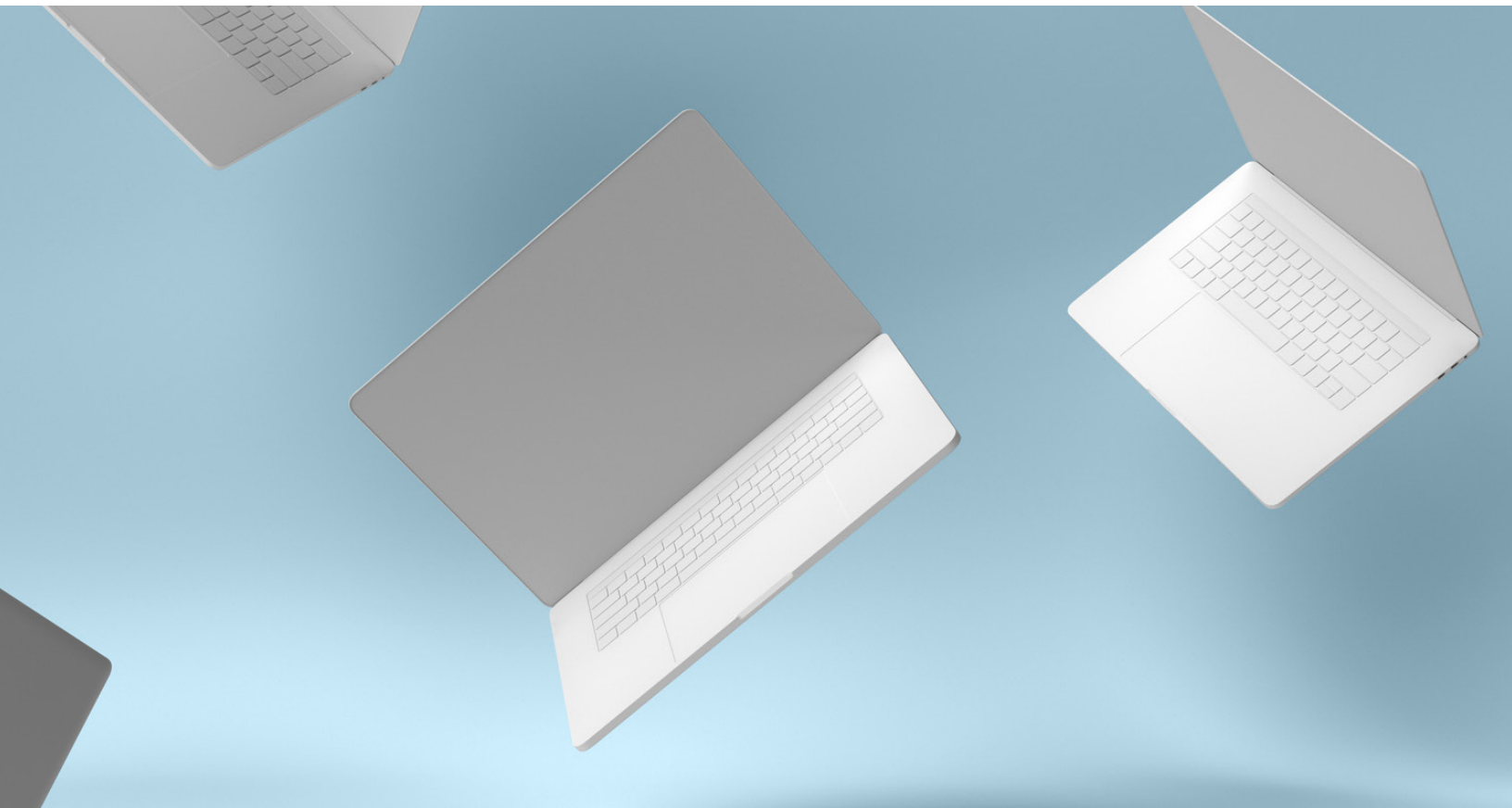


McKinsey Explainers

What is the future of work?

Just like the world at large, the world of work shifts and changes over time. The future of work refers to an informed perspective on what businesses and other organizations need to know about how work could shift (given digitization and other trends), plus how workforces and workplaces can prepare for those changes, big and small.



When you think of the future of work, what do you picture? Offices that look more or less like today's? Factories full of robots? Or something else entirely?

While no one can predict the future with absolute certainty, it's clear that the world of work is changing, just as the world itself is. Looking ahead at how work will shift, along with trends affecting the workforce and workplaces, can help you or your organization prepare for what's next.

To map the future of work at the highest levels, the McKinsey Global Institute considers potential labor demand, the mix of occupations, and workforce skills that will be needed for those jobs. Our analysis looks at eight countries (China, France, Germany, India, Japan, Spain, the United Kingdom, and the United States) with diverse economic and labor market models, which together account for nearly half the world's population and over 60 percent of its GDP.

These are some of the main findings from the latest report on the future of work:

- One in 16 workers may have to switch occupations by 2030. That's more than 100 million workers across the eight economies studied—and the pandemic accelerated expected workforce transitions.
- Job growth will be more concentrated in high-skill jobs (for example, in healthcare or science, technology, engineering, and math [STEM] fields), while middle- and low-skill jobs (such as food service, production work, or office support roles) will decline.
- A few job categories could see more growth than others. The rise of e-commerce created demand for warehouse workers; investments in the green economy could increase the need for wind turbine technicians; aging populations in many advanced economies will increase demand for nurses, home health aides, and hearing-aid technicians; and teachers and training instructors will also continue to find work over the coming decade.

- But other types of jobs may be at risk: for example, as grocery stores increasingly install self-checkout counters, there may be a need for fewer clerks, and robotics used to process routine paperwork may lessen demand for some office workers.

The future of work was shifting even before COVID-19 upended lives and livelihoods. But the pandemic accelerated three broad trends that will continue to reshape work as the effects of the crisis recede:

1. Remote work and virtual meetings are likely to continue, although less intensely than at the pandemic's peak.
2. E-commerce soared, growing at two to five times the pre-COVID-19 rate, and other kinds of virtual transactions such as telemedicine, online banking, and streaming entertainment took off. And shifts to digital transactions also propelled growth in delivery, transportation, and warehouse jobs.
3. The pandemic propelled faster adoption of digital technologies, including automation and AI. Companies used them to control costs or mitigate uncertainty; they also deployed these technologies in warehouses, grocery stores, call centers, and manufacturing sites to either reduce workplace density or deal with surging demand for items.

Understanding these macro trends within the global economy is vital to planning for what's ahead.

What's the future of remote working? And hybrid?

COVID-19's spread flattened the cultural and technological barriers standing in the way of remote work. The pandemic sparked a structural shift in where work takes place, at least for some people. But will it last?

Our analysis of the potential for remote work to persist looked at 2,000 tasks used in roughly 800 jobs in eight focus countries. It showed that 20 to 25

percent of workforces in advanced economies could work from home in the range of three to five days a week—which is four to five times more remote work than pre-COVID-19.

It's worth noting that more than half the workforce has little or no opportunity for remote work. For example, jobs that require on-site work or specialized machinery, such as conducting CT scans, need to be done in person. Of these jobs, many are low wage and are at risk from broader trends toward automation and digitization.

Moreover, not all work that can be done remotely should be; for example, negotiations, brainstorming, and providing sensitive feedback are activities that may be less effective when done remotely. As senior McKinsey partner Bill Schaninger observes in an episode of the *McKinsey Talks Talent* podcast, "We were all amazed at how much we could do working fully remotely. However, it has started showing some withering of the ties that bind in the culture [and] the social connectivity." The outlook for remote work, then, depends on the work environment, job, and the tasks at hand.

Hybrid work setups, where some work happens on-site and some remotely, are likely to persist. And organizations will need to refine their operating models in response. To unlock sustainable performance and health in a hybrid world, organizations can build strength in five areas:

1. *Expand executives' focus on strategic clarity, coaching, and empathy.* The leading driver of performance and productivity isn't compensation or stretch goals but rather the sense of purpose work provides to employees. Be more intentional about interactions, especially those that happen in person.
2. *Foster outcome-based management of small, cross-functional teams.* This is both more human and more effective as performance management practices shift from being about controlling employees' work to empowering and enabling teams and people to perform.

3. *Increase talent velocity, especially with reskilling.* Being able to staff teams across organizational siloes is a hallmark of agile models. Moving in this direction for talent management might entail developing internal talent marketplaces or hubs for talent redeployment that make it easier for people to discover potential projects. It will also involve reskilling and upskilling people more quickly than in the past, leaning on formal training, as well as apprenticeship and mentoring.
4. *Find new zero-cost, high-optionality ways to collaborate.* It can help to define a model to increase how quickly your organization can discover and adopt better modes of collaboration, both physical and digital. Do workers need an informal, confidential channel for banter or guidelines on making hybrid meetings more effective? Be intentional about designing these interactions and communicating expectations and working norms.
5. *Increase the rate of technology adoption.* It's imperative for companies to seek out new tech and use data to drive optimal results and make better decisions.

What elements matter in understanding the future of work?

Organizations exploring the post-COVID-19 future of work will need to tailor their approach to their unique context. Balancing three symbiotic elements can provide a holistic understanding of the forces shaping the future of work:

- *The nature of work.* Organizations should be able to answer two big questions clearly. First: How do we make money? Second: How does work get done? Linking the answers to these two questions to a dollar value can yield a clear set of organizational priorities and enablers for delivering the strategic vision.
- *The workforce of the future.* People are an organization's most valuable asset, and getting ready for the future will include

understanding the workers you have (supply) as well as those you need (demand). Getting clear on both can expose skill pools where you are either long or short on talent—and allow you to take action before the talent gap becomes a competitive liability.

- *The workplace of the future.* A combination of physical location and organizational norms and ways of working make up the workplace. And while in the past, companies brought people to work, say, in massive factories or industrial centers, technological advances in recent decades may be influencing a shift that takes work to the people, for instance, in more flexible long-term remote or hybrid models.

What is HR's role in the future of work?

Although HR was once considered a stodgy support function, it's now poised to serve as a strategic partner to the business, as relevant to success as R&D, sales, or production. But fulfilling that role will require nothing less than a transformation of HR itself.

Here's what chief human resources officers (CHROs) across Europe and the United States expect from HR's future operating model:

- Digitization will elevate HR, for instance, by automating routine processes and by gathering and acting on employee data to make better decisions.
- HR could help the organization become more agile and fluid if it breaks down the traditional three-pillar HR model and instead more quickly deploys talent to the matters most critical to the business or introduces agile tribes and squads.
- HR's business partners would refocus on advising top management, instead of attending to routine administrative tasks that could be automated or delivered via self-service platforms.
- The creation of HR practice groups could tackle specific strategic, cross-functional HR priorities from end to end (for example, by creating a team dedicated to hiring digital talent at scale rather than delegating that task to recruiting).
- HR will prioritize and organize around the employee experience—concentrating on what matters most to workers, especially during critical moments such as recruiting and onboarding.
- Centers of excellence and centers of competence could be virtualized, giving HR business partners a dual role of supporting specific business areas while also creating a functional specialization that spans HR and the organization.
- HR could put business in the driver's seat, shifting responsibility for some traditional HR tasks to line managers.

Another area where HR has an opportunity to continue to step up is in the realm of people analytics. Most companies have a lot of data about their talent, but are these being used effectively to drive performance? Not always. People analytics can help organizations separate signal from noise, for example, by understanding whether a given company has a problem with attrition and, if so, whether that's in certain job families, locations, or for specific types of employees. Ingredients for success in people analytics generally fall into three big categories: data and data management, analytics capabilities, and operating models.

How do diversity, equity, and inclusion figure in the future of work?

Addressing social and economic inequality will be crucial to sustainable, inclusive growth. And at work,

ensuring that employees from all backgrounds can perform and thrive often involves dedicated efforts to improving diversity, equity, and inclusion. One statistic that brings the message home: up to 40 percent of GDP growth in the US economy between 1960 and 2010 can be attributed to an uptick in the participation of women and people of color in the labor force through improved talent allocation.

While studies show that companies that make more efforts at diversity, equity, and inclusion perform better, challenges remain. Job losses during the pandemic disproportionately affected diverse populations, and some women opted out of the workforce given school closures, a lack of childcare options, or other factors.

Different populations will have different needs, and understanding the issues for Black Americans, Latinos in America, Asian Americans, and LGBTQ+ and transgender employees (to take just a few examples) can help in crafting plans to make organizations more equitable and inclusive. The concept of intersectionality is also crucial: while many companies focus diversity efforts on broad groups (for example, women), if they fail to consider other identities that people in those groups have, their efforts may fall short of their full potential.

While there's considerable nuance to any discussion of diversity, equity, and inclusion, organizations broaching the future of work can take three broad actions to keep the issues in view:

- Make diversity a priority; it's good business, and it doesn't have to come at the expense of financial outcomes.

- Challenge biases to increase equity, especially by questioning assumptions about the knowledge, skills, attributes, and experiences required to succeed.
- Improve inclusivity, or the degree to which employees feel embraced and empowered to make meaningful contributions.

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