

THE FUTURE OF WORK ARRIVES EARLY

HOW HR LEADERS ARE LEVERAGING THE LESSONS OF DISRUPTION

Introduction

As the contours of the post-pandemic workplace start to come into focus after months of ongoing change, companies around the world are bracing for even more disruption.

Oxford Economics and the Society for Human Resources Management (SHRM) partnered with SAP SuccessFactors to understand the emerging realities facing employers and employees—and next steps for leaders in 2021 and beyond. To do this, we fielded two surveys in 10 countries¹ in August and September of 2020, building on a series of research reports on the chaotic labor market published during the second quarter of this year.

Executives face an array of challenges that must be addressed simultaneously. Many of these issues—like health and safety, reskilling, and new ways of working—are familiar to leaders in HR and across the business, but most have now taken on an unprecedented complexity and urgency.

Dealing with these workforce challenges—including the need to navigate local realities, individual employee needs, and the unpredictable nature of the months ahead—will require attention to long-term workforce planning even as continual disruptions make day-to-day operations more difficult than ever. Balancing these short-term and long-term imperatives will depend on HR having a strategic position among C-suite leaders.

This report provides an overview of research results related to workplace changes, talent strategies, technology adoption, and the equity issues that are woven through all of these topics—and suggests a plan for balancing these sometimes-competing demands in the months and years ahead.

¹ Australia, Brazil, Canada, China, Germany, India, Mexico, Spain, United Kingdom, United States

While particulars vary in different countries, some broad trends are clear, and give us a picture of what to expect in the next 12 months—and how HR leaders should prepare for the uncertainty beyond.



Remote work will be a talent magnet in coming years—and must be viewed as a long-term investment.

- Employers expect flexible work policies to become much more important to attracting and retaining talent than they were before COVID-19. US respondents are more likely than those in other countries surveyed to say this will become more important.
- Remote collaboration tools are the top area of technology investment among our survey respondents, ahead of analytics or technologies aimed at easing the return to work (e.g., testing and tracing tools), even as many remote workers remain underequipped. US employees tend to have more gear and better work environments than their counterparts in other countries.



Training programs are being overlooked at a time when they have never been more critical, despite employee motivation to reskill. Development and succession programs should be a focus for HR leaders as they build their workforce to fill skills gaps, increase diversity and equity, and prepare for future disruption.

- Employees are eager to reskill. Another recent SAP survey of nearly 1,500 full-time employees around the world found that three-quarters are more motivated to improve their technical or professional skills as a result of COVID-19.²
- Investment in learning programs for reskilling and upskilling varies around the world, with Mexico and India most likely to be planning to spend in this area.
- Development efforts appear to be particularly lackluster in the US, where workers are arguably most vulnerable to losing their jobs at the moment. Just 22% of US respondents are investing in learning-program technology, only about half are designing succession and development plans as part of their diversity efforts, and most hires in the coming months are expected to be new to the organization, rather than promoted from within.

² <https://cdn-api.swapcard.com/public/files/9154d2fae1f34213b4bc1e0c7315d85b.pdf>



The two-tier workforce—made up of people who can work remotely and those who must be on-site to do their jobs—creates big challenges for leaders in HR and across the business.

- The physical workplace is not going away. More than half of all workers at surveyed companies must be on-site (including at a customer site) to do their jobs. The sharp bifurcation of the workforce into remote and on-site cohorts requires HR leaders to think hard about meeting varying employee needs while maintaining consistent organizational goals, policies, and culture.
- Our analysis points to ongoing economic disparities among hourly and salaried employees in the United States, where our data set is most complete. Hourly workers averaged 3.5% fewer hours in July than in January—creating a substantial economic impact, as these individuals make up approximately 58% of the workforce.³



Social justice, economic inequality, and worker well-being should be in focus—and not just in press releases.

- A global movement for social justice is pressuring leaders to focus on inclusive hiring practices—a major priority for survey respondents over the coming years and a task made even more urgent by equity issues within the existing workforce.
- So far, decisive steps are few, especially in the US, where employers rank highest for recommitting to corporate values but trail most countries in making changes to benefits, development programs, or wages and salaries to address inequities and foster inclusion. (Reasons for this disparity are harder to pinpoint, and could signal real shortcomings in the US, or that many have already made investments in these areas.)



Human Resources leaders must respond to the global crisis with a focus on local regulation, best practices, and economic and social realities.

- Government programs in economies as different as Germany and Brazil have stabilized employment, while some others struggle to protect their economies. National responses to the crisis help explain variations in strategies for returning to work across our global survey, like the increased investment in workplace changes among employers in the US, where the outbreak has been less contained than in some other countries in our sample.
- Survey respondents in developing countries are more likely to say that a range of factors are going to become much more important to their ability to attract and retain talent as a result of COVID-19, while respondents in developed economies may have already seen them as critical before the crisis. Employers with operations in multiple countries need to respond to local realities.

³ <https://www.bls.gov/opub/reports/minimum-wage/2019/home.htm>

Redefining the way we work

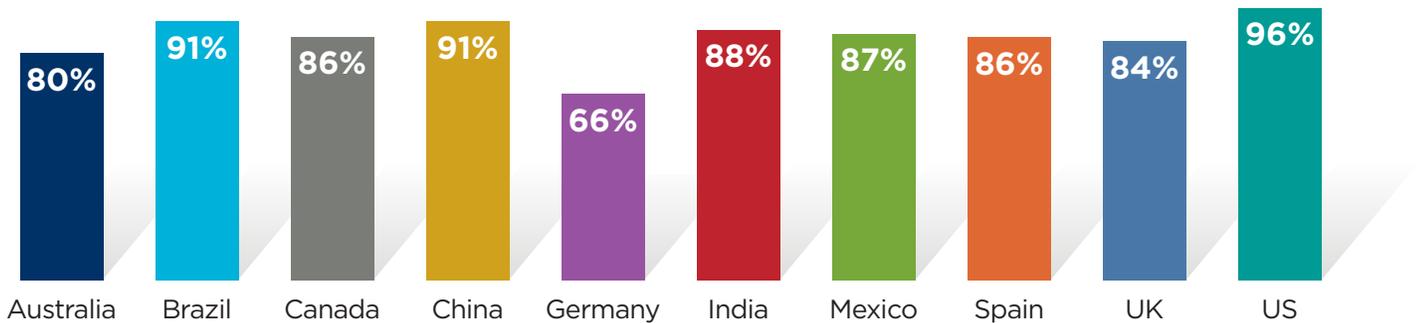
When we first surveyed US employers in April of 2020 about their expectations for the coming year, only about 5% expected that most of their employees would still be working from home in fall 2020. So much for early predictions. Over the past six months, many people have settled into once-new ways of working, from the video-conference-filled calendars that define the remote experience to the plexiglass dividers, surface wipe-downs, and heightened risk navigated by on-site or field employees.

Our survey respondents express confidence in their organization’s ability to cope with the evolving realities of work, with more than eight in 10 saying their organization has effectively handled new ways of working and that most employees have adjusted well to the new processes.

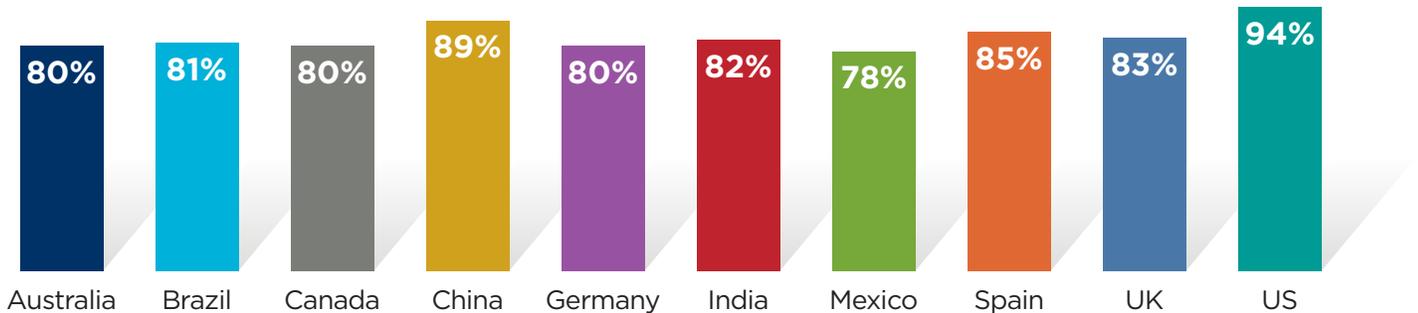
Fig. 1: HR leaders are confident in their response to COVID-19—but are they accounting for all types of workers?

Q: To what extent do you agree with the following statements? *“Agree” responses*

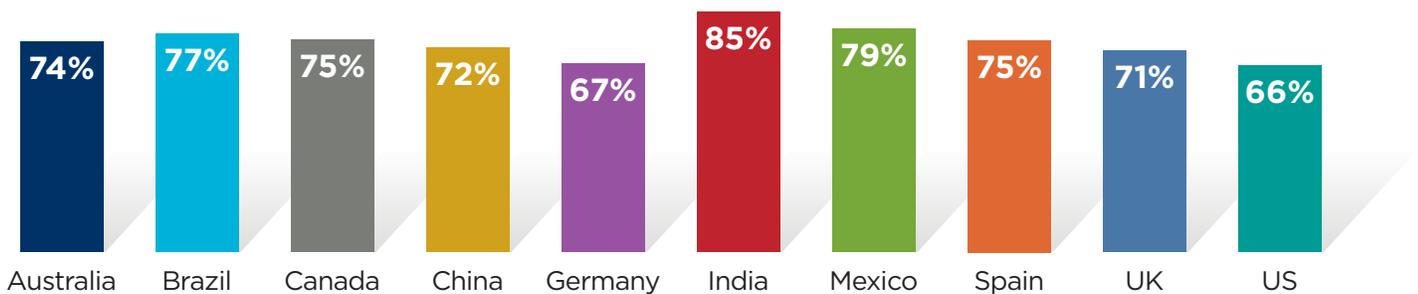
My organization has effectively handled new ways of working in response to COVID-19



Most of our employees have adjusted well to new ways of working



Office workers and field/facility workers have had very different experiences during the lockdown



The future of work arrives early

Many companies are changing their workplace strategies, with employee preferences as much a driver as health and safety guidelines. Around the world, companies say they have taken or plan to take steps to increase their flexibility regarding remote work, for which there is substantial employee demand. Increasing sanitation and cleaning, ramping up communication with employees, implementing social distancing guidelines, and providing PPE also are widely deployed strategies, along with operational changes like decreasing business travel and reducing the use of common spaces like kitchens or recreation areas. Of course, individual company circumstances play a role: for example, the larger organizations in our survey tend to be more likely to say they will increase sanitation and cleaning and implement social distancing guidelines.

Precautions taken vary by country. Respondents in Germany tend to be doing less than others on our survey map in terms of in-office changes like checking temperatures of employees or staggering the number of employees in the workplace at once. The US, which has been slower to subdue the virus, is big on office remediations—US respondents are much more likely than those in other countries to say they are implementing social distancing guidelines and using precautions like plexiglass. Meanwhile, our respondents in Brazil, India, and Mexico—along with the US—tend to be most likely to be providing PPE to employees and training workers on new safety protocols.

Fig. 2: United States more aggressive about workplace changes—perhaps due to the lingering prevalence of the virus

Q: What actions are you taking or planning to take to keep your employees safe and engaged at work or to return to work in your facilities? *Respondents could select all that apply*



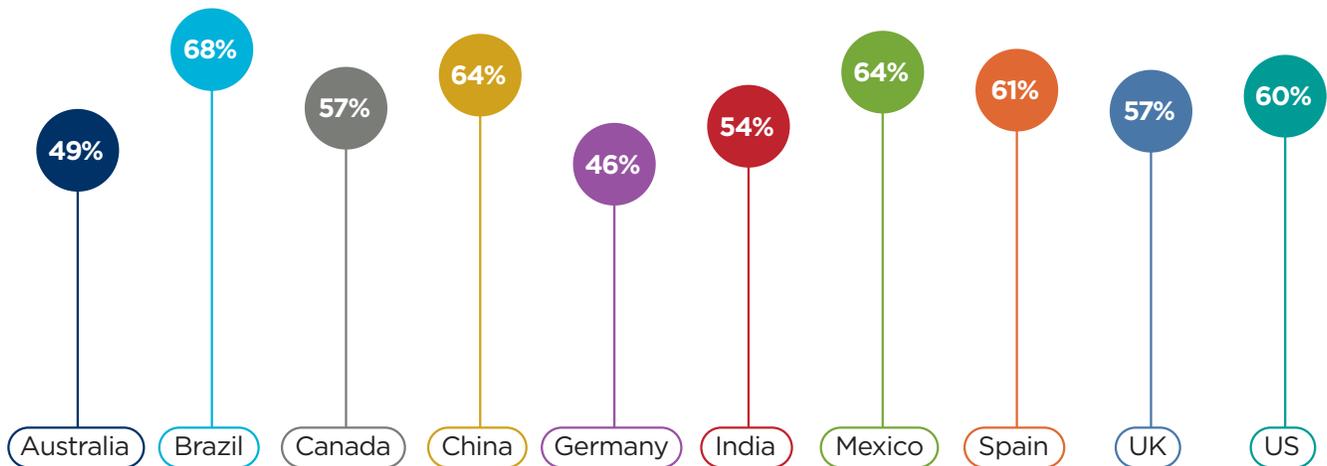
The productivity challenge

Pandemic-induced problems are far from over. Respondents to our survey tend to see maintaining productivity under new work regimens as their top obstacle due to COVID-19. Similarly, another recent survey of small and midsize enterprises from SAP and Oxford Economics found that operating at full capacity—closely related to productivity—was among the top-two areas requiring a significant shift in strategies; however, the ability to accommodate remote work and maintain employee productivity was much less likely to register, suggesting that the strain on productivity may stem from other factors.⁴

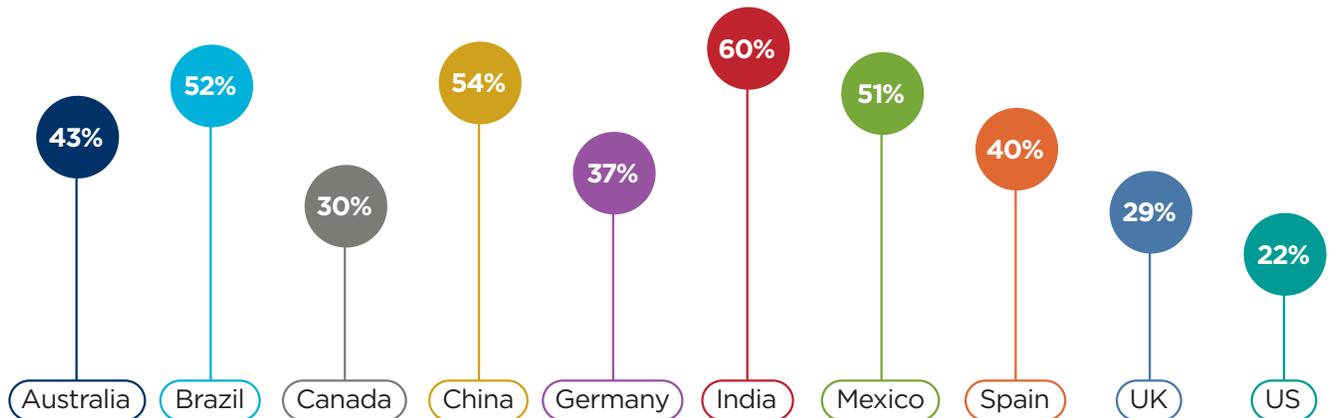
Fig. 3: Performance and productivity are still top of mind for employers

Q: What do you think are the biggest challenges for businesses after COVID-19? *Top challenges shown*

Maintaining productivity given new ways of working



Reskilling the workforce to work with new technologies



⁴ <https://www.sap.com/cmp/dg/sme-business-resilience/index.html>

The future of work arrives early

A critical point to remember: there is no single defining experience of “work” during the pandemic era. For example, remote work is not an option for many people—nearly half our respondents say most workers must be on-site to do their jobs. Our early economic research showed profound disparities in the impact of workforce reductions in the US based on employment type (e.g., hourly vs. salaried), and over two-thirds of our recent global survey respondents agree that experiences in the lockdown vary by job role.

Even those who have the option of flexible work may not have access to the technology and environments they need to be productive from afar. In the US, sales and marketing, HR, finance and accounting, and managerial workers are much more likely to have the technology and environment needed to do their jobs remotely than service or field workers, general staff, or customer service workers. Outside the US, respondents are generally less likely to say employees have what they need to work remotely, with the exception of service or field workers and general staff.

Adequate access to technology for remote work is no guarantee that an employee’s specific needs are met. Other complex factors, such as bandwidth and privacy to support multiple members of a household, access to childcare, cultural expectations around gender roles, and financial and personal circumstances, also play a major role. For example, a family with the laptops and internet access needed for remote work and schooling may still not be in a position to successfully work or learn remotely due to lack of privacy or other household constraints.

The consequences of these inequities are beginning to emerge. In the US, 1.1 million people left the workforce in August and September—nearly three-quarters of whom were women. Research suggests that many are struggling with childcare and work-life balance.⁵ (Though we do not have data on how this trend is playing out in other countries from our survey sample, it is likely that the problem is more pronounced in the United States due to the higher unemployment rate and different methods of disbursing economic relief.)

Despite the scale of this problem—and the potential negative effect on inclusion in the workforce for years to come—many respondents in our survey are not yet taking the steps needed to avoid this potential disaster. In the US, less than half say they are changing benefits to foster inclusion, like adjusting childcare benefits. HR leaders will need to pay close attention to how well work schedules, locations, and benefits are serving the particular needs of their employees. (See our sidebar, *A new focus on diversity and inclusion*, for more detail.)

⁵ <https://www.nytimes.com/2020/10/03/us/jobs-women-dropping-out-workforce-wage-gap-gender.html>

The post-pandemic talent crisis

Boosting employee skills and career development has long been a staple of leadership to-do lists. A 2015 global research program from Oxford Economics and SAP SuccessFactors found that workers were seriously worried that their skills would not keep them employable in the long-term, and another 2020 survey from SAP found that more than two-thirds of employees believe they will need to learn new skills to keep their current job in the future.

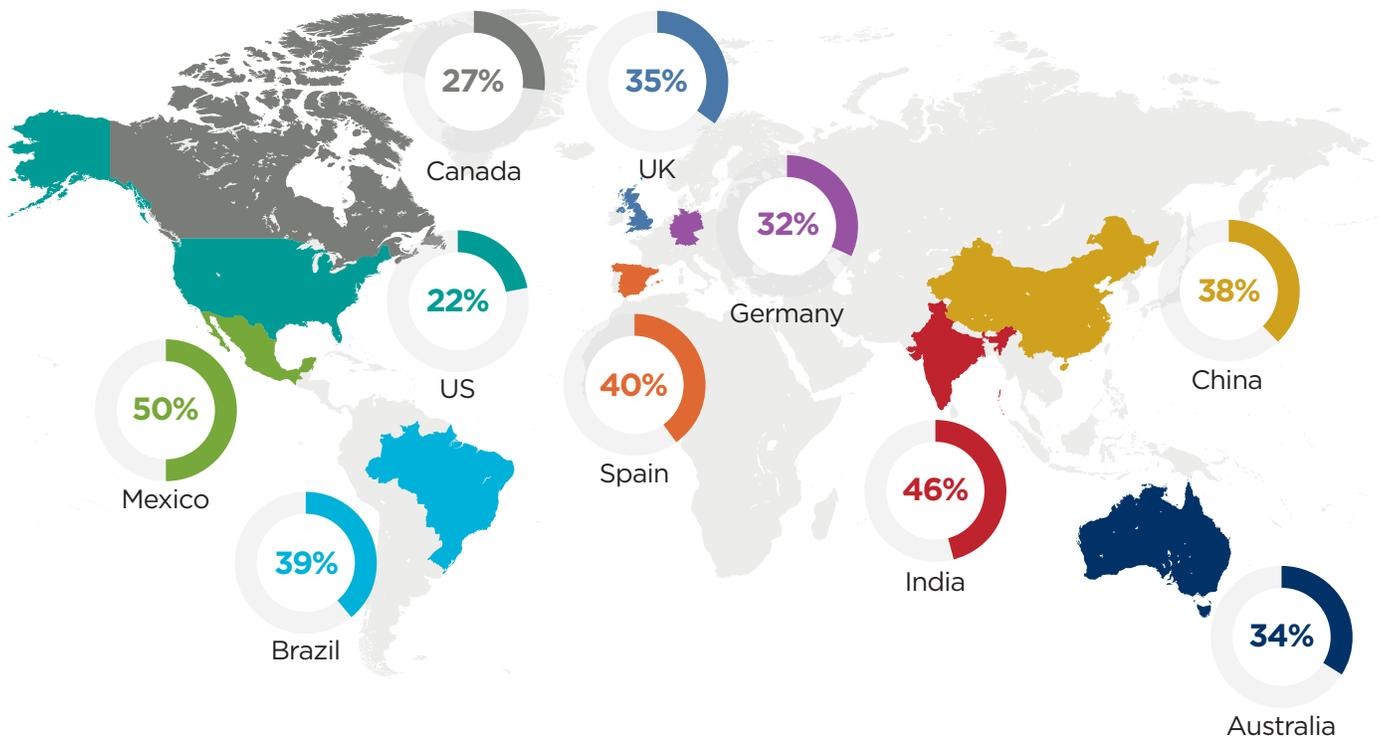
Executives have a reason to make reskilling a priority: securing skilled talent is a top challenge to carrying out strategic change initiatives.⁶ The imperative has only gotten more urgent as automation changes more job descriptions, and especially as employers may rehire a different set of employees than the ones they let go as the crisis hit.

None of these employment challenges can be solved with an eye only to crisis management. HR leaders must fill immediate gaps while also preparing for continual change. Our survey shows that, while talent challenges are top of mind for respondents, many may be addressing short-term priorities instead of building for the future—an understandable emphasis when disaster looms, but not a sustainable strategy. For example, respondents are far more focused on the challenge of maintaining productivity than they are on reskilling workers or increasing diversity and equity—both of which will be necessary to reaching performance goals and retaining talent.

Fig 4: Are employers investing enough in learning programs?

Q: Which technologies do you plan to invest in over the next 12 months? *Respondents could select all that apply*

Learning programs for reskilling and upskilling, as well as new procedures



⁶ <https://news.sap.com/2020/09/data-systems-thinking-approach-manage-pandemic/>

The future of work arrives early

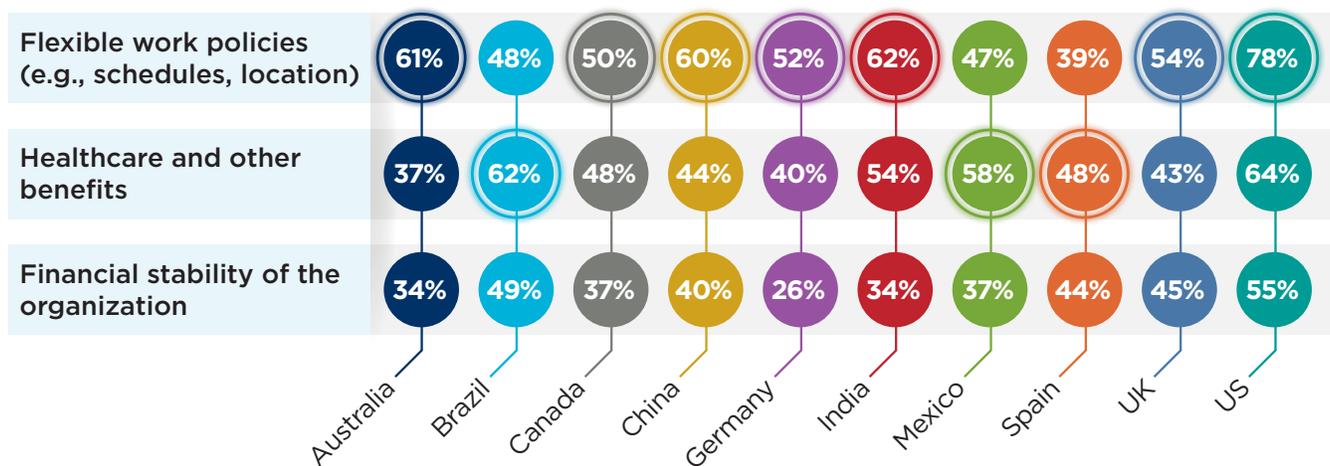
Employers outside the US, however, seem to be more focused on reskilling workers, as evidenced by their technology investments. While just 22% of US respondents expect to invest in learning programs for reskilling over the next 12 months, 38% of all HR leaders outside of the US expect to do so, with respondents from Mexico and India most likely to say this is the case.

Some of the lack of emphasis on reskilling may be due to the fact that most hires in the coming months are expected to be new to the organization, rather than promoted from within. This buy-versus-build mentality may be a short-term solution to filling skills gaps, but will likely not be as effective in retaining institutional knowledge.

Adjustments to training and development programs must happen as employers deal with broader organizational changes, like that fact that many workers are not interested in going back to an office full time. HR leaders expect flexible work policies to become much more important to their ability to attract and retain talent over the coming years, and greater flexibility for remote work is seen around the world as a top long-term change to the workplace. That means learning programs will need to be adaptable to fit employees in different locations and with other individualized needs.

Fig 5: Flexible work policies are expected to be a talent differentiator

Q: To what extent do you expect the following to become less or more important in an organization's ability to attract or retain talent, given the effect of COVID-19? *"Much more important"* and *"Somewhat more important"* responses



Accelerating technology adoption

New ways of working have required employees to master a succession of new tools throughout the digital era. Adapting to changes in technology, processes, and talent strategies is a familiar challenge for employers, particularly HR professionals. But the severity of the pandemic has forced the adoption of many technologies practically overnight.

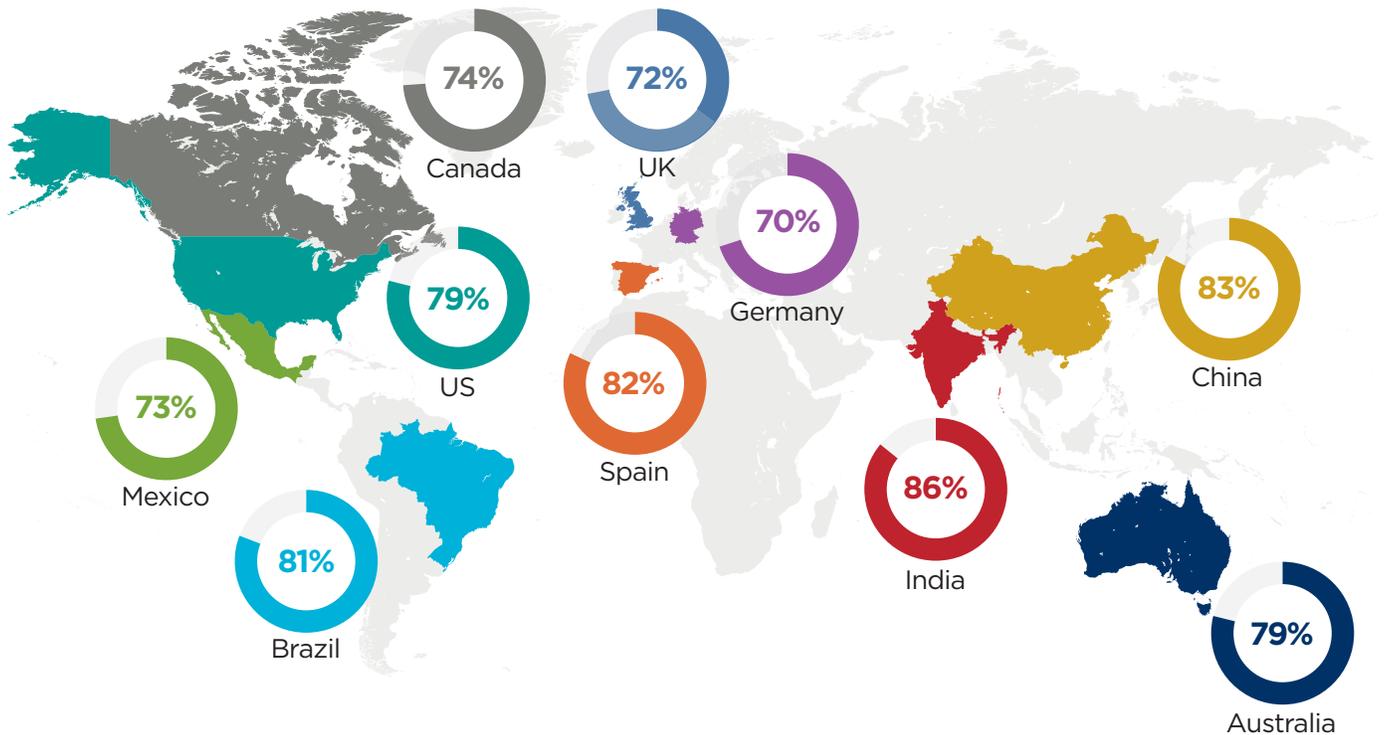
HR leaders tend to be confident in how their organizations rose to the challenge, with more than three-quarters agreeing that their company has the technology it needs to navigate the changing work environment.

Remote collaboration tools will see the most investment over the coming months as a response to COVID-19 according to our survey respondents, far ahead of analytics or technologies to ease the return to work (e.g., tools for testing and tracing), suggesting that many respondents think flexible work is truly the way of the future.

Fig. 6: Employers think they have the technology they need for the new workplace

Q: To what extent do you agree with the following statements? *“Agree” responses*

My company has the technology it needs to navigate the changing work environment





FAST FACTS ON THE SHIFT TO REMOTE WORK

- I Over half of respondents expect to have greater flexibility regarding remote work as a response to COVID-19. Respondents in the United States (64%), United Kingdom (57%), Spain (54%), Germany (54%), and Canada (54%) are most likely to say this is the case.
- I Among those countries most likely to be more flexible about employees working remotely, respondents in the UK are most likely to say they expect to reduce their office footprint in the next year (48% say so).
- I Remote collaboration tools tend to be the top technology investment for the coming year, even among the countries less focused on remote working—a possible sign that getting technology and processes in place precedes operational changes.
- I Remote work tools go beyond collaboration. HR leaders also must think of broader employee experience and development tools in the longer term—yet learning programs are not a major focus for many of our respondents.

The technology required to make this sea change happen will likely look different around the world and across industries, with developed economies generally less likely to say they are planning to spend on the tools needed for remote work. For example, mobile platforms—as critical to effective remote work as any other tool—are more of an investment focus in India (39% plan to invest), Mexico (37%), and Brazil (32%), compared to other developed countries that may have already made substantial mobile investments, or that integrate mobile into other technology investments.

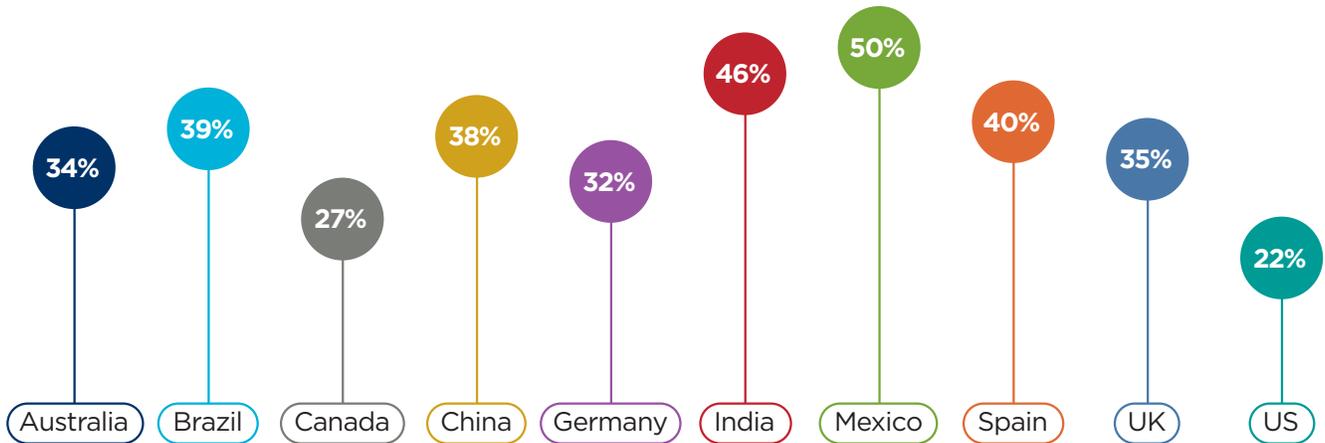
Planned spending on return-to-work technologies for testing and tracing also tends to be highest in developing economies, likely reflecting the greater need to return to in-person facilities (although India is also focused on remote-work management technologies).

Management must also make sure that employees have access to the enablers they need to do their jobs remotely, including connectivity and environments where they can focus, along with the training they need on new processes for both on-site and remote work. Availability and access tend to vary around the world: our respondents in China, Spain, Germany, India, and Mexico are more likely than their peers in Australia, Canada, and Brazil to say most workers could work from anywhere but do not have the technology or environment they need.

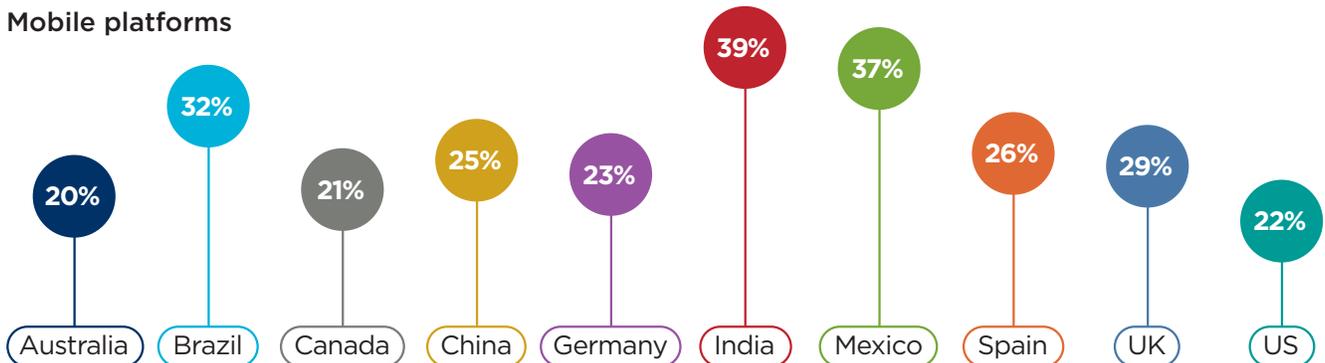
Fig. 7: Remote collaboration tools are in focus

Q: Which technologies do you plan to invest in the most over the next 12 months? *Respondents could select all that apply*

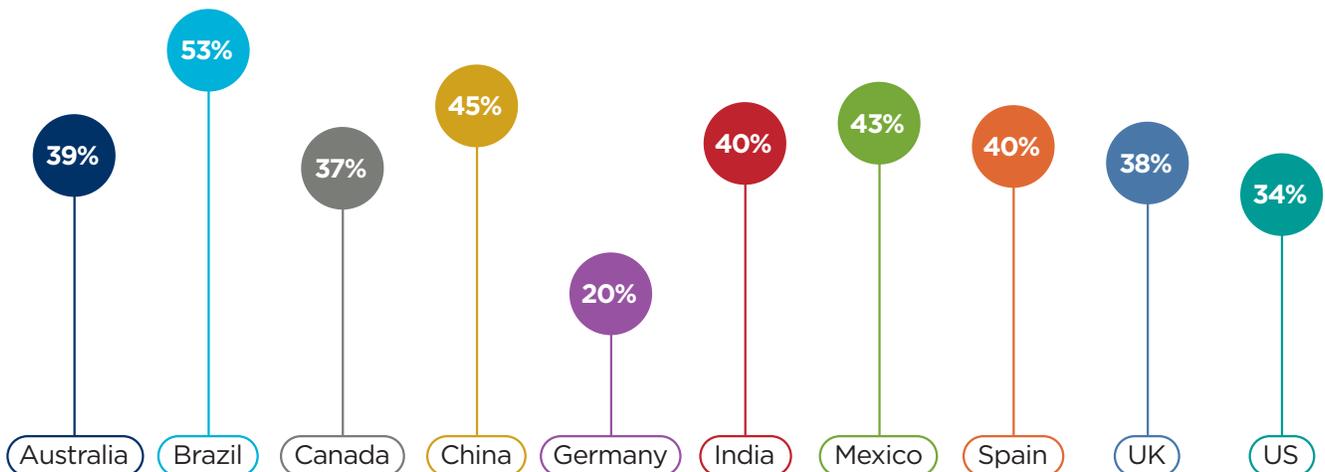
Learning programs for reskilling and upskilling, as well as new procedures



Mobile platforms



Remote collaboration tools



A new focus on diversity and inclusion

During a major health crisis, waves of social unrest and calls for racial justice and labor protections in the United States and around the world gave companies another reason to rethink their workplace policies and long-term talent strategies. To understand how employers are responding to these renewed and urgent calls to action, we included a survey question about diversity and inclusion efforts in our study.

The results suggest that leaders at many organizations are still talking a better game than they play. Nearly nine in 10 US respondents (86%) say their organization is likely to recommit to corporate culture and values over the next 12 months, and more than three-quarters say they will likely practice inclusive hiring and promotion (82%). However, fewer (about half to two-thirds, depending on country) have taken concrete steps such as adjusting wages, changing marketing strategies, increasing leadership diversity, changing structure and benefits to foster inclusion, or organizing an inclusion event.

Respondents from the international sample are more likely than their peers in the US to say they are making meaningful changes, like adjusting wages to address inequities or marketing products and services to demographic groups that have received inadequate attention.

Responses to COVID-19 are closely intertwined with conversations about equity and social justice. For example, a focus on ramping up childcare options (not a priority for respondents in our sample) is important to supporting diversity inclusion, as many working parents are juggling homeschooling with remote work or returns to the workplace. (Our first wave of surveys in the second quarter of 2020 showed that more than three-quarters of US respondents did not plan to provide childcare assistance post-COVID-19, including extending work-from-home benefits to those with children at home.) The fact that more than two-thirds (70%) of respondents to our 2020 study about systems thinking say that their social reputation (e.g., commitment to diversity and equality) provides an advantage when searching for skilled talent—and a similar number says that it helps them retain talent—underscores the imperative of getting this response right.⁷

Respondents have acknowledged that several factors (including work/life balance, diversity and inclusion, compensation) will become more important in attracting and retaining talent due to COVID-19; making those things a reality will require more than just good intentions.

⁷ <https://news.sap.com/2020/09/data-systems-thinking-approach-manage-pandemic/>

What comes next?

Trend acceleration and big workplace shifts are not over. Companies need to adopt dynamic policies and processes to prepare for rapid changes and their knock-on effects. Where to start?



Balance short-term and long-term needs.

Our data shows that many may be giving short shrift to long-term workforce strategies in the face of disruption. HR leaders must plan now for what comes after the ongoing crisis.



Plan for the particular.

There is no one-size-fits-all solution to a global challenge that affects every aspect of business and organizational culture. Decision-makers must account for employees in different locations, job types, and personal situations to help their entire workforce stay safe, healthy, and productive.



Stay focused on employee development.

New ways of working demand new skills, including technical capabilities and workplace behaviors that must be learned on the fly. Managers need to make sure reskilling efforts do not fall by the wayside, and prioritize communication and constant contact with their workforce.



Account for inequities.

Certain job roles have been disproportionately affected by layoffs and wage cuts or are more vulnerable to virus exposure, and the enablers of remote work are not always available to all employees. Organizations must make sure their social consciences have practical applications for their own employees.

For more results from our research, including a series of fact sheets showing results by country, see the landing page for our research program. <http://www.sap.com/human-experience-shrm-oe>

Tracking 2020: A look at US employer responses to COVID-19

This global research program is an extension of ongoing work by SHRM and Oxford Economics to measure the impact of the COVID-19 pandemic on the US economy. Four pulse surveys of SHRM members were conducted throughout April and May of 2020 to assess changing employment figures across industries. A look back at the research shows that, in many cases, our survey data predicted trends that would later show up in official statistics.

- The first cycle of the research, conducted April 13 through April 15, showed that layoffs were far from over in the United States. The data also showed that earnings were falling even for those employees still working, either due to deferred compensation or reduced hours. Just 5% of employers thought most employees would still be working from home in mid-September.
- Economic hardship is not limited to workers who lose their jobs. The second cycle of the research, conducted April 27 through May 1, showed that annualized lost earnings totaled \$1.3 trillion, and salary reductions accounted for 20% of the loss.
- The third cycle of the research, conducted May 12 through May 15 as many states were beginning to reopen, showed that more employers expected to hire than fire employees. But this was not the case across the board: restaurants, hotels, and retailers showed optimism, whereas government, education, and transportation showed continued (or even increasing) pessimism.
- The fourth cycle of the research, conducted between May 26 and May 29, revealed a split narrative. Many more employers expected to increase employment over the coming months (36%) than to reduce employment (8%). However, each action expected to reduce employment impacted far more employees than each action expected to increase employment. Prospects of being recalled to work were far better among those employees that were furloughed compared with those who were laid off.
- The latest cycles of the research, conducted in August and September of 2020, point to ongoing economic disparities for hourly and salaried employees. In the US, hourly workers were working 3.5% fewer hours on average in July than they were in January—a substantial percentage, considering that hourly workers accounted for well over half of the US workforce in 2019. At the same time, US employers in our sample hired about twice as many workers as they let go in the past month—but this job growth was much stronger for hourly workers than it was for salaried workers. Perhaps unsurprisingly, some sectors have fared better than others. Restaurants and hotels tend to be hardest hit in terms of jobs lost and hours worked by employees.

To review earlier cycles of the research, see shrm.org/trackingcovid2020

Methodology

The research findings detailed in this report are based on parallel surveys fielded between Q2 and Q3 in 2020. Respondents to both surveys spanned industries, sizes, and locations within ten countries.

The US survey targeted HR professionals from SHRM's membership. It is important to note that this is a sample of SHRM members, and therefore is not necessarily representative of US businesses and other organizations as a whole.

The international survey was fielded to HR managers outside SHRM's membership. This survey was administered through an independent survey vendor. Respondents to this survey spanned industries, sizes, and locations, but responses may not be representative of the national economies.



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