

People & Organizational Performance Practice

The shape of talent in 2023 and 2024

If 2023 was the year of the manager and the launchpad for generative AI, what will 2024 bring for talent leaders?



As the impetus of New Year's resolutions starts to fade, the year's real work begins. What can the dizzying pace of change in 2023 teach us about what's next? In this episode of *McKinsey Talks Talent*, join McKinsey partners Bryan Hancock and Brooke Weddle, in conversation with global editorial director Lucia Rahilly, as they speak about the trends that shaped last year's talent landscape—and those poised to redefine its contours yet again in 2024.

This conversation has been edited for clarity and length.

Lucia Rahilly: We sailed into 2023 on the rapids of generative AI and the choppy white water of an uncertain economy, and with a range of dynamics affecting the talent landscape. Reflecting on the close of another year, what would you call out in particular? Brooke, let's start with generative AI, the shiny new thing this year.

Brooke Weddle: The interesting thing about generative AI is that the topics have been across the C-suite. And everyone has an interest, because the use cases span so many domains.

From a talent perspective, we're seeing two things happening. The HR function is figuring out which use cases are most relevant to them. And chief human resources officers are already making some strides: use cases about talent acquisition or help desks, for example, in terms of the services HR offers its employees.

The other thing you're seeing from a talent perspective is software coding—in product development, for instance. How is talent affected? How are roles changing? What are the new skill sets required? Those are huge questions coming to the fore.

Lucia Rahilly: Bryan, anything to add?

Bryan Hancock: These things out of the gate aren't what the big, long-term transformational use cases are going to be. They aren't even the near-term productivity adds. They're some quick wins that HR and other teams can get.

We're seeing implementations of initiatives like Me@Campus by Walmart, allowing associates on its home office campus to better navigate some of the HR policies and HR sites. That kind of HR policy bot is the type of immediate, quick win we're seeing, as Brooke mentioned—or turning on technologies from vendors, such as a talent acquisition vendor that has some proven underlying technology, and putting a large language model on top.

Lucia Rahilly: Bryan, you and your coauthors Bill Schaninger and Emily Field published *Power to the Middle* in 2023, focusing on the unsung middle manager and the vital role that managers play in the health and productivity of leading organizations. Talk to us about the year of the manager.

Bryan Hancock: I love the phrase “the year of the manager,” and 2023 has been just that. As we're talking about automation and the next wave of technologies, the folks responsible for managing these transitions and taking care of their teams are the managers.

Brooke Weddle: We should double-click on that from a cultural perspective. There is an increased appreciation for managers, and we're figuring out new ways to tap into that. What are the rituals you need every manager engaging on? What are the habits and routines you need managers instilling into teams to improve not only productivity but also more holistic outcomes like well-being and experience? That's a different kind of conversation these days, linking managers to cultural transformation.

Lucia Rahilly: Brooke, we saw many decades of thinning out that middle management layer. Are you seeing a different kind of appetite now for investing in the middle manager?

Brooke Weddle: What I'm seeing is more investment in the managers you have. How do you recreate their roles and responsibilities so they spend less time on transactional work? How do you start to upskill those managers and engage them thoughtfully, not just in classroom training but also in apprenticeship and coaching?

You need to understand where they have skill gaps and plan for career rotations to upskill them in new ways. You've got to tell a different story about that. For so long, that middle management layer has been called unfortunate things like the "frozen middle." How can you give a new brand to that layer of the organization?

Bryan Hancock: I'm seeing a number of organizations start to invest in their managers in a different way. Whether it's generative AI or other technologies, folks are asking, "How can I make the administrative work go away or make it easier?" Years of self-service may have created administrative back-office efficiencies, but they have put more work on the manager. Now we're asking whether the next technologies make it easier for the manager.

My hope is that the changed conversation of this year and the initial investments we're seeing companies make mean that we don't need 2024 to be another year of the manager to remind us that managers are important. But rather, that 2023 was the pivot point.

Lucia Rahilly: Bryan, we're a few years into this hybrid work phenomenon, and we've seen companies adopt new policies, drop them, and evolve them as employees recalibrate to new and changing expectations about returning to the office. Where do we stand?

Bryan Hancock: Office attendance has stabilized at about 30 percent below prepandemic levels. When you ask employees how many days they spend in the office, they say 3.5 days. When you ask them how many days per week they want to come in, it's 3.2: we're getting to a level where people are coming in roughly as often as they want to.

There is still a portion of the workforce saying, "If we're required to come in more, we'll leave." Even if that number is 10 percent, 10 percent of folks with a scarce skill can make the difference between a successful product launch and an unsuccessful one. The organization is saying, "Hey, maybe we've hit the balance," at least for the time being. This isn't where it will be forever, but we are seeing it stabilize.

2023, when we look back, could be the year when this really did hit the new normal and the new balance of in-person versus remote and how we manage those models.

Lucia Rahilly: Brooke, what are you seeing among your clients?

Brooke Weddle: One industrial client did have to make some adjustments early on, but they've been back for a long time. They're focused on creating new working norms they think will help drive improved performance.

One of those is asking the extra question to promote cross-functional collaboration. If I ask an extra question about how my work relates to Bryan's work, I might get to a different, hopefully better answer and avoid duplicative work. It also helps in a very tactical sense: trying to get it right together.

Lucia Rahilly: Burnout has obviously been a focus, particularly in the wake of the pandemic. How are we faring on employee health, well-being, and burnout?

Brooke Weddle: Burnout levels have not decreased. It is a very real phenomenon. One organization I'm working with is linking this idea of the manager to burnout and trying to create a new managerial operating system whereby they can get teams to a state of thriving. It's not enough to just address burnout. You have to move beyond that to get to an employee experience worthy of pride—one that will create new opportunities and propel innovation.

Lucia Rahilly: Do you see your clients measuring well-being using pulse surveys and so forth?

Bryan Hancock: I'd say it is a widespread practice, but the depth to which it is used varies a lot. We're also seeing other organizations launch much deeper surveys getting at different drivers of burnout. Some probe more deeply into underlying factors that may indicate a broader sense of unwellness, whether it's in mental health or other areas. Others are looking at the underlying management practices that lead us to feel that we can't get everything done.

Lucia Rahilly: We want to get all the work done in the day. And how do we shift that? Do you see organizations acting on that information?

Brooke Weddle: You can get to the point where you are overmeasuring, such that the conversation becomes about measurement rather than action. I've seen that play out in a number of different contexts, but there are other organizations that are taking real action, whether they're measuring burnout or well-being or engagement.

Bryan Hancock: The other thing that I'm seeing organizations really dig into is why we are feeling burned out. And some of that may be the workload and the nature of how that intersects with your life. We need to treat that seriously.

Some of it may also be, how much does your work energize you? How much of it is linked to your purpose? A big law firm was perplexed because its number of billable hours was less than that of some comparable firms, but those other firms had higher associate satisfaction ratings. They asked, "Why? Why do our folks, who are working less, feel less engaged, less rewarded?" And it came down to the nature of the conversations partners were having, the nature of celebrations after everybody worked really hard.

You feel a little less burned out if you feel like part of something that really matters and feel like you're appreciated.

Lucia Rahilly: What about HR leaders themselves? How's burnout in that cohort?

Brooke Weddle: If you look at 2024, I expect a lot of change in terms of how HR is trying to further professionalize. That could look like different collaborations within the business. It could look like getting new kinds of talent in HR. It could be reorganizing HR so that it is more agile and dynamic. There's a whole new horizon for HR that we're going to see in 2024, because the past two years have been challenging and have really stretched the function.

Lucia Rahilly: Brooke, before we look ahead to 2024, are there any other trends or issues from 2023 that have shaped the landscape?

Brooke Weddle: I was pretty struck by McKinsey's recent Women in the Workplace report and the finding that women's ambition levels are higher than ever. And yet we still see stickiness in terms of progress. I also liked the myth it busted that it's not about the glass ceiling; it's about the broken rung, meaning the transition from entry level to a managerial position. And the data is clear that there's a big drop-off. So when I think about 2023, that lack of diversity—on many different dimensions, not just gender—continues to hold us back. More needs to be done here. And it'd be good to identify more of these lighthouse cases. There are some out there, but no one is hitting it out of the park on all dimensions.

Bryan Hancock: The narrative is changing a little bit on chief diversity officers. Some organizations that instituted them a few years ago are now rolling back. Folks are reacting to different court rulings and asking what they can do in the current environment to advance people who need the most help. Organizations are asking, "How do I make everybody feel like they belong and we support them?"

One of the pieces of data that we've seen through our Women and Race in the Workplace reports is that when you're promoted to the managerial level, regardless of your race, you are more likely to think that your race is holding you back from the next level of promotion. Among entry-level employees, people of color perceive that their race holds them back from promotion more than White employees. Once promoted, everybody thinks their chance of getting the next promotion goes down because of their race. And the percentage of White people who feel like they're held back goes up proportionally—equal to the share of Black people who think they're going to be held back.

If everybody thinks their race is holding them back, that's a problem in society more broadly. It's a problem with how people perceive fairness in their companies. And so we absolutely need to ensure

that everyone feels included and that any barriers that exist are being taken down.

We also need to make sure that the dialogue is capturing everybody. If it's not, we risk losing progress. What some people are saying is, "Let's not give up the fight to make sure that everybody with skill, ability, and willingness has the opportunity to succeed. But let's do it in a way that feels like it is increasing the net fairness of the organization."

Lucia Rahilly: We talked a little bit about hybrid work and the return to the office. Some of the early research during the pandemic showed that this would actually be favorable—in some cases—to women and people of diverse demographics. Are we seeing that play out in any meaningful way as employees return to the office?

Bryan Hancock: The new cohort of workers entering the workforce are craving apprenticeship and in-person mentoring and leadership. And midlevel managers are the ones balancing aging parents, childcare, and even pets—all those things that come when you're mid-career. People have realized that these things are easier to manage if they're at home more often. So how do we recognize that and find a hybrid way of working that is better for everyone?

At the same time, how do we get those leaders who are providing mentorship and coaching back into the office? It's something we'll need to evolve to hit the right balance. Because the number one amenity that will get people back into the office is you as a leader. They don't want the band or the sushi or whatever. It's you.

Brooke Weddle: So true. And it goes back to freeing up time. If you're going to be a talent magnet or a catalyst for teams, it takes time. And so another trend is learning and development and how to think about it differently. That's another one where we're going to see some innovations and hopefully further investments.

Bryan Hancock: If we combine all these, one of the things we're saying in 2023 is that we're starting to put the "human" back in human resources. Thinking

about learning and development in a more holistic way. Maybe that's too aspirational in terms of the shift needed, but if you look at the underlying threads we're talking about, there's a sense that 2023 really reminded us about human connection.

Lucia Rahilly: As we look ahead to the next 12 months, what should be top of mind where talent is concerned?

Bryan Hancock: The world is likely to be an interesting place. There's going to be a lot going on that's weighing down our employees—a lot of unknowns and tension. That makes for a challenging environment. And one of the things we can think through is how do we recognize the tragedy, sadness, emotions going on? How do we create a work environment that is a little bit separate from the world outside, where we can come together as a team, regardless of where we come from? A place where even if things seem crazy and are affecting business, we can still find purpose and connect through what we're doing and how we're making a difference?

Brooke Weddle: One thing that I expect will have a higher premium is the ability for leaders to communicate in an inclusive way and honor any of these kinds of tensions. So often that's left to chance, but it's time to double down on a human-centered approach to leading and managing.

Lucia Rahilly: Are you seeing your clients talk about increased tensions in interpersonal dynamics in the workplace?

Bryan Hancock: What we're seeing with our clients is that the external world is coming to them. And it's coming to their employees. Organizations are asking how to create a space that is empathetic, one that creates the room for everybody to feel like they belong.

That doesn't necessarily require us to wade into every conflict. But when it comes down to how we're working together, we can consciously create space to be together and offer some relief from the external world, rather than allow work to amplify those tensions.

Brooke Weddle: We're seeing this occur for global companies. There are a couple of headline examples of amplification versus creating a space apart. That's really hard to do.

Lucia Rahilly: Any other trends you want to call out for 2024? What about productivity, for example?

Brooke Weddle: Everyone's talking about productivity. Some people are recasting the word "productivity" and calling it "abundance." Productivity has a little bit of a negative connotation. But there are different ways to think about productive work or productive time. One of the things that will be hot in 2024 will be performance management relative to productivity.

Bryan Hancock: On the performance side, what we're going to see in 2024 is, given generative AI and many other factors, what's the fundamental redesign of how work gets done and how we hold people accountable? And that lens on productivity might lead to some near-term productivity initiatives from technology or other pieces, but it's going to be a frame of the organization of the future.

Some of the bolder thinking will come to the forefront. And by the way, productivity is not just cost cutting. Productivity is also increasing revenue. It's getting more out of the same units of labor. As we're thinking about productivity enhancements, what can be unlocked?

Lucia Rahilly: Anything else you want to call out?

Bryan Hancock: I like skills-based hiring. Momentum is continuing to grow here. We have over 15 states saying they will systematically look at where they can eliminate college degree requirements.

Brooke Weddle: There's also going to be a little bit of a reprioritization, especially for hard-to-fill roles. Let's stop competing so much on talent

acquisition and really double down on how to do this internally. There have been some false starts, but there's some nascent work on creating—at scale—a reskilling and upskilling engine for your most critical roles. A lot of organizations are exploring that more rigorously now.

Bryan Hancock: The other trend I see for 2024 is older workers staying in the workforce. There's a great article on the state of Vermont and how it may be at the cutting edge of what our workforce of the future looks like, because Vermont is one of our oldest states.¹ If you look at the dairy cooperative based there, they need workers, but there isn't an abundance of young workers in rural Vermont. And so how do you make these roles suitable for an older workforce and make them appealing to older folks?

There's research that's coming out, including from our McKinsey Health Institute [MHI], that shows that working for longer improves your health and overall well-being. It's good for employees; it's good for companies. I'm hopeful that in 2024 and beyond we will start to see more workers aged 70 and older in the workforce, not because they economically need to be there but because they want to be there.

Lucia Rahilly: We spoke earlier about tightness in the manufacturing sector. Is it possible that automation is at the point where older workers could actually start to fill that gap without the physically taxing labor you were describing?

Brooke Weddle: This is gathering some steam, because the problem statement started with, "What should our shift strategy be?" And it evolved to become, "What if we completely reimaged our shifts and actually tried to disaggregate them?"

Bryan Hancock: After reading the MHI research, I went home and told my wife, "I'm never retiring." It's interesting, because you may shift the type of work you do, but being engaged with and having

¹ Ben Casselman and Jeanna Smialek, "Vermont may be the face of a long-term U.S. labor shortage," *New York Times*, November 12, 2023.

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a purpose is good in a world where we're short on many types of workers. My mom, for example, was a registered nurse by training and worked in a number of roles throughout her career. But after she retired and my sister and I had gone to college, she worked as an early childhood educator at a day care. She didn't need the pressure of

nursing but needed the connectivity of a different type of role.

Across sectors, this is going to be an interesting unlock. And we're going to spend more and more time thinking about how we're going to make older workers productive.

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