their skilled and unskilled labour deficits.

33% of businesses indicate they will **change operational practices** to adapt to staff shortages, 16% intend to **outsource some production**, and 13% will **change their product offerings**.

Strategies to manage staff shortages in 2023



Source: Ai Group CEO Survey

Summary

The persistently shrinking pool of skilled and unskilled labour has led to an increase in rigid shortages – in which new talent requires long training time to develop required skills (such as skilled trades and professionals) and the capacity of the education and training system will continue to be tested. In instances where the skills required have shorter training time to develop, **Australian businesses are prepared to invest in their skill development pipeline to alleviate the shortages in 2023 and beyond.**

In a continued environment of acute skills and labour shortages, the planned investment strategies to mitigate these challenges now reach beyond traditional human resource strategies to operational changes. The growing number of businesses forced down these alternative pathways speaks to the depth and breadth of the challenge that the lack of skilled and unskilled labour presents to Australian industry.

Finding and developing more skilled people locally and through immigration remains a central workforce strategy. However, this year, more and more businesses will look to address persistent skills and labour shortages through operational change. They will consider doing things differently, such as organising work and jobs in new and innovative ways.