

## Section 1

### Executive Summary

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*If you cannot accurately predict the future then you must flexibly be prepared to deal with various possible futures.*

Edward de Bono

This report, the third in a series examining the evolving employment relationship between employers and employees (what we call 'the Deal'), sets out to expose the key drivers that are likely to influence the nature of the employment deal in 2020 and imagines three distinct scenarios that throw up a range of issues for people management.

Trying to predict the future is an unenviable task. The mysterious unknown becomes the blindingly obvious through the course of time, yet it is usually hindsight not foresight that provides us with that clarity of vision. In the world of work some predictions (the demise of the job for life, the rise of the portfolio career) have stepped wide of the mark while others (the impact of technological advances on worker mobility) have struck gold. Even if predictions do not come to pass, anticipating the future helps us to plan for the changing expectations of employers and employees and the implications of change on the working world and wider society.

This report demonstrates the value in reflecting on the future of people management. It aims to provide those responsible for people management, with a number of considerations that potentially could affect the nature of the employment relationship, and highlights their instrumental role in shaping and responding to these challenges.

#### **1.1 People management assumptions**

Any discourse about the future of people management lacks context without consideration of the changing nature of organisational context, employment models and the employment relationship ('the Deal'). That the future of HR literature tends to largely ignore the interplay between wider contextual factors and the future of the profession is of concern given that many commentators see a vital role for HR as the architects of the agility that will enable organisations to respond and adapt to these challenges. One only has to consider some of the changes that have taken place in the last 100 years to appreciate the need for organisations to ready themselves for further discontinuities.

What is clearly missing from the literature is a breadth of vision that encompasses the external contextual factors that will shape organisations in the future and thus significantly impact the role, impact and capability requirements of HR and those broadly responsible for people management.

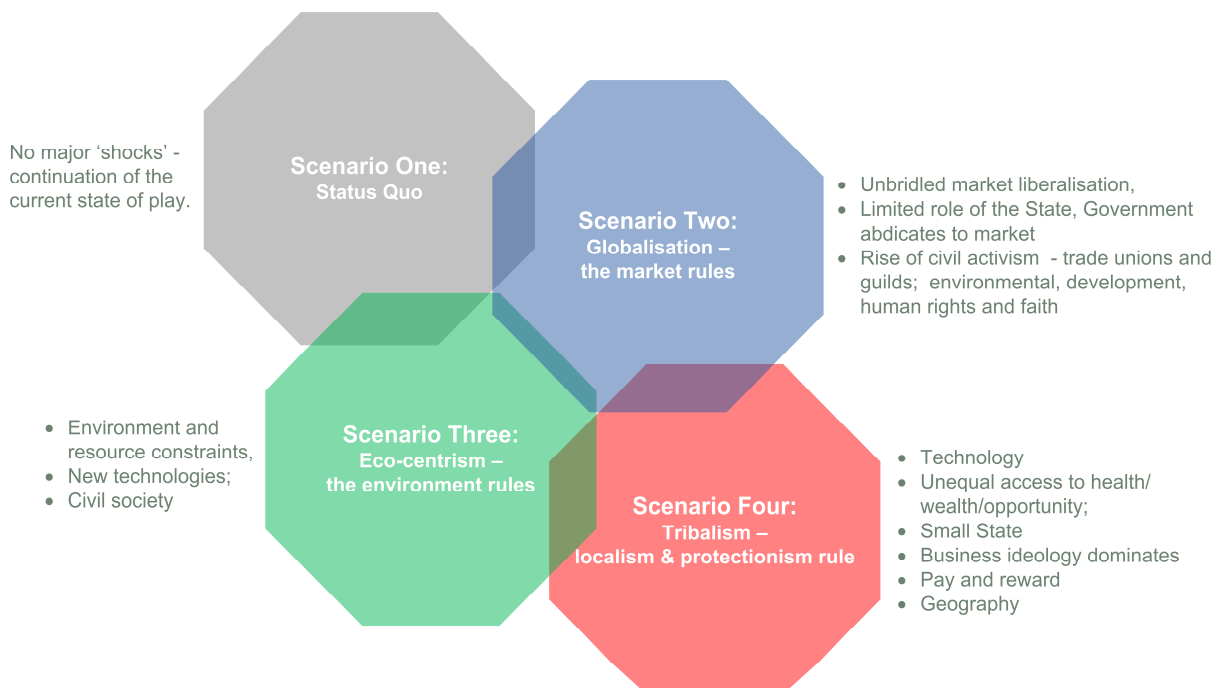
The future of work literature highlights a number of key drivers that will impact work in the future. Trend analysis emphasises the potential impact of changing demographics on the world of work – in particular, population growth, the ageing nature of the population, the patterns influencing the changing demographics in the workplace, the impact of migration; and the growth of new industries with a particular focus on the knowledge economy. The data suggests that organisations should be focusing on the impact of changing demographics on employee health and wellbeing; engagement; the advent of new business models that will embrace different forms of contractual flexibility and give rise to a more 'hourglass' shaped organisation

characterised by the talented elite and the less skilled masses; the combined impact of changing demographics and technological advances on the potential and need for more flexible models of work; the potential demand for a more mobile workforce; and the role of workplace trust and control in a world where innovation and productivity will become even more central to organisational agility and success.

## 1.2 Drivers of Change

In exploring the 2020 deal, The Work Foundation undertook a Delphi research exercise, inviting a panel of experts from different disciplines to identify what they believed would be the key drivers for shaping the employment deal in the next 10 years. The expert panel agreed that the following drivers will be the most significant: the growth of Information and Communications Technology (ICT); globalisation; faster economic growth in developing economies offset by slower economic growth in developed countries, including the UK; social, economic and workplace inequality; education and skills; the environment/climate change; and the changing role of the State.

These drivers, alongside the review of trend data, have been synthesised into four scenarios that could emerge over the next ten years. Scenarios 2, 3 and 4 deliberately assume discontinuities, yet each is plausible, and designed to open up a reflective space for potential future challenges to people management. Each scenario (2,3, and 4) leads into a discussion of the implications for people management reflecting on the way the future of HR has been framed in the literature and whether the Delphi-led scenarios challenge those views. The report in no way prioritises any scenario as its preferred future.



**Figure 1** The four scenarios

In the 'baseline' scenario, **Status Quo**, the Britain of 2020 is clearly recognisable – it represents a continued trajectory of the trends we see in 2010, with no major shocks along the way. In the second scenario, **Globalisation**, the market is deemed the

most efficient distributor of resources, and the private sector the main source of wealth creation. Scenario Three, **Eco-centrism**, describes a world where the State, business and civil society are shaping the Green revolution and there is a society-wide consensus that sustainability is core and the need to pass to the next generation a healthy planet paramount. The fourth scenario focused on the rise of **Tribalism**, fashioning a world where the market is inadequate to the task of distributing resources for the 'good' of all, inequalities are widening and the stratification of society is stark creating an increasingly fractured, tribal society.

### 1.3 Implications for people management

The report outlines some key challenges for people management in 2020 – some of which are scenario dependent, and some which rely purely on the analysis of trend data. The core implications are likely to strike a chord regardless of which scenario plays out; although the size, scale and scope of the challenge might be intensified or reduced by the synthesis of the different drivers as predicted by our Delphi experts.

- The war for talent is predicted to intensify.
- The burden for skills will fall increasingly on employers who may shift the cost to employees.
- Organisations may see the rise of new business models and a new organisational hierarchy where power and status is aligned with an individual's market value as opposed to role, creating new implications for the balance of power in the firm of 2020.
- Organisations will move away from their current focus on generational diversity, and Generation Y to an emphasis on managing life stage diversity.
- The enabling power of technology combined with the environmental and fiscal need to encourage greater flexible and remote ways of working will pose significant challenges to leadership, virtual team dynamics, and remote people management.
- Predictions of greater globalisation and enhanced mobility of the workforce and rising levels of structural unemployment may place pressure on organisations to shift to models of increasing contractual flexibility.
- Employee engagement thinking should mature with recognition of engagement as an attitude, shaped by core values, which then influences individual and collective behaviour. Approaches to engagement will need to accommodate increasingly polarised organisations that are less defined by place, and more defined by common purpose.
- How organisations engender voice and involvement in the organisation of the future begs consideration but it seems likely that relentless change, increasing inequalities in society and the workplace, widening pay differentials, and limited social mobility may create more opportunities for workplace conflict.
- Pay will continue to be highly competitive as organisations compete for the best talent; there is likely to be a fall out in terms of employee engagement should the gap in pay continue to widen and reward systems will need to encourage, rather than stifle, creativity and innovation.
- Productivity will be key requiring a radical step change in the skill and attitudes of managers to enable greater autonomy and control in the workplace.

The implications for people management are also considered in the light of each of the scenarios, placing emphasis on different factors contingent on the primacy of each of the drivers for change.

This report does not intend to provide a blueprint for HR to respond to significant changes in the context. Instead, this report seeks to demonstrate that for HR to survive in an ever changing future environment, it is vital that the profession looks beyond internal structures and regularly, diligently surveys the road ahead. The future of HR lies in it being the architect of organisational agility and adaptability and whilst HR has traditionally relied on restructuring and streamlining to achieve its own agility, perhaps now is the time for the focus to shift externally if HR is to be relevant and impactful in 2020. The challenges are immense, some recognisable, others less so. What this calls for is a profession that is truly global in its perspective, business-aware, and proactive as it supports organisations to strategically anticipate, plan for and address these challenges to people management and organisational performance.