

# The future of work: Reskilling and remote working to recover in the 'next normal'

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# The future of work: Reskilling and remote working to recover in the 'next normal'

Organizations need to invest in effective long-term remote-working foundations, revamp their upskilling and retraining approaches, and adopt an agile approach to strategic workforce planning.

By Raphael Bick, Eric Hazan, Hamza Khan, Sébastien Lacroix, Hugo Sarrazin, and Tom Welchman

The COVID-19 crisis has forced many companies to rethink their business models at breakneck speed. While remote working was already gaining currency before the crisis, the pandemic and the step-change in use of videoconferencing globally has shown that remote working, where possible, is here to stay.

Similarly, even before the current crisis, new technologies and new ways of working were disrupting jobs and the skills employees need to do them. In 2017, the McKinsey Global Institute estimated that 60 percent of occupations had at least 30 percent of constituent work activities that could be automated by 2030—meaning that as many as 375 million workers globally would have to switch occupations or acquire new skills by 2030. Many industries were already feeling an acute skills mismatch.<sup>1</sup> And with the onslaught of the pandemic, as workers across industries figure out how to adapt to rapidly changing conditions, companies have to learn how to match those workers to new roles and activities.

Already, at a time when many companies are having to furlough/lay off employees, we see many others ramping up recruiting, urgently looking for workers to meet rising demand for certain products and services. For example, in the UK, the supermarket chain Tesco recruited more than 35,000 extra people in ten days in March to meet demand for more staff in store and online.<sup>2</sup>

Meanwhile in the US, retail pharmacy chain CVS plans to ramp up hiring to fill 50,000 positions and is looking to hire employees who were furloughed or laid off by some of its clients.<sup>3</sup> In other industries, companies are specifically looking for professionals who can work from home. For example, Transcom, headquartered in Sweden, operates 55 global contact centers but its North American team members all work entirely from home.<sup>4</sup>

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<sup>1</sup> *Jobs lost, jobs gained: workforce transitions in a time of automation*, McKinsey Global Institute, December 2017, McKinsey.com.

<sup>2</sup> "Coronavirus jobs: The UK companies and sectors urgently looking for workers, from farms to supermarkets," [inews.co.uk](https://www.inews.co.uk).

<sup>3</sup> "These companies are hiring thousands of new employees during the coronavirus pandemic," [edition.cnn.com](https://edition.cnn.com).

<sup>4</sup> "Transcom - Find Remote Work From Home or Flexible Jobs," [Flexjobs, flexjobs.com](https://flexjobs.com).

# Businesses have had to quickly embrace remote working in the crisis context – Companies that systematically address the resulting challenges can turn remote working into a competitive advantage

Advances in technologies such as cloud computing and online collaboration tools have enabled remote working in many jobs that once required in-person interactions. Until recently, however, only a few companies—mainly in the technology sector—had fully embraced remote working.

The tragic context of the COVID-19 pandemic has accelerated this shift as many companies around the globe are instructing staff to continue working from home and are racing to develop their remote-working capabilities.

China, which felt the first impact of the pandemic, was an early mover in this space. Working from home sky-rocketed and by February 2020, around 200 million people across China were

working remotely.<sup>5</sup> A survey conducted in China in March 2020 showed that, on average, more than 60 percent of work communication took place online during the coronavirus pandemic.<sup>6</sup> In addition, many Chinese companies rapidly adopted local productivity solutions such as Alibaba's DingTalk or WeChat Work. As COVID-19 spread, monthly active users of DingTalk jumped by 66 percent to more than 125 million.<sup>7</sup>

That said, embracing remote working poses serious early-stage challenges for organizations, across the operating-model dimensions of **people, structure, process, and technology** and leaders have an essential role to play in developing solutions to tackle these challenges in the short term (Exhibit 1).<sup>8</sup>

# 60%

of occupations have at least 30 percent of constituent work activities that could be automated by 2030, globally<sup>9</sup>

<sup>5</sup> "Spring Festival rework day: 200 million people work from home," China News, chinanews.com.


<sup>6</sup> McKinsey & Company analysis, Survey on Centered Leadership and Agile Work in Coronavirus Epidemic in China conducted on March 12-18, 2020.

<sup>7</sup> *A blueprint for remote working: Lessons from China*, McKinsey & Company, March 2020, McKinsey.com.

<sup>8</sup> For more details on how to successfully embrace the shift to remote working, please see: [A blueprint for remote working: Lessons from China](#), McKinsey & Company, March 2020, McKinsey.com.

<sup>9</sup> *Jobs lost, jobs gained: workforce transitions in a time of automation*, McKinsey Global Institute, December 2017.

## Leaders have an essential role to play in developing solutions to tackle remote working challenges.

	Remote working and confinement challenges	Key solutions
<div data-bbox="165 360 427 750"> <p><b>People</b></p>  </div>	<ul style="list-style-type: none"> <li>• Feeling of <b>isolation</b>; barriers to building rapport and community</li> <li>• Lack of impromptu interactions, <b>decreased team cohesion</b></li> <li>• <b>Pressure to balance personal and professional life</b>, e.g., caring for home-schooled children</li> <li>• <b>Demoralization</b> due to less daily direction and <b>misunderstandings</b></li> </ul>	<ul style="list-style-type: none"> <li>• Instill an <b>inclusive</b>, caring culture and <b>increase social interactions</b> within the team</li> <li>• Allow for <b>flexibility</b>, including childcare</li> <li>• Use <b>one-on-one catchups</b> to guard against demoralization</li> <li>• Set <b>clear direction</b>; lead rather than micromanage</li> <li>• Adopt a <b>'test and learn' mindset</b> with mechanisms to <b>share ideas</b></li> </ul>
<div data-bbox="165 777 427 1126"> <p><b>Structure</b></p>  </div>	<ul style="list-style-type: none"> <li>• Amplification in the <b>lack of clarity</b></li> <li>• <b>Difficulty in navigating</b> organization</li> <li>• <b>Inefficiencies in decision making</b></li> <li>• <b>Disturbed</b> office-based <b>flows and rhythms</b></li> </ul>	<ul style="list-style-type: none"> <li>• Set <b>clear objectives and KPIs</b></li> <li>• Establish a <b>structure for decision making</b></li> <li>• Define a <b>new routine</b> and new norms</li> </ul>
<div data-bbox="165 1153 427 1503"> <p><b>Process</b></p>  </div>	<ul style="list-style-type: none"> <li>• <b>Unaligned priorities</b></li> <li>• <b>Inefficient</b> use of digital communication tools</li> <li>• Challenges in <b>ownership of content and progress</b></li> </ul>	<ul style="list-style-type: none"> <li>• Use the <b>correct digital channel</b> for each interaction e.g., video conferencing for discussing complicated topics in real-time; chat-based software for quick catchups</li> <li>• Create a <b>widely accessible 'single source of truth'</b>, aligning priorities and owners, sharing regular updates and establishing a shared folder structure</li> </ul>
<div data-bbox="165 1529 427 1951"> <p><b>Technology</b></p>  </div>	<ul style="list-style-type: none"> <li>• Limited access to co-creation and process management tools</li> <li>• <b>Increased security risks</b> using digital communication channels</li> <li>• <b>Unfamiliar tools</b> employees may not be trained to use (in terms of technology and security requirements)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Start with the basics</b> of fast, stable and secure internet connection</li> <li>• <b>Expand access to virtual private networks (VPNs)</b> to enable employees to access systems remotely</li> <li>• <b>Use Software as a Service (SaaS) technology tools</b> for effective teams collaboration</li> <li>• <b>Take security seriously</b>: work with Infosec and legal teams to make sure using tools that comply with security requirements</li> <li>• Ensure <b>everyone</b> in the organization <b>is trained in safe practices</b></li> </ul>

Source: McKinsey analysis, April 2020

Ping An successfully embraced the shift to remote working in the first phase of the crisis by establishing smaller cross-functional teams—with clear objectives and a common purpose to keep everyone on the same strategic course. The company also took its security seriously and established a confidentiality culture, mandated awareness training, and limited data access to a need-to-know basis.

In the postcrisis future, many organizations will continue to leverage telecommuting. Recently, IBM highlighted that 54% of Americans surveyed want to continue to work remotely.<sup>10</sup> In a world shaped by global competition, emerging skill shortages, and changing demographics, remote working could be a key enabler for companies to more effectively deploy their workforce. Virtual approaches to work can also be a competitive advantage to attract a wide array of employees, including working mothers, professionals who want more flexible lifestyles, as well as broader international talent.

## The current crisis is accelerating the need to reskill workforces at scale—Beyond just for the “distance economy”

Even before the current crisis, AI, automation, and other technologies were already creating major shifts in required workforce skills. In 2017, our scenarios suggested that by 2030, up to 375 million workers (14 percent of the global workforce) would have to switch occupational categories.<sup>11</sup>

However, new jobs will be created that could more than offset displacement of workers by 2030. But these new jobs will require specialized skills. Demand is expected to grow for new technological skills as well as for social and emotional ones, while demand will decline for activities that require mainly physical, manual, and basic cognitive skills.<sup>12</sup>

Our recent findings show that although 87 percent of executives said they were experiencing skill gaps in the workforce or expected them within a few years, only 28 percent said their organizations were making effective decisions on how to close that gap (Exhibit 2).<sup>13</sup>

Before the pandemic crisis, some major organizations had started launching ambitious upskilling and reskilling efforts to prepare for the

future of work. For example, Amazon pledged \$700 million to retrain 100,000 employees for higher-skilled jobs in technology; JPMorgan Chase made a five-year, \$350 million commitment to develop technical skills in high demand; and Walmart has already invested more than \$2 billion in wages and training programs.<sup>14</sup>

The coronavirus crisis has made the need to address skills gaps even more urgent. While near-term upskilling efforts may need to focus on enabling effective remote working, longer-term reskilling efforts will need to be more holistic—and address issues across strategy, skills, and social responsibility.

Let's start with **strategy**. Leaders must set their strategic vision and determine if they can use new technologies to gain a competitive advantage. The divergence of local economies will affect patterns of consumer purchasing power and labor costs—companies may need to adjust their offerings and geographic footprint in response.

<sup>10</sup> IBM press release, IBM Study: COVID-19 Is Significantly Altering U.S. Consumer Behavior and Plans Post-Crisis, May 2020, [newsroom.ibm.com](https://newsroom.ibm.com)

<sup>11</sup> *Jobs lost, jobs gained: workforce transitions in a time of automation*, op. cit.

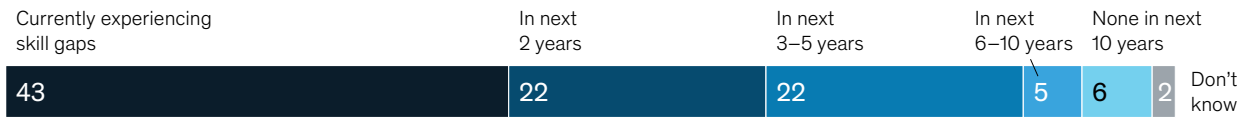
<sup>12</sup> *The future of work in America: People and places, today and tomorrow*, McKinsey Global Institute, July 2019, [McKinsey.com](https://www.mckinsey.com).

<sup>13</sup> For full details on the recent McKinsey Global Survey on future workforce needs, please see *Beyond hiring: How companies are reskilling to address talent gaps*, McKinsey & Company, February 2020, [McKinsey.com](https://www.mckinsey.com).

<sup>14</sup> *Getting practical about the future of work*, McKinsey Quarterly, January 2020, [McKinsey.com](https://www.mckinsey.com).

## Respondents expect to see skill gaps as market and technology trends alter organizations' talent needs.

When skill gaps are expected to occur within organizations, percent of respondents<sup>1</sup>



Share of organizations' current roles at risk of being disrupted by market or technology trends in next 5 years, percent of respondents<sup>1</sup>



1. Figures may not sum to 100%, because of rounding; n = 1,216

Source: Beyond hiring: How companies are reskilling to address talent gaps, McKinsey & Company, February 2020

Turning to **skills**, our research indicates that 82 percent of global executives at companies with more than \$100 million in annual revenues expected that upskilling and reskilling current employees would be at least half of the answer to addressing their skills gap.<sup>15</sup> To do this, organizations need to assess current workforce skills, determine their future needs, and create a road map to bridge the gaps.

To acquire scarce talent, particularly well-educated and digitally fluent professionals, companies also need to develop creative ways of identifying unconventional candidates. This could include simply opting to make an acquisition to gain capabilities overnight or engage temporary contractors on a project basis.

With the pandemic crisis, many companies had to stop part of their activities (e.g., closing factories or cinemas) and had a large number of employees to redeploy into other roles. For instance, Majid Al Futtaim, a major shopping mall and leisure player, has reskilled and redeployed more than one thousand employees from its leisure businesses to temporarily assist the company's Carrefour business with online order fulfillment, food packing, and stock replenishment.<sup>16</sup>

Companies also started to leverage digital talent marketplace platforms to bridge the supply-demand mismatch. For example, in the US and in Canada, in response to COVID-19 crisis, Eightfold.ai partnered with the Food Industry Association FMI to launch the [Eightfold Talent Exchange](#). This platform rapidly matches recently furloughed or laid off employees with open jobs.<sup>17</sup>

Last but not least is the imperative of **social responsibility**. Organizations will need to consider the impact of their decisions on the communities in which they operate. Additionally, companies will have a role to play in collaborating with educational institutions to ensure that new graduates have the skills required for high-growth occupations.

In the context of the COVID-19 crisis, many companies are already responding by announcing measures, such as pay cuts for leading executives or revised dividends, as a gesture of solidarity with their employees. Others are contributing to the global effort to fight the virus either through donations or innovative solutions to help where they can. For instance, a leading automotive player donated its protective equipment, normally used in manufacturing, to frontline healthcare workers and loaned them vehicles to get to work in this difficult time.<sup>18</sup>

<sup>15</sup> *Retraining and reskilling workers in the age of automation*, McKinsey Global Institute, January 2018, McKinsey.com; *Beyond hiring: How companies are reskilling to address talent gaps*, op.cit.

<sup>16</sup> Majid Al Futtaim press release, "Majid Al Futtaim Reskilled and Redeploys More Than 1,000 Employees," March 2020, majidalfuttaim.com.

<sup>17</sup> FMI press release, "Eightfold.ai Creates Talent Exchange with FMI to Immediately Match Recently Furloughed or Laid Off Employees with Critical Open Jobs," April 2020, fmi.org.

<sup>18</sup> Press searches, April 2020.

# Companies that build the muscle to continuously and rapidly adapt their models and workforces to changes will be able to compete better in the “next normal”

As operating models evolve quickly to accommodate a rapidly changing environment, the key is adopting an agile, iterative approach to strategic workforce planning. For example, when an international bank realized that its regular face-to-face sales model faced disruption, it concluded that virtual selling could become a competitive advantage if done well. The bank immediately began a tailored upskilling journey for its sales reps to deepen their core sales skills while improving their virtual ways of working.

Our recent research showed that smaller organizations are often more successful at reskilling their workforces—partially driven by the fact that they can and do follow agile principles. In addition, most companies that had launched reskilling programs felt more ready to address skills gaps caused by future disruptions. Interestingly, even organizations that viewed their reskilling programs as unsuccessful felt better prepared to take on future skills gaps. The act of testing and iterating in itself builds resilience—and is thus preferable to waiting.<sup>19</sup>

**With the accelerating adoption of AI and automation, and the rise in new ways of working, reskilling was already a priority for many organizations. The crisis has accelerated the trend as businesses have to quickly embrace remote working. It is more important than ever before to undertake reskilling at scale. And to maintain resilience for the future, organizations would also benefit from adopting an agile approach to strategic workforce planning.**

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[China](#), McKinsey & Company, March 2020; [Jobs lost, jobs gained: workforce transitions in a time of automation](#), McKinsey Global Institute, December 2017; [The future of work in America: People and places, today and tomorrow](#), McKinsey Global Institute, July 2019; [Beyond hiring: How companies are reskilling to address talent gaps](#), McKinsey & Company, February 2020; [Getting practical about the future of work](#), McKinsey Quarterly, January 2020.

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<sup>19</sup> *To emerge stronger from the COVID-19 crisis, companies should start reskilling their workforces now*, McKinsey & Company, May 2020, McKinsey.com.



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