



The Talent Revolution

Helping Australian companies embrace modern offshoring amid talent shortages and rising costs.

Brought to you by



About the research

Cloudstaff commissioned an independent consumer research agency to survey 523 Australian decision-makers and influencers within businesses with more than 50 employees across each state.

The survey data collection was national, and respondents were sourced using an accredited online research access panel.

Data was weighed for representation against the 2021 Australian census and was conducted online and ran between 7-12 August, 2022.



Who is Cloudstaff



Cloudstaff was established in 2011 by Australian pioneer Lloyd Ernst,

with a vision of using technology to give Western companies the ability to tap into the wide breadth of talent in Asia.

Today, the Australian-headquartered remote staffing platform provides modern workforce solutions to clients across a wide array of industries and roles,

including accounting and finance, back office, creative and marketing, customer service, engineering and drafting, software development, software quality assurance and technical support.



Over the past 10 years, Cloudstaff has been instrumental in democratising access to remote staff,

partnering with SMEs in Australia, and Australian businesses operating globally, to provide the talent and skills they need.



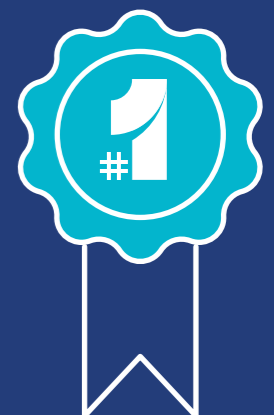
Today, Cloudstaff employs more than 5,000 staff and contractors, and grew by 43% as of March, 2022.



It provides remote staff to clients in 17 countries.

In 2022, the Australian Financial Review recognised Cloudstaff as one of the 100 fastest growing companies in Australia.

And in 2021, Cloudstaff was recognised as one of the Best Companies to Work for in the Philippines at the HR Asia Awards.



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Why we commissioned this survey

Australian businesses have been offshoring services for decades. But modern offshoring companies are making the task of creating remote teams far simpler, enabling businesses to build their dream team for a lot less.

And even though the previously held stigma that offshoring is the preserve of banking and telco call centres have been abandoned, offshoring is often a company secret, for fear of getting a bad reputation.

So, at a time of rising costs and a global skills shortage, we wanted to delve deeper into the perceptions and attitudes of Australian business owners and managers towards offshoring jobs overseas.

We all know there's a problem with Australian businesses struggling to hire the skills they need to grow, but it's time to move the conversation forward.

While there's no single easy solution, not even considering looking globally to source the talent you need makes no sense in this day and age.

The fact is that Australian businesses need to look globally to solve their hiring issues, or face shutting their doors.

“The faceless call centres from decades ago have been replaced with sleek, software and people-led companies like Cloudstaff, who take the headache and cost out of hiring talent in this tight labour market.”

The offshoring debate

For years, there has been a broadly held belief that jobs for Australian companies should be based in Australia, and that it's too difficult to manage overseas staff. It's an outdated belief that is holding companies back from meeting market demand and achieving growth.

It represents a stunning lost opportunity for the continued growth and innovation of the Australian economy.

But as Australian companies grapple with an ongoing talent shortage and more challenging economic conditions, more and more are offshoring roles in a bid to address the crisis.

A growing number of businesses are keen to look for alternative ways to find and hire the staff they need, shedding past concerns that offshoring would be frowned upon by their customers.

More than 30,000 Australian companies already have offshore partners in countries like the Philippines, and around 70% of leading businesses outsource IT support teams for their technology needs, according ¹ to UNSW Business School research.

The fact is that there are many benefits to offshoring, giving businesses the ability to reduce costs, upscale the size of teams quickly, access hard to find skill sets, and reduce employment red tape.

And in a sign that a generational shift is taking place, our research shows that 57% of 18-34-year-old hiring decision-makers would consider offshoring business functions to workers overseas, while only 20% of over 55s would consider it. Overall, 48% of Australian businesses would look to hiring full time staff based overseas.

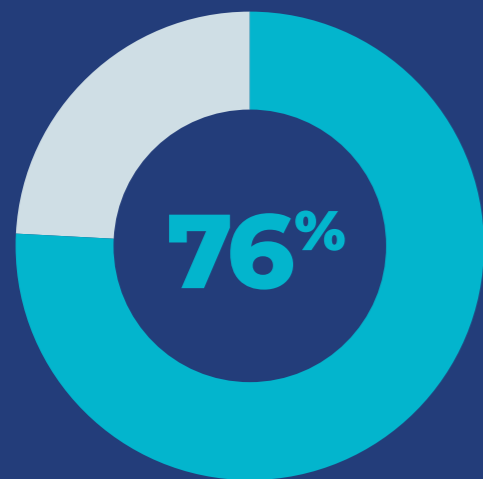
Finding the right provider when seeking an offshore partner is the key. Specifically, this means selecting partners located in a country with similar cultural values and backgrounds, with an above-industry reputation and technologies that are up to the tasks you set, the NSW research found.

“The full-service outsourced model is being replaced by a software and people-first model that puts the employer in the driver’s seat when it comes to building trusted high performance teams.”

¹ <https://www.businessthink.unsw.edu.au/articles/offshore-partner-benefit-customers-outsourcing>

New solutions needed to solve the skills shortage

The nation's talent shortage is at crisis levels. The pandemic and subsequent border closures literally shut the door on talent, sending shockwaves through every industry sector, with the impact to be felt for years to come. According to the Organisation for Economic Co-operation and Development (OECD), Australia is experiencing the second most severe labour shortage in the developed world.²



This is confirmed by our research which reveals that **76% of Australian businesses admit that finding and keeping skilled staff is the single biggest issue facing their business**, with almost half now considering hiring overseas-based talent to address the crisis.

With unemployment sitting at 3.4%, the fact is that when it comes to specialist skills, talent just isn't available for hire in Australia right now.

² Source: Australian Bureau of Statistics - October 2022

Firms find themselves poaching from other businesses since this seems the only route available to them. It is fundamentally a zero-sum game, while the ongoing merry-go-round of employees simply adds to wage inflation.

Current solutions being suggested include:

- ✓ Encouraging more women and older people into the workforce
- ✓ Accelerating junior staff
- ✓ Reskilling existing employees
- ✓ Increasing immigration
- ✓ Ramping up education and training programs

But each of these solutions is slow to implement and relies heavily on government legislation changes around childcare and a change in immigration regulation to actually implement.

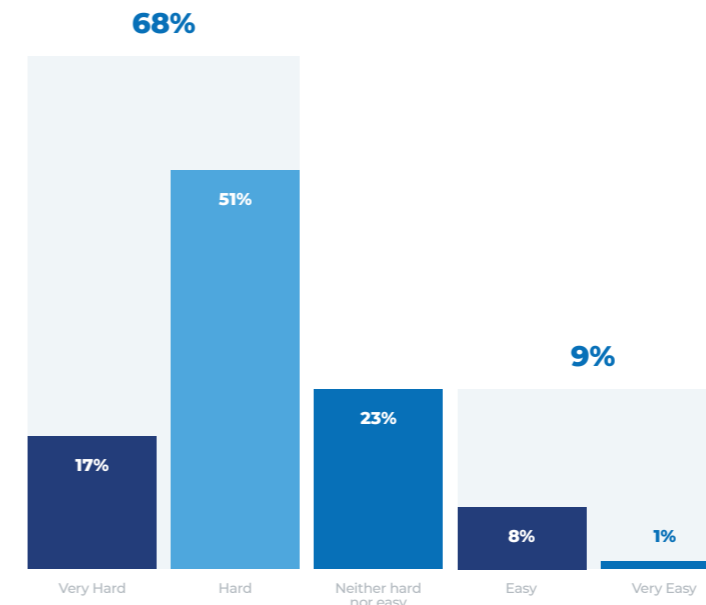
While a growing number of Australian businesses have been thinking outside the box to address the crisis, the shift is limited to some key industry sectors, such as accounting and real estate.

It's time to think laterally and globally about how to revamp business models and deal with the talent crisis in our increasingly digital world.

The solution here is clearly to embrace modern offshoring.

Why this matters

More than two-thirds of Australian businesses have found it harder to hire the right skills in the last two years...

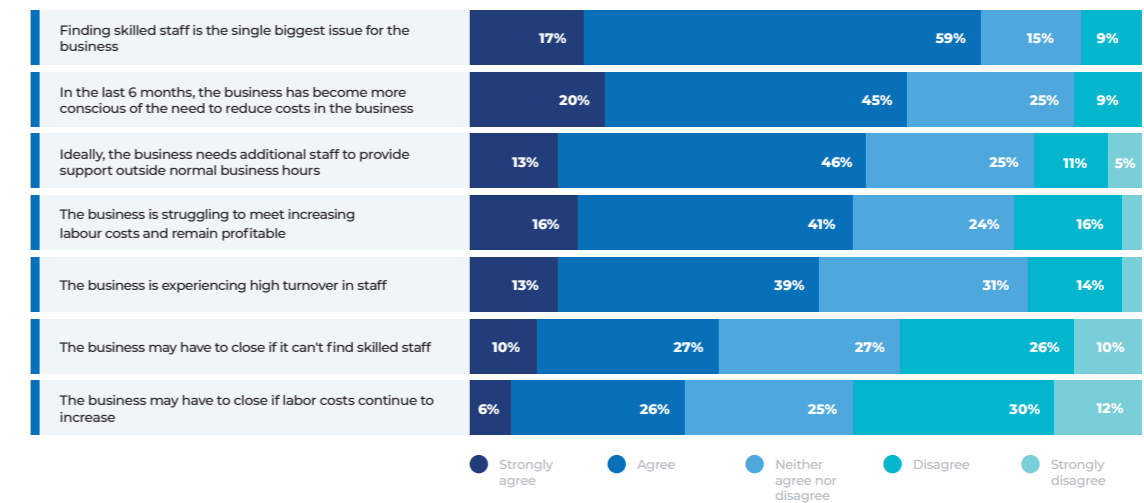


More than two-thirds of Australian businesses have found it harder to hire the right skills in the last two years.

Q1 - Over the past two years, how hard or easy has it been to hire people with the skills your business need to operate effectively.

Fewer than one in ten have found it easier.

...while three-quarters of organisations say that finding skilled staff is the single biggest issue facing their business. At the same time, two-thirds of businesses have become more conscious of the need to cut costs in the last six months.

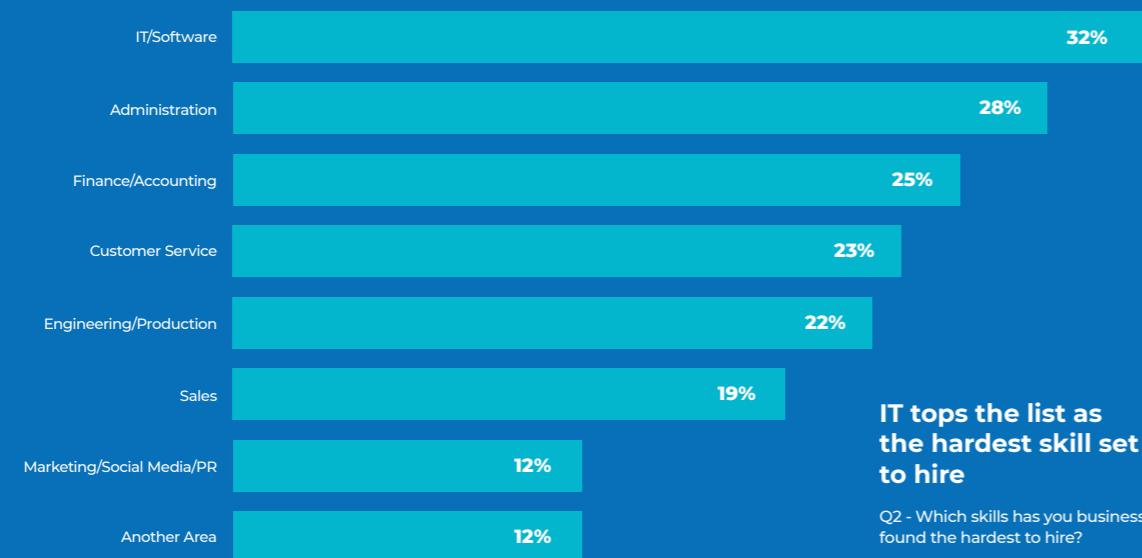


Three-quarters of organisations see finding skilled staff as the single biggest issue facing their business

Q2 - Which skill has your business found the hardest to hire.

Worryingly, the research has revealed the magnitude of the current operating challenges, with 57% admitting that their business is struggling to meet increasing labour costs and remain profitable, 37% agreeing that the business may have to close if they can't find skilled staff, and 32% agreeing that the business may have to close if labour costs continue to increase.

Not surprisingly, IT tops the list as the hardest skillset to hire, with admin and the finance/accounting sector also notable mentions in hiring difficulty.



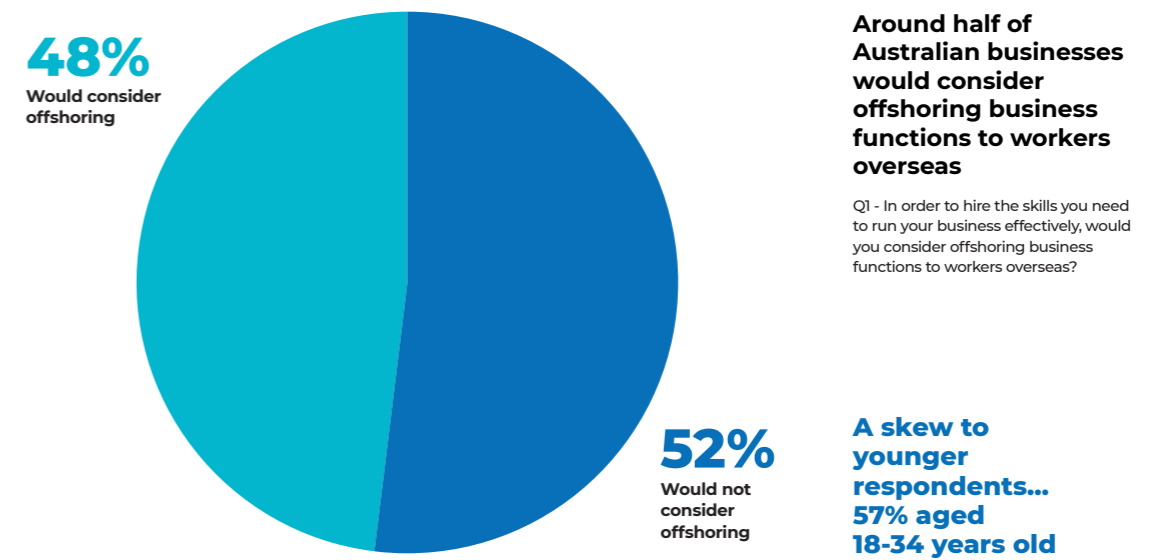
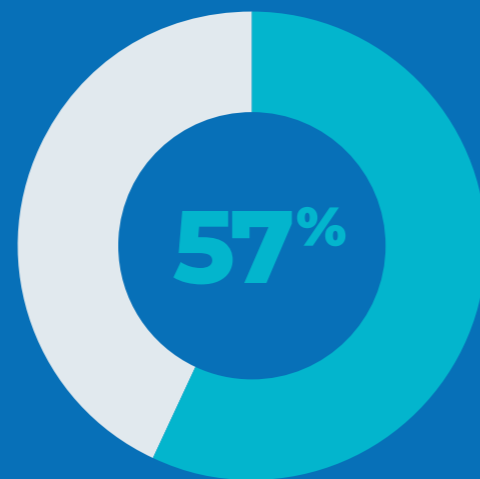
IT tops the list as the hardest skill set to hire

Q2 - Which skills has your business found the hardest to hire?

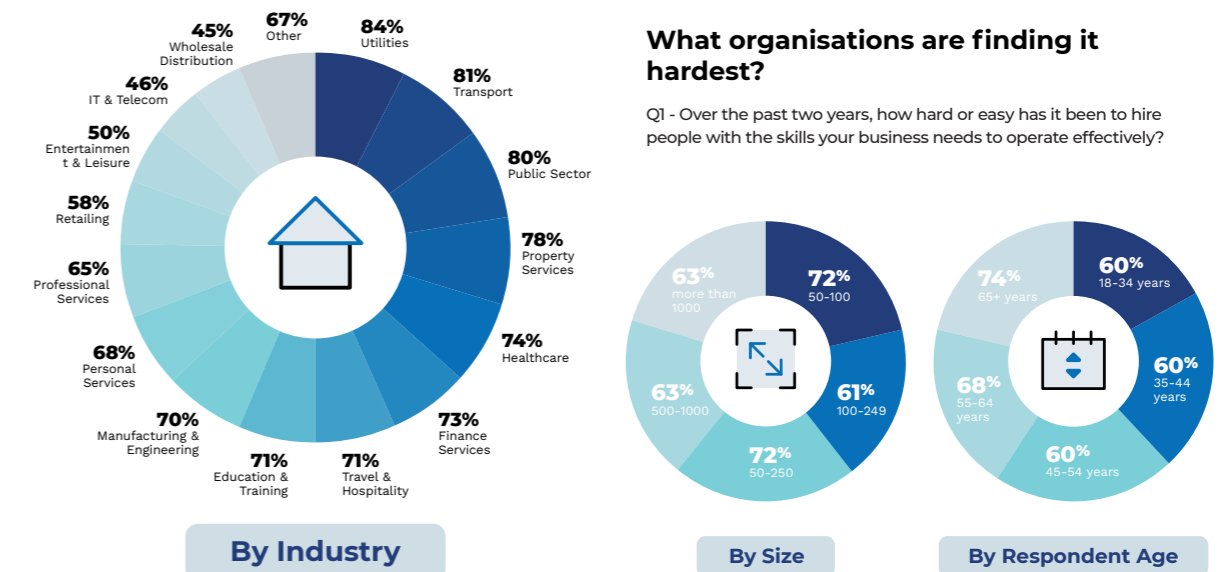
A new generation embraces new solutions

When it comes to finding solutions to the hiring and cost challenges, around half of Australian businesses would consider outsourcing some of their business functions to workers overseas. This is a stunningly high number given the unwillingness of companies to talk about it publicly.

And, there are signs that this number will grow in the future with 57% of Millennial hiring decision makers considering outsourcing compared to only 20% of Baby Boomers.



This generational shift in attitudes already seems to be working for younger hiring decision makers: they are finding it significantly easier to hire staff for their businesses compared to all other age groups.



Reducing cost is the driving factor in considering outsourcing overseas

After more than two years of disrupted work conditions due to Covid, it's clear that businesses are looking for new ways of working that don't necessarily involve the high overheads of a large office space. Reducing the cost of an office was the most important factor in considering offshoring, even more so than labour cost.

Especially important during times of economic turbulence, there was also recognition that businesses could scale up quickly in terms of both staff and infrastructure to take advantage of changing business conditions and opportunities.

Why would they consider offshoring?



48%
Reduce office cost



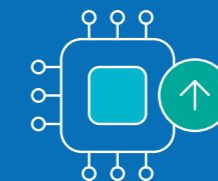
35%
Reduce IT cost/
management



35%
Reduce IT cost/
management



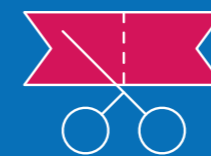
30%
Ability to scale
up size teams
quickly



29%
Ability to upscale
in terms of
technology/
infrastructure



28%
Access skills
that are difficult
to find in
Australia



27%
Reduce HR
burden/
employment
red tape



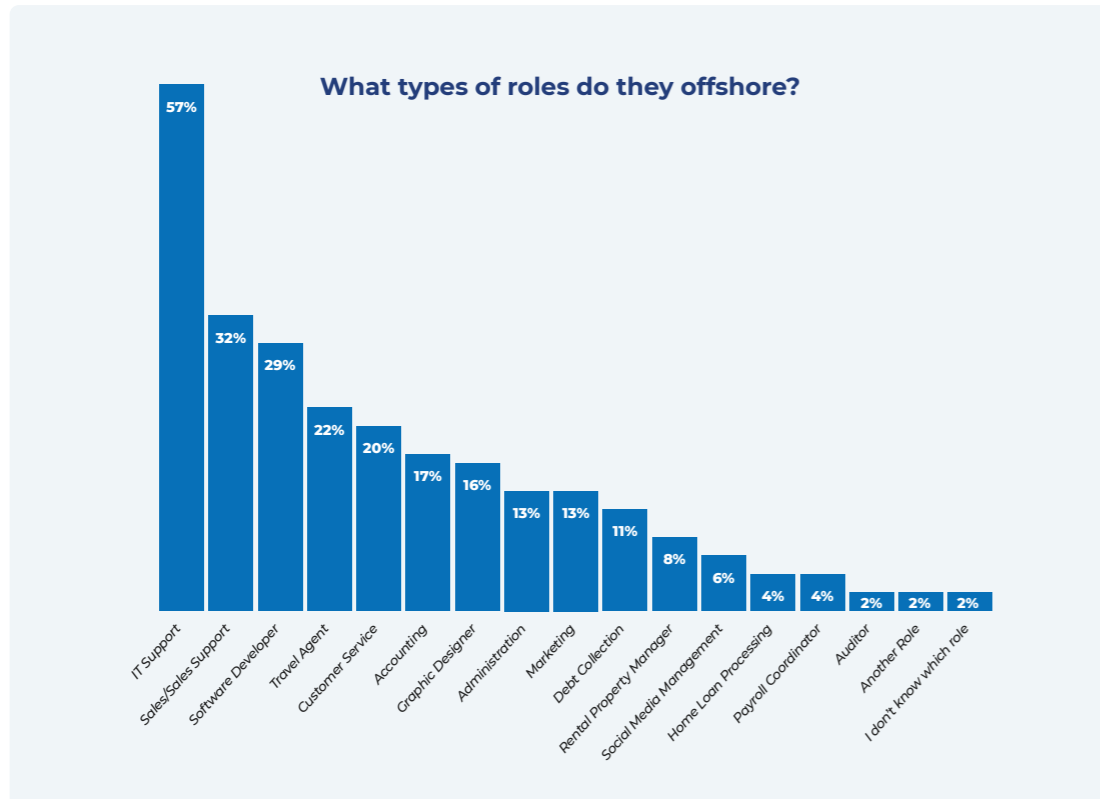
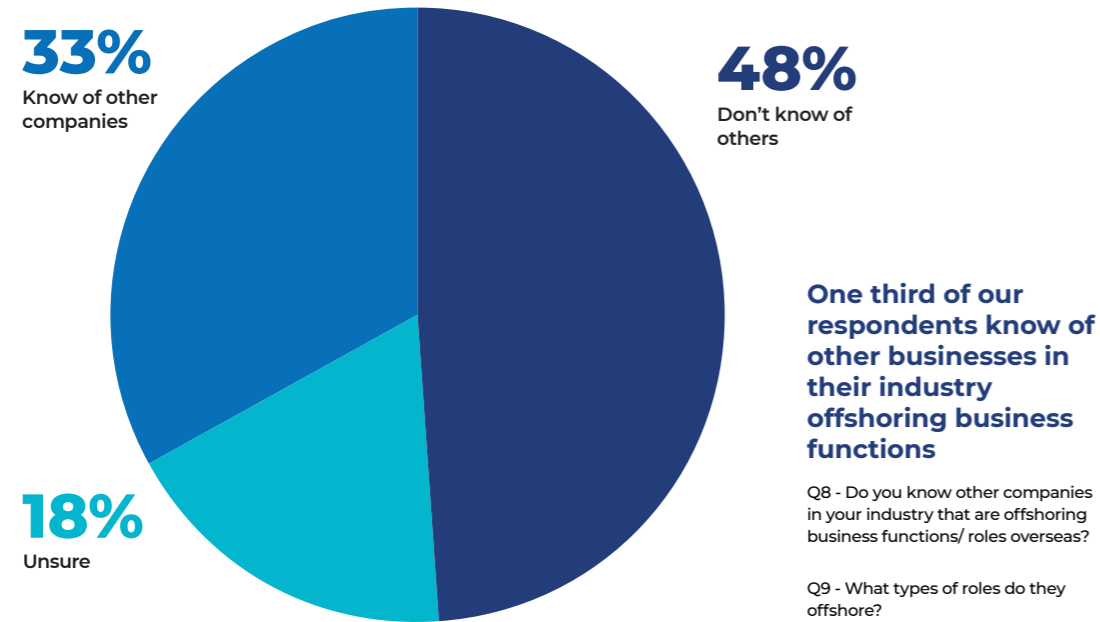
14%
I think it would
reduce staff
turnover in the
business



0%
Another reason

Competitors are already outsourcing overseas

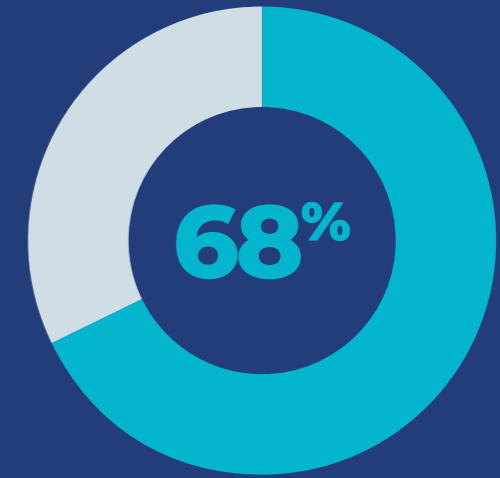
One-third of respondents know of other businesses in their industry who are already offshoring a range of business functions, from IT and sales support, to software developer, travel agent, graphic design, accounting and marketing roles.



But concerns still linger about offshoring...

Reasons against offshoring focus around expectations that jobs for Australian companies should be based in Australia and perceived challenges in managing remote workers.

Cultural challenges were also seen as a major barrier to hiring overseas-based staff, with **68% of respondents believing that overseas workers are unlikely to understand the Australian market and the specifics of particular industries.** There was also concern that managing overseas staff and the infrastructure required for remote employees would be too difficult.



Why wouldn't they consider offshoring?



50%

Jobs for Australian companies should be based in Australia



37%

Too difficult to manage overseas staff



32%

I want my staff to be present at my business address



28%

Overseas workers don't have the specific knowledge needed to work in Australian companies



26%
Time zone issues



26%
I don't think it would be cost effective



25%
My customers might not approve

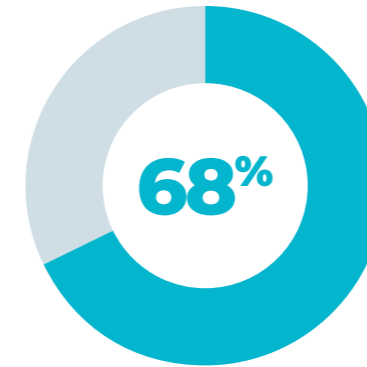


25%
I don't believe overseas workers would deliver the same quality of work as Australian workers

19%
Too difficult to manage the infrastructure required

6%
Another reason

What will my customers think?

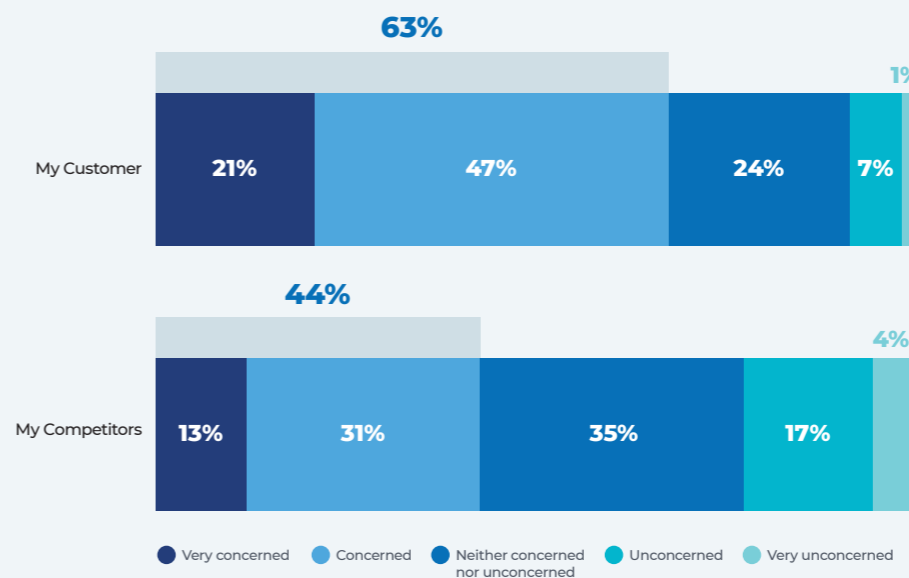


While businesses are keen to look at alternative ways to find and hire the staff they need, the fear of a potential backlash is very real, our research shows that more than two-thirds (**68%**) of Australian businesses would be concerned about client reactions if they were to offshore staff.

There is no getting around the fact that for some people there is still a stigma attached to outsourcing as it's long been associated with exploitative work conditions and poor customer experiences from call centres.

These outdated perceptions don't reflect the reality of modern outsourcing and the broad types of work and the quality of skills available.

More importantly, with unemployment at 3.4%³, its lowest rate in almost 50 years, the fact is that the talent simply isn't available for hire in Australia right now. The ability of Australian companies to hire the specialist skills they need ultimately means that Australian workers and the Australian economy are better positioned to thrive and grow.



Two-thirds of Australian businesses would be concerned about client reactions if they were to offshore staff

Q1 - If you were considering outsourcing staff to another country, how concerned would you be about the reaction of?

Four in ten would be concerned about competitor reactions.

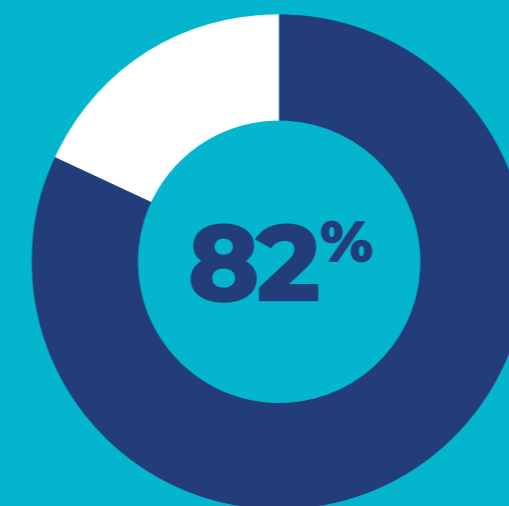
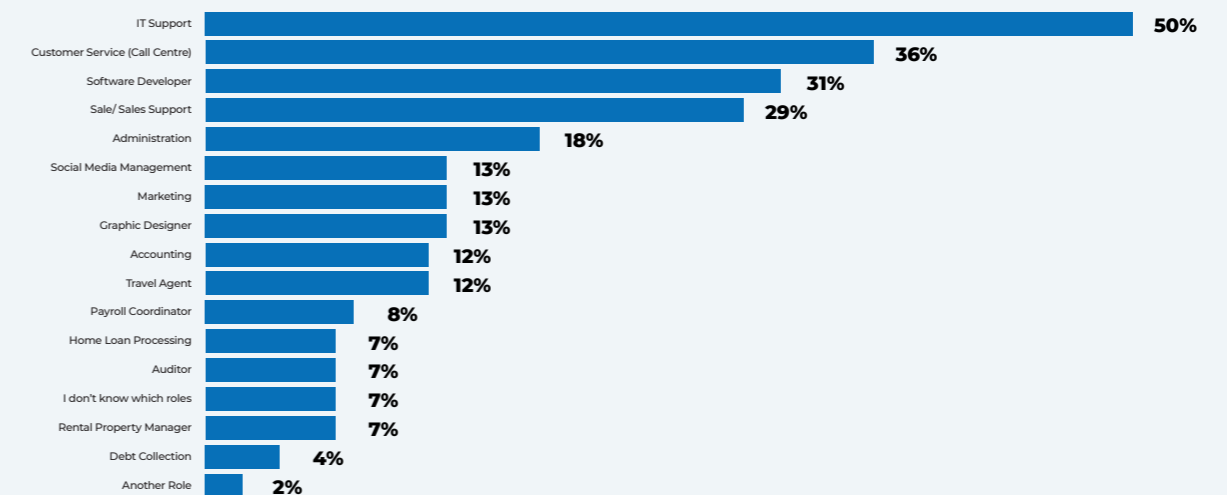
³Source: Australian Bureau of Statistics - October 2022

Many of the concerns highlight the misperceptions and misunderstandings that surround outsourcing.



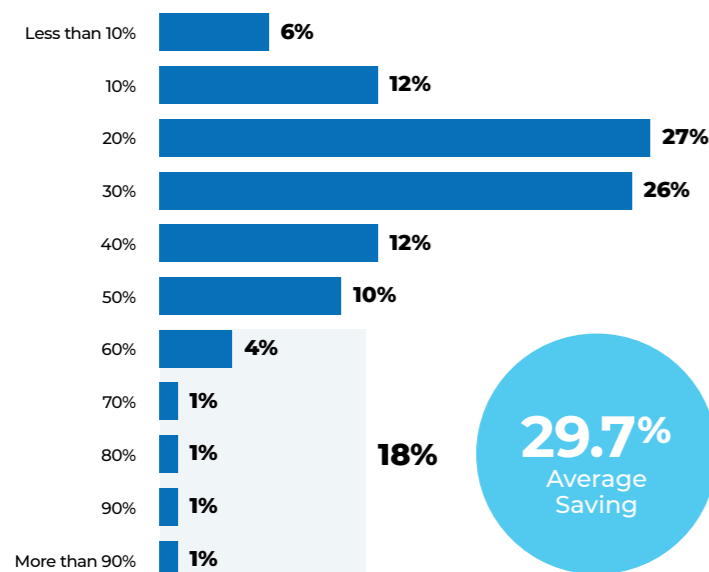
There was a fundamental lack of understanding of the depth and breadth of knowledge worker roles that can be performed by remote teams. IT support and call centre workers were named as the top two roles that people typically think of being outsourced. And yet modern outsourcing solutions are far more likely to focus on accounting, real estate, travel agent, software development and marketing roles.

In fact, of Cloudstaff's 5,000 staff in the Philippines, around 15% fulfil accounting roles and around one-third of Cloudstaff's employees work for Australian real estate companies across a range of roles from property managers, sales and marketing professionals to accountants, bookkeepers and administrative staff.



And while cost was identified as a major driving factor in considering outsourcing, **82% of Australian businesses are unaware of the significant cost saving that can be realised.**

The research showed that Australian businesses believe they can save around 30% on average by offshoring roles. The reality is that they are more likely to save around 50-70%. That cost saving reflects the difference in the cost of living between Australia and the Philippines.



On average, Australian businesses believe they can save around 30% by offshoring roles

Q13 - How much on average do you think businesses can save per role by offshoring?

NB: Average calculated using midpoints; refer to excel for math.

The most common concerns about outsourcing overseas

Many of the barriers to companies considering outsourcing roles are based on misperceptions that managing staff overseas will be too difficult, or that overseas workers won't have the skills or knowledge needed to work in Australian businesses.

Here we bust some of the most common myths and concerns around outsourcing to overseas workers:

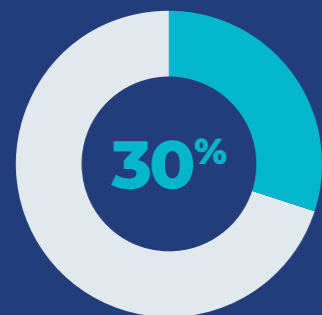
Jobs for Australian companies should be based in Australia	Australia's unemployment rate is at all-time lows of around 3.4%. Combine that with the effects of the pandemic, low immigration rates and a global skills shortage, and Australian companies need to think differently about how they hire the talent they need to grow their business. Here at Cloudstaff, we recognised more than 10 years ago that talent is borderless and that the smartest, most productive companies should be able to access the skills they need when they need them.
Are the cost savings of outsourcing overseas really worth it?	The research showed that Australian businesses believe they can save around 30% on average by offshoring roles. The reality is that they are more likely to save around 50-70%. That cost saving reflects the difference in the cost of living between Australia and the Philippines
Aren't overseas workers just call centres and IT developers?	Overseas workers now perform an incredibly broad range of roles, from digital marketing and rental property managers, to auditors, travel agents, graphic designers, payroll coordinators, home loan processors and social media managers. If the role can be performed remotely, it can easily be outsourced overseas.
Hiring overseas staff will be too difficult and time consuming	Companies such as Cloudstaff are able to recruit trained staff for our clients, from start-ups to household name corporates, in as little as twenty days,

Managing remote staff is hard. <i>Covid has been a worldwide training program for how to manage remote workforces and work with remote colleagues.</i>	The Covid-19 pandemic has led to a permanent change in people's expectations of their workplaces. Managing a remote workforce is now a skill that every company needs to have in order to survive and thrive and Cloudstaff technology makes it easy to manage a remote workforce in the Philippines.
In my industry, employee retention is an issue.	Cloudstaff has exceptionally high retention rates which means that companies aren't needing to go through the hiring process every few months.
I'm concerned that the quality of work won't be as good as Australian workers	Countries such as the Philippines have an abundance of highly educated, highly skilled potential employees. Filipino employees are specifically trained in all aspects of the roles they undertake, whether it's the global travel booking systems used by travel agents, the latest NSW tenancy laws that rental property managers need to understand, or changes in Australian income tax rules applied by accountants.
How do I know my data is secure?	Cloudstaff has leading enterprise grade data security in place. We have N+1 power, connectivity and environmental systems as standard. We supply brand new hardware and we make sure that security integrity is built in as part of the way that our clients operate. For clients that require a higher level of physical security where data is concerned, we operate like a security vault, including CCTV and biometric access, so nothing goes in and nothing goes out.
I'm worried overseas workers will put my customers off	Yes, there is still a stigma attached to outsourcing as it's long been associated with poor customer experiences from call centres. These outdated perceptions don't reflect the reality of modern outsourcing and the broad types of work and the quality of skills available.
Offshoring is exploitative in terms of work conditions and pay	Many people don't realise is that modern offshoring is about offering: <ul style="list-style-type: none"> ✓ Modern, sophisticated work environments that help drive retention and engagement ✓ Competitive pay that reflects the cost of living in the country where the work is being outsourced to <p>One of the major benefits to lower-income countries such as the Philippines is that a vibrant offshoring economy prevents the brain drain of their best and brightest to Western countries.</p>
Only big companies like banks and telcos offshore	These days, offshoring is available to companies of all sizes, small, medium and large. It might be a small company employing an admin assistant or bookkeeper to a medium company employing 50 home loan processors to a larger company hiring 300 software developers. It goes across all company sizes and an incredible range of skilled roles.

Sector Snapshot: Why Accounting Firms Offshore

A growing number of Australian accounting firms are battling the skills shortage by using modern offshoring models, enabling them to save between 25% and 50% on salaries.

More surprisingly, Australian accounting firms have been speaking publicly about their decision to outsource overseas, saying they offshore labour to remove lower value repetitive tasks from client-facing teams in a bid to acquire resources where they just aren't available in the Australian market.



The growth in offshoring has been stunning. Right now in Australia, almost 30% of accounting firms use remote teams overseas. Of these, more than 50% are looking to increase their reliance on remote staffing.

As revealed in recent **media reports**⁴, dozens of accounting firms reveal that they hire labour from the Philippines and India to help service client demands. The firms were responding to a survey by The Australian Financial Review Top 100 Accounting Firms list.

And it's hugely beneficial from a financial perspective, with the accounting firms revealing that they are saving as much as **\$47,000 per employee by using offshore workers** for tasks as varied as audit, accounting, administration and financial planning work, as the talent crunch forces the finance sector to think outside the box.

The decision to embrace modern offshoring has also enabled Australian accounting firms to acquire resources not available in the local market. This makes sense as firms contend with fatigued staff, high turnover and missed deadlines, leading to an overall **decline in work quality**.

Quite simply, **the realisation has hit:** offshoring is a far better solution than simply poaching staff from other Australian firms, which is only driving up salaries and just isn't sustainable longer term.

Demand from accountants has been building for years. An independent Cloudstaff study from 2020 found that almost 30% of accounting practices in Australia outsource. Of these, more than 50% are looking to increase their reliance on outsourcing.

This is fuelling strong demand for Cloudstaff to step in and address the shortage. There has been a substantial increase in new accounting firms using Cloudstaff, as well as existing customers scaling up, with projections indicating that the number of engaged

accounting professionals will more than double in 2023. In fact, around 15% of Cloudstaff's 5,000 staff in the Philippines fulfil accounting roles.

Yet some accounting firms are missing a trick: of the 70% of accounting firms that don't currently outsource, less than 15% are contemplating outsourcing in the future.

Those firms who are planning to increase their reliance tend to be younger firms (less than 10 years old), and can clearly see that **outsourcing can drive business growth**.

For example, an integrated accounting and financial services advisory firm started by hiring four senior auditors via Cloudstaff, and within 18 months, had an offshore team of 45 accounting and finance professionals including auditors, accountants, tax accountants and paraplanners with plans to add accounting managers and bookkeepers.

⁴<https://www.afr.com/companies/professional-services/accounting-firms-look-offshore-to-save-25-50pc-on-salaries-20220913-p5bhra#:~:text=Accounting%20firms%20are%20saving%20as,a%20bid%20to%20retain%20talent.>

Cloudstaff specialises in more than 25 key accounting roles:

Most popular: Accounting Department within a business

- ✓ Financial Analyst
- ✓ Accountant
- ✓ Bookkeeper
- ✓ Accounts Payable Accountant
- ✓ Purchasing Specialist
- ✓ Accounts Receivable Accountant
- ✓ Collections Officer

Accounting Firm:

- ✓ Senior Accountants
- ✓ Bookkeepers
- ✓ Senior Tax Accountants
- ✓ Junior Tax Accountants
- ✓ Senior Auditors
- ✓ Junior Auditors
- ✓ Paraplanners
- ✓ Financial Analysts



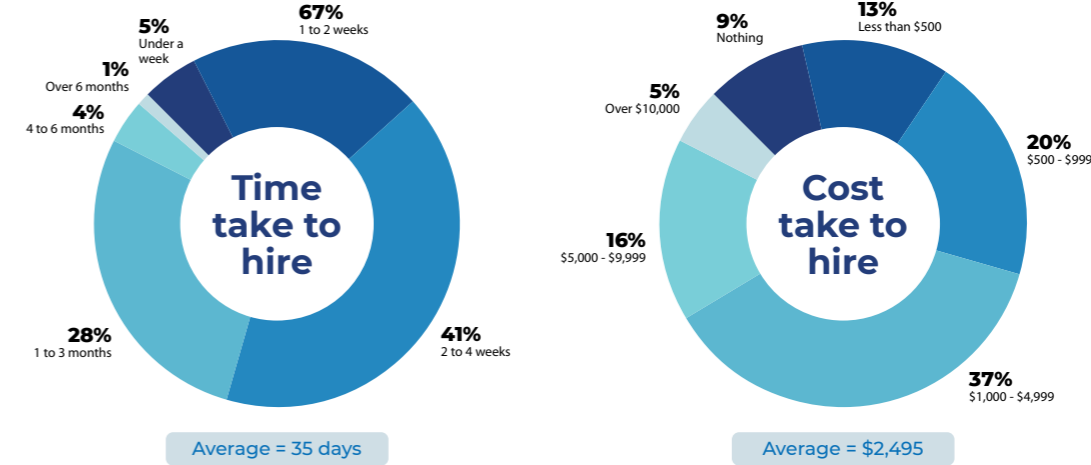
Why band aid solutions to the labour shortage are a false economy

The Great Resignation, the global skills gap and unrelenting labour shortages mean that businesses are spending an inordinate amount of time thinking about employees - how to find them, how to hire them, and how to hold onto them.

And we know that it's not easy hiring new talent. Our research shows that on average, it takes more than a month to recruit a new employee, and the process costs \$2,495 per new team member.

On average, it takes around a month to recruit a new employee

Q14 - Thinking about the last time you hired a new employee, how long did the recruitment process take (the total time from deciding to hire to having the successful applicant join the business)?
 Q15 - What was the cost of the recruitment process (advertising recruitment agency fees etc.)?



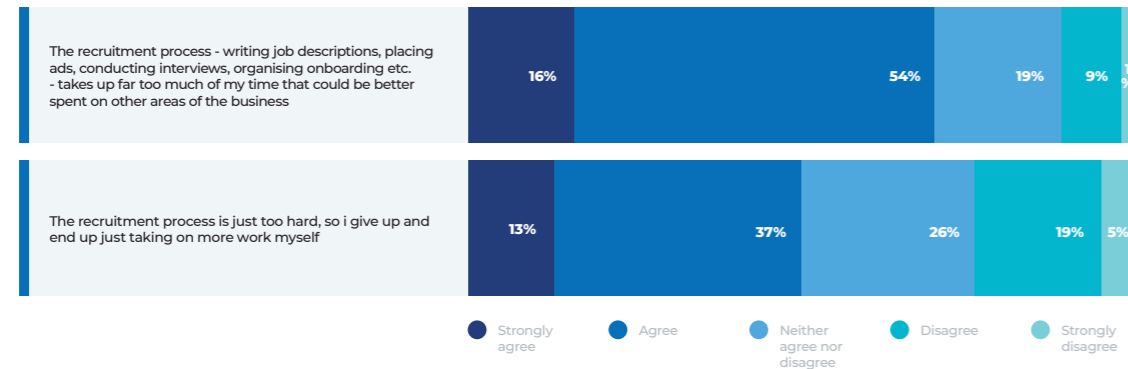
Costs average \$2,500, with 21% spending more than \$5,000

Seven out of ten managers agree that the recruitment process – writing job descriptions, placing ads, conducting interviews, organizing onboarding and training – takes up far too much of their time that could be spent on other areas of the business.

In fact, the time consuming nature of recruitment has got to the point where 50% of managers have given up, saying the recruitment process is so hard that it's easier to simply take on the extra work themselves.

70% of managers agree that the recruitment process takes up far too much of their time

Q16 - The recruitment process: writing job descriptions, placing ads, conducting interviews, organising onboarding, etc.



Half agree that they give up and instead take on more work themselves.

However, a focus on short term solutions can have devastating longer term consequences for business owners, their employees and the viability of the business overall.

- At a personal level, taking on additional work can quickly lead to mental and physical burnout.
- Companies where employees are chronically overworked experience higher levels of turnover, exacerbating the labour shortage issue.
- Business owners and managers who are forced to focus solely on day to day issues don't have the bandwidth to deal with issues as they arise. And they don't have the time to think about or plan for the future of their business.

The right staffing solution allows businesses to focus on the bigger picture.

We asked those surveyed what they could do if they could free up their time from repetitive tasks:

- 40% think about how the business could innovate
- 36% improve cost efficiencies
- 34% target new customer segments
- 34% strategic planning

This is a stunning lost opportunity for the continued growth and innovation of Australian businesses and the overall economy.

While the initial motivation for employing remote staff is often cost savings, the actual outcome is that freeing up onshore staff to focus on what they're good at ends up being a huge driver of growth within the business.

Cloudstaff clients reveal that as individual productivity and satisfaction increases, **their businesses are growing faster than their competitors.** They are accessing skills simply not available in Australia.

“Any industry that could potentially manage their team remotely and are not doing so is potentially missing out on lowering their overheads and reducing the risk of burnout by offshoring.”

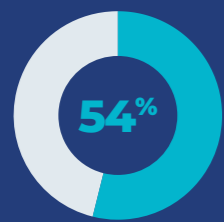


The right staff with the right skills

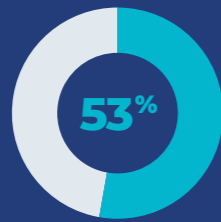
It's not just hiring staff that is keeping managers awake at night. It's also about how to retain and train them.

In the recent RMIT Online Salary Trap Report the chronic skills shortage in Australia had led to 40% of the respondents employing candidates that they believed didn't have the skills or experience necessary for the role they had been hired for. The report also found that one-third of managers who moved jobs in the last 12 months didn't feel they had adequate skills, to the point where it might prevent them from being able to continue performing their job.

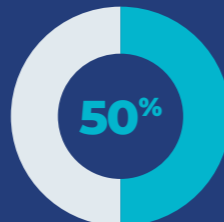
Cloudstaff's research highlights the difficulty of ensuring that staff have the skills they need to perform their roles with:



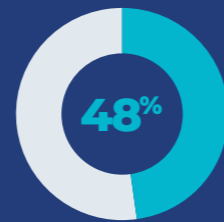
54% saying that their business struggles to keep up with the training requirements of their staff



53% were struggling to keep on top of changing industry standards



50% felt that it was expensive to keep up to date with training

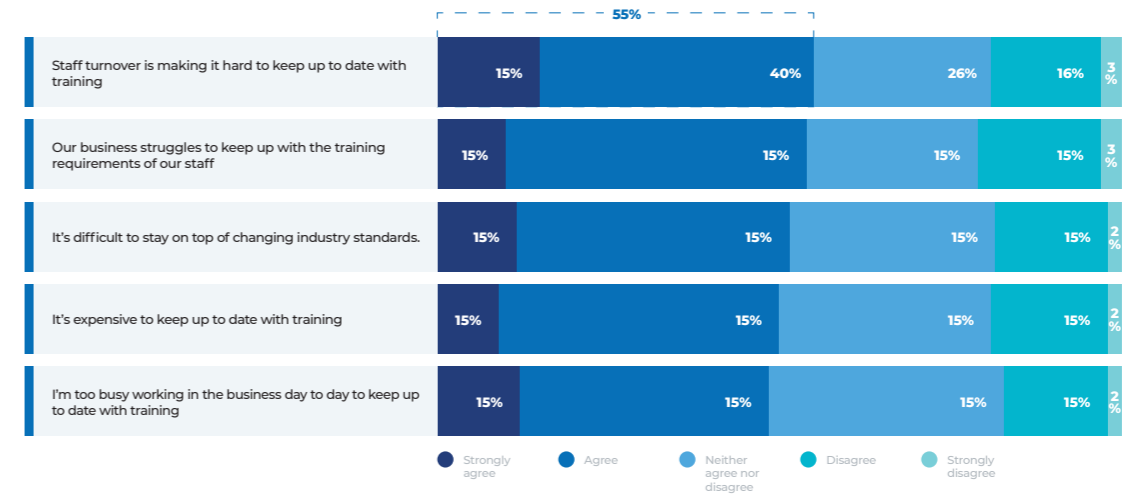


48% were too busy working in the business day to day to worry about their staff training needs



More than half of our respondents feel that staff churn makes it hard to keep training up to date

Q17 - Think about the training requirements of your staff. How much do you agree or disagree with the following statements



Around half agree that it's hard to keep up with training requirements for their staff.

It's one reason that Cloudstaff launched Cloudstaff Academy, its bespoke training centre that ensures all staff are specifically trained in all aspects of the roles they undertake.

The training may cover: the global travel booking systems used by travel agents, the latest NSW tenancy laws that rental property managers need to understand, or changes in Australian income tax rules applied by accountants. It means Cloudstaffers are industry-ready and able to start contributing from day one.

There is a Talent Revolution and it's time to get on board

A growing number of Australian companies are offshoring key roles overseas, and yet it's not often talked about publicly.

That's why we commissioned this research to delve deeper into the practice of offshoring and shed light on the changing attitudes of Australian businesses. The research shows that businesses are keen to look for alternative ways to find and hire the staff they need but that perceptions about offshoring haven't caught up with the reality of today.

So we think it's time to move the conversation forward. Because at a time of rising costs and a global skills shortage, Australian companies need to **get more creative about how to unlock talent**. And while there's no single easy solution, not even considering looking globally to source talent makes no sense in this day and age.

A third of companies surveyed know of other companies in their industry who are already offshoring, but hold onto outdated perceptions that offshoring is for banks and telcos, which doesn't reflect the reality of the broad types of work, and the quality of skills available to Australian companies.

Millennial managers are three times more likely to consider offshoring than Baby Boomers. We think it's a sign of a **generational shift to a more global point of view** and a more pragmatic approach to hiring. It's time to think beyond your local economy and to look to the new global workforce for the talent you need to drive your business forward.

So here at Cloudstaff we're calling for an end to the secrecy and stigma around offshoring. Many Australian businesses have a blind spot when it comes to considering all their options to solve the twin challenges of finding skilled labour and managing their cost base in a time of rising inflation. To put it bluntly, Australian businesses need to look globally to solve their hiring issues in a cost-effective manner, or face the prospect of having to close their doors.

“It's time to accept that the solution is staring them right in the face: modern, software and people-first offshoring. It's time to join the Talent Revolution!”





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