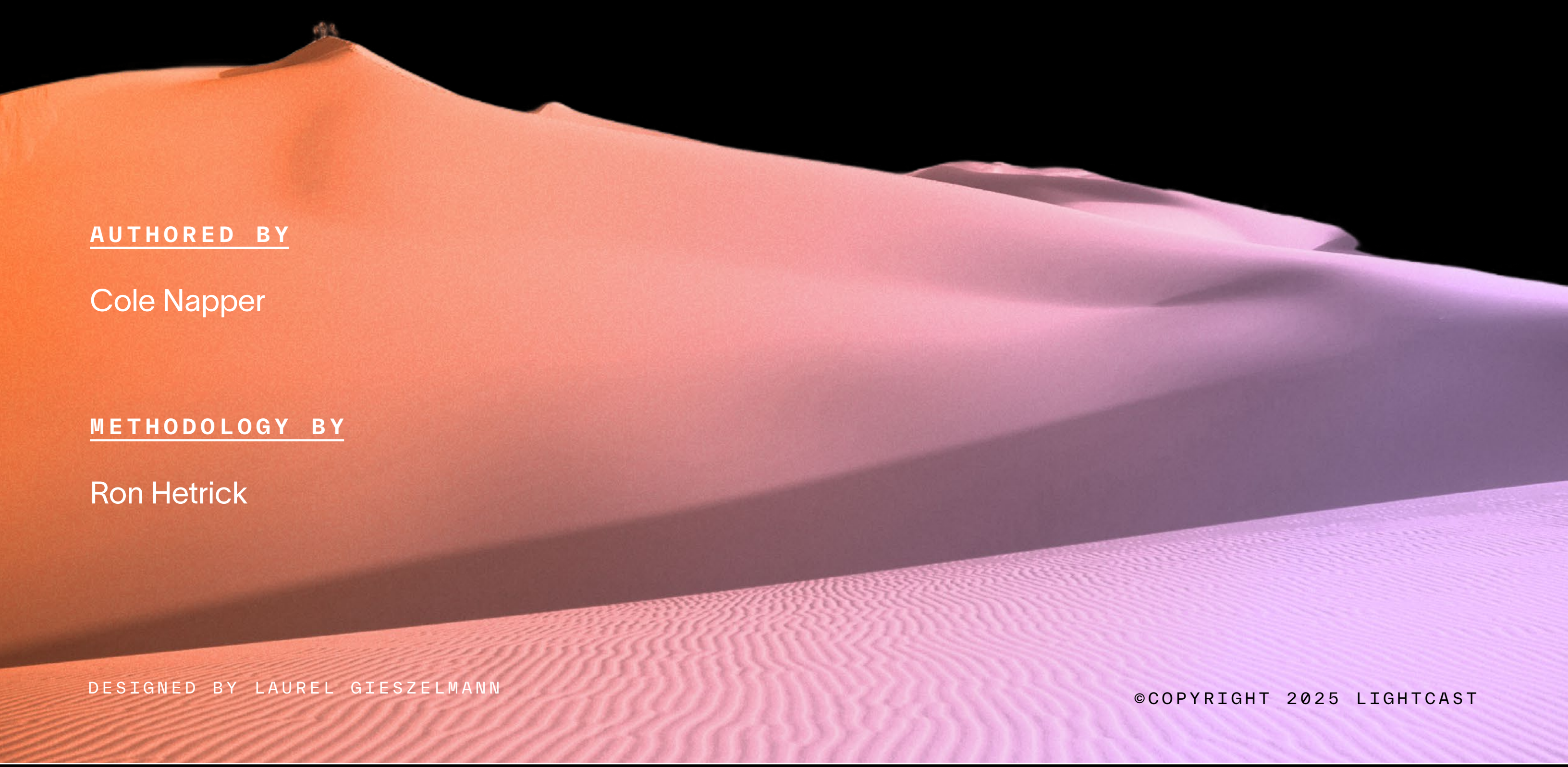
Lightcast

Workforce Risk Outlook

REPORT

Table of Contents



AUTHORED BY

Cole Napper

METHODOLOGY BY

Ron Hetrick

DESIGNED BY LAUREL GIESZELMANN

The labor market is at a *critical* inflection point.

The Rising Storm by Lightcast illustrates that all industries are on the “outer bands” of a major upheaval in the world of work as we know it. Labor shortages, technological change, and a tidal wave of disruptive skills will affect every job, and as a result, every business’s ability to sustain a skilled workforce that can execute the mission of the organization.

Learn how these challenges will uniquely impact your organization. Get my score.

According to a 2024 study from *ManpowerGroup*, 75% of employers report difficulty in filling roles, while the global average for talent scarcity sits at 75%.

More alarming, a recent *Korn Ferry report* finds that by 2030, more than 85 million jobs could go unfilled due to skills mismatch, leaving about $8.5 trillion in unrealized revenue.

However, only 36% of business leaders, investors, and subject matter specialists believe that their board's workforce-related discussions are meeting their needs—among them, skills and talent availability, which 78% of respondents regard as a major risk for their organization *(Deloitte)*.

Businesses are already feeling the financial impacts of talent shortages.

In Aon's annual Top 10 Global Risk Management Survey, failure to attract talent is the fourth biggest risk facing organizations—and despite 62% of leaders surveyed saying their organizations are prepared for this risk, 33% already suffered a loss from this risk in the last 12 months. This is directly tied to the study's second biggest risk, business interruption, in which 32% of organizations have incurred losses. Financial performance is heavily dependent on talent strategy: 60% of businesses surveyed by the World Economic Forum say that skills gaps hold back the transformation of their business, the top barrier globally, while 72% of CEOs surveyed by BCG say that talent gaps and shortages present their top business challenge.

To make skill and talent gaps more complex, AI and automation increasingly present as a double-edged sword—while tech companies seek to cut labor costs by implementing AI, the roles most impacted by layoffs are often entry-level, creating an oversupply of less experienced tech talent and fiercer competition for advanced talent. Simultaneously, AI has not reached the potential to alleviate severe labor shortages in industries, like healthcare, construction, and manufacturing. Yet where AI could help with productivity in some roles, frontline workers largely do not have the skills to adopt these technologies. Essentially, skills are critically mismatched across industries and employers must focus on reskilling and redeploying workers to balance a paradoxical over– and undersupply of tech talent.

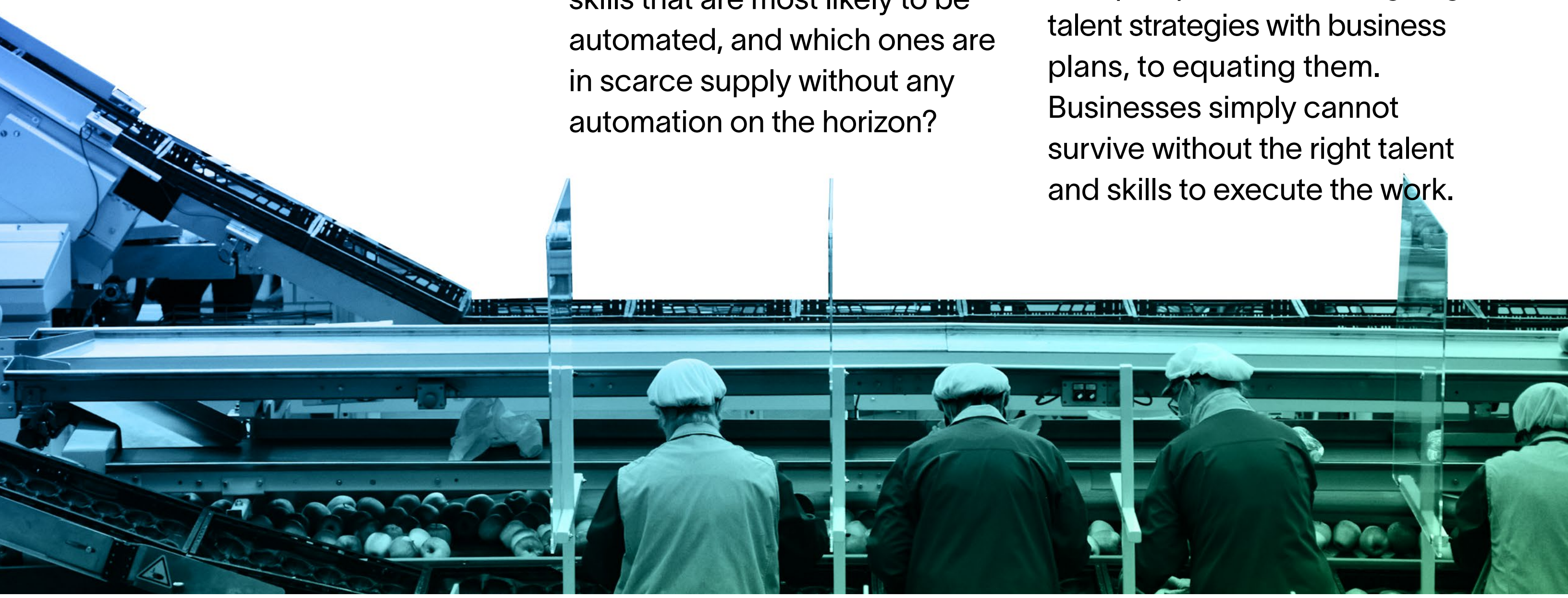
Strategic workforce planning has traditionally been owned by CHROs and their teams—and to their credit, they have held the umbrella throughout the pandemic and post-pandemic storms. However, with an impending labor market hurricane on the rise, CEOs, CFOs, and COOs must champion CHROs, weathering the impact as a unified front. This storm will not be an easy one to weather, except for the select few companies who are proactive at addressing the talent initiatives, with C-suite leadership and backing of the Board.

HR's Ongoing Challenge

A study from Mercer found that **40%** of CHROs wish to have greater depth of knowledge about non-HR topics, specifically finance and operations, **39%** want to know how to work with the board, and **22%** want to know how to work more closely with the C-suite—all insights that indicate that CHROs greatly desire a more prominent seat at the table for organizational strategy and leadership collaboration. As Josh Bersin says, "Times have changed. Once considered the junior executive in the C-suite, today the CHRO may be the most important of all. And as AI transforms our businesses, the job gets bigger every day."

The CHRO's core focus has historically been oriented around hiring as fast as they can; however, this was only feasible when talent for key roles was readily available. Those times are over. Amidst an ongoing labor shortage that will only intensify over the next five years—and likely beyond—HR leaders' roles are evolving to grow the organization's capacity, focusing on upskilling, career development, internal mobility, and talent density. Furthermore, with the onset of AI and automation, the skills needed for employees to remain productive and innovative are increasingly consequential. Shouldn't your organization know the skills that are most likely to be automated, and which ones are in scarce supply without any automation on the horizon?

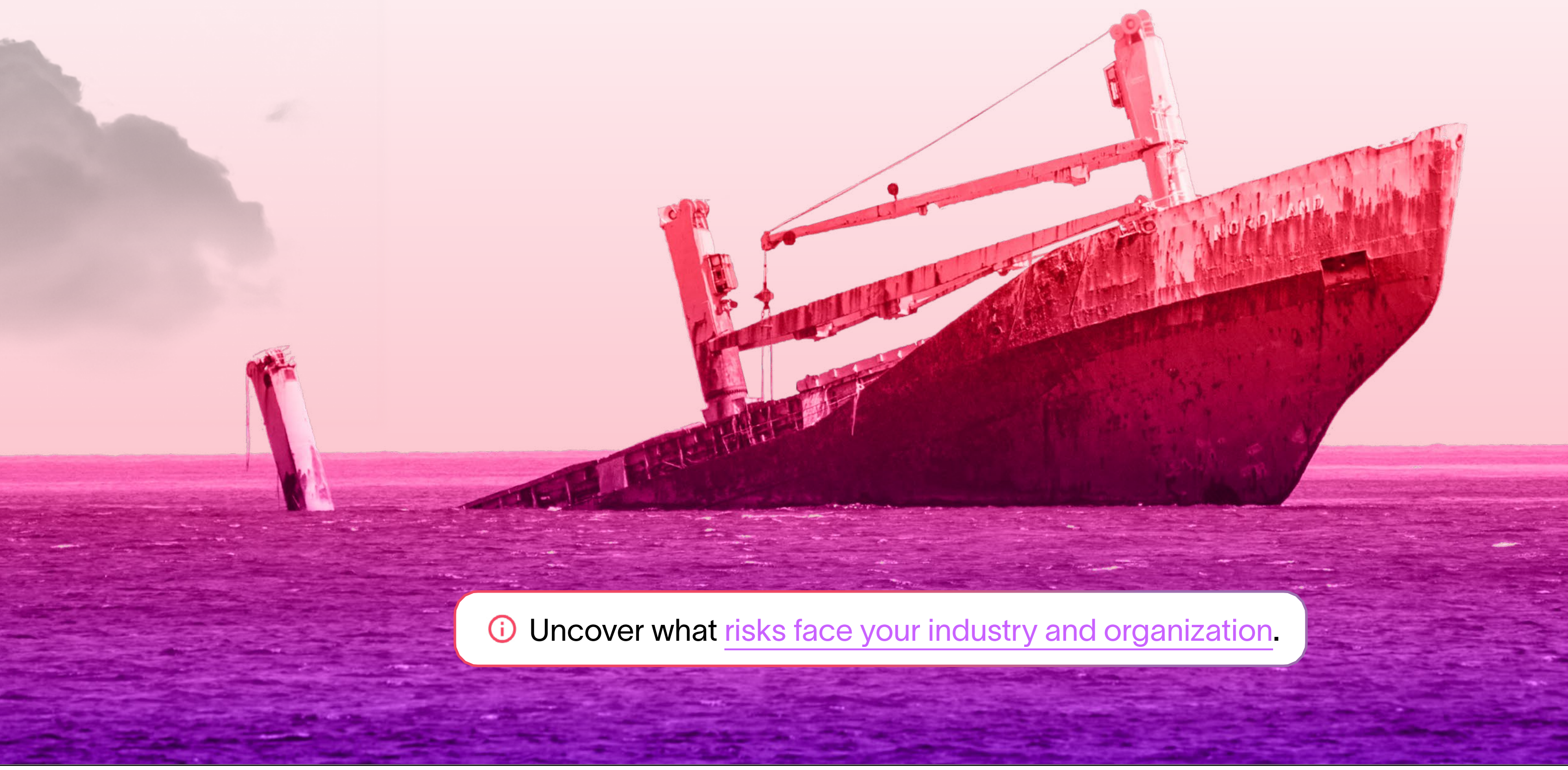
A recent PwC Pulse Survey shows that **79%** of CHROs are hiring fewer new employees than they were 12 months ago, which aligns with **86%** saying they are increasing investment in skills-based talent architecture. Essentially, when Baby Boomers are retiring earlier than projected, birth rates are decreasing, and unemployment reaches historic lows intersect with a rapidly evolving technological landscape, hiring to fill skills gaps is no longer the solution. The entire organization must prioritize upskilling, which means greater investment in talent management and emphasis on HR as part of strategic organizational planning. CEOs, CFOs, COOs, and CHROs must march in lockstep—shifting their perspective from aligning talent strategies with business plans, to equating them. Businesses simply cannot survive without the right talent and skills to execute the work.



The Magnitude of Business Impact

No industry is "safe" from the talent shortage and skills upheaval.

All jobs are changing—which means if organizational strategy and talent architecture do not row synchronously in turbulent waters, CEOs, CFOs, and COOs will find themselves in a sinking ship unless they invest in the agility of skills needed to impact the business.



ⓘ Uncover what risks face your industry and organization.

Lightcast

Waiting to take control of talent strategies while the eye of the storm arrives leads to critical business impacts:

The cost of doing business is rising.

Organizations need to ensure roles and skills are aligned with market expectations and that their employer brand attracts and retains scarce talent, or risk “bidding wars” for qualified talent, further driving up compensation costs.

You can’t recruit what’s not there.

Organizations may spend more on advertising, recruitment agencies, and extended search periods; and longer recruitment cycles create onboarding delays, affecting project timelines and revenue generation.

The domino effect of turnover is worse than any one individual leaving.

Overworked staff and employees whose skills are mismatched with their roles and career paths are more likely to leave, incurring greater recruitment and training costs, loss of institutional knowledge, and disruptions in workflow and team cohesion. A diminished employee culture also harms employer brands, making recruitment even more difficult.

Doing more with less used to be a mantra and now will be a necessity, or even worse, an existential reality.

Understaffing drives operational bottlenecks, overworked employees, and quality issues that can cause customer dissatisfaction or production errors, resulting in financial and brand equity losses. Additionally, understaffing can result in reliance on overtime, a costly short-term solution that can exacerbate employee burnout.

There are also big rewards to be had for the bold.

Staffing shortages limit production and fulfillment capacity, leaving organizations vulnerable to competitors capitalizing on shortcomings and capturing a larger market share.

Dynamism is built on a foundation of talent continuity and availability.

Mismatching between skills and job requirements hinders innovation, adoption of new technologies, slow product development and restricted market expansion efforts. This can lead to a costly overreliance on external specialists, lagging implementation of AI and other technologies that can help fill labor shortages, and diminished product ROI.

Can you execute your business strategy without the talent to do so?

Limited responsiveness to market changes, inability to execute strategic initiatives due to staffing constraints, and loss of talent to competitors erode an organization's market position, impacting valuation and shareholder returns.

Conversely, knowing what labor market pressures major industries will be up against creates the opportunity for the entire C-suite to work in concert in taking the best next step for their organization.

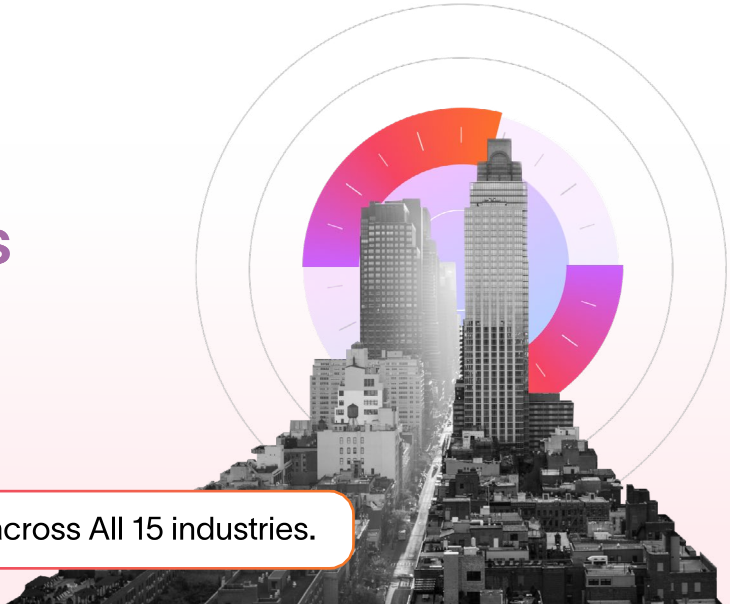
Understanding the impacts of labor supply, demand, unemployment rates, and disruptive skills—mapped within the context of individual industries—sheds light on potential risks facing workforce sectors so business leaders can proactively mitigate them and create a competitive advantage.

Lightcast

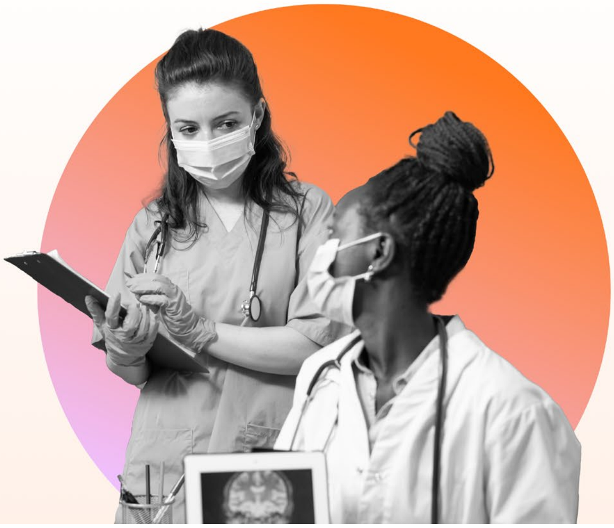
Business Impacts Across Industries

What the labor shortage could mean for key sectors

Explore business impacts across All 15 industries.



HEALTHCARE



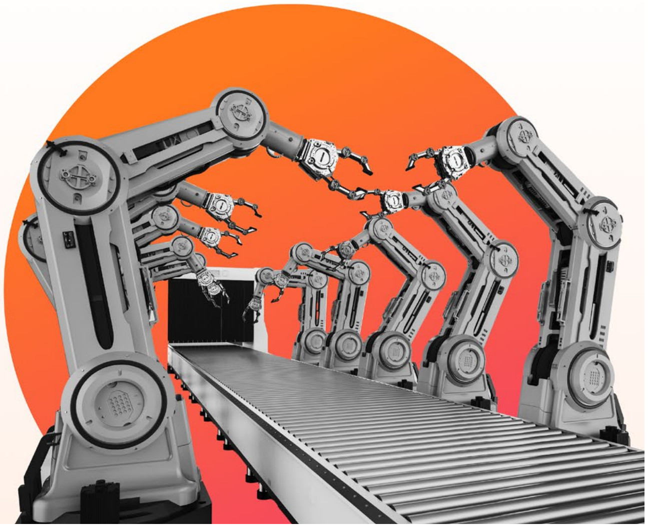
- Hospitals and clinics will have to turn away patients
- Wait times will increase for standard care
- Elder care services (including care homes and home health providers) will be stretched to their limits

CONSTRUCTION

- Developers will prioritize high-profit properties with the best funding
- Small homes and renovations will lose priority
- Construction times will increase
- Supply chain interruptions will cause delays

MANUFACTURING

- Product development, production, and delivery times will increase
- Fewer products will be available to both wholesale and consumer markets
- Companies will process fewer orders

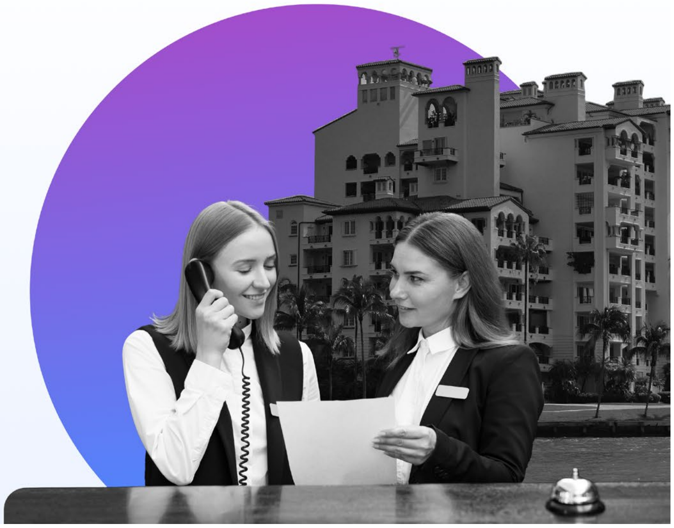


RETAIL

- Fewer in-person staff creates negative customer experiences
- Larger businesses that can pay more will poach staff from small businesses
- Location expansion efforts can slow, stop, or reverse

HOSPITALITY

- Longer wait times and lower service quality creates guest dissatisfaction
- Fewer hotel rooms and dining options will be available, losing sales
- Seasonal spikes will be harder to staff for quickly



Key Findings

01

The Fortune 1000 assessed in The Lightcast Workforce Risk Outlook represents $20.41 trillion in revenue and 35.86 million employees across global markets—**yet no company ranked at zero exposure to labor market risk, and certainly no industry is risk-exempt from talent shortages and skills disruption.** Given the scale of even slight exposure to risk, and the consequential loss of productivity, if companies do not respond to these risks with urgency, this will have a much more severe impact on the global economy than enacting workforce planning as key organization-level strategies now.

02

Conversely, no company or industry ranked as a 5.0—the most severe and likely unsurvivable exposure to labor market pressures—indicating that **there are steps organizations can take to resist headwinds, and even pursue new market opportunities.**

03

However, **time is running out and organizations need to take action now to build a future-ready workforce that can sustain business resilience.** The labor storm is no different than the weather—those who pay attention to the forecast and prepare themselves for impact inevitably fare better than those who do not. In times of upheaval, the big could become smaller, but the small can also become bigger. Companies are no longer just competing against their peers for the same talent, but also competing across industries.

04

The impacts of the labor shortage are already being felt, and will become more severe over the next five years. Lightcast projects that across the 15 industries included in the Workforce Risk Outlook, there will be a total US workforce shortage of **877,362 workers each year, culminating in a shortage of 4.39 million workers by 2030.** Organizations that fail to take action now risk being swept away by the undertow of demographic shifts.

Methodology

Using Lightcast's robust data, we created an outlook of the labor market by industry to demonstrate implications for the future, how businesses need to rethink a talent-centric organizational strategy, and what they can do to remain competitive in their respective industries.

The study evaluates the Fortune 1000 across 15 critical industries to assess the risks that demographic and skills shifts will pose to their ability to operate. Scores are not an indication of anything the companies are doing "right" or "wrong" from an existing organizational planning standpoint, but instead the scores represent a risk analysis of how external labor market pressures unique to each industry will impact organizations' ability to sustain staff and address labor costs.

FINAL SCORES ARE CALCULATED ON A 5.0 SCALE BASED ON THE FOLLOWING DATA:

- 30% Industry Risk
- 30% Market Supply
- 25% Occupation Future
- 15% AI Skills Gap

30%

Industry Risk

WEIGHT OF FINAL GRADE = 30%

Based upon a company's industry, and thereby its operational requirements and constraints, companies can only bridge talent shortages by four options: local workforce development, immigration, globalization, or AI/automation. Industries that are in severe workforce shortages that can only pursue local workforce development and immigration are at the highest risk, whereas industries that are able to pull all four levers face lower risks.

30%

Market Supply

WEIGHT OF FINAL GRADE = 30%

Lightcast assessed the top five markets in which each company operates to track how many prime-age workers are entering these areas versus exiting to project demographic shifts for the next decade. Scores for each market are then averaged. Higher exiting rates of workers present higher risks as the accessible working population in these markets is declining.

25%

Occupation Future

WEIGHT OF FINAL GRADE = 25%

Lightcast examined the top 10 occupations for each company and how many prime-age workers (25-54) are entering these occupations versus exiting to project demographic shifts for the next decade. Scores for each occupational future are then averaged. Higher rates of exits presents higher risks as the workers with the necessary skills for critical operational and strategic roles are approaching retirement.

15%

AI Skills Gap

WEIGHT OF FINAL GRADE = 15%

Within the top 10 occupations for each company, Lightcast examined the job postings and associated skills to uncover how exposed to AI those roles are. Companies that have a lower presence of AI skills are not positioned for these technologies to fill workforce shortages and receive a higher risk score, whereas companies with more exposure to AI are better positioned for bridging shortages with AI and receive a lower risk score.

A Call for Urgent Action

The entire organization, championed by CEOs, CFOs, COOs, and CHROs as a collaborative force, must focus on talent at the center of business strategy.

The time to take action is now, at this inflection point, before the storm hits. And data is the C-suite's flood lamp: the Workforce Risk Outlook gives leaders a view of their industry—the same insights that show organizations labor supply and demand, compensation benchmarking, emerging skills for critical roles, and competitor analysis. These insights not only inform effective workforce decisions, but also expand the viewpoint of strategic business growth, highlighting market shifts and competitive opportunities.

While the labor market storm means clouds will inevitably roll in, there is a silver lining: Organizations can take the next step in talent planning as a business imperative to position themselves more securely in the market, but it's up to CEOs, CFOs, COOs, and CHROs to act and avoid the fateful words, "We wish we would have done more sooner." The Workforce Risk Outlook overwhelmingly shows that the entire market is on the cusp of a seismic shift—one that requires organizational leadership to urgently respond together.

Experience the Lightcast Workforce Risk Outlook for a deeper analysis and understanding around the unique risk scores across 15 industries and the Fortune 1000.

LIGHTCAST.IO/WHY-LIGHTCAST/RISK-OUTLOOK