The Future of Work and the Impact of COVID-19

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Forces of change already underway

- Technology trends like automation and artificial intelligence
- Contingent workforces and the gig economy
- Workforce demographics and the “care economy”
- The middle-skills gap and worker investments
- Global talent access and utilization
- Spatial tensions between leading urban centers and rural areas
COVID is accelerating them

- Technology trends like automation and artificial intelligence
- Contingent workforces and the gig economy
- Workforce demographics and the “care economy”

- Some companies have increased the use of robots and automation during the pandemic
- COVID layoffs have led workers to turn to the gig economy
- Care centers have shut down during COVID
Scenarios for workplace post-COVID

- Digital Distancing
- Touchless Growth
- Ongoing Disruption
- New Paradigms
Scenarios for workplace post-COVID

Digital Distancing

- Reluctance of employees and consumers to engage in optional interactions
- Widespread, permanent adoption of COVID work practices
- Rapid adoption of artificial intelligence and automation
- Acceleration of deployment of technology infrastructure

Implications
- Leaner organizations
- Digitalization skills demand huge premium
- Major dislocation for lower skilled workers
- New challenges for employee engagement and alignment

Touchless Growth

Ongoing Disruption

New Paradigms
## Scenarios for workplace post-COVID

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Implications</th>
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<tbody>
<tr>
<td>➢ Business models change to reduce avoidable human interaction only</td>
<td>➢ Gradual but significant employment recovery</td>
</tr>
<tr>
<td>➢ Significant innovation in enabling technology</td>
<td>➢ Content of jobs at all levels changing at accelerated rate</td>
</tr>
<tr>
<td>➢ Global rebound in demand</td>
<td>➢ More disruption of traditional white collar roles</td>
</tr>
<tr>
<td>➢ Gradual evolution in patterns of demand and customer expectations</td>
<td>➢ Continued globalization</td>
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## Scenarios for workplace post-COVID

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<td>Flexible work practices</td>
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### Digital Distancing
- Recovery interrupted by public health and political dislocations
- Attenuation leads to accelerating business failure
- Political responses inhibit labor market flexibility
- Protectionism impedes globalization

### Touchless Growth
- Localization of talent pools
- Cautious stance in recalling and growing workforce
- Reskilling/upskilling at a premium
- Flexible work practices

### Ongoing Disruption
- Political responses inhibit labor market flexibility
- Protectionism impedes globalization

### New Paradigms
Scenarios for workplace post-COVID

Attributes

- Innovation in work practices continues
- New technology-oriented credentials supersede degrees
- Proliferation in working relationship archetypes
- Blurring of traditional inter-enterprise boundaries

Implications

- New workforce planning paradigm
- Change in talent sourcing models
- Significant change in work processes
- Significant changes in talent management
POLL: Which scenario is most likely?

- Digital Distancing
- Touchless Growth
- Ongoing Disruption
- New Paradigms
Universal business responses

- Staff to the trough
- Shift to touchless operations – AI and automation
- Reconfigure work processes
- Increased government intervention
- Managing a workforce with changed attitudes
- Changes in demand patterns
- Disrupted supply chains

Managing a workforce with changed attitudes
Before returning to work, I want my company to ensure that I can…

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wear a mask</td>
<td>64%</td>
</tr>
<tr>
<td>Maintain social distancing at work (at least 6ft)</td>
<td>61%</td>
</tr>
<tr>
<td>Have more flexible sick leave policies</td>
<td>50%</td>
</tr>
<tr>
<td>Limit the number of people I am exposed to in meetings</td>
<td>49%</td>
</tr>
<tr>
<td>Have my temperature checked each day before entering</td>
<td>43%</td>
</tr>
<tr>
<td>Allow me to skip work without penalty if I feel unsafe</td>
<td>37%</td>
</tr>
<tr>
<td>Continue working from home if I don't feel safe going to the office</td>
<td>36%</td>
</tr>
<tr>
<td>Receive viral testing on-site (tells if a person is currently infected)</td>
<td>35%</td>
</tr>
<tr>
<td>Receive Antibody testing on-site (tells if a person has been infected)</td>
<td>31%</td>
</tr>
<tr>
<td>Not be required to travel for work</td>
<td>29%</td>
</tr>
<tr>
<td>Allow me to work remotely at any point without penalty if I feel unsafe</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Qualtrics, “Return to Work/Back to Business Study”, April 2020
Workers who can’t or won’t go back to work

- Those with anxieties
- Workers near retirement age
- Those with comorbidities
- Those with family and care obligations
- Inhibited by transportation
Pre-COVID: “Gig” work on the rise

Projected freelancer pool in the United States
Percentage of U.S. workers, 2017 - 2027

Source: Edelman Intelligence, “Freelancing in America: 2017”
Pre-COVID: Gig work in various functional areas

<table>
<thead>
<tr>
<th>Functional Area</th>
<th>Do not use alternative labor</th>
<th>Limited/rare use</th>
<th>Extensive use</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>29%</td>
<td>38%</td>
<td>33%</td>
</tr>
<tr>
<td>Operations</td>
<td>42%</td>
<td>33%</td>
<td>25%</td>
</tr>
<tr>
<td>Marketing</td>
<td>49%</td>
<td>36%</td>
<td>15%</td>
</tr>
<tr>
<td>Innovation/R&amp;D</td>
<td>51%</td>
<td>34%</td>
<td>15%</td>
</tr>
<tr>
<td>HR</td>
<td>53%</td>
<td>36%</td>
<td>11%</td>
</tr>
<tr>
<td>Customer service</td>
<td>56%</td>
<td>27%</td>
<td>17%</td>
</tr>
<tr>
<td>Finance</td>
<td>56%</td>
<td>32%</td>
<td>13%</td>
</tr>
<tr>
<td>Sales</td>
<td>62%</td>
<td>26%</td>
<td>12%</td>
</tr>
<tr>
<td>Supply chain/procurement</td>
<td>62%</td>
<td>27%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Note: Percentages may not total 100 percent due to rounding.
Source: Deloitte Insights "Leading the social enterprise: Reinvent with a human focus" (2019)
Post-COVID: Acceleration in high and middle skills gig work

<table>
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<th>High skills</th>
<th>Middle skills</th>
</tr>
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<tr>
<td>Upwork has seen a</td>
<td>Instacart hired</td>
</tr>
<tr>
<td>50% increase</td>
<td>300,000 new workers</td>
</tr>
<tr>
<td>in freelancer sign-ups since the pandemic began</td>
<td>at the start of the pandemic and plans to hire more</td>
</tr>
</tbody>
</table>

Source: Time, “It’s a Race to the Bottom. The Coronavirus is Cutting Into Gig Worker Incomes as the Newly Jobless Flood Apps”, May 2020
Technological progress and digitalization are contributing to skills polarization.

Percentage point change in the share of total employment of countries
1995 - 2015

-10% -8% -6% -4% -2% 0% 2% 4% 6% 8%

Low skill Middle skill High skill

OECD countries United States

Source: OECD Employment Outlook, 2017
Fortune 500 CEOs: COVID and transformation

75% think the pandemic is accelerating their companies’ technological transformation. 25% think the pandemic has no effect or is slowing the technological transformation.

Source: Alan Murray, “Fortune 500 CEO survey: How are America’s biggest companies dealing with the coronavirus pandemic?”, May 2020
The global digital divide

Much of the world is without internet access

Particularly in the least developed countries

Source: UNCTAD, "Digital Economy Report 2019"
Digital inequality fuels employment inequality

80% of middle-skill jobs in the US require digital skills, but...

COVID’s impact on unemployment in the US

Unemployment Rate by Educational Attainment Level (US)

Source: Bureau of Labor Statistics
COVID’s impact on poverty

Extreme Poverty Rate

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